JOSH GREEN, M.D.
GOVERNOR | KE KIAʻĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIAʻĀINA

STATE OF HAWAII | KA MOKUʻĀINA ʻO HAWAIʻI
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
KA ʻOIHANA PILI KĀLEPA
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
cca.hawaii.gov

NADINE Y. ANDO
DIRECTOR | KA LUNA HOʻOKELE

DEAN I. HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HOʻOKELE

Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Consumer Protection and Commerce
Tuesday, February 4, 2025
2:00 p.m.
Via Videoconference

On the following measure:
H.B.1048 RELATING TO INSTALLMENT LOANS.

Chair Matayoshi and Members of the Committee:

My name is Dwight Young, and I am the Commissioner for the Department of Commerce and Consumer Affairs' (Department) Division of Financial Institutions. The Department supports this administration bill.

The purpose of this bill is to clarify the intended scope of chapter 480J-5, HRS, which is to regulate installment lenders and that the law does not intend to eliminate the ability of lenders to make low interest rate loans under existing interest and usury laws; replace the term "consumer loan" with the defined term "installment loan" for consistency throughout the statutes; require loan maintenance fees to be prorated daily to prevent consumers from incurring fees once the loan is paid off; allow lenders to charge a convenience fee of up to five dollars for debit card payments, providing consumer more options for repayment; streamlines the loan repayment process by requiring paper receipts only for in-person or cash payments and increases consumer privacy by removing consumer names from receipts; and repeal the requirement for lenders to wait three days after a consumer fully repays a loan before issuing a new installment loan.

Currently, the installment loan law includes the term consumer loan in the definition of installment lender. This bill will update the definition of "installment lender", by inserting the defined term "installment loan" in place of the term "consumer loan", consistently throughout the law. Additionally, the law as written, could result in lenders writing loan contracts to fully capture the maximum in monthly maintenance fees even if they provided service only for a fraction of a month. This bill will require lenders to prorate monthly fees daily, ensuring that customers will only pay for fees for the duration of their loan. This bill will also increase consumer privacy and streamline the regulatory process by removing unnecessary identifying information on receipts and clarifying that only in-person/cash payments will require a paper receipt as proof of payment.

The bill also repeals the provision related to the three-day waiting period. The original intent for the three-day waiting period was so that borrowers would not be in a continuous cycle of debt by repaying the payday loan and borrowing again on the same day. Unlike payday loans, installment loans are gradually paid down through a series of payments. The repeal of this requirement will ensure that neighbor island residents, who may only have one or two lenders for the entire island, have more access to financial services.

Thank you for the opportunity to testify, and we respectfully ask the Committee to pass this administration bill.

AFC American Fintech Council

American Fintech Council Testimony

TO: Hawaii House Consumer Protection & Commerce committee
FROM: Ashley Urisman, Director, State Government Affairs, American Fintech Council (AFC)
DATE: February 4, 2025
SUBJECT: House Bill 1048

Position: Oppose.

Testimony:
Good afternoon. My name is Ashley Urisman, and I am the Director of State Government Affairs for the American Fintech Council (AFC). Thanks to Chair Matayoshi and the House Consumer Protection & Commerce Committee for allowing me to testify this in opposition to HB 1048.

AFC is the premier trade association representing the leading financial technology (Fintech) companies. Our mission at AFC is to promote a transparent, inclusive, and customer-centric financial system. We support responsible innovation in financial services and encourage sound public policy.

AFC opposes this bill because it promulgates an unconventional definition of an "installment lender" that does not align with the common understanding that a lender is the entity that originates the loan. Many Fintech companies are not lenders but rather help connect consumers with credit products. Also, Hawaii already has robust borrower protections in place for consumer installment loans. These include a 36% interest rate cap, and a limit on the size of the installment loans, making the licensure requirement in HB 1048 unnecessary from a consumer protection standpoint. Fintech companies already must register with the proper Hawaii authority to conduct business in the state. Requiring Fintech companies obtain a license will unnecessarily burden Hawaii's banking regulator and inevitably force otherwise responsible companies shut out of the market, limiting options for the Hawaii residents who may need them.

Thank you, and I am happy to answer any questions you may have.