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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce and Consumer Protection
Tuesday, February 9, 2021
9:30 a.m.
Via Videoconference**

**On the following measure:
S.B. 205, RELATING TO DEFERRED DEPOSITS**

Chair Baker and Members of the Committee:

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 appreciates the intent of this bill and offers comments.

The purpose of this bill is to reduce the maximum fee a check casher may charge under a payday loan agreement for deferring the deposit of a check from 15% to 7% of the face value of the check.

The Department appreciates the bill's intent to reduce the exorbitant fees charged to vulnerable consumers to a more reasonable amount. However, the Department respectfully urges the Committee to consider the language of S.B. 974, which creates a new statutory scheme¹ that allows small dollar lenders to offer unsecured loans to consumer that must be paid in generally equal monthly payments

¹ This statutory scheme is similar to that for financial loan services companies, which the DFI regulates pursuant to Hawaii Revised Statutes (HRS) chapter 412, article 9. In addition, S.B. 974 repeals HRS section 480F-4, relating to deferred deposits.

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over time. Through this scheme, consumers will be able to access credit when they need it and have a repayment plan that is reasonable. In addition, S.B. 974 affords the DFI more comprehensive regulatory tools to address violations.

Thank you for the opportunity to testify on this bill.