
A BILL FOR AN ACT

RELATING TO CHECK CASHING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that in 2005, the state
2 auditor prepared a sunrise analysis in anticipation of the
3 regulation of check cashers regarding the issuance of deferred
4 deposit agreements. Deferred deposit agreements are commonly
5 referred to as payday loans and are small, short term, unsecured
6 loans that borrowers commit to repay from their next paycheck or
7 a regular income payment.

8 Chapter 480F, Hawaii Revised Statutes, permits a check
9 cashier to charge a fee of fifteen per cent of the face amount of
10 the check for a deferred deposit agreement. The maximum amount
11 of the check is capped at \$600. According to the auditor, under
12 this scenario, the interest charged to a borrower can amount to
13 four hundred fifty-nine per cent annualized interest rate on a
14 fourteen day loan.

15 The legislature further finds that it is in the interest of
16 the public to limit the interest rate a check cashier is allowed
17 to charge by way of a deferred deposit agreement. This would



1 help to limit the problem of borrowers being led into a debt
2 trap from which they cannot escape.

3 The purpose of this Act is to protect consumers by:

4 (1) Limiting the total amount of fees charged for the
5 deferred deposit of a personal check to an annual
6 percentage rate of per cent;

7 (2) Requiring licensed businesses in the State to notify
8 the department of commerce and consumer affairs at the
9 end of each fiscal year if they conducted any deferred
10 deposit transaction;

11 (3) Prohibiting a check casher from entering into an
12 agreement for deferred deposit with a customer within
13 five days immediately following the end of the
14 customer's earlier agreement for a deferred deposit;
15 and

16 (4) Raising the fine for a wilful violation of chapter
17 480F, Hawaii Revised Statutes, up to a maximum of
18 \$5,000.

19 SECTION 2. Chapter 480F, Hawaii Revised Statutes, is
20 amended by adding a new section to be appropriately designated
21 and to read as follows:



1 "§480F- Records; licensed businesses. Beginning July 1,
2 2015, each licensed business in this State that conducts a
3 deferred deposit transaction shall notify the department of
4 commerce and consumer affairs by June 30 of each year. The
5 department of commerce and consumer affairs shall keep a record
6 of all licensed businesses that conduct deferred deposit
7 transactions in each fiscal year beginning July 1, 2015."

8 SECTION 3. Section 480F-4, Hawaii Revised Statutes, is
9 amended by amending subsections (c) and (d) to read as follows:

10 "(c) The face amount of the check shall not exceed \$600
11 and the deposit of a personal check written by a customer
12 pursuant to a deferred deposit transaction may be deferred for
13 no more than thirty-two days. [~~A check casher may charge a fee~~
14 ~~for deferred deposit of a personal check in an amount not to~~
15 ~~exceed fifteen per cent of the face amount of the check.] The
16 total amount of fees for the deferred deposit of a personal
17 check shall not exceed an annual percentage rate of per
18 cent. Any fees charged for deferred deposit of a personal check
19 in compliance with this section shall be exempt from chapter
20 478.~~



1 (d) A check casher shall not enter into an agreement for
 2 deferred deposit with a customer during the period of time that
 3 an earlier agreement for a deferred deposit for the same
 4 customer is in effect[~~-~~] or within five days immediately
 5 following the end of an earlier agreement for a deferred
 6 deposit. A deferred deposit transaction shall not be repaid,
 7 refinanced, or consolidated by or with the proceeds of another
 8 deferred deposit transaction."

9 SECTION 4. Section 480F-6, Hawaii Revised Statutes, is
 10 amended by amending subsection (c) to read as follows:

11 "(c) A wilful violation of this chapter shall be
 12 punishable by a fine of up to [~~\$500~~] \$5,000 and up to thirty
 13 days imprisonment."

14 SECTION 5. Statutory material to be repealed is bracketed
 15 and stricken. New statutory material is underscored.

16 SECTION 6. This Act shall take effect upon its approval.



Report Title:

Check Cashing; Deferred Deposit Agreements; Fees; Annual Percentage Rate

Description:

Caps the total amount of fees charged for the deferred deposit of a personal check to an unspecified annual percentage rate. Beginning July 1, 2015, requires licensed businesses in the State to notify the Department of Commerce and Consumer Affairs at the end of each fiscal year if they conducted any deferred deposit transaction. Prohibits a check casher from entering into an agreement for deferred deposit with a customer within five days immediately following the end of the customer's earlier agreement for a deferred deposit. Increases the fine for a wilful violation of chapter 480F, Hawaii Revised Statutes. (SB737 HD1)

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