

Honolulu, Hawaii

MAR 02 2018RE: S.B. No. 3008
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 3008, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PAYDAY LENDING,"

begs leave to report as follows:

The purpose and intent of this measure is to increase consumer protections in the payday lending industry.

Specifically, this measure:

- (1) Replaces the check cashing law for lump sum deferred deposit transactions with requirements for installment-based small dollar loan transactions;
- (2) Establishes licensing requirements for small dollar lenders; and
- (3) Imposes restrictions upon small dollar loan transactions regarding matters such as interest rates, loan amounts, payment amounts, and multiple loans.

Your Committee received written comments in support of this measure from Catholic Charities Hawaii; Community Alliance on Prisons; Hawai'i Alliance for Progressive Action; Hawaii Appleseed Center for Law and Economic Justice; Hawaii Community Assets; Hawaii Habitat for Humanity Association, Inc.; Hawaiian Community



Assets; Mental Health America of Hawaii; PHOCUSED; and two concerned individuals.

Your Committee received written comments in opposition to this measure from Hawaii Check Cashing and Maui Loan Inc.

Your Committee received written comments on this measure from the Department of Taxation.

Your Committee finds that this measure closes a payday loan loophole and establishes a regulatory structure for small dollar installment loans, giving workers and families more money to make rent and mortgage payments. Most consumers who presently take out payday loans face repayment terms that set them up for failure. When faced with the inability to repay their loans, consumers are forced to choose among disastrous options, such as taking out more payday loans to pay off the initial one, defaulting on their loans, falling behind on their other bills, or declaring bankruptcy.

Your Committee notes that the Department of Commerce and Consumer Affairs has indicated that their special fund expenditure ceiling will need to be raised by \$214,000 in order to implement the requirements established in this measure.

Your Committee has amended this measure by reorganizing and consolidating provisions and making numerous technical changes, including technical nonsubstantive changes for the purposes of clarity, consistency, and style. Your Committee has also amended this measure by:

- (1) Requiring the written agreement for a small dollar installment loan transaction or renewal to contain the authorized interest rate, as well as the annual percentage rate;
- (2) Requiring, rather than authorizing, the Commissioner of Financial Institutions to require licensees to register with NMLS;
- (3) Reclassifying the failure to complete a licensing application as a ground for a denial of a license rather than as a ground for disciplinary action;



- (4) Establishing an unspecified fee for office relocations;
- (5) Including a conforming amendment to section 480F-3, Hawaii Revised Statutes; and
- (6) Closing the six-month gap between the repeal of the deferred deposit law and the start of the new licensing law by establishing a January 1, 2019, effective date for both.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3008, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 3008, S.D. 2.

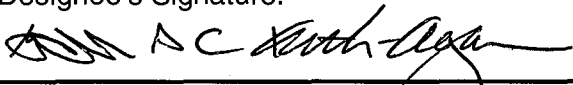
Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 3008, SDI	Committee Referral: CPH, WAM	Date: 2/21/18		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
GALUTERIA, Brickwood	X WA			X
HARIMOTO, Breene	X			
INOUYE, Lorraine R.	X			
KAHELE, Kaiali'i	X			
KIDANI, Michelle N.	X			
RIVIERE, Gil	X			
SHIMABUKURO, Maile S.L.				X
WAKAI, Glenn	X			
TOTAL	9	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes