

STAND. COM. REP. NO.

1594

Honolulu, Hawaii

MAR 22

, 2019

RE: S.B. No. 537
S.D. 2
H.D. 2

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 537, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO CONSUMER PROTECTION,"

begs leave to report as follows:

The purpose of this measure is to provide customers with multiple lending options by:

- (1) Authorizing installment-based small dollar loan transactions with specific terms but not subject to usury limitations;
- (2) Requiring licensure for small dollar lenders;
- (3) Requiring check cashers that enter into deferred deposit agreements (payday lenders) to offer customers the option of participating in a payment plan after three consecutive deferred deposit transactions;
- (4) Specifying other consumer protection measures, including limiting the number of outstanding transactions a customer may have and instituting notice requirements for payday lenders; and

SB537 HD2 HSCR CPC HMS 2019-3310



- (5) Requiring licensure for payday lenders.

This measure further:

- (1) Appropriates funds for the implementation of licensing small dollar lenders and payday lenders; and
- (2) Requires the Auditor to conduct a sunrise analysis for the regulation of payday lenders.

Money Service Centers of Hawaii, Inc., Catholic Charities Hawai'i, and Dollar Financial Group Global Corp. submitted testimony in support of this measure. Mental Health America of Hawai'i, Hawaii Appleseed Center for Law & Economic Justice, Hawaii Habitat for Humanity, Pono Hawai'i Initiative, Online Lenders Alliance, Maui Loan Inc., Hawaiian community Assets, and a few individuals submitted testimony in opposition. The Department of Commerce and Consumer Affairs, Office of the Auditor, and Drug Policy Forum of Hawaii submitted comments.

Your Committee has amended this measure by:

- (1) Changing the maximum loan amount for small dollar loan transactions from \$2,500 to \$1,000;
- (2) Changing the monthly maintenance fee caps that may be charged by a lender;
- (3) Decreasing the caps for borrower payments based on a borrower's verified gross monthly income or verified net monthly income;
- (4) Repealing the authorizing statute for deferred deposit agreements through check cashers and deleting all provisions related to payday lenders, including the provisions that would have:
 - (A) Required a payday lender to offer payment plans;
 - (B) Specified consumer protections related to payday lenders; and
 - (C) Required licensing of payday lenders;



- (5) Deleting the provision requiring the Auditor to conduct a sunrise analysis for the regulation of payday lenders;
- (6) Specifying that the appropriation for the implementation of licensing of small dollar lenders authorizes the establishment and hiring of two full-time equivalent positions (2.0 FTE);
- (7) Deleting the appropriation for the implementation of licensing for payday lenders;
- (8) Changing the effective date to July 1, 2050, with a delayed effective date for the licensure of small dollar lenders; and
- (9) Making technical, nonsubstantive amendments for 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. 537, S.D. 2, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as S.B. No. 537, S.D. 2, H.D. 2.

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



ROY M. TAKUMI, Chair



State of Hawaii
House of Representatives
The THIRTIETH Legislature

HSCE 1594

Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: SB 537, SD2, HD1	Committee Referral: IAC, CPC, FINI	Date: 3/19/19		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. TAKUMI, Roy M. (C)	✓			
2. ICHIYAMA, Linda (VC)	✓			
3. AQUINO, Henry J.C.	✓			
4. BELATTI, Della Au				✓
5. CABANILLA ARAKAWA, Rida	✓			
6. CACHOLA, Romy M.	✓			
7. HAR, Sharon E.	✓			
8. KONG, Sam Satoru	✓			
9. MIZUNO, John M.				✓
10. ONISHI, Richard H.K.	✓			
11. MATSUMOTO, Lauren	✓			
TOTAL (11)	9	0	0	2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: <i>Linda Ching</i>				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				