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TO THE
HOUSE COMMITTEE ON PUBLIC SAFETY AND MILITARY AFFAIRS
THE TWENTY-FOURTH STATE LEGISLATURE
REGULAR SESSION OF 2008

Thursday, February 7, 2008
8:45 a.m.

TESTIMONY ON H.B. NO. 3024 - RELATING TO CONSUMER CREDIT

THE HONORABLE CINDY EVANS, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Nick Griffin, Commissioner of Financial Institutions ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). We appreciate the opportunity to testify on House Bill No. 3024. While the Department understands the legislative intent of this measure relating to consumer credit, sections 2 through 6 of this bill relating to amendments to Chapter 412, Hawaii Revised Statutes ("HRS") are already covered by existing State law.

The purpose of this bill is to require financial institutions and creditors that extend consumer credit to the members of the armed forces or reserves on active duty and

their family members, to conform their lending practices to the federal John Warner National Defense Authorization Act for Fiscal Year 2007, as amended, relating to the terms of consumer credit extended to the military and their dependents, including maximum annual percentage rates and required disclosures.

The bill seeks to do this by inserting new sections mandating such compliance into Article 5 of the Code of Financial Institutions (the "Code"), Chapter 412, HRS, applicable to Hawaii state chartered banks, Article 6 of the Code applicable to Hawaii state chartered savings banks, Article 7 of the Code applicable to Hawaii state chartered savings and loan associations, Article 9 of the Code applicable to licensed Hawaii financial services loan companies, and Article 10 of the Code applicable to Hawaii state chartered credit unions.

We point out that the proposed new sections to be inserted into the Code do not appear to be necessary to accomplish the purpose of the measure, because the Code already contains provisions more than sufficient to mandate compliance with both federal and state law by all Hawaii financial institutions that extend consumer credit and that are regulated under the Code. More specifically, Sections 412:5-301, 412:6-301, 412:7-301, 412:9-300, and 412:10-400, HRS, require that state chartered banks, savings banks, savings and loan associations, licensed financial services loan companies and state chartered credit unions, respectively, "shall make loans and extensions of credit that are consistent with prudent lending practices and in compliance

with all applicable federal and state law". In addition, Section 412:2-311, HRS, provides for the suspension or revocation of the charter or license of a Hawaii financial institution if the Commissioner finds that it has "violated or is violating state or federal laws, rules, or regulations"

Accordingly, while the specific amendments to Chapter 412, HRS that are proposed in this measure are not, strictly speaking, objectionable, they do appear to be redundant and consequently, would seem to us to be unnecessary.

Thank you for the opportunity to testify. I would be happy to respond to any questions you may have.