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PRESENTATION OF  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
REGULATED INDUSTRIES COMPLAINTS OFFICE

TO THE HOUSE COMMITTEE ON  
FINANCE

TWENTY-SIXTH STATE LEGISLATURE  
REGULAR SESSION, 2012

MONDAY, FEBRUARY 27, 2012  
4:00 P.M.

TESTIMONY ON HOUSE BILL NO. 2508  
RELATING TO COLLECTION AGENCIES

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR,  
AND TO THE HONORABLE MARILYN B. LEE, VICE CHAIR,  
AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs ("Department") appreciates the opportunity to testify on House Bill No. 2508, Relating To Collection Agencies. My name is Jo Ann Uchida, Acting Deputy Director. The Department strongly supports this Administration bill.

House Bill No. 2508 strengthens the Department's oversight of exempt out-of-state collection agencies by clarifying the requirements to maintain the exemption and specifying the conduct that would trigger enforcement action.

The Department notes that the Senate companion measure, Senate Bill No. 2770, was heard by the Ways and Means committee on February 23, 2012. The Committee passed out a Senate Draft 1 with a defective effective date and technical amendments.

Data from the Department's Professional and Vocational Licensing division indicates that there were 199 exempt out-of-state collection agencies as of July 12, 2004. As of July 27, 2011, there were 402 exempt out-of-state collection agencies operating in Hawaii, more than doubling the number of exempt out-of-state collection agencies operating in Hawaii, while the number of registered collection agencies remained relatively stable at around 200. The Department believes that additional regulatory provisions are warranted to ensure that Hawaii consumers are afforded certain safeguards when contacted by an exempt agency.

Section 443B-3.5, Hawaii Revised Statutes, which sets forth the exemption from the collection agency law, was enacted in 2000 to, among other things, afford Hawaii registered collection agencies reciprocity with other participating states. This bill is designed to preserve the exemption while ensuring that there is adequate oversight of the conduct of exempt entities that contact Hawaii consumers.

Specifically, the bill provides the following:

- 1) Sets forth the requirements to obtain and maintain the exemption, including the documentation required;

2) Identifies the activities in which an exempt collection agency is prohibited from engaging;

3) Requires the exempt collection agency to notify the Department of disciplinary action or judgment against it within thirty days;

4) Provides for the automatic forfeiture of the exemption if the collection agency fails to maintain a current, unrestricted, and unconditional license in a reciprocal state;

5) Authorizes the Director to initiate court action for unlicensed activity when an exempt out-of-state collection agency operates contrary to the exemption requirements; and

6) Increases the fine amount for all collection agencies from a maximum of \$1,000 to a maximum of \$5,000. The fine amount has not been increased since 1987.

The Department believes that House Bill No. 2508 will allow it to more adequately oversee the growing number of exempt out-of-state collection agencies in a manner that both protects Hawaii's consumers and preserves the reciprocal benefits of exempt out-of-state collection agencies.

Thank you for this opportunity to testify on House Bill No. 2508. I will be happy to answer any questions that the members of the Committee may have.