

ACT 116

S.B. NO. 1367

A Bill for an Act Relating to Installment Loans.

Be It Enacted by the Legislature of the State of Hawaii:

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

““Installment lender” or “lender” means any person ~~not exempt under section 480J-32~~ who is in the business of offering or making ~~[a consumer]~~ an installment loan, who arranges ~~[a consumer]~~ an installment loan for a third party[;] required by this chapter to be licensed, or who acts as an agent for a third party ~~[, regardless of whether the third party is exempt from licensure under this chapter or whether approval, acceptance, or ratification by the third party is necessary to create a legal obligation for the third party,]~~ required by this chapter to be licensed with respect to the third party’s offering, making, or arranging of installment loans, through any method including mail, telephone, the Internet, or any electronic means.”

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

1. By amending subsection (a) to read:

“(a) Each installment loan transaction and renewal shall meet the following requirements:

- (1) Any transaction and renewal shall be documented in a written agreement pursuant to section 480J-3;
- (2) The total amount of the installment loan shall not be greater than \$1,500 pursuant to section 480J-5(a);
- (3) The total amount of loan charges an installment lender may charge, collect, or receive in connection with an installment loan shall not exceed fifty per cent of the principal loan amount;
- (4) Subject to paragraph (3), a monthly maintenance fee may be charged by the lender[;] provided that thirty days shall equal one month and for any fraction of a month the fee shall be prorated on a daily basis not to exceed the following:
 - (A) \$25 monthly fee on a loan of an original principal loan amount up to \$299.99; provided further that a fraction of a month shall use a daily factor of 83 cents per day;
 - (B) \$30 monthly fee on a loan of an original principal loan amount of at least \$300 and up to \$699.99; provided further that a fraction of a month shall use a daily factor of \$1 per day; and
 - (C) \$35 monthly fee on a loan of an original principal loan amount of at least \$700 and greater; provided further that a fraction of a month shall use a daily factor of \$1.17 per day;

- provided further that the monthly maintenance fee shall not be added to the loan balance upon which the interest is charged; provided further that an installment lender shall not charge, collect, or receive a monthly maintenance fee if the borrower is a person on active duty in the armed forces of the United States or a dependent of that person;
- (5) The minimum contracted repayment term of the installment loan shall be two months if the contracted loan amount is \$500 or less, or four months if the contracted loan amount is \$500.01 or more; provided that, for purposes of meeting the required minimum contracted repayment term, an installment lender may calculate one month as twenty-eight days or longer;
 - (6) All repayment schedule due dates shall be dates upon which an installment lender is open for business to the public at the place of business where the installment loan was made;
 - (7) An installment lender shall accept prepayment in full or in part from a consumer prior to the loan due date and shall not charge the consumer a fee or penalty if the consumer opts to prepay the loan; provided that to make a prepayment, all past due interest and fees shall be paid first;
 - (8) The loan amount shall be fully amortized over the term of the loan, and maintenance fees shall be applied in arrears on a monthly basis;
 - (9) A consumer's repayment obligations shall not be secured by a lien on any real or personal property;
 - (10) An installment lender may offer to a consumer the option to make a payment through the consumer's debit card and may charge not more than a \$1 convenience fee; provided that the installment lender shall be prohibited from requiring this form of payment. The form of payment decision shall rest with the consumer. The installment lender shall not charge the consumer a non-sufficient funds fee for rejected payments through the use of the consumer's debit card. This \$1 convenience fee shall not be considered loan charges.
 - [+09] (11) An installment lender shall not charge a consumer any loan charges for an installment loan, other than the fees permitted by this chapter;
 - [+1] (12) The written agreement required under section 480J-3 shall not require a consumer to purchase add-on products, such as credit insurance; and
 - [+2] (13) The maximum contracted repayment term of the installment loan shall be twelve months."

2. By amending subsection (c) to read:

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

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

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

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

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

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

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

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

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

SECTION 5. This Act shall take effect on July 1, 2025; provided that this Act shall be repealed on June 30, 2030, and sections 480J-2 and 480J-5, Hawaii Revised Statutes, and the definition of "installment lender" or "lender" in section 480J-1, Hawaii Revised Statutes, shall be reenacted in the form in which they read on the day prior to the effective date of this Act.

(Approved May 29, 2025.)