

2022 -- S 2435 SUBSTITUTE A

LC003330/SUB A

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2022

A N A C T

RELATING TO COMMERCIAL LAW--GENERAL REGULATORY PROVISIONS --
INTEREST AND USURY

Introduced By: Senators Raptakis, Lombardo, F Lombardi, Murray, and Burke

Date Introduced: March 01, 2022

Referred To: Senate Commerce

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 6-26-2 of the General Laws in Chapter 6-26 entitled "Interest and
2 Usury" is hereby amended to read as follows:

3 **6-26-2. Maximum rate of interest.**

4 (a) Subject to the provisions of title 19, no person, partnership, association, or corporation
5 loaning money to or negotiating the loan of money for another, except duly licensed pawnbrokers,
6 [and a state or federally chartered financial organization](#) shall, directly or indirectly, reserve, charge,
7 or take interest on a loan, whether before or after maturity, at a rate that shall exceed ~~the greater of~~
8 ~~twenty one percent (21%) per annum or the alternate rate specified in subsection (b) of this section~~
9 [twelve percent \(12%\)](#) of the unpaid principal balance of the net proceeds of the loan not
10 compounded, nor taken in advance, nor added on to the amount of the loan.

11 (b) ~~The alternate rate means the rate per annum that is equal to nine percentage points (9%)~~
12 ~~plus an index that is the domestic prime rate as published in the Money Rates section of The Wall~~
13 ~~Street Journal on the last business day of each month preceding the later of the date of the debtor's~~
14 ~~agreement or the date on which the interest rate is redetermined in accordance with the terms of the~~
15 ~~debtor's agreement. If the Wall Street Journal ceases publication of the prime rate, the director of~~
16 ~~business regulation shall designate a substantially equivalent index. In the event an index is~~
17 ~~published as a range of rates, then the lowest rate shall be the index.~~

18 (c)(1) For purposes of this section, interest shall not be construed to include:

- 1 (i) Charges pursuant to chapter 30 of title 27;
- 2 (ii) Premiums for insurance in an amount not exceeding the reasonable value of property
3 offered as security for a loan against any substantial risk of loss, liability, damage, or destruction
4 in conformity with the insurance laws of this state;
- 5 (iii) Premiums for insurance providing loss of income or involuntary unemployment
6 coverage if the coverage is not a factor in the approval by the lender of the extension of credit and
7 the debtor gives specific written indication that the cost of this coverage has been conspicuously
8 disclosed to the debtor; that the debtor realizes that the coverage is not a condition for the extension
9 of credit; and that the debtor voluntarily desires the coverage;
- 10 (iv) Commercial loan commitment or availability fees to assure the availability of a
11 specified amount of credit for a specified period of time or, at the borrower's option, compensating
12 balances in lieu of the fees;
- 13 (v) Reasonable attorney's fees customarily charged for the preparation of loan, security, or
14 mortgage documents and for the collection of defaulted loans;
- 15 (vi) Fees for title examination or title insurance;
- 16 (vii) Other customary and reasonable costs incident to the closing, supervision, and
17 collection of loans in this state; and
- 18 (viii) Consideration received for the redemption, sale, transfer, or other disposition of
19 equity securities by a small business investment company licensed under the provisions of the
20 "Small Business Investment Act of 1958", 15 U.S.C. § 631 et seq., as amended, or an entity that
21 would qualify for regulation as a business development company under the provisions of the
22 "Investment Company Act of 1940", 15 U.S.C. § 80a-1 et seq., as amended, whether or not the
23 equity securities were acquired by a small business investment company or business development
24 company in connection with or as an incident to the extension of credit.
- 25 (2) Any of the preceding charges, if paid or advanced by the lender, may be considered
26 part of the net proceeds of the loan, and if paid by the debtor, shall not be deducted from the net
27 proceeds of the loan.
- 28 (d) Notwithstanding anything to the contrary in this chapter or in any other provision of
29 Rhode Island law, the provisions of this chapter shall not be applicable with respect to credit card
30 transactions as defined in chapter 26.1 of this title. Chapter 26.1 shall apply exclusively to all such
31 transactions.
- 32 (e) Notwithstanding the provisions of subsection (a) of this section and/or any other
33 provision in this chapter to the contrary, there is no limitation on the rate of interest that may be
34 legally charged for the loan to, or use of money by, a commercial entity, where the amount of

1 money loaned exceeds the sum of one million dollars (\$1,000,000) and where repayment of the
2 loan is not secured by a mortgage against the principal residence of any borrower; provided, that
3 the commercial entity has first obtained a pro forma methods analysis performed by a certified
4 public accountant licensed in the state of Rhode Island indicating that the loan is capable of being
5 repaid.

6 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

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- 1 This act would reduce the usury rate to twelve percent (12%).
- 2 This act would take effect upon passage.

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