

STAND. COM. REP. NO.

1514

Honolulu, Hawaii

MAR 25 , 2021

RE: S.B. No. 974
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 974, 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:

- (1) Authorize installment-based small dollar loan transactions in the State with certain interest rate and fee requirements;
- (2) Establish various consumer protection requirements for small dollar loans;
- (3) Require licensure, beginning January 1, 2023, for small dollar lenders that offer small dollar loans, subject to the oversight of the Division of Financial Institutions of the Department of Commerce and Consumer Affairs; and
- (4) Prohibit check cashers from entering into an agreement for deferred deposit with a customer.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs. Your

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Committee received testimony in opposition to this measure from Dollar Financial Group and Maui Loan Inc. Your Committee received comments on this measure from the Hawaii Financial Services Association.

Your Committee finds that a 2019 survey of household financial health in Hawaii found that twenty-one percent of all households use an alternative financial service product, such as a check cashing or payday loan service, at least once during the year. Alternative financial service products provide financial assistance to unbanked and underbanked persons who do not have access to traditional financial service products. However, your Committee further finds that because of the State's existing deferred deposit laws, consumers may use payday lending in a manner that traps them in an unsustainable cycle of debt. Your Committee believes it is necessary to establish further consumer protections to ensure that consumers responsibly utilize deferred deposit products.

Your Committee additionally finds that the establishment of installment-based small dollar loans with sufficient consumer protections will benefit consumers, including the unbanked and underbanked population, ensure lending terms that are mutually sustainable for consumers and lenders, and encourage responsible and transparent lending.

Your Committee has amended this measure by:

- (1) Deleting the provisions prohibiting deferred deposit transactions by check cashers;
- (2) Inserting provisions that enhance consumer protections in deferred deposit transactions by requiring check cashers to:
 - (A) Be licensed with the Department of Commerce and Consumer Affairs;
 - (B) Offer voluntary payment plans for deferred deposit transactions;
 - (C) Take reasonable measures to ensure that consumers are limited to one deferred deposit transaction;and



- (D) Provide additional disclosures and notices;
- (3) Requiring the Division of Financial Institutions of the Department of Commerce and Consumer Affairs to evaluate the regulation of check cashers that enter into deferred deposit transactions as proposed by this measure and to report its findings to the Legislature prior to the Regular Session of 2023;
- (4) Changing the effective date for the establishment of small dollar loans and the licensure of small dollar loan lenders to July 1, 2023; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 974, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 974, S.D. 2, H.D. 1, and be referred to your Committee on Finance.

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



AARON LING JOHANSON, Chair



