A BILL FOR AN ACT

RELATING TO FINANCIAL SECURITY.

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

SECTION 1. The legislature finds that anyone can experience financial hardship due to the loss of a job, a sudden illness, or other circumstances. According to the 2017 Aloha United Way report, across Hawaii, forty-eight per cent of households struggled to afford basic household necessities in 2015. Fifty per cent of Hawaii families live paycheck to paycheck, making any financial hardship a crisis, which can result in defaulting on payments of loans such as a mortgage or automobile loan, a prime cause of homelessness that can be avoided.

On every island in Hawaii, families are sleeping in tents on beaches and in public parks. Homelessness is a growing epidemic, and anything that can be done to curtail it is a necessary pursuit.

The purpose of this Act is to allow residents greater financial flexibility to help avoid financial crises by requiring certain mortgages or automobile loans to include an
option for the borrower to miss a monthly payment without penalty.

SECTION 2. Chapter 412, Hawaii Revised Statutes, is amended by adding a new section to article I to be appropriately designated and to read as follows:

"§412- Grace period for certain loans. (a) Any mortgage or automobile loan issued under this chapter in an amount of $1,000 or more shall include as a term of the loan an option for the borrower to miss one monthly payment, that can be used consecutively, for every twenty-four months for the term of the loan without financial, credit, or other penalty, provided that:

(1) The borrower informs the lender of the borrower's decision to not submit a monthly payment on or before the date that the monthly payment is due; and

(2) The lender may continue to accrue interest on the loan in any month in which a borrower has not submitted payment pursuant to this section."

SECTION 3. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date.
SECTION 4. New statutory material is underscored.

SECTION 5. This Act shall take effect on January 1, 2020.

INTRODUCED BY:
Report Title:
Financial Security; Grace Period; Loans

Description:
Requires certain mortgages or automobile loans of at least $1000 to include an option for the borrower to miss a monthly payment without penalty.

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