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TO THE HOUSE
COMMITTEE ON CONSUMER PROTECTION
AND COMMERCE

THE TWENTY-SIXTH STATE LEGISLATURE
REGULAR SESSION 2012

Wednesday, February 8, 2012
2:00 p.m.

TESTIMONY ON H.B. 1840, H.D.1
RELATING TO THE STATE-OWNED BANK

TO THE HONORABLE ROBERT N. HERKES, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda Catalani, Commissioner of Financial Institutions ("Commissioner"). I appreciate the opportunity to provide comments on behalf of the Division of Financial Institutions of the Department of Commerce and Consumer Affairs ("DFI") regarding H.B. 1840, H.D. 1.

The purpose of the Bill is to establish a task force to study the feasibility of establishing a state-owned bank in Hawaii. It is believed that a state-owned bank would promote agriculture, education, community development, economic development, housing and industry in the State by building a resource to help stabilize and grow the

State's economy; use the resources of the people of the State within the State; support the common good and public benefit of the State; and leverage the State's financial capital and resources.

Members of the task force would be tasked with reviewing and evaluating the impact a state-owned bank might have on the State's economy. While I support the creation of the task force to explore the feasibility of a state-owned bank, in an effort to be proactive, DFI has already completed a white paper on the feasibility of a state bank. In doing so, we gathered information from the Bank of North Dakota, and the studies from the Federal Reserve Bank of Boston and the Massachusetts Commission created by the Massachusetts legislature. This white paper is attached at the end of my testimony.

As you are aware, only one state in the union has created a state-owned bank. In 1919 North Dakota established a state-owned bank primarily to help agricultural borrowers obtain financing needed to operate their businesses. While the Bank of North Dakota ("BND") facilitated financing for agricultural borrowers, there is no objective evidence that BND was instrumental in correcting severe credit shortfalls or that BND stabilized North Dakota's economy during the recent credit crisis. It should be noted that North Dakota's oil industry may be the likely cause that North Dakota was able to weather the financial crisis as oil is one of North Dakota's top agricultural products and oil production remained steady while the price of oil increased, thus

increasing the revenues to the state. Essentially, North Dakota's economy is supported by agricultural activities and populated by a small number of isolated banks.

Conversely, the Hawaiian economy is substantially supported by the tourist industry and governmental activities and has few and comparatively large banks, several of which have numerous branches throughout the State.

The cost of financing a state-owned bank in North Dakota in 1919 was approximately 2 million dollars. When the state of Massachusetts recently considered opening a state-owned bank, start up costs were estimated to be approximately \$3.6 billion dollars. Arguably, establishing a state-owned bank in Hawaii might approach if not exceed the Massachusetts estimate given that both states are not agriculturally based, and that both state economies are driven by a complex mix of industries and businesses. Whether a state-owned bank can generate revenues to recoup start-up costs in addition to an annual operating budget, are factors which the task force should seriously consider in evaluating the viability of such a project.

Finally and perhaps most importantly, are repercussions to the business community in the event the State establishes its own bank. I believe that a serious blow may be dealt to the financial community if the State withdraws funds from local banks, and in turn, deposits State monies in a State-owned bank. The funds deposited in our local banks are secured with bonds to ensure security and availability of the funds at all

times. Arguably, the soundness of Hawaii's financial institutions may be compromised and jeopardized by transferring State monies to a state-owned bank.

As part of establishing the task force under the bill, I believe it is important for the task force to take a broader look at many options that the State should consider. The state bank is one of the options that should be explored by the task force. For the state bank option, the task force would benefit from guidance from the legislature regarding the following items:

1. What does the legislature want the state bank's mission or focus to be? The state bank of North Dakota was established to provide loans to farmers who were not able to qualify for agricultural loans in the 1900's. Its lending practices have not changed significantly since the establishment of the bank focusing on agricultural loans, and since 1967 adding student loans.
2. Whether the legislature wants the state bank to comply with the requirements that state funds deposited in banks be fully secured. Currently, all banks are required to maintain a minimum level of capital during the ongoing operations of the bank. In the alternative, whether the legislature wants to allow the state to float bonds to then invest as capital in the bank?
3. Where the capital to establish the state bank would come from and whether the state will put up the capital and be the 100% owner of the bank. The capital contribution would then not be considered state funds, but would be an

investment of the state. Then if the state also required that all state funds (e.g. general funds, special funds etc.) be deposited in the bank, then the question is whether the state will require that those funds be secured? In North Dakota, the original act of 1919 provided that all public funds were to be deposited with the Bank of North Dakota. An initiated measure in 1921 changed this by providing that all political subdivisions, with the exception of the state itself, make deposits either with private institutions or with the Bank of North Dakota.

4. Under what circumstances would the state bank be required to distribute dividends to the general funds? The State Bank of North Dakota did not provide a dividend to the state until 1945, about 26 years after the establishment of the bank.

Other options to consider are:

1. The Small Business Administration, which offers loans and financial assistance to small businesses.
2. Until 2003, the state administered the Hawaii Capital Loan Program, which provided loans to eligible Hawaii businesses. During the 2011 session, S.B. No. 757 was introduced to reestablish the Hawaii Capitol Loan Program. Currently pending is a hearing to appropriate \$2 million dollars to the program.

TESTIMONY ON HOUSE BILL NO. 1840, H.D.1
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3. Agricultural loan programs both at the federal and state levels.

Thank you for the opportunity to provide written comments and I am available to answer any questions the committee might have.

Should Hawaii Establish a State Bank?
By the Division of Financial Institutions
Iris Ikeda Catalani, Commissioner
January 2012

Department of Commerce and Consumer Affairs

With the recent economic downturn and lack of financing available for new businesses, discussions on the establishment of state banks have increased. The only state bank that currently exists was established in 1919 in North Dakota. Its primary functions are to promote agriculture, commerce and industry, and to stimulate economic development through several lending programs.¹

In May 2011, the New England Public Policy Center of the Federal Reserve Bank of Boston published a research report entitled, "The Bank of North Dakota: A model for Massachusetts and other states?" (Research Report). The Research Report analyzed the Bank of North Dakota (BND) as a possible model for the state of Massachusetts. The Report did not find this to be a reasonable model for Massachusetts, concluding that:

- The willingness and capacity of a state-owned bank to offset a serious credit crunch has not been shown;
- With the possible exception of the Great Depression, BND contributions to stabilizing the state economy and finances appear to have been relatively minor;
- The potential costs of starting up a state-owned bank could be significant; and
- Massachusetts and other states should start any discussions of financial-sector reforms by identifying the problems that public policy needs to address.

One of the factors the Research Report looked at was the difference in the banking environment in North Dakota which consists of numerous small commercial banks and that in Massachusetts which consists of a few comparatively large commercial banks. In addition, the Research Report noted that there is only one state bank in the entire country with no others with which to compare it.

¹ Morton, Heather. Are State-Owned Banks a Viable Option? NCSL LegisBrief November/December 2011.

While it is difficult to provide a definitive conclusion based on analyses which are limited and complex, the following provides additional discussion on why the establishment of a state bank in Hawaii would be against sound fiscal policy at this time.

- **Bank of North Dakota**

Emphasizing safe and sound lending, BND has a largely favorable reputation in the state. It does not engage in risky activities such as community development funding and equity investments. Partnering with small community banks in North Dakota allows these small banks to make loans that exceed their legal or internal lending limits. The experience of BND is not comparable to Hawaii economic or banking environment as the two states are dramatically different. North Dakota is sparsely populated rural state with an agricultural base with numerous small, relatively isolated banks,² differing significantly from Hawaii which relies on tourism, is not predominantly rural, and has only eleven banks, which could not be considered isolated.

- **Access to credit by local businesses.**

During the financial crisis and recession of 2007-2009, credit availability in North Dakota for small businesses was unable to meet the demand. There is no evidence that BND helped to lower credit barriers during that time. However, there is "indirect evidence that BND viewed federal agencies as having the primary responsibility and capacity for providing the liquidity backstop."³ While BND was able to assist North Dakota banks through "record loan growth, letters of credit for public deposits, and a record amount of fed funds borrowed," the Federal Home Loan Bank (FHLB) system was a major source of liquidity during this time. FHLB advances funding to various financial institutions to support small business when other sources of capital are scarce.

In addition, two new federal programs were initiated to aid small businesses. The Small Business Lending Fund and the State Small Business Credit Initiative both provide mechanisms to increase credit availability for small businesses. In addition, several loan guarantee programs of the Small Business Administration have been expanded and the Small Business Jobs Act of 2010 relaxed various SBA loan eligibility requirements.

- **Augmenting the lending capacity of local banks.**

² Kodrzycki, Yolanda K. and Tal Elmatad. New England Public Policy Center, Research Report 11-2, May 2011. The Bank of North Dakota: A model for Massachusetts and other states?

³ Ibid

While a state bank and BND in particular are able to augment local banks' lending capacities, Hawaii's banking industry does not mirror that of the small banks in North Dakota. Even if it did, the Massachusetts Commission Report pointed to "private bankers' banks" owned by and providing services to member institutions as an alternative model to a state bank. This model could provide services to smaller banks while not being viewed as a competitor of larger banks.

- **Stabilization of state economy and finances.**

When the North Dakota economy is doing well, BND has been able to help balance the state budget when it experiences shortfalls in other financial sources. However, during a severe agricultural crisis and recession, the poor performance of BND made the crisis worse. When North Dakota's economic experience was compared to that of South Dakota, a state similar in geographic location, size, population, and industry mix, it was found that North Dakota did not consistently outperform South Dakota. The conclusion of the Research Report, reflected in the Massachusetts Commission Report, is that having a state bank did not measurably affect the economic health of the North Dakota.

- **Start-up costs and considerations.**

In addition to the cost of possible legal and regulatory hurdles, including the time delays, basic start-up costs would probably be considerable, involving a sizeable bond issue. In addition, if a state bank were to be established quickly, it would most likely disrupt the operations of existing banks. This is because the state deposits state funds into various financial institutions and withdrawal of such deposits would be disruptive, requiring these institutions to reduce their lending and investment portfolios. However, a gradual phase-in, while perhaps more palatable to existing banks, would delay the benefits of state-owned bank lending. The Massachusetts study estimated that, based on the startup costs for BND which consisted of an initial capitalization through a \$2 million bond issue in 1919, the startup cost for a Bank of Massachusetts today would be around \$3.6 billion. This extrapolation included adjustments for inflation and for growth in the size of the economy from 1919 to today - assuming a 13-fold expansion.

- **Review of public policy issues.**

The Research Report recommended that, instead of planning for the establishment of a state bank, the Commission:

- Identify the specific market failure it wishes to address and the degree to which a state-owned bank would address this failure; and

- Investigate ways to leverage the already existing network of quasi-public agencies to fulfill its objectives.⁴
- **Massachusetts state programs**
Many public and quasi-public agencies and nonprofits already exist in Massachusetts that offer "various lending programs and services, including lending to help support infrastructure."⁵
- **Hawaii state programs**
As in Massachusetts, a number of programs already exist to provide funding for various small businesses, etc. In addition, once the objectives for the creation of a state bank have been established, based on specific market failures, existing programs can be reevaluated and revised and new programs can be created, following the examples of other states.

Some of the programs already in existence in Hawaii include:

- Small Business
 - The federal Small Business Association in Hawaii offers services including helping small businesses find financing through loans, grants, and a variety of other methods, helping the business decide which method is best for each individual business. It does not provide loans but can help in filling out loan applications and provides numerous other services.⁶ The Hawaii banks provide the SBA loans to the small businesses.⁷
 - The Department of Business Development and Tourism (DBEDT) has developed a number of resources on how to start and grow a business⁸ and how to find financing.⁹ In addition to the small business resources above, the sources of financing on the DBEDT website include commercial lenders, Hawaii Strategic Development Corporation venture capital, Small Business Innovation Grants, OHA business loans, and agricultural loan programs.

⁴ Report of the Commission to Study the Feasibility of Establishing a Bank Owned by the Commonwealth; August 8, 2011.

⁵ Ibid

⁶ <http://www.sba.gov/about-offices-content/2/3112>

⁷ Hawaii banks that provide SBA loans are: American Savings Bank, Bank of Hawaii, Central Pacific Bank, First Hawaiian Bank, Hawaii National Bank, Ohana Pacific Bank, and Pacific Rim Bank.

⁸ http://hawaii.gov/dbedt/business/start_grow/

⁹ http://hawaii.gov/dbedt/business/find_financing/

- Hawaii Capital Loan Program

In 1963, the Hawaii Capital Loan Revolving Fund was created within the Hawaii Capital Loan Program (Program) to provide a variety of loans to aid certain businesses. In 2003, based on the downturn in the economy, the Fund was repealed as one of the funds which, according to Act 178, Session Laws of Hawaii 2003, no longer served the purpose for which it was created, was not an appropriate means of financing, or was not financially self-sustaining. According to DBEDT, in its 40 plus years of existence, the Program has assisted 561 borrowers providing financing of over \$96 million. Seventy-six loans were written off during that time totaling just under \$7.5 million.

In 2011, Senate Bill Number 757 (SB757) was introduced to appropriate funds for the Program. SB757 was amended to reestablish the Fund authorizing DBEDT to contract for servicing or administering loans from the Fund. The bill passed the Senate as SB757, Senate Draft 2, and passed out of the House Committee on Economic Revitalization and Business as SB757, House Draft 1. It has been referred to the Finance Committee. According to the committee reports for these two drafts, the only differences in the Senate and House versions are the effective dates, which were amended in both drafts to encourage further discussion. Neither bill provided the amount of the appropriation that would be attached to the Fund. However, House Bill 873 (HB873), also introduced in the 2011 session, reestablished the Fund and provided an appropriation of \$2,000,000. HB873 has not received a hearing.

Reestablishing this Fund would provide additional financial resources to small businesses that might otherwise be unable to find funding due to the recent downturn in the economy. Because the bill has passed the Senate and is in the final House committee, this could be accomplished reasonably quickly providing quick relief for small businesses that lack funding.

Finally, in 2010, the Massachusetts legislature passed legislation for a commission to study the establishment of a state bank. In August 2011, after six meetings and three public hearings, and considering many of the factors outlined above, the commission recommended against a state bank for Massachusetts because:

- There was no justification found for the initial capital costs;
- The BND did not offer adequate guidance because of the "vast" differences in the North Dakota and Massachusetts banking industries and economies;

- Public funds deposited into a state bank would be exposed to an unacceptably high risk when used for risky gap financing;
- Massachusetts infrastructure investment is substantially more established than that of North Dakota; and
- Massachusetts already has a network of public agencies, quasi-public agencies, and non-profits which offer lending programs and services.

Conclusion

Whether a state bank should be created in Hawaii needs careful consideration prior to outlining how this would be accomplished. Of the many factors to consider, the determination of what the state bank would accomplish for the state is critical. Once these factors are outlined, perhaps another avenue of financial assistance could be found that would better accomplish the state's goal. Only once it is clear that a state bank is necessary and is the best method to accomplish one or more of these goals should the concept of a state bank be fully discussed and methods to create it are worked out. In addition, the drawbacks of the establishment of a state bank must be thoroughly discussed and solutions to those found unless they are an acceptable cost of the creation of the state bank.

Appendix A

	Hawaii	North Dakota
Economic Driver	Tourism	Agriculture, oil
Population	1,360,301 in 2010 - quadruple that of N.D. when the Bank of N.D. was established and over twice the current N.D. population	approx. 673,000 in 2010 - Just over 300,000 when the state bank was established
Number of banks	11 with 175 branches	95 banks with 442 branches http://www.moneyaisle.com/bank-browser/states/north-dakota/
Cost of start up	undetermined	\$325 million (estimated startup cost in today's dollars)
Community classification	Urban	Rural
Size in square miles	6,459	70,704
Unemployment rates ¹⁰	12 th (6.5%) ¹¹	1 st (3.4%) ¹²
Mortgage foreclosure rate ¹³	14th	49th
Nearest neighboring state	California - 2500 miles across the Pacific	South Dakota, Montana, Minnesota (on the border)
Climate	Warm, balmy	Cold

¹⁰ U.S. Department of Labor, Bureau of Labor Statistics

¹¹ Same for November 2011

¹² Same for November 2011

¹³ RealtyTrac, 2008 third quarter.

Charlotte A. Carter-Yamauchi
Acting Director

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LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol, Room 446
415 S. Beretania Street
Honolulu, Hawaii 96813

Written Comments Only

HB1840 HD1
RELATING TO STATE-OWNED BANK

Comments by the Legislative Reference Bureau
Charlotte A. Carter-Yamauchi, Acting Director

Presented to the House Committee on Commerce and Consumer Protection

Wednesday, February 8, 2012, 2:00 p.m.
Conference Room 325

Chair Herkes and Members of the Committee:

I am Charlotte Carter-Yamauchi, Acting Director of the Legislative Reference Bureau (Bureau). The Bureau appreciates this opportunity to provide comments on House Bill No. 1840, which establishes a task force to study the feasibility of establishing a state-owned bank in Hawaii.

The Bureau takes no position either for or against the measure but submits the following comments and concerns.

The bill requires the Bureau to provide "research and organizational support services" to the task force (section 4) -- while implying that the task force itself is responsible for producing the report (section 2(f)).

While the Bureau is generally charged with the responsibility to provide comprehensive and impartial research services to the Legislature, the term ". . . research and organizational support services" to the task force" is vague and would probably be interpreted to require the Bureau to administer the day-to-day operations of the task force, such as contacting each task force member and scheduling the meetings of the task force, the scheduling of travel arrangements (if any) for task force members, the identification, reservation, scheduling, and preparation of conference facilities (the Bureau has no conference or meeting room facilities of its own), and any other ministerial duties that the Commissioner of Financial Institutions, as Chair of the task force, may require.

We believe that the abilities of the Bureau would be utilized more effectively on the Legislature's behalf if the measure is amended in the following manner:

- (1) Make the Division of Financial Institutions of the DCCA responsible for the research and organizational support services to the task force. This would be more efficient since the Chair of the task force is the Commissioner of Financial Institutions (section 2(b)).
- (2) Specifically direct the Bureau to produce the report of the task force and draft any necessary proposed legislation, using language substantially similar to that under Act 162, Session Laws of Hawaii 2010, regarding the Bureau providing assistance to the Mortgage Foreclosure Task Force and the timetable for submission of drafts to ensure timely completion.

Thank you again for this opportunity to provide comments.

TESTIMONY ON HOUSE BILL 1840, HOUSE DRAFT 1 RELATING TO STATE-OWNED BANK

House Committee on Consumer Protection and Commerce

Hon. Robert N. Herkes, Chair

Hon. Ryan I. Yamane, Vice Chair

Tuesday, February 8, 2012, 2:00 AM

State Capitol, Conference Room 325

Honorable Chair Herkes and committee members:

I am Kris Coffield, representing the IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 150 local members. On behalf of our members, we offer this testimony in support of HB 1840, HD 1, creating the task force on establishing the Bank of the State of Hawaii, with consideration for amendments.

Beginning in 2007, the American economy began slipping into a sharp recession, a result of, among other things, profligate speculation on risky derivatives by Wall Street bankers and plummeting property values. As the credit crisis deepened, national unemployment rates soared, eventually surpassing 10 percent. The coupling of high unemployment with a decimated housing market led to extreme budget shortfalls for most states, finally culminating in monoline bond insurers, like Moody's, reducing many states' credit ratings. Hawaii was not spared, as its outlook on \$4.7 billion of general-obligation bonds fell to "negative" from "stable," in 2010, on the basis of budget reserve depletion prompted by decreased tax collections.

While the federal stimulus program and Troubled Asset Relief Program helped stem the hemorrhaging of jobs into unemployment lines, they failed to resolve the credit crunch or spur lending to states, businesses, and individuals. What's more, financial firms receiving bailout funds have worked to undermine regulatory mechanisms put in place to protect investors and have disbursed huge bonuses to the some of the same executives that sanctioned the trading schemes underlying the recession. As Hawaii grapples with a \$1.3 billion deficit and billions more in unfunded liabilities, it's clear that something has to be done. Exploring the notion of a state-owned public bank, via the enactment of HB 1840 is exactly the kind of innovative solution needed to offset future losses.

By consolidating state assets under a single fiduciary umbrella, a public bank would allow the state to leverage its own resources to finance operations free of interest, since the State of Hawaii would own the Bank of the State of Hawaii and return excess earnings to the state's general fund. Moreover, a public bank would not be beholden to the profit-based agendas of private banks, thereby permitting the Bank of the State of Hawaii to leverage capital on a fractional basis without consideration for shareholder earnings or market expectations. The capital reserves of private banks, today, are tainted with so-called "toxic" assets and subject to quarterly earnings statements. Because neither of these

limitations would apply to a public bank, however, the Bank of the State of Hawaii would be able to better engage in long-term planning based on available deposits and revenue forecasts.

Perhaps the best argument in favor of establishing a task force to study the feasibility of creating a public bank resides not in Hawaii, but North Dakota. Currently, North Dakota is the only state in the country with a public bank, called the Bank of North Dakota. Tasked with maintaining the vitality of local government businesses through collective leveraging and management of state assets, the BND has helped North Dakota escape the economic downturn and, instead, enter recent calendar years with a *\$1 billion surplus*. Granted, North Dakota is home to myriad small banking institutions (unlike Hawaii, whose fiscal landscape boasts a small number of comparatively large institutions). The BND's 25 percent return on equity and \$60 million dividend payment to the state, in 2009, cannot be easily dismissed, though, particularly when contextualized by the roughly \$300 million that the bank has injected into North Dakota's general fund coffers over the last decade, according to the Public Banking Institute.

Nevertheless, the IMUAlliance believes this resolution can be strengthened through the adoption of several amendments. First, we believe that the enumerated members of the proposed task force contained in section 2, subsection (a) should be revised to include a representative from the Department of Business, Economic Development and Tourism, the agency responsible for providing the statistical and financial expertise that guides the state's economic development efforts, in the form of the director of DBEDT or the director's designee. Second, we submit that section 2, subsection (b) of the proposal should stipulate that the director of or director's designee from the Department of Budget and Finance shall service as the task force's vice-chairperson. Third and finally, we feel that the list of considerations recommended for review by the task force, as enumerated in section 2, subsection (e), should be modified to encourage investigation of the possibility of creating a centrally computerized bank function (as opposed to a bricks and mortar building). Thus, we suggest that the committee add the following to the list of possible subjects for evaluation: **"The findings from Oregon studies in creating a virtual state bank, including *Putting Oregon's Money to Work for Oregon: Introducing the Virtual State Bank.*"**

As Ellen Brown, president of the Public Banking Institute, has indicated, the projected collective state budget deficit for 2011 stood at \$140 billion, a total that pales in comparison to the \$12.3 trillion in liquidity and short-term loans extended, by the Federal Reserve, to bail out Wall Street. Yet, Fed Chairman Ben Bernanke announced, in January, that a bailout for local and state governments had been taken off the table. States, then, must act to protect their own interests, and passage of this measure would be a smart first step. Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Legislative Director
IMUAlliance

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Robert N. Herkes, Chair
Rep. Ryan I. Yamane, Vice Chair

Wednesday February 8, 2012 at 3:00pm
Conference Room 325

Testimony in **support** of HB 1840

RELATING TO STATE-OWNED BANK

Chair Herkes and Vice-Chair Yamane:

I am in full agreement that a state-owned bank would promote agriculture, education, community development, economic development, housing, and industry in the State by building a resource to help stabilize and grow the State's economy; use the resources of the people of the State within the State; support the common good and public benefit of the State; and leverage the State's financial capital and resources.

Creating a task force to review, investigate, and study the feasibility and cost of establishing a state-owned bank is an excellent first step.

Thank you for the opportunity to offer testimony in support of this bill.

Ian Chan Hodges
Responsible Markets LLC
Makawao, HI

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House Committee on Consumer Protection & Commerce

**Hearing: Wednesday, February 8, 2012, 2:00 p.m.
Conference Room 325, State Capitol, 415 South Beretania Street**

IN SUPPORT OF HB 1840, HD1

Chair Herkes, Vice Chair Yamane, and Committee Members:

My name is George Zweibel. I am a Hawaii Island attorney and have for many years represented mortgage borrowers living on Oahu, Hawaii, Kauai and Maui. Earlier, I was a regional director and staff attorney at the Federal Trade Commission enforcing consumer credit laws as well as a legal aid consumer lawyer. I have served on the Legislature's Mortgage Foreclosure Task Force since its inception in 2010.

HB 1840, HD1 would establish a task force to study the feasibility of establishing a state-owned bank in Hawaii. If a state bank is not established now, as proposed by HB 2103, I support utilizing a task force to more fully consider particulars related to establishing such a bank in our state.

The potential benefits of creating a state bank, as described in Section 1, are compelling and worthy of serious consideration. Given the impact this would have on virtually everyone living in Hawaii – not just the interests currently included in the list appearing in Section 2 – it is essential to also ensure representation on the task force of Hawaii people including consumers, homeowners, elders and low-income persons. Accordingly, I recommend revising Section 2(a) by adding the following:

- “(11) The director of the office of consumer protection of the department of commerce and consumer affairs;**
- (12) A representative of the Legal Aid Society of Hawaii;**
- (13) A representative of AARP;**
- (14) A representative of a mortgage counseling organization approved by the United States Department of Housing and Urban Development;**

- (15) **A consumer representative with expertise in consumer credit; and**
- (16) **A mortgage borrower whose home is located on a neighbor island.”**

It is essential to ensure representation of those who live on neighbor islands. Although the sunshine law requires task force members to attend Honolulu meetings in person, the cost of doing so is substantial. To ensure that considerations uniquely affecting Hawaii residents living on other islands are considered by the task force, Section 2(c) should be revised to provide for reimbursement of travel expenses to neighbor island members. Specifically, Section 2(c) would state:

“(c) The members of the task force shall not receive compensation for their services, except that travel expenses reasonably incurred by a member residing on a neighbor island in order to attend task force meetings shall be reimbursed.”

I am the only member of the Mortgage Foreclosure Task Force from a neighbor island. Because I do not get paid to advocate on behalf of borrowers, I have been forced to personally pay almost all of my travel expenses to attend Task Force meetings. In its December 2011 report to the Legislature (at page 3), the Task Force asks the Legislature to give due consideration to ensuring adequate representation from the neighbor islands on all future task forces and working groups and providing for their travel expenses. Hopefully, this past oversight will not be repeated in the task force envisioned by HB 1840, HD1.

Finally, I recommend adding a paragraph (11) to Section 2(e) specifying that the task force will also review and evaluate the ways in which a state bank may be able to help address the foreclosure crisis and avoid the unnecessary loss of homes.

Thank you for your consideration of my testimony.



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President, Board of Directors

M. Nalani Fujimori Kaina, Esq.
Executive Director

The Honorable Robert N. Herkes, Chair
The Honorable Ryan I. Yamane, Vice Chair
House Committee on Consumer Protection and Commerce

Hearing : Wednesday, February 8, 2012, 2:00 p.m.
State Capitol, Conference Room 325

In Support of the Intent of HB 1840, HD1 Relating to State-Owned Bank

Chair and Members of the Committee:

My name is Madeleine Young, representing the Legal Aid Society of Hawai'i ("LASH"). I am advocating for our clients who include the working poor, seniors, citizens with English as a second language, disabled, and other low and moderate income families who are consumers and families facing default and foreclosure on their homes. I provide bankruptcy services as a staff attorney in the Consumer Unit at the Legal Aid Society of Hawai'i. Specifically, I teach a clinic to show individual consumer debtors how to prepare and file their own petition for chapter 7 bankruptcy relief, as well as provide full representation to Legal Aid clients in bankruptcy matters. I give counsel and advice to clients on protected income sources, exempt assets, and settlement options regarding their consumer debts. I also provide legal services to clients regarding mortgage default and foreclosure matters, wage garnishment avoidance, fair debt collection practices, debt collection defense, as well as student loan, tax debt, and other consumer debt problems.

We are testifying in support of the intent of HB 1840, HD1 as it would strengthen protections for consumers in the State of Hawai'i.

HB 1840, HD1 would establish a task force to study the feasibility of establishing a state-owned bank in Hawai'i. LASH supports the general intent of HB 1840, HD1, to promote economic development in Hawai'i. LASH respectfully suggests that the legislature also require sufficient consumer representation on the task force, to ensure that the interests of Hawai'i's consumers (including homeowners, elders and low-income persons) are adequately represented.

Conclusion:

The Legal Aid Society of Hawai'i supports the general intent of HB 1840, HD1 and its efforts to strengthen protections for the consumers in the State of Hawai'i. Thank you for the opportunity to testify.

Testimony for HB1840 on 2/8/2012 2:00:00 PM

mailinglist@capitol.hawaii.gov [mailinglist@capitol.hawaii.gov]

Sent: Tuesday, February 07, 2012 8:55 AM

To: CPCtestimony

Cc: Ilana.k.waxman@gmail.com

Testimony for CPC 2/8/2012 2:00:00 PM HB1840

Conference room: 325

Testifier position: Support

Testifier will be present: No

Submitted by: Ilana Waxman

Organization: Individual

E-mail: Ilana.k.waxman@gmail.com

Submitted on: 2/7/2012

Comments:

I strongly support the idea of a state owned bank to ensure that funds remain in Hawaii with greater local control.

Testimony to the House Committee On Economic Revitalization & Business
in Favor of H.B. 1840

TO: The Hon. Angus McKelvey, Chair,
The Honorable Isaac W. Choy, Vice Chair
Members of the Committee

My Name is Madelyn D'Enbeau. I am a graduate of the William S. Richardson School of Law and a small business owner on Maui.

I am in favor of HB 1840 which will establish a task force to study the possibility of keeping state funds in Hawaii by establishing a State-Owned Bank.

I have read some of the opposing testimony and do not find it convincing. For example, I do not believe the federal government insures unlimited deposits of funds in banks.

Sincerely,

Madelyn D'Enbeau
1061 Kokomo Road
Haiku HI 96708
(808)283-1274



Hawaii Farm Bureau
F E D E R A T I O N

2343 Rose Street • Honolulu, Hawaii 96819
Phone: (808) 848-2074 • Neighbor-Islands: (800) 482-1272
Fax: (808) 848-1921 • Email: info@hfbf.org
www.hfbf.org

February 8, 2012

HEARING BEFORE THE
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

TESTIMONY ON HB 1840, HD1
RELATING TO STATE-OWNED BANK

Room 325
2:00 PM

Chair Herkes, Vice Chair Yamane, and Members of the Committee:

I am Brian Miyamoto, Chief Operating Officer and Government Affairs Liaison for the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,800 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFBF supports HB 1840 HD1, which would create a task force to study the feasibility of establishing a state-owned bank in Hawaii. A lack of sufficient capital for agribusiness ventures is one of the many impediments to the expansion of agriculture and aquaculture in Hawaii. HB 1840 HD1 lists agriculture as one of the areas that the proposed bank would support, and any additional funding it could provide would certainly be welcome. We sincerely appreciate that the Committee on Economic Revitalization and Business recognized agriculture as a stakeholder in this effort by amending the task force proposed by HB 1840 to include the Chair of the Board of Agriculture or the Chair's designee.

We recognize that the establishment of a state-owned bank will have a major impact not only on the funding available for agriculture, but on many other areas of Hawaii's economy as well as on the State's own financial resources. The study of the feasibility of a state-owned bank for Massachusetts, cited in testimony by DCCA's Division of Financial Institutions, brings up a number of questions and potential risks that must be addressed before the process of actually establishing a bank is begun. We therefore support the task force study proposed by HB 1840 HD1, and ask that the bill be passed by your Committee.

I can be reached at (808) 848-2074 if you have any questions. Thank you for the opportunity to testify.



Community Voice, Collective Action

Board Members

President

Jason Okuhama (*at large*)
Managing Partner,
Commercial & Business
Lending

Secretary

Rian Dubach (*at large*)
Community Development &
CRA Manager
American Savings Bank

Treasurer

Wayne Tanna (*at large*)
Asset Building Coalition &
Chaminade University

Kipukai Kualii (*Kaua`i*)
Anahola Kaua`i Agribusiness
Microenterprise Project

Stacy Crivello (*Moloka`i*)
President
Ke Aupuni Lokahi

Puni Kekauoha &
Adrienne Dillard (*O`ahu*)
Papakolea CDC

Keikialoha Kekipi &
Susie Osborne (*Hawai`i*)
Ho`oulu Lahui/ Kua O Ka La
Public Charter School

Kukui & Gary Maunakea-Forth
(*O`ahu*)
WCRC/Mala Ai`Opio (MA`O)

Tommy Otake (*at large*)
Attorney At Law

HACBED Staff

Robert Agres, Jr
Executive Director

Brent Dillabaugh
Asset Policy Coordinator

Susan Tamanaha
VITA Program Coordinator

Briana Monroe
Program Support Assistant

Athena Esene
Administrative Coordinator

Wednesday, February 8, 2012

Conference Room 325

House Committee on Consumer Protection & Commerce

Testimony in Support for HB 1840

Relating to Task Force to Establish a State Bank Of Hawaii

Dear Chair Herkes and Committee Members:

The Hawai`i Alliance for Community Based Economic Development (HACBED) **supports HB 1840** which creates a task force to evaluate the feasibility of a state Bank of Hawaii based on the model of the Bank of North Dakota.

The creation of a state bank has the potential to build a unique asset base for the state and the evaluation of this model is an appropriate step. HACBED stands to support the taskforce in any capacity should this effort go forward.

Thank you for the opportunity to submit testimony.

Sincerely,

Brent Dillabaugh
Asset Policy Coordinator

herkes2 - Marlene

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 07, 2012 1:39 PM
To: CPCtestimony
Cc: bennibeau@aol.com
Subject: Testimony for HB1840 on 2/8/2012 2:00:00 PM
Attachments: Testimony HB 1840

Follow Up Flag: Follow up
Flag Status: Completed

Testimony for CPC 2/8/2012 2:00:00 PM HB1840

Conference room: 325
Testifier position: Support
Testifier will be present: No
Submitted by: Madelyn D'Enbeau
Organization: Individual
E-mail: bennibeau@aol.com
Submitted on: 2/7/2012

Comments:

Testimony to the House Committee On Economic Revitalization & Business
in Favor of H.B. 1840

TO: The Hon. Angus McKelvey, Chair,
The Honorable Isaac W. Choy, Vice Chair
Members of the Committee

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