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LATE

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RE: SB598 and SCR9 Check-Cashing/Pay Day Loans

Dear Senators:

I am a solo practitioner practicing in Hilo, Hawaii for over 25 years. The vast majority of my clients are middle income people. For the past two years, I have noticed from the people who come into my office an increase in the amount of financial desparation.

Check-Cashing/Pay Day loans specifically target the working poor. Those borrowing against the next paycheck to meet living expenses.

The insiduousness of these types of loans is that they look facially reasonable because it's a relatively low fee of 15% for a small loan. The danger lies in the fact that these fees are due in 16 days or less and require the borrower to sign automatic debit agreements or require them to have a check pre-drafted. If the working poor barely get by with 100% of their paycheck, they certainly can't get by with only 85% of the next paycheck or 82.75% of their succeeding paycheck. Thus, they roll-over the debt, compounding the 15% fee to the next 16 day period; making the effective annual rate for these small loans to **over 450%**.

The snowball effect of these loans mean that the borrower never catches up. Because of the automatic payment of these loans, there is less money in the borrower's bank account to pay mortgages, credit cards or other reasonable loans in favor of these usurious ones. Thus, the reasonable creditors suffer in favor of these payday loan providers. They may go bankrupt but would not have, had their loan fees been manageable.

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The check-cashing loans, where they require the debt to be paid with a predrafted check, carries the implied penalty of criminal prosecution for a bad check. Thus, closing a bank account does not deter them from getting paid.

In a report to the State of Indiana, Jean Fox, Director of Consumer Protection for the Cumer Federation of America calls these pay-day loans as legal loan sharking; and recommended that they NOT be exempted from the State's current usury laws.

Recently, Arizona has joined 16 other states to banned these types of loans. The current bill does not ban them but puts limits on them which is a step in the right direction. The loan providers can still make money but at least it gives some breathing room to the working poor.

The Island of Hawaii has a disproportionate amount of the working poor who cannot afford to take time off work or fly to Oahu to attend this hearing. We can only trust that the legislature will also work on their behalf and not just listen to those who can afford to be there. Everyone knows someone who lives paycheck-to-paycheck but are too ashamed to let anyone know of their financial plight; they can't even afford the fees of bankruptcy.

I implore our Senators to act for these silent working poor – there are more of them than you know; they are your friends, your relatives, your neighbors.

Sincerely,
Joy A. San Buenaventura

SB598 LATE TESTIMONY

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No