

STAND. COM. REP. NO.

1188

Honolulu, Hawaii

APR 09 2009

RE: H.B. No. 1070  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fifth State Legislature  
Regular Session of 2009  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 1070 entitled:

"A BILL FOR AN ACT RELATING TO THE CODE OF FINANCIAL INSTITUTIONS,"

begs leave to report as follows:

The purpose of this measure is to update the Code of Financial Institutions to address temporary office relocations and to place prudent limits on certain kinds of investments by financial institutions.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs. Testimony with comments was received from Hawaii Bankers Association and Hawaii Financial Services Association. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that it is essential for the Code of Financial Institutions to remain up to date, especially in the current economic environment. The current recession and the federal government's economic stimulus policy will affect the operations of financial institutions. Hawaii's administrative and regulatory structure must remain responsive to changing market conditions and federal regulations.

Your Committee has amended this measure by:



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- (1) Providing that written notice to the Commissioner of Financial Institutions of a temporary branch closure or relocation is not required if the financial institution reopens the branch within two business days;
- (2) Providing that a bank or savings bank may invest in certain debt obligations of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and the Federal Home Loan Banks without limits;
- (3) Providing that a bank or savings bank may invest in securities such as preferred stock of the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association that are not debt obligations, subject to a limit of twenty per cent of the bank or savings bank's capital and surplus;
- (4) Providing that a bank or savings bank may invest in certain securities issued by a public-private investment fund established in connection with the Legacy Loans Program and Legacy Securities Program of the United States Treasury and Federal Deposit Insurance Corporation subject to a limit of five per cent of the bank or saving bank's capital and surplus; and
- (5) Deferring its effective date.

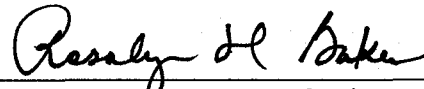
Your Committee is aware that the amended investment provisions are subject to continued discussion among the stakeholders to provide for avenues of safe and prudent investments consistent with the desirable goal of achieving reasonable returns to financial institutions. Your Committee has included these provisions at this time in order to address these issues in conference committee. Your Committee notes that the amended provision relating to public-private investment funds is a response to a program announced by the United States Treasury and Federal Deposit Insurance Corporation on March 23, 2009 to unfreeze the credit market by structuring a market for the sale of certain loans to private investors with the assistance of the federal government. While stakeholders are currently seeking more information on this program, your Committee finds that it is prudent at this time to provide potential enabling authorization for banks and savings banks to participate as investors in the



program and to address this issue more concretely in conference committee.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1070, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1070, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,



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ROSALYN H. BAKER, Chair



