

Honolulu, Hawaii

MAR 15

, 2019

RE: S.B. No. 537
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Intrastate Commerce, to which was referred
S.B. No. 537, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this measure is to encourage transparency and
increase consumer protection in the payday lending industry by:

- (1) Transitioning from lump sum deferred deposit transactions to installment-based small dollar loan transactions;
- (2) Specifying various consumer protection requirements for small dollar loans;
- (3) Beginning January 1, 2020, requiring licensure for small dollar lenders that offer small dollar loans to consumers;
- (4) Specifying licensing requirements for small dollar lenders; and
- (5) Authorizing the Division of Financial Institutions to establish and hire two full-time equivalent permanent



examiners to carry out the purposes of the small dollar installment loan program.

Parents And Children Together, Pono Hawai'i Initiative, and a concerned individual testified in support of this measure. The Online Lenders`Alliance, Hawaii Check Cashing, Money Service Centers of Hawaii, Inc., Colortyme Rent to Own Payday Loans, and PayDayHawaii testified in opposition to this measure. Dollar Financial Group provided comments on this measure.

Your Committee has amended this measure by:

- (1) Removing the repeal of deferred deposit agreements through check cashers;
- (2) Including provisions that establish licensing and operations requirements for check cashers that offer deferred deposit transactions;
- (3) Including an appropriation from the Compliance Resolution Fund to be used for an unspecified amount of positions to implement and enforce the check casher licensing and enforcement system;
- (4) Requiring the Auditor to conduct a sunrise analysis for the regulation of payday lender and deferred deposit transactions;
- (5) Changing the maximum loan amounts for small dollar loan transactions from \$1,000 to \$2,500;
- (6) Changing the monthly maintenance fee caps that may be charged by a lender;
- (7) Increasing the caps for borrower payments based on a borrower's verified gross monthly income or verified net monthly income;
- (8) Changing the full-time equivalent position counts to an unspecified amount;
- (9) Changing the effective date to July 1, 3000; and



- (10) Making technical nonsubstantive amendments for clarity, consistency, and style.

Should your Committee on Consumer Protection & Commerce deliberate on this measure, your Committee respectfully requests that due to the difficulty in implementation, that it consider pushing the licensure requirement for small dollar lenders to a later date.

As affirmed by the record of votes of the members of your Committee on Intrastate Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 537, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 537, S.D. 2, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Intrastate
Commerce,



TAKASHI OHNO, Chair



