
A BILL FOR AN ACT

RELATING TO CHECK CASHING.

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

1 SECTION 1. In 2005 the state auditor prepared a sunrise
2 analysis in anticipation of the regulation of check cashers
3 regarding the issuance of deferred deposit agreements. Deferred
4 deposit agreements are commonly referred to as payday loans and
5 are small, short term, unsecured loans that borrowers commit to
6 repay from their next paycheck or a regular income payment.

7 Chapter 480F, Hawaii Revised Statutes, permits a check
8 cashier to charge a fee of 15 per cent of the face amount of the
9 check for a deferred deposit agreement. The maximum amount of
10 the check is capped at \$600. According to the auditor, under
11 this scenario, the interest charged to a borrower can amount to
12 459 per cent annualized interest rate on a fourteen day loan.

13 The legislature finds that it is in the interest of the
14 public to limit the interest rate a check cashier is allowed to
15 charge by way of a deferred deposit agreement. This would help
16 to limit the problem of borrowers being led into a debt trap
17 from which they cannot escape.



1 The purpose of this Act is to limit the interest a check
2 casher can charge pursuant to a deferred deposit agreement.

3 SECTION 2. Section 480F-4, Hawaii Revised Statutes, is
4 amended by amending subsection (b) to read as follows:

5 "(b) Each deferred deposit shall be made pursuant to a
6 written agreement that has been signed by the customer and the
7 check casher or an authorized representative of the check
8 casher. The written agreement shall contain a statement of the
9 total amount of any fees and interest charged for the deferred
10 deposit, expressed both in United States currency and as an
11 annual percentage rate[-] not to exceed 36 per cent per annum.
12 As used in this section, per annum is defined as a 365 day year.
13 The written agreement shall authorize the check casher to defer
14 deposit of the personal check until a specific date not later
15 than thirty-two days from the date the written agreement was
16 signed. The written agreement shall not permit the check casher
17 to accept collateral."

18 SECTION 3. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

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1 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY:

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JAN 23 2015



H.B. NO. 744

Report Title:

Check Cashing; Deferred Deposit Agreements; Interest

Description:

Places a cap on the interest that a check casher can charge pursuant to a deferred deposit agreement at 36 per cent per annum.

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