

STAND. COM. REP. NO.

2608

Honolulu, Hawaii

FEB 13 2020

RE: S.B. No. 2587

Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2020  
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,  
to which was referred S.B. No. 2587 entitled:

"A BILL FOR AN ACT RELATING TO CONSUMER PROTECTION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Transition from lump sum deferred deposit transactions to installment-based small dollar loan transactions;
- (2) Specify various consumer protection requirements for small dollar loans;
- (3) Beginning January 1, 2022, require licensure for small dollar lenders that offer small dollar loans to consumers;
- (4) Specify licensing requirements for small dollar lenders;
- (5) Authorize the division of financial institutions to appoint 2.0 FTE examiner positions, funded via the compliance resolution fund, to carry out the purposes of the small dollar installment loan program;
- (6) Require check cashers to be registered with the Department of Commerce and Consumer Affairs and to offer



a voluntary payment plan to customers under certain circumstances;

- (7) Establish the terms of voluntary payment plans;
- (8) Clarify that a customer may only have one outstanding deferred deposit transaction from any source;
- (9) Amend notices to customers required of check cashers;
- (10) Remove the exemption for persons engaged in the bona fide retail sale of goods or services; and
- (11) Require the division of financial institutions of the Department of Commerce and Consumer Affairs to conduct an analysis of the regulation of payday lenders and deferred deposit agreements in the State.

Your Committee received testimony in support of this measure from the Dollar Financial Group and Ohana Holdings, LLC. Your Committee received testimony in opposition to this measure from Maui Loan, Inc. Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs, Hawaii Financial Services Association, and two individuals.

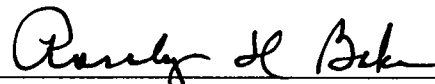
Your Committee finds that, according to findings released by the Hawaii Financial Health Pulse, sixty-nine percent of Hawaii residents are struggling financially. Fifty-four percent say their spending equals or exceeds their income, and more than a third do not have enough savings to cover three months of living expenses or have volatile incomes that vary from month to month. To cope with income volatility and Hawaii's high cost of living, about twenty percent of Hawaii residents use alternative financial services such as payday loans and check cashing services, which is significantly higher than the fifteen percent national level. Given the excessive fees and interest rates payday lenders are charging on these small dollar loans, many borrowers find themselves paying more in fees than they received in credit. Therefore, the intent of this measure is to provide regulation to an industry that for too long has gone unregulated and created a vicious cycle of dependency and debt among Hawaii's most vulnerable individuals and families.



Your Committee notes the concerns raised during the public hearing on this measure that this measure restricts a customer to no more than one outstanding deferred deposit transaction from all sources. In light of the improved regulatory framework this measure would establish, your Committee understands that deferred deposit transactions can offer an additional credit option or "bridge" to a customer that may urgently need it. For these reasons, your Committee finds that this restriction merits further consideration and examination by your Committee on Ways and Means.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2587 and recommends that it pass Second Reading and be referred to your Committee on Ways and Means.

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




ROSALYN H. BAKER, Chair



The Senate  
Thirtieth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Commerce, Consumer Protection, and Health**  
**CPH**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2587	CPH, WAM	2/6/20		
<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 checked="" type="checkbox"/> Pass, unamended 2312	<input type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
CHANG, Stanley (VC)	✓			
NISHIHARA, Clarence K.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.	✓			
WAKAI, Glenn	✓			
FEVELLA, Kurt	✓			
<b>TOTAL</b>	7			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

\*Only one measure per Record of Votes