

Honolulu, Hawaii

March 22, 2006

RE: S.B. No. 3066
S.D. 1
H.D. 1

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

Sir:

Your Committees on Consumer Protection & Commerce and
Judiciary, to which was referred S.B. No. 3066, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO INTEREST AND USURY,"

beg leave to report as follows:

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

The Hawaii Bankers Association supported this bill. The
Commissioner of Financial Institutions of the Department of
Commerce and Consumer Affairs, Hawaii Credit Union League, and
Hawaii Financial Services Association supported the intent of this
bill.

Your Committees find that federal law gives banks the right
to operate in other states using the credit card usury law of
their home states. In Hawaii, credit card "interest" is capped at
18 percent, and is defined to include fees that are considered
interest. This makes it difficult for banks to charge fees
because of uncertainty as to whether a fee will be considered
interest subject to the cap, and cause a usury violation. This
uncertainty creates risks for Hawaii banks and disadvantages them



in comparison to mainland competitors who charge fees without the same uncertainty.

Your Committees find that removing fees that are interest from the usury cap will help banks keep their credit card businesses in Hawaii and increase their competitiveness in the national credit card industry. Your Committees also note that this bill requires credit card companies to disclose both interest rates and fees to the consumer, and does not affect their credit card simple interest numeric periodic rates, which continue to be subject to the 18 percent limit.


Your Committees have amended this bill by:

- (1) Changing its effective date to upon approval; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Consumer Protection & Commerce and Judiciary that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3066, S.D. 1, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3066, S.D. 1, H.D. 1, and be placed on the calendar for Third Reading.


Respectfully submitted on
behalf of the members of the
Committees on Consumer
Protection & Commerce and
Judiciary,



SYLVIA LUKE, Chair

ROBERT N. HERKES, Chair

Record of Votes of the Committee on Judiciary

Bill/Resolution No.: SB3066 SD1 (SSCR2684)		Date: 3/16/06		
Committee Referral: CPC/JUD		<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.		
The recommendation is to: <input type="checkbox"/> Pass, unamended <input checked="" type="checkbox"/> Pass, with amendments <input type="checkbox"/> Hold <input type="checkbox"/> Recommit				
JUD Members	Ayes	Ayes (WR)	Nays	Excused
1. LUKE, Sylvia (C)	✓			
2. OSHIRO, Blake K. (VC)	✓			
3. CALDWELL, Kirk	✓			
4. KANOHO, Ezra R.				✓
5. KARAMATSU, Jon Riki	✓			
6. MORITA, Hermina M.				✓
7. SONSON, Alex M.		✓		
8. SOUKI, Joseph M.	✓			
9. MARUMOTO, Barbara C.				✓
10. THIELEN, Cynthia			✓	
TOTAL	5	1	1	3
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) - Committee Duplicate (Yellow) - HMSO Duplicate (Pink) - Clerk's Office				