
A BILL FOR AN ACT

RELATING TO CHECK CASHING.

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

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

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

15 The legislature further finds that it is in the interest of
16 the public to limit the interest rate a check cashier is allowed
17 to charge by way of a deferred deposit agreement. This would



1 help to limit the problem of borrowers being led into a debt
2 trap from which they cannot escape.

3 The purpose of this Act is to limit the total amount of
4 fees charged for the deferred deposit of a personal check to an
5 annual percentage rate of thirty-six per cent.

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

8 "(c) The face amount of the check shall not exceed \$600
9 and the deposit of a personal check written by a customer
10 pursuant to a deferred deposit transaction may be deferred for
11 no more than thirty-two days. [~~A check casher may charge a fee
12 for deferred deposit of a personal check in an amount not to
13 exceed fifteen per cent of the face amount of the check.] The
14 total amount of fees for the deferred deposit of a personal
15 check shall not exceed an annual percentage rate of thirty-six
16 per cent. Any fees charged for deferred deposit of a personal
17 check in compliance with this section shall be exempt from
18 chapter 478."~~

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 Statutory material to be repealed is bracketed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

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



Report Title:

Check Cashing; Deferred Deposit Agreements; Fees; Annual
Percentage Rate

Description:

Caps the total amount of fees charged for the deferred deposit
of a personal check to an annual percentage rate of thirty-six
per cent. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is
not legislation or evidence of legislative intent.*

