

SB 2394

RELATING TO CONSUMER PROTECTION

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.



**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 Will Espero, PGM Committee
February 1, 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**

SB 2394 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 Espero and members of the Senate Public Safety, Government Operations, and Military Affairs Committee, on behalf of the Deputy Assistant Secretary of Defense, I would like to thank you for the opportunity to submit testimony today on SB 2394, 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 SB 2394 would do just that.

In Hawaii the Office of Consumer Protection is limited in what they can regulate and this concerns the Department of Defense. However, the proposed legislation you are reviewing today would ensure that payday loan establishments would be regulated within the authority provided to the Office of Consumer Protection.

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
State Liaison
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NEIL AMBERCROMBIE
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PRESENTATION OF THE
OFFICE OF CONSUMER PROTECTION

TO THE SENATE COMMITTEE ON PUBLIC SAFETY, GOVERNMENT
OPERATIONS, AND MILITARY AFFAIRS

THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2012

Thursday, February 2, 2012
2:50 p.m.

TESTIMONY ON SENATE BILL NO. 2394, RELATING TO CONSUMER PROTECTION.

THE HONORABLE WILL ESPERO, 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 S.B. No. 2394. My name is Bruce B. Kim and I am the Executive Director of OCP. OCP supports S.B. No. 2394.

Members of our armed forces and their dependants have enough to worry about today. Multiple overseas deployments, coping with a spouse's prolonged absence from home and the lack of an adequate support system while residing on military bases throughout the country. This can lead to a great deal of emotional and financial stress.

Our service members and their families may be particularly vulnerable to unscrupulous payday lenders who may charge them excessive fees and interest rates, make loans without regard to the borrower's ability to repay, refinancing a borrower's loans repeatedly over a short period of time without any gain for the borrower, and committing 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 dependants.

Hawaii's payday lending law, Chap. 480F already affords significant protections to consumers. However, the DOD's CFR Regulations "Limitations on Terms of Consumer Credit Extended to Service Members and Dependents", 32 CFR Part 232, has protections specific to service members and their families which are not found in Chap. 480F. These additional protections would allow OCP additional enforcement avenues in pursuing unscrupulous payday lenders who try and take advantage of an unsuspecting service member or their dependants. 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, allowing state enforcement authorities like OCP the ability to enforce the Act is an important step in the right direction. It would be another arrow in OCP's enforcement quiver against unscrupulous payday lenders in Hawaii.

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

OCP therefore strongly supports passage of S.B. No. 2394. I appreciate the opportunity to testify on behalf of this bill today and would be happy to answer any questions the Committee may have.



Hawaii Chapter, MOAA
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Testimony of Thomas Smyth

Military Officers Association of America, Hawaii Chapter

**Before the Committee on Public Safety, Government Operations and
Military Affairs**

Thursday, February 2, 2012, 2:50 pm, Room 224

SB 2394 Relating to Consumer Protection

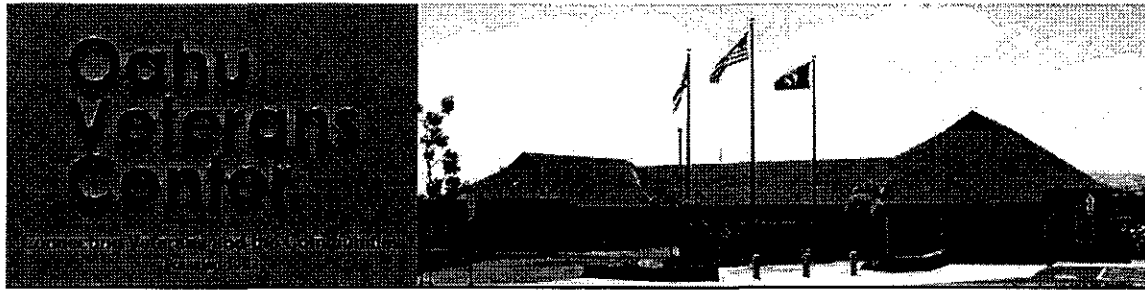
Chair Espero, Vice Chair Kidani and Committee Members

We strongly support SB 2394 that provides further state-level enforcement of federal law protecting military personnel and their families from unfair lending practices.

While the 2003 Service Members Civil Relief Act does cover specified types of unfair interest charges and other types of contract relationships, it does not generally deal with the types of lending practices listed in this bill.

The authorization for the DCCA Consumer Protector to work with federal agencies to enforce these broader investigations and ensure that those military members and their families living in Hawaii are provided the best possible protection is a wise approach.

Thank you for the opportunity to provide testimony.



January 31, 2012

**TESTIMONY IN SUPPORT OF SENATE BILL 2394
RELATING TO RELATING TO CONSUMER PROTECTION**

**SENATE COMMITTEE ON PUBLIC SAFETY, GOVERNMENT OPERATIONS
AND MILITARY AFFAIRS**

**HEARING ON THURSDAY, FEBRUARY 2ND, AT 2:50PM, IN CONFERENCE
ROOM 224**

Aloha Chair Espero: The Oahu Veterans Council's delegates are honored to serve at the pleasure of our veterans and their families. Our Legislative Committee voted unanimously to support SB 2394.

We are sincerely grateful for your efforts to authorize the director of commerce and consumer affairs to enforce certain federal laws, to will protect military personnel and their families from abusive lending practices.

With the largest per-capita military community in the nation, Hawaii is doing the right thing to protect our military personnel and their families from predatory lenders.

The Oahu Veterans Council respectfully urges your committee to consider passing Senate Bill 2394 as written. Mahalo for allowing us to testify, regarding this extremely important issue.

Dennis Egge

Dennis Egge; Chairman, Legislative Committee



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**Testimony to the House Committee on Public Safety,
Government Operations, and Military Affairs
Thursday, February 2, 2012
2:50 AM
Conference Room 224**

RE: SENATE BILL NO. 2394, RELATING TO CONSUMER PROTECTION

Chair Espero, Vice Chair Kidani, and members of the committee.

My name is Charles Ota and I am the Vice President for Military Affairs at The Chamber of Commerce of Hawaii (The Chamber). I am here to state The Chamber's strong support of Senate Bill No. 2394, Relating to Consumer Protection.

The measure proposes to authorize the Director of Commerce and Consumer Affairs to enforce certain federal laws to protect military members and their families from abusive lending practices.

We concur with the comments stated in Section 1 of the proposed bill. Military members have long been vulnerable to abusive lending practices. Most are young service members aged 18-24 who are away from home for the very first time and have no experience in making major purchases. All too often they are victimized by sales people who take advantage of their inexperience.

The US Department of Defense has declared that abusive lending practices are a serious quality of life concern for service members and their families, and recommended that states act to adopt protective programs. This concern was especially prevalent over the past 10 years because of the high deployment rates faced by service members due the wars in Iraq and Afghanistan.

In light of the above, we recommend the proposal be approved.

Thank you for the opportunity to testify.