

# HB2409 SD1

Measure Title: RELATING TO CONSUMER PROTECTION.

Report Title: Consumer Protection; Lending Practices; Military Sentinel Network

Description: Authorizes the director of commerce and consumer affairs to enforce certain federal laws to protect military members and their families from abusive lending practices. (SD1)

Companion:

Package: None

Current Referral: PGM, CPN

Introducer(s): AQUINO, CABANILLA, CHONG, CULLEN, HAR, HERKES, ITO, MANAHAN, SAY, YAMANE

<u>Sort by Date</u>		<b>Status Text</b>
1/23/2012	H	Pending introduction.
1/25/2012	H	Introduced and Pass First Reading.
1/25/2012	H	Referred to PBM, CPC, FIN, referral sheet 7
1/30/2012	H	Bill scheduled to be heard by PBM on Thursday, 02-02-12 9:00AM in House conference room 309.
2/2/2012	H	The committees on PBM recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 11 Ayes: Representative(s) Aquino, Cullen, Ichiyama, M. Lee, Saiki, Souki, Takai, Takumi, Yamashita, Fontaine, Johanson; Ayes with reservations: none; Noes: none; and 1 Excused: Representative(s) Luke.
2/8/2012	H	Reported from PBM (Stand. Com. Rep. No. 179-12), recommending passage on Second Reading and referral to CPC.
2/8/2012	H	Passed Second Reading and referred to the committee(s) on CPC with none voting aye with reservations; none voting no (0) and Representative(s) C. Lee excused (1).
2/9/2012	H	Bill scheduled to be heard by CPC on Monday, 02-13-12 2:15PM in House conference room 325.
2/13/2012	H	The committees on CPC recommend that the measure be PASSED,

		UNAMENDED. The votes were as follows: 10 Ayes: Herkes, Yamane, Brower, Keith-Agaran, Luke, Souki, Tsuji, Ching, Marumoto, Thielen; Ayes with reservations: none; 0 Noes: none; and 5 Excused: Cabanilla, Carroll, Coffman, Ito, McKelvey.
2/16/2012	H	Reported from CPC (Stand. Com. Rep. No. 516-12), recommending referral to FIN.
2/16/2012	H	Report adopted; referred to the committee(s) on FIN with none voting aye with reservations; none voting no (0) and M. Lee, Souki excused (2).
2/21/2012	H	Bill scheduled to be heard by FIN on Thursday, 02-23-12 10:00AM in House conference room 308.
2/21/2012	H	Broadcast of hearing/briefing available. See: <a href="http://www.capitoltv.org">www.capitoltv.org</a>
2/23/2012	H	The committees on FIN recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 17 Ayes: Representative(s) Oshiro, M. Lee, Choy, Cullen, Giugni, Har, Hashem, Ichiyama, Jordan, Kawakami, C. Lee, Morikawa, Tokioka, Yamashita, Marumoto, Riviere, Ward; Ayes with reservations: none; Noes: none; and Excused: none.
3/2/2012	H	Reported from FIN (Stand. Com. Rep. No. 747-12), recommending passage on Third Reading.
3/6/2012	H	Passed Third Reading with none voting aye with reservations; none voting no (0) and none excused (0). Transmitted to Senate.
3/8/2012	S	Received from House (Hse. Com. No. 203).
3/8/2012	S	Passed First Reading.
3/8/2012	S	Referred to PGM, CPN.
3/9/2012	S	The committee(s) on PGM has scheduled a public hearing on 03-13-12 2:50PM in conference room 224.
3/13/2012	S	The committee(s) on PGM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in PGM were as follows: 4 Aye(s): Senator(s) Espero, Kidani, Baker, Ryan; Aye(s) with reservations: none ; 0 No(es): none; and 1 Excused: Senator(s) Slom.
3/19/2012	S	Reported from PGM (Stand. Com. Rep. No. 2842) with recommendation of passage on Second Reading, as amended (SD 1) and referral to CPN.
3/19/2012	S	Report adopted; Passed Second Reading, as amended (SD 1) and referred to CPN.

3/27/2012	S	The committee(s) on CPN will hold a public decision making on 03-30-12 9:30AM in conference room 229.
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NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR

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KEALI'I S. LOPEZ  
DIRECTOR

PRESENTATION OF THE  
OFFICE OF CONSUMER PROTECTION

TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

THE TWENTY-SIXTH LEGISLATURE  
REGULAR SESSION OF 2012

Friday, March 30, 2012  
9:30 a.m.

WRITTEN COMMENTS

TESTIMONY ON HOUSE BILL NO. 2409, S.D. 1, RELATING TO CONSUMER  
PROTECTION.

TO THE HONORABLE ROSALYN H. BAKER, CHAIR  
TO THE HONORABLE BRIAN T. TANIGUCHI, VICE CHAIR,  
AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs ("DCCA"), Office of  
Consumer Protection ("OCP") appreciates the opportunity to appear today and testify on  
H.B. No. 2409, S.D. 1, Relating to Consumer Protection. My name is Bruce B. Kim and  
I am the Executive Director of OCP. OCP supports H.B. No. 2409, S.D. 1.

Members of our armed forces and their dependents face many significant  
challenges. Multiple overseas deployments and coping with a spouse's prolonged

absence from home can lead to a great deal of emotional and financial stress. Our service members and their families may be particularly vulnerable to unscrupulous lenders who may charge excessive fees and interest rates, make loans without regard to the borrower's ability to repay, refinance a borrower's loans repeatedly over a short period of time without any gain for the borrower, or in worst cases, commit outright fraud or deception.

When Department of Defense ("DOD") representatives contacted OCP and asked for assistance on this measure, they made a convincing case that Hawaii needed to consider such legislation to help the DOD enforce these important consumer protection regulations for our service members and their dependents.

Hawaii's payday lending law, Chap. 480F, already affords significant protections to consumers. However 32 CFR 232, "Limitations on Terms of Consumer Credit Extended to Service Members and Dependents", has protections specific to service members and their families which are not found in Chap. 480F. These additional protections would provide OCP with additional enforcement avenues in pursuing unscrupulous payday lenders who try and take advantage of an unsuspecting service member or his or her dependent. Since local payday lenders are already subject to the John Warner National Defense Authorization Act for Fiscal Year 2007 (Public Law No. 109-364) ("Act") and 32 CFR Part 232, providing OCP with authority to enforce these measures is an important step in the right direction. It would be another arrow in OCP's enforcement quiver against unscrupulous payday lenders in Hawaii.

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This bill is a common sense reasonable measure allowing the DCCA through OCP to enforce these important consumer protections for the benefit of our service members and their dependents. It further authorizes the DCCA through OCP to enter into an agreement to access the Military Sentinel Network maintained by the Federal Trade Commission ("FTC"). OCP would benefit greatly if it was allowed access to this useful FTC database.

OCP therefore strongly supports passage of H.B. No. 2409, S.D. 1.

I appreciate the opportunity to testify on behalf of this bill today and would be happy to answer any questions the Committee may have.



**OFFICE OF THE DEPUTY ASSISTANT SECRETARY OF DEFENSE  
(MILITARY COMMUNITY AND FAMILY POLICY)**

4000 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-4000

DoD-State Liaison Office

**Senator Rosalyn H. Baker, Committee on Commerce and Consumer Protection  
March 28, 2012**

**Testimony of  
Laurie Crehan, Ed.D.  
Quality of Life Regional Liaison  
Office of the Assistant Secretary of Defense, Military Community & Family Policy  
DoD-State Liaison Office**

**HB 2409 Relating to Consumer Protection**

**The Department of Defense State Liaison Office** operates under the direction of the Under Secretary of Defense for Personnel and Readiness, and the Deputy Assistant Secretary for Military Community and Family Policy. Our mission is to be a resource to state policymakers as they work to address quality of life issues of military families.

**Testimony**

Chair Baker and members of the Senate Committee on Commerce and Consumer Protection, on behalf of the Deputy Assistant Secretary of Defense, I would like to thank you for the opportunity to submit testimony today on HB 2409, a bill relating to Consumer Protection in order to explain to you the Department's continuing effort to work with states to limit the terms of consumer credit extended to service members and their dependents. My name is Laurie Crehan. I am with the Department of Defense State Liaison Office which operates under the direction of the Under Secretary of Defense for Personnel and Readiness, and the Deputy Assistant Secretary of Defense for Military Community and Family Policy.

**Federal Regulation**

Congress gave the DoD unprecedented authority in 2006 to write a regulation that would limit credit terms provided to Service members and their families for any form of credit defined in the regulation. Title 32 of the Code of Federal Regulations, Part 232 implements the federal statute by defining the covered forms of credit -- payday, vehicle title and tax refund anticipation loans. The DoD recognized the need for Federal and State regulators to be the primary enforcers of the regulation -- Federal for tax refund anticipation loans and State for payday and vehicle title loans.

A year after the release of the regulation in August 2007, the Federal Financial Institutions Examination Council (FFIEC) released their tool for Federal and State regulators to use as part of their examinations of the creditors covered by the regulation.

### **Reason the DoD Supports State Enforcement Authority**

Although the regulation has made a dramatic reduction in the use of the covered loans by active duty members and their families, there is evidence that some are still gaining access to these loans. A quick poll in November 2009 of 667 financial counselors working for or contracted by the DoD, along with legal assistance officers who work on military installations, revealed that about half had counseled at least one client in the preceding six months who had gotten a payday, vehicle title or tax refund anticipation loan.

Examination has worked thus far to help gain compliance, but in the event that a creditor continues to violate the regulation, court action would be needed to enforce the criminal penalties specified in the Federal statute – and that may mean through Federal court. DoD believes compliance can be achieved more efficiently if the state credit administrator has authority to enforce the regulation through state statute. Then, the state credit administrator can determine corrective action when violations or deficient policies are identified through examinations and consumer complaints. Providing authority to the State regulator would allow for the due-process and penalties associated with non-compliance of a state rule. The policy in HB 2409 would do just that.

We look forward to Hawaii adopting these vital protections for our Service members and their families. Thank you for your continued support for our military members and families.

Dr. Laurie Crehan  
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