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# A BILL FOR AN ACT

RELATING TO INSTALLMENT LOANS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 SECTION 1. Section 480J-1, Hawaii Revised Statutes, is  
2 amended by amending the definition of "installment lender" or  
3 "lender" to read as follows:

4 ""Installment lender" or "lender" means any person not  
5 exempt under section 480J-32 who is in the business of offering  
6 or making [~~a consumer~~] an installment loan, who arranges [~~a~~  
7 ~~consumer~~] an installment loan for a third party[~~7~~] required by  
8 this chapter to be licensed, or who acts as an agent for a third  
9 party[~~7, regardless of whether the third party is exempt from~~  
10 ~~licensure under this chapter or whether approval, acceptance, or~~  
11 ~~ratification by the third party is necessary to create a legal~~  
12 ~~obligation for the third party,~~] required by this chapter to be  
13 licensed with respect to the third party's offering, making, or  
14 arranging of installment loans, through any method including  
15 mail, telephone, the Internet, or any electronic means."

16 SECTION 2. Section 480J-2, Hawaii Revised Statutes, is  
17 amended as follows:



1 1. By amending subsection (a) to read:

2 "(a) Each installment loan transaction and renewal shall  
3 meet the following requirements:

4 (1) Any transaction and renewal shall be documented in a  
5 written agreement pursuant to section 480J-3;

6 (2) The total amount of the installment loan shall not be  
7 greater than \$1,500 pursuant to section 480J-5(a);

8 (3) The total amount of loan charges an installment lender  
9 may charge, collect, or receive in connection with an  
10 installment loan shall not exceed fifty per cent of  
11 the principal loan amount;

12 (4) Subject to paragraph (3), a monthly maintenance fee  
13 may be charged by the lender [~~, not to exceed the~~  
14 ~~following:]; provided that thirty days shall equal to  
15 one month and for any fraction of a month the fee  
16 shall be prorated on a daily basis not to exceed the  
17 following:~~

18 (A) \$25 monthly fee on a loan of an original  
19 principal loan amount up to \$299.99; provided  
20 that a fraction of a month shall use a daily  
21 factor of 83 cents per day;



1 (B) \$30 monthly fee on a loan of an original  
2 principal loan amount of at least \$300 and up to  
3 \$699.99; provided that a fraction of a month  
4 shall use a daily factor of \$1 per day; and  
5 (C) \$35 monthly fee on a loan of an original  
6 principal loan amount of at least \$700 and  
7 greater; provided that a fraction of a month  
8 shall use a daily factor of \$1.17 per day;  
9 provided that the monthly maintenance fee shall not be  
10 added to the loan balance upon which the interest is  
11 charged; provided further that an installment lender  
12 shall not charge, collect, or receive a monthly  
13 maintenance fee if the borrower is a person on active  
14 duty in the armed forces of the United States or a  
15 dependent of that person;  
16 (5) The minimum contracted repayment term of the  
17 installment loan shall be two months if the contracted  
18 loan amount is \$500 or less, or four months if the  
19 contracted loan amount is \$500.01 or more; provided  
20 that, for purposes of meeting the required minimum

- 1           contracted repayment term, an installment lender may  
2           calculate one month as twenty-eight days or longer;
- 3           (6) All repayment schedule due dates shall be dates upon  
4           which an installment lender is open for business to  
5           the public at the place of business where the  
6           installment loan was made;
- 7           (7) An installment lender shall accept prepayment in full  
8           or in part from a consumer prior to the loan due date  
9           and shall not charge the consumer a fee or penalty if  
10          the consumer opts to prepay the loan; provided that to  
11          make a prepayment, all past due interest and fees  
12          shall be paid first;
- 13          (8) The loan amount shall be fully amortized over the term  
14          of the loan, and maintenance fees shall be applied in  
15          arrears on a monthly basis;
- 16          (9) A consumer's repayment obligations shall not be  
17          secured by a lien on any real or personal property;
- 18          (10) An installment lender may offer to a consumer the  
19          option to make a payment through the consumer's debit  
20          card and may charge up to a \$5 convenience fee;  
21          provided that the installment lender shall be



1           prohibited from requiring this form of payment. The  
2           form of payment decision shall rest with a consumer.  
3           The installment lender shall not charge the consumer a  
4           non-sufficient funds fee for rejected payments through  
5           the use of a consumer's debit card;

6       ~~[(10)]~~ (11) An installment lender shall not charge a  
7           consumer any loan charges for an installment loan,  
8           other than the fees permitted by this chapter;

9       ~~[(11)]~~ (12) The written agreement required under section  
10           480J-3 shall not require a consumer to purchase add-on  
11           products, such as credit insurance; and

12       ~~[(12)]~~ (13) The maximum contracted repayment term of the  
13           installment loan shall be twelve months."

14           2. By amending subsection (c) to read:

15           "(c) For each cash or in-person payment made by a  
16           consumer, a lender shall give the consumer a written receipt  
17           with the lender's name and address, payment date, amount paid,  
18           ~~[consumer's name,~~] and sufficient information to identify the  
19           account to which the payment is applied."

20           SECTION 3. Section 480J-5, Hawaii Revised Statutes, is  
21           amended to read as follows:



1           " [†]§480J-5 [†] **Maximum loan amount; prohibition against**  
2 **multiple loans.** (a) A lender shall not lend an amount greater  
3 than \$1,500 nor shall the amount financed exceed \$1,500 by any  
4 one lender at any time to a consumer.

5           (b) Except as otherwise provided in section 480J-8, an  
6 installment lender shall take reasonable measures to ensure that  
7 no consumer has more than one installment loan outstanding at a  
8 time from any of the following:

9           (1) The installment lender;

10          (2) A person related to the installment lender by common  
11           ownership or control;

12          (3) A person in whom the installment lender has any  
13           financial interest of ten per cent or more; or

14          (4) Any employee or agent of the installment lender.

15          (c) An installment lender that receives written or  
16 electronic confirmation from each consumer that the consumer  
17 does not have any outstanding installment loans from the  
18 entities listed in subsection (b) as of the date the consumer  
19 enters into an installment loan with the installment lender  
20 shall be deemed to have met the requirements of this section.



1 (d) If a consumer's spouse obtains an installment loan  
2 voluntarily and separately from the consumer, and subsequently  
3 the consumer obtains an installment loan voluntarily and  
4 separately from the consumer's spouse, where neither the  
5 consumer nor the consumer's spouse are coborrowers with each  
6 other on either loan, and the consumer's action is documented in  
7 writing, either in the written agreement required under section  
8 480J-3 or in a subsequent agreement, signed by the consumer, and  
9 retained by the lender, the secondary transaction shall not be  
10 considered a violation of this section.

11 ~~[(c) Upon a consumer's payment in full of any installment~~  
12 ~~loan, an installment lender shall wait a period of three days~~  
13 ~~before the lender may make another installment loan to the same~~  
14 ~~consumer.]"~~

15 SECTION 4. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17 SECTION 5. This Act shall take effect on July 1, 3000;  
18 provided that this Act shall be repealed on June 30, 2028, and  
19 sections 480J-2 and 480J-5, Hawaii Revised Statutes, and the  
20 definition of "installment lender" or "lender" in section 480J-  
21 1, Hawaii Revised Statutes, shall be reenacted in the form in



1 which they read on the day prior to the effective date of this  
2 Act.



**Report Title:**

Department of Commerce and Consumer Affairs; Division of  
Financial Institutions; Installment Lender; Lender

**Description:**

Replaces the term "consumer loan" with the defined term  
"installment loan" for consistency throughout the installment  
loan chapter. Clarifies who is subject to the installment loan  
chapter. Requires loan maintenance fees to be prorated daily.  
Allows lenders to charge a convenience fee of up to \$5 for debit  
card payments. Requires paper receipts only for in-person or  
cash payments and removes consumer names from receipts. Repeals  
the requirement for lenders to wait three days after a consumer  
fully repays a loan before issuing a new installment loan.  
Sunsets 6/30/2028. Effective 7/1/3000. (HD1)

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not legislation or evidence of legislative intent.*

