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**Testimony of the Department of Commerce and Consumer Affairs**

**Before the  
Senate Committee on Ways and Means  
and  
Senate Committee on Judiciary  
Tuesday, February 23, 2021  
10:35 a.m.  
Via Videoconference**

**On the following measure:  
S.B. 974, S.D. 1, RELATING TO CONSUMER PROTECTION**

**WRITTEN TESTIMONY ONLY**

Chairs Dela Cruz and Rhoads and Members of the Committees:

My name is Iris Ikeda, and I am the Commissioner of the Department of Commerce and Consumer Affairs' (Department) Division of Financial Institutions (DFI). The Department supports this bill.

The purposes of this bill are to: (1) provide for new viable installment-based small dollar loan transactions in addition to enhanced deferred deposit transactions; (2) specify various consumer protection requirements for small dollar loans; (3) beginning January 1, 2023, require licensure for small dollar lenders that offer small dollar loans to consumers, subject to the oversight of the DFI of the DCCA to protect against illegal lending; (4) specify licensing requirements for small dollar lenders; (5) cap the maximum allowable loan size at \$1,500, providing more flexibility for lenders and borrowers than under the current law; and (6) repeal provisions of Hawaii Revised Statutes (HRS)

relating to deferred deposits. If enacted, this bill will take effect on July 1, 2022, provided that the licensing requirements shall take effect on January 1, 2023.

The Department supports this bill because it provides an alternative form of regulation to Hawaii's check cashing law and includes greater oversight and additional protections for consumers.

The statutory scheme in this bill is like that for financial services loan companies<sup>1</sup>, which the DFI regulates pursuant to HRS chapter 412, article 9. As such, the DFI is well-versed in the provisions of this bill and will oversee small dollar lenders in a manner similar to financial services loan companies. Small dollar lenders will be supervised as a financial institution and will be subject to applicable state and federal laws.

Thank you for the opportunity to testify on this bill.

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<sup>1</sup> The DFI has chartered five nondepository financial services loan companies, and these companies have consumer loans totaling \$110,849,836 as of June 30, 2020.

# Maui Loan Inc

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February 21, 2021

Senator Donovan M. Dela Cruz, Chair  
Senate Committee on Ways and Means; and

Senator Karl Rhoads, Chair  
Senate Committee on Judiciary

FROM: Richard Dan of Maui Loan Inc.

SUBJECT: **SB 974, SD1 - RELATING TO CONSUMER PROTECTION**

Dear Chair Cruz, Chair Rhoads, and Members of the Senate Committee on Ways and Means, and the Senate Committee on Judiciary,

Aloha, I **OPPOSE** SB 974, SD1 - RELATING TO CONSUMER PROTECTION.

Maui Loan is a family-owned, community-based local business that has been in operation in Hawaii for over four decades.

Versions of SB 974, SD1 have been before the Hawaii State Legislature for the past 10 years, and each year these have failed to find support. There are several reasons for this, but from my point of view the most important thing is that Hawaii already has the best deferred deposit regulations in the country. I can back this up by pointing out that very few consumer complaints are brought against operations running under Hawaii law.

I am painfully aware that there are complaints, but these are overwhelmingly against Internet, foreign, and totally unregulated lenders. If the Legislature wishes to do something useful in this area, it should go where the problems are.

In Hawaii, borrowers are limited to one payday loan at a time. This helps keep them from becoming overextended, and it also helps protect lenders. We do not want to be lending to customers who have already taken on one or more deferred deposit loans. For one thing, customers who do that must have falsely completed their application. These forms clearly state to customers that they cannot have more than one deferred deposit loan at a time.

I also oppose forcing borrowers to take on larger loans than they want. This should be self-evident; it will be more efficient to keep debt as low as possible. If the minimum loan is made larger, then my business cannot give customers a break over bank late fee.

Let me give an example. If a customer needs \$150 (typical for my Maui customers) and is, for whatever reason, in danger of paying a bill late and incurring a \$30 or \$35 late fee from their financial institution, the customer can come to me and get \$150 for a total fee of about \$20.

Senator Donovan M. Dela Cruz, Chair  
Senate Committee on Ways and Means; and  
Senator Karl Rhoads, Chair  
Senate Committee on Judiciary  
SB 974, SD1 - RELATING TO CONSUMER PROTECTION  
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I do have one suggestion for improving the current regulation. Something I have proposed year after year: Require a 3-day “cooling off” period between payday loans.

Since a payday loan must be paid off in cash before being renewed, a gap between ending one loan and obtaining another will encourage borrowers to manage their debt more carefully.

A final point. My business has had almost no complaints but if anyone does want to make one, they know where to find me. I have been on North Market Street for 40 years. If a customer of one of those unregulated Internet lenders has a problem, lots of luck to the customer even finding a place to start.

If I can be of assistance in crafting more equitable, accountable and safe legislation as it relates to the matter of small short-term loans and/or payday lending, please contact me at Tel: (808) 244-6666.

Sincerely,

Maui Loan Inc

*Richard Dan*

Richard Dan - President

**SB-974-SD-1**

Submitted on: 2/19/2021 3:48:17 PM

Testimony for WAM on 2/23/2021 10:35:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Gerard Silva	Individual	Oppose	No

Comments:

This is along the lines of being a Dictatorship. I can see this would be Eligal and against the Consitution witch is now the Law of the Land. You could be charge with Violation against the Consitution witch is a Felony.