

Honolulu, Hawaii

FEB 15 2013

RE: S.B. No. 598

S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 598 entitled:

"A BILL FOR AN ACT RELATING TO CHECK CASHING,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require the Department of Commerce and Consumer Affairs to regulate the check cashing industry through registration requirements;
- (2) Exempt fees and interest received by check cashers for deferred deposit transactions from general excise taxes; and
- (3) Limit the monetary amounts that can be transacted and the annual percentage rate charged by check cashers.

Your Committee received testimony in support of this measure from three individuals. Your Committee received testimony in opposition to this measure from the Office of Consumer Protection of the Department of Commerce and Consumer Affairs; Money Service Centers of Hawaii, Inc.; Dollar Financial Group, Inc.; Community Financial Services Association of America; and one individual. Your Committee received comments on this measure from the Department of Taxation and one individual.



Your Committee finds that this measure would require registration and licensing of check cashers with the Department of Commerce and Consumer Affairs. However, your Committee further finds that given the proliferation of internet-based payday lending operations, permitting the registration and licensing of these operations will not afford increased consumer protections for Hawaii consumers. Rather, a registering and licensing requirement may encourage unscrupulous predatory lenders to enter the Hawaii market and prey on customers who lack the financial savvy to fully appreciate the implications of the debt they are assuming.

Your Committee additionally finds that although a registration and licensing system for check cashers may not be appropriate because of the difficulties associated with enforcement, there are some aspects of this measure that contain valuable consumer protection provisions. Therefore, amendments to this measure are necessary.

Your Committee has heard the concerns regarding the thirty-six percent annual percentage rate cap compared to the fifteen percent fee on deferred deposits transactions. Your Committee believes this issue merits further discussion and encourages continued dialogue between the check cashing industry and the Office of Consumer Protection as this measure moves through the legislative process.

Your Committee has amended this measure by:

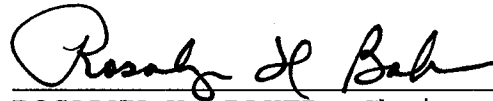
- (1) Deleting language that would have required a check casher to register with the Department of Commerce and Consumer Affairs, exempted amounts received by check cashers for deferred deposit transactions from the general excise tax, and inserted a new definition for "director";
- (2) Clarifying that financial and credit counseling are to be obtained from an approved Hawaii-based budget and credit counseling agency;
- (3) Clarifying that all cumulative fees charged for a deferred deposit transaction shall be expressed as an annual percentage rate not to exceed thirty-six percent;



- (4) Removing language that would have increased the fee for a dishonored check from \$20 to \$30;
- (5) Establishing certain requirements for payment plans on deferred deposit transactions under the existing section 480F-4, Hawaii Revised Statutes, rather than as a new section in chapter 480F, Hawaii Revised Statutes;
- (6) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 598, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 598, S.D. 1, and be referred to the Committee on Ways and Means.

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



ROSALYN H. BAKER, Chair



