



## American Fintech Council Testimony

TO: Rhode Island House Committee on Corporations

FROM: Hayden Cole, Director of Federal Government Affairs, American Fintech Council (AFC)

DATE: March 3, 2026

SUBJECT: House Bill 7850

### **Position: Oppose**

Good afternoon, Chair Solomon and members of the Committee on Corporations. My name is Hayden Cole, and I am the Director of Federal Government Affairs for the American Fintech Council (AFC). Thank you for allowing me to testify today in opposition to House Bill 7850 (H 7850).

AFC is a standards-based trade association representing responsible fintech lending companies and their innovative bank partners. Our members do not originate loans with interest rates above 36%. I believe that AFC and the sponsors of this bill share a common goal: protecting consumers from predatory lending practices. Unfortunately, the fact that H 7850 opts the state of Rhode Island out of the Depository Institution Deregulation and Monetary Control Act of 1980 (DIDMCA), renders this legislation a blunt and legally questionable tool to address a nuanced issue.

Simply put, H 7850 will diminish access to credit for Rhode Island families and put your state-chartered banks at a severe competitive disadvantage. Under current law, state-chartered community banks can partner with fintech companies to offer much needed, safe and affordable access to credit. This bill upsets the competitive balance in the financial services industry and puts state-chartered banks at a significant disadvantage as compared with nationally chartered banks. Rhode Island interest rate caps apply only to state-chartered banks; and regardless if this bill passes, national banks will continue charging the higher rates permitted under federal rules.

This perspective was echoed in 2024, when a similar bill was heard by this committee, Director Elizabeth K. Dwyer of the Rhode Island Department of Business Regulation (DBR) wrote a letter to Chair Solomon warning that passing the measure could have a detrimental impact on Rhode Island banks. Those risks remain relevant if H 7850 passes this year.

It is important to note that this bill is based on the ideas of a small group of Iowa lawyers, who claim that Iowa's decision to opt-out of DIDMCA proved beneficial for their consumers. These assertions were made without any data. Based on an analysis of AFC's members, each year at least 250,000 Iowans are missing out on loans at responsible rates, totaling approximately \$300 million. This hardly seems like a robust lending environment. It is exactly for this reason that in the 1980's, after the passage of DIDMCA, of the eight states that initially opted out of the law, six quickly reversed course and opted back in<sup>1</sup>. If passed, H 7850 will decrease access to responsible credit in Rhode Island as it did in Iowa, putting Rhode Island based community banks at a disadvantage and leave many of your constituents with no option but to rely on predatory alternatives.

Further, as written, H 7850 adds an entirely new and more aggressive element compared to last year's opt-out bill by creating a standalone "Anti-Evasion of Lending Rules Act of 2026" with a predominant economic interest (PEI) / "totality of the circumstances" framework, expansive "persons purporting not to be lenders" coverage, and severe remedies (including voiding loans and enhanced damages). AFC strongly opposes this new inclusion because it is designed to broaden capture well beyond state-chartered programs (potentially sweeping in national bank programs via the PEI construct), and its breadth, paired with the violations/voiding provisions, cuts directly against settled secondary-market and bank-rate doctrines such as "valid-when-made," creating substantial litigation exposure, compliance uncertainty, and likely contraction in responsible credit options for Rhode Island consumers.

Additionally, in 2024, AFC brought legal action against the state of Colorado for passing a similar bill. Opting out of DIDMCA is not legally valid, nor is it sound public policy. Rhode Island, like Colorado, does not have the right under DIDMCA to set rates and fees for state-chartered banks that are not actually making loans (as defined under federal law) in Rhode Island. H 7850 would face the same legal issues as the Colorado law if passed.

For these reasons, on behalf of AFC, I respectfully request that the Committee hold or table H 7850 and pursue a more targeted approach that addresses bad actors without harming Rhode Island-chartered banks or reducing access to safe, affordable credit. Thank you.

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<sup>1</sup> Upon initial passage of DIDMCA, Colorado, Iowa, Maine, Massachusetts, Nebraska, North Carolina, Puerto Rico, and Wisconsin opted out. However, all jurisdictions other than Iowa and Puerto Rico rescinded their opt-outs.