



American Fintech Council Testimony

TO: The Rhode Island Senate Committee on Commerce
FROM: Hon. Phil Goldfeder, CEO, American Fintech Council (AFC)
DATE: March 12, 2024
SUBJECT: Senate Bill 2275

Position: Oppose.

Testimony:

Thank you Chair Sosnowski, Vice-Chair Picard, and members of the Senate Committee on Commerce for providing me the opportunity to testify before you in opposition to Senate Bill 2275 (SB 2275). My name is Phil Goldfeder, I served as a senior advisor to Senate Majority Leader Chuck Schumer, and I am a former state legislator from the state of New York. I now continue in my public service as the CEO of the American Fintech Council (AFC).

As CEO of a standards-based trade association representing responsible fintech companies of all sizes and their innovative partner banks, I recognize that not all bank-fintech partnerships are created equal. While AFC members do not offer loans above 36 percent interest, other bank-fintech partnerships do not hold themselves to such a standard. Unfortunately, this bill is a blunt legislative solution for an issue that requires nuance and will end up harming consumers.

SB 2275 diminishes access for Rhode Islanders. Under the current law, state-chartered community banks can partner with fintech companies to offer much needed, safe and affordable, credit to consumers. This bill opts Rhode Island out of the federal law that enables community banks to compete with national banks. As a result, this will significantly decrease the supply of affordable credit in Rhode Island at a time when, according to the CFPB, credit card interest rates are at an all-time high and being driven by a lack of competition. Consumers deserve options in financial services to choose the most appropriate financial product that best serves their needs in the moment.

This bill will have no impact on national banks, who are not beholden to Rhode Island laws. They will be able to continue offering lending products at the rate cap of their home state if one exists.

It is important to note that SB 2275 is based on the ideas of a small group of Iowa lawyers, who claim that Iowa's decision to opt-out of rate exportation proved beneficial for their consumers, without any proving that with any data. Proponents of SB 2275 will tell you that lending activity

is robust in Iowa. However, 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.

If passed, SB 2275 will decrease access to responsible credit as it did in Iowa, put community banks at a disadvantage and leave many Rhode Islanders— particularly those in minority communities— with no option but to rely on far too many predatory and high-interest alternatives. Consumers once responsibly served through bank-fintech partnerships will now either have no option for credit or be forced to engage with high-interest payday or predatory lenders or nationally chartered banks that are not beholden to Rhode Island's interest rate cap.

I do not want the same scarcity of lending options in Iowa to befall Rhode Island consumers as well. Therefore, I respectfully request that this committee table this bill to consider the nuance needed to properly solve the issues discussed, and not harm the hundreds of thousands of Rhode Islanders being responsibly served by AFC members. I thank you again for the opportunity to raise my concerns regarding SB 2275 and I am open to answering any questions.