

baker3 - James

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 18, 2016 12:22 PM
To: CPH Testimony
Cc: stanbain@facehawaii.org
Subject: Submitted testimony for SB2679 on Feb 19, 2016 09:00AM

Categories: Late

SB2679

Submitted on: 2/18/2016

Testimony for CPH on Feb 19, 2016 09:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Rev. Stanley Bain	FACE	Support	Yes

Comments: I support SB2679 because fees and interest rates charged by the industry are deceptive and take advantage of the people most in need of cash. As an advocate for immigrant rights I have discovered that employed immigrants, as well as some citizens, tend to work in jobs are the lower end of the earning scale. These are people striving for opportunities to improve their lives. Let us support them and their families seeking to improve their lives by protecting them from practices who take advantage of them and barricade their attempt to advance. I encourage the State of Hawai'i to establish alternatives by which people can practice saving their assets and obtain short term loans less expensively. Thank you for addressing this issue and for receiving my testimony in support.

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LATE

HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting SB 2679 Relating to Check Cashing
House Committee on Consumer Protection & Finance
Scheduled for Hearing Thursday, February 19, 2016, 9:00AM, Room 229

Hawai'i Appleseed Center for Law and Economic Justice Hawai'i Appleseed is committed to a more socially just Hawai'i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, advocacy, and coalition building.

Dear Chair Baker, Vice Chair Kidani, and Members, Committee on Commerce, Consumer Protection & Health:

Thank you for an opportunity to testify in strong support of Senate Bill 2679. The bill would place a 36% per annum cap on the interest that a check casher can charge for a deferred deposit agreement. Additionally, it would put into place other important restrictions designed to ensure that the low-income households targeted by such lending practices do not so easily become ensnared in a debt spiral. As advocates for economic justice and low-income families and individuals throughout Hawai'i, we firmly support greater protections for low-income workers from predatory lending practices.

The current fee cap of 15% amounts to a 459% annual percentage rate (APR) that can trap desperate borrowers in a cycle of high interest loans. Hawai'i has the opportunity to end this exploitative interest rate by imposing a reasonable cap of 36% APR as proposed in this bill. A 36% APR cap is the only proven, meaningful way to protect borrowers from high-cost lending. Seventeen states have already taken action and implemented a 36% cap while still allowing affordable small loans. The federal government has also recognized the dangers of payday loans and imposed a 36% APR cap for loans made to active duty military members and their families.

We are mindful that payday lending is indicative of broader issues of financial insecurity facing low-income people, but these kinds of high interest loans only make a borrower's financial situation even more precarious. According to the Center for Responsible Lending, only 2 percent of borrowers can afford to pay off the loan the first time. As a result, four out of five payday loan borrowers either default or renew a payday loan over the course of a year. The average payday loan borrower remains in debt for more than six months. We recognize that residents, including low-income workers, may sometimes need small dollar loans. But there are a number of safe, regulated small dollar loans with interest rates far below payday loans. Small dollar lenders can indeed safely lend at an APR of 36% or less, according to recent research from FDIC.

Thank you very much for hearing and considering this important bill to address the need for greater protection against exploitative lending practices.

18 February 2016

Faith Action for



Community Equity

F A C E Hawaii

www.facehawaii.org

Very Rev. Walter Brownridge
Statewide President

Patrick Zukemura
Oahu President

Napua Amina
Maui President

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Rev. Tasha Kama
Maui Lead Organizer

Khara Jabola-Carolus
HCIR Lead Organizer

Rev. Stan Bain
HCIR Organizer

SB2679

Relating to Check Cashing

Senate Committee on Commerce, Consumer Protection and
Health

Dear Chair Baker, Vice Chair Kidani, and Members of the
Committee,

Faith Action for Community Equity offers this testimony in
support of SB2679, which would create meaningful consumer
protections for borrowers of payday loans.

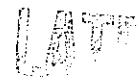
In 2006, Congress passed the Military Lending Act, which
effectively capped the interest rate at 36% for certain types of
consumer loans that might be offered to service members such
as payday loans, auto title loans, and tax refund anticipation
loans. Unfortunately, for non-military families and individuals,
these rates remain as high as 400%. In 2014, we engaged in a
series of talk stories with our members and learned that many
families often found themselves in a *cycle of debt* and unable to
provide payment within the specified time- owing to the short
turnaround for payment, as well as the high interest rates.

SB2679 would not only provide Hawai'i families with the same
rate of 36% that military service members enjoy, but would also
put greater protections in place for borrowers. By clearly
defining the annual percentage rate and allowing an individual
to rescind a deferred deposit within a specified time, SB2679
creates a more informed consumer. Many of the families and
individuals with whom we have spoken to about payday loans
have both limited language skills and financial experience. The
"cooling off" period allows these borrowers to seek outside
assistance in determining whether the transaction is right for
them.

SB2679 also balances the protections available to both the
lender and borrower. A valid contract that would disclose the
cost and fees associated with the loan among other things, is as
mentioned previously, creating an *informed* buyer and seller.
Further, by allowing the borrower to convert their loan to an
installment plan (which will also be captured in a written
agreement) offers a much more competitive market for the
borrower.

Thank you for the opportunity to testify and strongly urge you
to support SB2679. Feel free to contact FACE at
info@facehawaii.org.





**THE SENATE
THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016**

February 19, 2016

COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

Senator Rosalyn H. Baker, Chair

Senator Michelle N. Kidani, Vice Chair

TESTIMONY IN SUPPORT OF SB2679

I am in support of this bill because this bill protects the consumer and keeps the lending cap at 36%.

Members of FACE units have numerous stories of the cycles of debt in which they have been imprisoned. This bill will give consumers some relief of the debt cycles that entangles them with these types of loans;

Thank you for the opportunity to testify before this committee.

N. Tasha Kama
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