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TO THE
SENATE COMMITTEE ON INTERGOVERNMENTAL AND MILITARY AFFAIRS
THE TWENTY-FOURTH STATE LEGISLATURE
REGULAR SESSION OF 2008

Monday, January 28, 2008
1:15 p.m.

TESTIMONY ON S.B. NO. 3241 - RELATING TO CONSUMER CREDIT

THE HONORABLE LORRAINE R. INOUE, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Nick Griffin, Commissioner of Financial Institutions, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). We appreciate the opportunity to testify on Senate Bill No. 3241. While the Department appreciates 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

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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

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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.

NATIONAL GUARD ASSOCIATION OF HAWAII INSURANCE TRUST
3949 DIAMOND HEAD ROAD
HONOLULU, HAWAII 96816-4495

IGM Hearing
January 28, 2008 1:15 pm
Conference Room 229

To: Senator Lorraine Inouye
Chair, Senate Committee on Intergovernmental & Military Affairs

Senator Shan Tsutsui
Vice Chair, Senate Committee on Intergovernmental & Military Affairs

From: Peter Ching.
President of the Hawaii National Guard Association

Subject: **Testimony in support of SB 3241 RELATING TO CONSUMER CREDIT**

Madame Chairwoman and distinguished members of the Committee, I want to take advantage of this opportunity to discuss my support for SB 3241. My name is Peter Ching, President of the Hawaii National Guard Association.

I support SB 3241 because it will provide valuable information to military families and assist them in making sound financial decisions. While the military does provide education and training on personal finances to service members as part of their general military training, this can only go so far.

Too often, many lending institutions do not disclose all information regarding loans and other financial agreements when extending their services to military personnel, thus leaving the service member at a financial disadvantage. Some lending practices can create a cycle of debt for unsuspecting service members and their families, impacting quality of life and military preparedness.

Having financial institutions and creditors disclose important consumer credit information to the service member puts the burden on the institution and makes them accountable. I support this bill because it will increase awareness and understanding, and encourage change in behavior.

Madame Chairwoman and distinguished members of the Committee, I thank you for your commitment and dedication to the well being of our State and the guardsmen that defend it.

STATE OF HAWAII
DEPARTMENT OF DEFENSE

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TESTIMONY ON SENATE BILL 3241
A BILL FOR AN ACT RELATING TO CONSUMER CREDIT

PRESENTATION TO THE
SENATE COMMITTEE ON INTERGOVERNMENTAL AND MILITARY AFFAIRS

BY

MAJOR GENERAL ROBERT G. F. LEE
ADJUTANT GENERAL
January 28, 2008

Chair Inouye and Committee Members:

I am Major General Robert G. F. Lee, State Adjutant General. I am testifying on Senate Bill 3241.

We strongly support Senate Bill 3241.

If this bill is passed, it would require financial institutions and creditors that extend consumer credit to our military members and their families, to conform their lending practices to the federal John Warner National Defense Authorization Act. Passage of this bill would prevent predatory lending by financial institutions and creditors to military members and their families.

Chair Inouye, thank you for letting me submit this written testimony.



**The Chamber of
Commerce of Hawaii**
Since 1850

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TESTIMONY TO THE SENATE COMMITTEE ON INTERGOVERNMENTAL AND MILITARY AFFAIRS
MONDAY, JANUARY 28, 2008
1:15 P.M. IN ROOM 229

Re: SB 3241 RELATING TO THE CONSUMER CREDIT

Chair Inouye, Vice Chair Tsutsui, and Members of the Committee:

My name is Charlie Ota and I am the Vice President of the Military Affairs Department of The Chamber of Commerce of Hawaii. The Department oversees the Military Affairs Council (MAC) which serves as a liaison seeking solutions to issues of common concern to the military, private sector, and state.

The MAC submits testimony in support of Senate Bill 3241, relating to Consumer Credit, which specifies the various types of financial institutions in Hawaii that must comply with the consumer credit provisions of the federal John Warner National Defense Authorization Act of 2007.

This bill will clarify the types of financial institutions that must comply with the federal consumer credit provisions that were established by the Congress to protect military personnel from unscrupulous creditors.

In light of the above, the MAC strongly recommends approval of SB 3241 as written.