
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[7]; provided that thirty
14 days shall equal one month and for any fraction of a
15 month the fee shall be prorated on a daily basis not
16 to exceed the following:

17 (A) \$25 monthly fee on a loan of an original
18 principal loan amount up to \$299.99; provided
19 further that a fraction of a month shall use a
20 daily 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~~] \$300.00
3 and up to \$699.99; provided further that a
4 fraction of a month shall use a daily factor of
5 \$1.00 per day; and

6 (C) \$35 monthly fee on a loan of an original
7 principal loan amount of at least [~~\$700~~] \$700.00
8 and greater; provided further that a fraction of
9 a month shall use a daily factor of \$1.17 per
10 day;

11 provided further that the monthly maintenance fee
12 shall not be added to the loan balance upon which the
13 interest is charged; provided further that an
14 installment lender shall not charge, collect, or
15 receive a monthly maintenance fee if the borrower is a
16 person on active duty in the armed forces of the
17 United States or a dependent of that person;

18 (5) The minimum contracted repayment term of the
19 installment loan shall be two months if the contracted
20 loan amount is \$500 or less, or four months if the
21 contracted loan amount is \$500.01 or more; provided



1 that, for purposes of meeting the required minimum
2 contracted repayment term, an installment lender may
3 calculate one month as twenty-eight days or longer;

4 (6) All repayment schedule due dates shall be dates upon
5 which an installment lender is open for business to
6 the public at the place of business where the
7 installment loan was made;

8 (7) An installment lender shall accept prepayment in full
9 or in part from a consumer prior to the loan due date
10 and shall not charge the consumer a fee or penalty if
11 the consumer opts to prepay the loan; provided that to
12 make a prepayment, all past due interest and fees
13 shall be paid first;

14 (8) The loan amount shall be fully amortized over the term
15 of the loan, and maintenance fees shall be applied in
16 arrears on a monthly basis;

17 (9) A consumer's repayment obligations shall not be
18 secured by a lien on any real or personal property;

19 (10) An installment lender may offer to a consumer the
20 option to make a payment through the consumer's debit
21 card and may charge not more than a \$5 convenience



1 fee; provided that the installment lender shall be
2 prohibited from requiring this form of payment. The
3 form of payment decision shall rest with the consumer.
4 The installment lender shall not charge the consumer a
5 non-sufficient funds fee for rejected payments through
6 the use of the consumer's debit card. This \$5
7 convenience fee shall not be considered loan charges
8 as defined in section 480J-1.

9 [~~(10)~~] (11) An installment lender shall not charge a
10 consumer any loan charges for an installment loan,
11 other than the fees permitted by this chapter;

12 [~~(11)~~] (12) The written agreement required under section
13 480J-3 shall not require a consumer to purchase add-on
14 products, such as credit insurance; and

15 [~~(12)~~] (13) The maximum contracted repayment term of the
16 installment loan shall be twelve months."

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

18 "(c) For each cash or in-person payment made by a
19 consumer, a lender shall give the consumer a written receipt
20 with the lender's name and address, payment date, amount paid,



1 ~~[consumer's name,]~~ and sufficient information to identify the
2 account to which the payment is applied."

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

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

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

- 13 (1) The installment lender;
14 (2) A person related to the installment lender by common
15 ownership or control;
16 (3) A person in whom the installment lender has any
17 financial interest of ten per cent or more; or
18 (4) Any employee or agent of the installment lender.

19 (c) An installment lender that receives written or
20 electronic confirmation from each consumer that the consumer
21 does not have any outstanding installment loans from the



1 entities listed in subsection (b) as of the date the consumer
2 enters into an installment loan with the installment lender
3 shall be deemed to have met the requirements of this section.

4 (d) If a consumer's spouse obtains an installment loan
5 voluntarily and separately from the consumer, and subsequently
6 the consumer obtains an installment loan voluntarily and
7 separately from the consumer's spouse, where neither the
8 consumer nor the consumer's spouse are coborrowers with each
9 other on either loan, and the consumer's action is documented in
10 writing, either in the written agreement required under section
11 480J-3 or in a subsequent agreement, signed by the consumer, and
12 retained by the lender, the secondary transaction shall not be
13 considered a violation of this section.

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

18 SECTION 4. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

20 SECTION 5. This Act shall take effect on July 1, 2050.



Report Title:

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

Description:

Clarifies the intended scope of chapter 480J, HRS, regulating installment lenders, and clarifies that the law does not intend to eliminate the ability of lenders to make low-interest rate loans under existing interest and usury laws. Replaces the term "consumer loan" with the defined term "installment loan" for consistency throughout the statutes. Requires loan maintenance fees to be prorated daily to prevent consumers from incurring fees once the loan is paid off. Allows lenders to charge a convenience fee of up to \$5 for debit card payments, providing consumers 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. Repeals the requirement for lenders to wait three days after a consumer fully repays a loan before issuing a new installment loan. Effective 7/1/2050.
(SD1)

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