

Honolulu, Hawaii

February 10, 2006

RE: H.B. No. 2968

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 2968 entitled:

"A BILL FOR AN ACT RELATING TO INTEREST RATES,"

begs leave to report as follows:

The purpose of this bill is to even the playing field between lenders with credit card businesses in this state, and lenders with credit card businesses located out-of-state, by providing that the 18 percent limit on credit card interest only applies to the simple interest numeric periodic rate and does not apply to credit card fees.

The Hawaii Bankers Association, Hawaii Financial Services Association, and Hawaii Credit Union League supported the measure.

Your Committee finds that federal law gives banks the right to export the usury law of their state to other states. However, local lenders can only export what Hawaii defines as "interest." In Hawaii, "interest" includes fees, and is limited to 18 percent. This allows Hawaii banks to charge both simple interest and fees on the mainland without worry about the laws of another state. The result, however, is that their fees are limited to 18 percent, which disadvantages them in comparison to their mainland counterparts.



Your Committee finds that removing fees from the usury cap will help banks keep their credit card businesses in Hawaii and increase their competitiveness in the American credit card industry. Your Committee also notes that this bill requires credit card companies to disclose both interest rates and fees to the consumer.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2968 and recommends that it pass Second Reading and be referred to the Committee on Judiciary.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROBERT N. HERKES, Chair



