

STAND. COM. REP. NO.

169

Honolulu, Hawaii

FEB 12 2021

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

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 974 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) 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 Division of Financial Institutions of the Department of Commerce and Consumer Affairs to protect against illegal lending;
- (4) Specify licensing requirements for small dollar lenders;
- (5) Cap interest at thirty-six per cent per annum and one simple maximum monthly maintenance fee tiered up to \$50.00;



- (6) Amortize loans in full and renewing the loan while also permitting borrowers to choose to repay the loan without penalty;
- (7) Cap maximum allowable costs at sixty per cent of the principal loan amount, preventing a loan from being either too short or too long in duration;
- (8) Cap the maximum allowable loan size at \$1,500, providing more flexibility for lenders and borrowers than under the current law;
- (9) Require lenders to provide clear disclosures of the loan terms and total charges;
- (10) Prohibit a lender from making more than one loan at a time to a consumer, preventing incentives for lenders to "split" loans and charge higher fees; and
- (11) Repeal section 480F-4, Hawaii Revised Statutes, relating to deferred deposits, to provide further protection to Hawaii's consumers from harmful lending practices.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs. Your Committee received testimony in opposition to this measure from Maui Loan Inc. Your Committee received comments on this measure from the Office of Information Practices and Pew Charitable Trusts.

Your Committee finds that high-cost payday loans can be harmful to Hawaii consumers and that the practice of deferred deposits should be repealed in favor of new forms of safer, affordable installment-based small dollar loans. Accordingly, this measure provides greater oversight and additional protections for consumers.

Your Committee has amended this measure by:

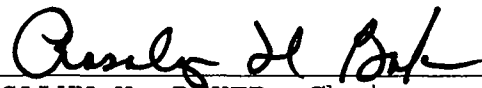
- (1) Clarifying that a small dollar loan shall have a minimum loan term of four months and a maximum loan term of twenty-four months;



- (2) Clarifying that, upon a customer's payment in full of any small dollar loan, a small dollar lender shall wait a period of three days before the small dollar lender may make another small dollar loan to the same customer;
- (3) Specifying that the Commissioner of Financial Institutions shall not issue a license to engage in the business of making small dollar loans in this State if the Commissioner determines that the applicant has had a small dollar lender license revoked in any jurisdiction within five years of the filing of the application;
- (4) Clarifying that any notification of a cease and desist order issued by the Commissioner of Financial Institutions shall be given by personal service or by certified mail; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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

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



ROSALYN H. BAKER, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:*	Committee Referral:	Date:
SB 974	CPN, WAM/JDC	2-9-2021

The Committee is reconsidering its previous decision on this measure.

If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312 Pass, with amendments 2311 Hold 2310 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
CHANG, Stanley (VC)	/			
MISALUCHA, Bennette E.	/			
NISHIHARA, Clarence K.	/			
RIVIERE, Gil	/			
SAN BUENAVENTURA, Joy A.	/			
FEVELLA, Kurt	/			
TOTAL	7	-	-	-

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature:
Clarence K. Nishihara

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 File with Committee Report Clerk's Office Drafting Agency Committee File Copy

*Only one measure per Record of Votes