

HCR 16



HAWAII BANKERS ASSOCIATION

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Friday, April 24, 2009, at 9:30 am

Testimony for HCR 16, HD 1 Encouraging State and County
Action to Stimulate Individual Savings and Development
Of Credit and To Formulate an Inventory of Banking
Services Available to Low-Income Persons and Those
With No Credit History in the State

TO: The Honorable Suzanne Chun Oakland, Chair
The Honorable Les Ihara, Jr., Vice Chair
Members of the Senate Committee on Human Services

The Honorable Rosalyn H. Baker, Chair
The Honorable David Y. Ige, Vice Chair
Members of the Senate Committee on Commerce & Consumer Protection

My name is Neal Okabayashi and I testify for the Hawaii Bankers Association in support of the concept of HCR 16, HD 1 because banks have long been excited about the possibility of serving the unbanked because it is consistent with our obligations under the Community Reinvestment Act and good public policy.

However, state law is an impediment to state chartered banks' attempt to serve the unbanked. The reason is that one of the more common ways to serve the unbanked is issuing electronic stored value cards which can be a prepaid debit card, payroll card or government benefit card. Wal-Mart has been active selling a prepaid debit card.

However, our gift card law in section 481B-13 defines gift cards so broadly that it subjects all electronic cards, including cards that are not gift cards, to the gift card law which prohibits fees regardless of who pays it. The present law serves as a deterrent to any state bank using innovative electronic products in Hawaii simply because banks cannot charge fees for the product, and thus, there is an economic disincentive to enter the market. The economic equation has recently become worse for banks because the FDIC has ruled that the underlying funds are a deposit and banks must pay ad deposit insurance premium on such funds. Thus the economic disincentive for state banks to enter the market has increased.

Please note the emphasis on state banks. Federally chartered banks are not subject to Hawaii's gift card restrictions and thus inherently, the gift card law puts the local state banks at a disadvantage.

When we last tried to change the definition of gift cards to restrict it only to what people view in everyday terms as a gift card, DCCA testified in opposition to the bill. The bill eventually did not make it out for conference for technical reasons, and we would explore initiating legislation on this topic in the future.

Thus, while we support the concept of serving the unbanked, please understand that until Hawaii law changes, it is not economically feasible for state banks to undertake such a task.

Thank you for this opportunity to testify. I am happy to answer any questions you may have.



HAWAII CREDIT UNION LEAGUE

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Testimony to the Senate Committee on Human Services and
Committee on Commerce and Consumer Protection
Friday, April 24, 2009 at 9:30 a.m.

Testimony in support of HCR 16 HD1

To: The Honorable Suzanne Chun Oakland, Chair
The Honorable Les Ihara, Jr., Vice-Chair
The Honorable Rosalyn Baker, Chair
The Honorable David Ige, Vice-Chair
Members of the Committee on Human Services
Members of the Committee on Commerce and Consumer Protection

My name is Stefanie Sakamoto and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for over 90 Hawaii credit unions, representing approximately 810,000 credit union members across the state.

We are in strong support of HCR 16 HD1, which seeks to create an inventory of banking services available to low-income persons and those that are currently unbanked, and to identify the unbanked and underbanked populations in Hawaii. These are important first steps in stimulating a climate of savings and financial responsibility.

Credit unions have a long history of helping people of modest means. We are committed to assisting the state in any way we can to carry out the goals set forth in HCR 16 HD1.

Thank you for the opportunity to testify.

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April 24, 2009

Senator Suzanne Chun Oakland, Chair
and members of the Senate Committee on Human Services
Senator Rosalyn H. Baker, Chair
and members of the Senate Committee on Commerce and Consumer Protection
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **House Concurrent Resolution 16, House Draft 1 (Encouraging State and County Action to Stimulate Individual Savings and Development of Credit and to Formulate an Inventory of Banking Services Available to Low-Income Persons and those with No Credit History in the State)**
Hearing Date/Time: Friday, April 24, 2009, 9:30 A.M.

I am the attorney for **Visa, Inc.** ("VISA"). VISA operates the world's largest retail electronic payments network providing processing services and payment product platforms. This includes consumer credit, debit, prepaid and commercial payments. VISA facilitates global commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses, and government entities.

VISA supports the intent of this Resolution.

The purpose of this Resolution is to encourage State and County action to stimulate individual savings and development of credit and to formulate an inventory of banking services available to low-income persons and those with no credit history in the State.

As stated in the Resolution, a bank account "provides a gateway for households to enter the financial mainstream and become owners of financial assets." With savings accounts and checking accounts in financial institutions, a person will be able to obtain a debit card which can be conveniently used to make purchases or pay for expenses. The payments on a debit card would come out of a person's savings account or checking account, and would not exceed the amount of money the person has in his or her account.

Thank you for considering our testimony.

Sincerely,



MARVIN S.C. DANG
Attorney for Visa, Inc.

(MSCD/VISA)