

SCR 13



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TO THE
SENATE COMMITTEES ON
HUMAN SERVICES AND
TRANSPORTATION, INTERNATIONAL AND INTERGOVERNMENTAL AFFAIRS

THE TWENTY-FIFTH STATE LEGISLATURE
REGULAR SESSION OF 2009

Monday, March 30, 2009
1:20 p.m.

TESTIMONY ON S.C.R. NO. 13 - 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.

THE HONORABLE SUZANNE CHUN OAKLAND, CHAIR,
THE HONORABLE J. KALANI ENGLISH, CHAIR
AND MEMBERS OF THE COMMITTEES:

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 Senate Concurrent Resolution No. 13. The
Department supports 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 that are available to low-income persons and those with no credit history in the State, as well as an unbanked population that frequently includes the elderly and senior citizens.

Senate Concurrent Resolution No. 13 observes that handling payments through a bank account provides a gateway for households to enter the financial mainstream and become owners of financial assets and that those households are more likely to own other assets, including accounts related to savings, credit, and insurance, while those without financial accounts are less likely to do so.

Consumers without a relationship with a mainstream financial institution may also pay high transaction fees for services, such as check cashing, and pay interest rates to purchase items through rent-to-own companies.

Clearly, in the American economy, consumers who have established banking relationships have access to better tools to save, build assets and enhance their ability to manage money and make significant financial decisions regarding education, homeownership, health care, self employment, and retirement.

In view of these positive outcomes generated by consumer access to mainstream financial services and products, the Department welcomes the opportunity to work with

TESTIMONY ON S.C.R. NO. 13
March 30, 2009, 1:20 p.m.
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local financial institutions to encourage the integration of the unbanked and underbanked populations into the financial mainstream here in Hawaii.

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



HAWAII BANKERS ASSOCIATION

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Presentation to the Senate Committee on Human Services & Transportation,
International and Intergovernmental Affairs
Monday, March 30, 2009, at 1:20 pm

Testimony for S.C.R. 13 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 J. Kalani English, Chair
The Honorable Mike Gabbard, Vice Chair
Members of the Senate Committee on Transportation,
International and Intergovernmental Affairs

My name is Neal Okabayashi and I testify for the Hawaii Bankers Association in support of the concept of SCR 13 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.

Wal-Mart has been active in this market selling a prepaid debit card. On the mainland, a very common way of serving the unbanked is through stored value cards such as prepaid debit cards, payroll cards and government benefit cards.

The state banks would welcome the opportunity to explore the possibility of serving this market but unfortunately, statutory structural impediments serve as an insurmountable obstacle to entering the market. The reason is that our gift card law in section 481B-13 defines gift cards so broadly that it captures within its definition stored value cards which are not gift cards. 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 a 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.

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 Transportation, International and Governmental Affairs
Monday, March 30, 2009 at 1:20 p.m.

Testimony in support of SCR 13

To: The Honorable Suzanne Chun Oakland, Chair
The Honorable Les Ihara Jr., Vice-Chair
The Honorable J. Kalani English, Chair
The Honorable Mike Gabbard, Vice-Chair
Members of the Committee on Human Services
Members of the Committee on Transportation, International, and Governmental Affairs

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 SCR 13, 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 SCR 13.

Thank you for the opportunity to testify.

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March 30, 2009

Senator Suzanne Chun, Oakland, Chair
and members of the Senate Committee on Human Services
Senator J. Kalani English, Chair
and members of the Senate Committee on Transportation, International, and
Intergovernmental Affairs
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **Senate Concurrent Resolution 13 (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: Monday, March 30, 2009, 1:20 P.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)

ChunOakland3 - Tyrell

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 25, 2009 10:58 AM
To: HMS Testimony
Cc: paymaster@paydayhawaii.com
Subject: Testimony for SCR13 on 3/30/2009 1:20:00 PM

Follow Up Flag: Follow up
Flag Status: Completed

Testimony for HMS/TIA 3/30/2009 1:20:00 PM SCR13

Conference room: 224
Testifier position: support
Testifier will be present: No
Submitted by: R. Craig Schafer
Organization: Financial Service Providers of Hawaii
Address:
Phone: 808.822.5115
E-mail: paymaster@paydayhawaii.com
Submitted on: 3/25/2009

Comments:

HACBED

Community Voice, Collective Action

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Public Charter School

Kukui & Gary Maunakea-Forth
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Senate Committee on Human Services &
Committee Transportation, International & Intergovernmental Affairs
Monday, March 30th, 2009 @ 1:20 pm
Conference Room 224
Testimony **Supporting SCR 13**
Related To Individual Savings & Credit

Dear Chair Chun-Oakland, Chair English and Committee Members:

The Hawai'i Alliance for Community Based Economic Development (HACBED) is submitting testimony supporting SCR 13 that encourages state and county action to encourage individual savings and development of credit.

Supporting "unbanked" families to participate in mainstream financial services is part of a comprehensive public policy agenda to help people build assets. Asset Building is an approach to fostering financial independence.

Assets are essential for three reasons:

1. To have **financial security** against difficult times
2. To create **economic opportunities** for oneself
3. To **leave a legacy** for future generations to have a better life

The most recent CFED Assets and Opportunity Scorecard reports that 36.2% of Hawaii households do not have an interest bearing accountⁱ. Families that are unbanked often rely on costly alternative financial services. A Brookings Institution report estimates that a family that is unbanked could spend as much as \$40,000 over their lifetime on alternative financial services.ⁱⁱ Supporting Hawaii families to develop credit and open bank accounts would be a positive step. We support Hawaii's efforts to bring more families into the financial mainstream.

Thank you for this opportunity to testify.

Sincerely,

Brent Dillabaugh
Policy Coordinator

HACBED

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Community Voice, Collective Action

ⁱ <http://www.cfed.org/focus.m?parentid=31&siteid=2471&id=2475&measureid=3892>

ⁱⁱ http://www.brookings.edu/~media/Files/rc/reports/2008/01_banking_fellowes/01_banking_fellows.pdf

Re: **In support of SCR 13**

Date: Monday, March 30, 2009

Time: 1:20 pm

Dear Senators,

This resolution is a great idea, especially in these times of economic hardship for Hawaii's citizens. If passed, I can see more good things coming out of this measure for future legislation. Maybe Hawaii will become a model for other states.

Mahalo for the opportunity to submit testimony.

Ku'ulei A. Killiona, private citizen
kuuleikilliona@hawaii.rr.com