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KEALI'S. LOPEZ  
DIRECTOR

TO THE  
HOUSE COMMITTEE ON  
FINANCE

THE TWENTY-SIXTH STATE LEGISLATURE  
REGULAR SESSION OF 2012

Thursday, February 23, 2012  
2:00 p.m.

TESTIMONY ON H.B. NO. 2499, H.D.1  
RELATING TO FINANCIAL INSTITUTIONS

THE HONORABLE MARCUS R. OSHIRO, CHAIR,  
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda Catalani, Commissioner of Financial Institutions ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department") in strong support of administration bill, House Bill No. 2499, H.D. 1. We are also offering amendments to the measure after further discussions with the industry.

The Division of Financial Institutions ("DFI") provides numerous services for Hawaii's financial institutions and the public. DFI provides regulatory oversight for Hawaii's

financial institutions, including the review of financial institution applications for new applications, change in control, stock purchases, and new branch locations, all done without charging a fee. Currently, the fees for the regulation of financial institutions are low, and have not been reviewed since the 1993 recodification of the financial institutions laws. The proposed new fee structure comports with the regulatory oversight by DFI as the federal and state laws and the financial institution company organizations become more complex to review and analyze.

#### **Overview of Division of Financial Institutions Budget**

The Division of Financial Institutions ("DFI") bases its budget requests on the amount of revenue generated from programs plus the \$2.0 million from the franchise tax. DFI's financial plan detailing our revenues and expenditure patterns from fiscal year 2002 to projected fiscal year 2014 is attached as Exhibit A.

For each year, we calculate the amount of revenues less the expenditures to determine the initial amount of the funds available. That calculation is further reduced by the adjustments which include DFI's pro-rata share of the Department's administrative overhead costs to fund programs that do not generate revenues (including the director's office, fiscal office, IT office, personnel office). The Net is the actual amount of funds carried over to the following year. As you can see, DFI is

running a deficit and is not bringing in adequate revenue to cover all expenses and adjustments.

Although the franchise tax revenue for a fiscal year is credited to DFI's fund as of June 30, the actual revenue is not deposited into our fund until the July of the next fiscal year. In other words, for fiscal year 2011's budget that ends June 30, 2011, DFI did not receive the franchise tax deposit for the fiscal year ending June 30, 2011 until July 2011. Thus, to cover monthly expenses, DFI needs cash reserves equivalent to at least 13 months of its annual budget plus overhead to meet its total operational needs for the fiscal year.

We are asking for the increase in fees for this and other programs as we need to show a stable source of income for the upcoming accreditation review of DFI by the Conference of State Bank Supervisors. As our current source of funding has been in jeopardy in the last few years, there are indications that if we do not have a stable source of funding, this will weigh heavily against being accredited for another five years. Please note that the prior administration did not seek accreditation and this administration was able to get an extension to be re-accredited. Our accreditation review will occur in May 2012.

In order to be self-sustaining, DFI must seek additional fees (1) to keep pace with costs to DFI, as the time spent on this licensee increased due to the increased regulatory oversight required by recent federal regulations (Dodd-Frank Act) and (2) to

attempt to replace and expand the funding source should DFI not receive its share of the franchise tax. You will note from Exhibit A, the franchise tax revenue is the bulk of DFI revenues. The remainder of the revenues is generated from the fees charged by DFI.

### **Financial Institution Program Costs**

All costs are based on staff time charged at \$60 an hour, which is a fraction of the actual costs for the staff time spent on reviewing applications from financial institutions. (See Exhibit B). The increased review time has been steadily increasing since the implementation of the Dodd-Frank Act. DFI expects that the regulatory oversight and review of applications will continue to increase as we work with CFPB (Consumer Finance Protection Bureau).

DFI would like to note that in meeting with the industry, an agreement was reached to accept adjustments to three fees. These adjustments would change:

1. Fee (11) on page 4, lines 3-7, from \$2,000 to \$1,000;
2. Fee (5) on page 2, lines 21-22, from \$1,000 to \$700; and
3. Fee (7) on page 3, lines 10-12, from \$1,000 to \$700.

In addition, both sides agreed to changing the annual fee outlined on page 13, beginning at line 1, to combine items (1) and (2) and raising the lower limit of item (3) to \$750,000,000, to read as follows:

- (1) \$5,000 for financial institutions with assets of at least \$500,000 but less than \$150,000,000 for the previous calendar year ending December 31;
- (2) \$10,000 for financial institutions with assets of at least \$150,000,000 but less than \$750,000,000 for the previous calendar year ending December 31;

We request that the DFI Commissioner's authority to establish, increase, decrease, or repeal various fees by rule be reinstated. It is imperative that the Commissioner have this authority which has been available for decades. As you are aware after the occurrences of the previous decade, the environment in which financial institutions function can change dramatically in a very short time, to the detriment of the consumer. It is imperative that when this happens, the DFI Commissioner is able to address these changes through rulemaking.

Finally, we request that due to an oversight, the amendment to section 412:2-105, Hawaii Revised Statutes, needs correction. The current examination fee of \$60 was inadvertently left out of the list of fees, assessments, and fines. We request that it be added as a new item (42) on page 11 as:

(42) \$60 per hour per examiner for the cost of the examination of all financial institutions examined by the commissioner or the commissioner's staff.

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With these amendments and for the reason outlined above, DFI strongly supports administrative bill, House Bill No. 2499, H.D. 1, and respectfully asks that the measure be passed.

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

Exhibit A

FINANCIAL PLAN - DEI

	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
	act	act	act	act	act	act	act	act	act	act	est	est	est
Revenues:	2,745,917	1,888,789	2,239,073	2,175,645	2,180,745	2,798,163	2,620,852	2,599,918	2,822,798	3,429,771	3,146,015	3,108,440	3,101,965
Expenditure	(1,439,447)	(1,533,551)	(1,739,489)	(1,928,179)	(1,944,171)	(1,881,023)	(2,104,693)	(2,421,699)	(2,185,440)	(2,456,854)	(2,631,432)	(3,384,920)	(3,384,920)
Rev Over/Under	1,306,470	355,238	499,584	247,466	236,574	917,140	516,159	178,219	637,358	972,918	514,583	(276,480)	(282,955)
Exp	(475,416)	(2,569,185)	(300,314)	(311,093)	(266,812)	(497,749)	(509,619)	(520,108)	(398,804)	(586,818)	(528,368)	(528,368)	(528,368)
Adjustments													
Net	831,054	(2,213,947)	199,270	(63,628)	(30,238)	419,391	6,540	(341,889)	238,554	386,100	(13,785)	(804,848)	(811,323)
(Rev+Exp+)													
Carryover													
Begin Bal	5,121,434	5,952,488	3,738,540	3,937,811	3,874,183	3,843,945	4,263,336	4,269,876	3,927,987	4,166,540	4,552,640	4,538,855	3,734,007
Ending Bal	5,952,488	3,738,540	3,937,811	3,874,183	3,843,945	4,263,336	4,269,876	3,927,987	4,166,540	4,552,640	4,538,855	3,734,007	2,922,684
Ending Bal(mo.)	25.2	16.9	18.4	17.2	16.8	16.6	15.8	13.0	15.2	13.2	14.2	11.7	9.2

Exhibit B

Type of Service	Staff hrs @\$60/hr	Staff Duties
Preliminary approval organization of a bank, savings bank, savings and loan association, trust company, or depository financial services loan company	150-200	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ knowledge in the area of licensure,</li> <li>○ knowledge of board and proposed management</li> <li>○ organizational structure to determine if the licensee is responsible for the actions of company &amp; employees or another organization up the corporate ladder</li> <li>○ whether the company has sufficient capital</li> <li>○ whether the company is legally organized in Hawaii</li> <li>○ the market area</li> </ul> </li> <li>• Investigate the owners of the organization for any past financial crimes</li> <li>• Work with federal counterpart(s) to determine further areas of analysis</li> </ul>
Final application for a charter or license to engage in the business of a bank, savings bank, savings and loan association, trust company, or depository financial services loan company	20	<ul style="list-style-type: none"> <li>• Determine what has changed from preliminary approval</li> <li>• Work with federal agencies to determine if any additional information is required</li> </ul>
Application for a new nondepository financial services loan company	Same as any new financial institution	<ul style="list-style-type: none"> <li>• Review is the same as a new financial institution</li> </ul>
Conversion to a state chartered institution	150	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ organizational structure to determine if the licensee is responsible for the actions of company &amp; employees or another organization up the corporate ladder</li> <li>○ whether the company has sufficient capital</li> <li>○ whether the company is legally organized in Hawaii</li> <li>○ the market area</li> </ul> </li> <li>• Investigate the owners of the organization for any past financial crimes</li> </ul>
<ul style="list-style-type: none"> <li>• Establish a new branch for a financial institution;</li> <li>• Relocate a principal office, branch, or agency opening;</li> </ul>	12	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ financial statements with the inclusion of the new branch lease and additional staff</li> <li>○ whether the company has sufficient capital to open and sustain new office</li> </ul> </li> </ul>



Exhibit B (cont'd.)

Type of Service	Staff hrs @\$60/hr	Staff Duties
<ul style="list-style-type: none"> <li>• Relocate an out-of-state branch or agency</li> <li>• Open or relocate a support facility</li> </ul>		
Merger or consolidation.	150-200	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ knowledge in the area of licensure,</li> <li>○ knowledge of the escrow officer,</li> <li>○ organizational structure to determine if the licensee is responsible for the actions of company &amp; employees or another organization up the corporate ladder</li> <li>○ whether the company has sufficient capital</li> <li>○ whether the company is legally organized in Hawaii</li> <li>○ the market area</li> </ul> </li> <li>• Investigate the owners of the organization for any past financial crimes</li> <li>• Work with federal counterpart for further analysis</li> </ul>
Issuance of preferred stock, decrease in authorized capital stock or par value of capital stock, or decrease in outstanding capital stock by the acquisition of the Hawaii stock financial institution's own shares pursuant to section 412:3-402(3) and (4)	20	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> </ul>
Acquisition by any bank, savings bank, or savings and loan association of any federal power pursuant to sections 412:5-201, 412:6-201, 412:7-201, or 412:10-201	80	<ul style="list-style-type: none"> <li>• Determine how the other federal power will work in Hawaii's regulatory scheme</li> <li>• Determine any differences between the federal power and state powers</li> <li>• If there are differences, do the state powers allow for similar power to be granted?</li> <li>• Review federal case law</li> <li>• Review federal interpretations</li> </ul>
Bank to accept drafts or bills of exchange in an amount not exceeding at any time in the aggregate two hundred per cent of its	80	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> </ul>

Exhibit B (cont'd.)

Type of Service	Staff hrs @\$60/hr	Staff Duties
capital and surplus pursuant to section 412:5-204		<ul style="list-style-type: none"> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
Conduct a trust business through a subsidiary, division, or department of the bank pursuant to 412:5-205	80	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
Conduct insurance activities pursuant to section 412:5-205.5	80	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
Engage in securities activities pursuant to section 412:5-205.7	100	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
Comply with lending limits applicable to national banking associations pursuant to section 412:5-302	100	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
Bank to exceed certain permitted investments pursuant to section 412:5-305(f) and (h)	85	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
New intra-Pacific bank or intra-Pacific bank holding company to engage in business in the state pursuant to sections 412:5-401 and 412:5-402	Same as a new financial institution	Same as a new financial institution
Establish a corporation to engage in foreign or	Same as a new financial	Same as a new financial institution

Exhibit B (cont'd.)

Type of Service	Staff hrs @\$60/hr	Staff Duties
international banking and other foreign or international financial activities pursuant to section 412:5A-201	institution	
Extend of time to sell stock acquired and held by an international banking corporation to prevent loss pursuant to section 412:5A-210	85	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
formation and ownership of a service corporation by a savings bank and approval of a service corporation to engage in certain activities pursuant to section 412:6-203	85	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
savings bank to acquire, establish, or hold the voting securities of an operating subsidiary pursuant to section 412:6-204	20	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
savings bank to abide by the lending limits of the national banking association rather than state limits prescribed by section 412:6-303;	80	<ul style="list-style-type: none"> <li>• Determine how the other federal power will work in Hawaii's regulatory scheme</li> <li>• Determine any differences between the federal power and state powers</li> <li>• If there are differences, determine whether the state powers allow for similar power to be granted</li> <li>• Review federal case law</li> <li>• Review federal interpretations</li> </ul>
any financial institution to purchase, hold, convey, sell, or lease certain real or personal property in excess of stated limits pursuant to sections 412:5-305(f)(1) and (2), 412:6-306(f)(1) and (2), 412:7-306(f)(1) and (2), 412:8-301(f)(1) and (2), and 412:9-409(f)(1) and (2);	80	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> <li>• Determine the financial condition of the financial institution</li> </ul>

Exhibit B (cont'd.)

Type of Service	Staff hrs @\$60/hr	Staff Duties
extension of the time by which a bank, savings bank, savings and loan association, or depository financial services loan company must sell or exchange real property which was acquired as security for loans or in the collection of debts pursuant to sections 412:5-305(f), 412:6-306(f), 412:7-306(g), and 412:9-409(f)	80	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> <li>• Determine the financial condition of the financial institution</li> </ul>
bank, savings bank, savings and loan association, or depository financial services loan company to sell stock acquired or purchased to save a loss on a preexisting debt secured by the stock pursuant to sections 412:5-305(g), 412:6-306(g)(6), 412:7-306(g)(6), and 412:9-409(g)(2);	80	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> <li>• Determine the financial condition of the financial institution</li> </ul>
savings bank to invest its own assets in residential properties in excess of two per cent of the savings bank's capital or an aggregate investment exceeding five per cent of the savings bank's capital and surplus pursuant to section 412:6-306(h);	80	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> <li>• Determine the financial condition of the financial institution</li> </ul>
formation of a service corporation by a savings and loan association pursuant to section 412:7-203;	85	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
banks and other trust companies in which a trust company may deposit its	85	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine</li> </ul> </li> </ul>

Exhibit B (cont'd.)

Type of Service	Staff hrs @\$60/hr	Staff Duties
required reserves pursuant to section 412:8-202;		whether the company has sufficient capital <ul style="list-style-type: none"> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
review an agreement between a trust company and any bank or national banking association to carry on trust services in the bank's or national banking association's name pursuant to section 412:8-204;	85	<ul style="list-style-type: none"> <li>• Determine how the other federal power will work in Hawaii's regulatory scheme</li> <li>• Determine differences between the federal power and state powers</li> <li>• If there are differences, determine whether the state powers allow for similar power to be granted</li> <li>• Review federal case law</li> <li>• Review federal interpretations</li> </ul>
annual licensing of a financial services loan company;	1.5	<ul style="list-style-type: none"> <li>• Determine whether a license is necessary. We've made this process more efficient by not identifying the actual address, only identifying the name of the branch.</li> <li>• Update our electronic recordkeeping system and clerical staff prepares the license for signature.</li> <li>• Provide the paper license, postage.</li> </ul>
financial services loan company to sell or refer, and collect premiums or fees for the sale or referral of, specified products and services pursuant to section 412:9-201(a);	80	<ul style="list-style-type: none"> <li>• Review                             <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> <li>• Determine the financial condition of the financial institution</li> </ul>
financial services loan company to issue standby letters of credit pursuant to 412:9-201(b);	80	<ul style="list-style-type: none"> <li>• Review                             <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> <li>• Determine the financial condition of the financial institution</li> </ul>
depository financial services loan companies to sell fixed rate annuities and collect premiums and fees for the sale or referral of	80	<ul style="list-style-type: none"> <li>• Review                             <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> </ul>

Exhibit B (cont'd.)

Type of Service	Staff hrs @\$60/hr	Staff Duties
those fixed rate annuities and the imposition of conditions and restrictions that are in the public interest pursuant to section 412:9-400;		<ul style="list-style-type: none"> <li>• Consider the new guidelines and law in Dodd-Frank</li> <li>• Determine the financial condition of the financial institution</li> </ul>
depository financial services loan company to deposit its cash reserves in United States branches of non-United States banks pursuant to section 412:9-401(b);	80	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> <li>• Determine the financial condition of the financial institution</li> </ul>
irrevocable lines of credit of one year or more used as reserves for depository financial services loan companies pursuant to 412:9-401(c);	80	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> <li>• Determine the financial condition of the financial institution</li> </ul>
one or more depository financial services loan companies to form and own a service corporation pursuant to section 412:9-403;	85	<ul style="list-style-type: none"> <li>• Review pro forma financial statements,</li> <li>• organizational structure to whether the company has sufficient capital</li> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
proposed change in a credit union's field of membership pursuant to section 412:10-109(h);	85	<ul style="list-style-type: none"> <li>• Review pro forma financial statements,</li> <li>• Investigate whether there are any discriminatory practices on any prohibited basis</li> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
an interstate merger transaction submitted by an out-of-state bank pursuant to section 412:12-104	85	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine whether the company has sufficient capital</li> </ul> </li> <li>• Consider the new guidelines and law in Dodd-Frank</li> </ul>
new application for a charter of a credit union	Same as a financial institution;	<ul style="list-style-type: none"> <li>• Same as the financial institutions</li> </ul>

Exhibit B (cont'd.)

Type of Service	Staff hrs @\$60/hr	Staff Duties
	however since these are classified as nonprofit organizations, the fees have been adjusted	
Examinations	Varies with the size of the financial institutions: <ul style="list-style-type: none"> <li>• banks: generally DFI sends 4-10 people for 3 weeks</li> <li>• non-depositories : generally DFI sends 2-3 people for 5 days.</li> </ul> Other states charge from \$80 to \$210 an hour.	<ul style="list-style-type: none"> <li>• Exam types:               <ul style="list-style-type: none"> <li>○ Safety and soundness</li> <li>○ BSA/AML</li> <li>○ IT</li> <li>○ Trust</li> <li>○ Compliance (24 mo cycle).</li> </ul> </li> </ul>
412:2-109 Annual fees for all financial institutions	Tiered to asset size	<ul style="list-style-type: none"> <li>• Review               <ul style="list-style-type: none"> <li>○ pro forma financial statements,</li> <li>○ organizational structure to determine if the licensee is responsible for the actions of company &amp; employees or another organization up the corporate ladder</li> </ul> </li> <li>• Determine whether the company has sufficient capital</li> <li>• Confirm               <ul style="list-style-type: none"> <li>○ number and location of branches</li> <li>○ bond requirements</li> <li>○ if the company is duly registered to do business in the state</li> </ul> </li> <li>• Work with federal counterpart(s) to determine further areas of analysis</li> </ul>

# HAWAII FINANCIAL SERVICES ASSOCIATION

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February 23, 2012

Rep. Marcus Oshiro, Chair  
and members of the House Committee on Finance  
Hawaii State Capitol  
Honolulu, Hawaii 96813

Re: House Bill 2499, HD 1 (Financial Institutions)  
Hearing Date/Time: Thursday, February 23, 2012, 2:00 p.m.

I am Marvin Dang, the attorney for the Hawaii Financial Services Association ("HFSA"). The HFSA is a trade association for Hawaii's consumer credit industry. Its members include Hawaii financial services loan companies (which make mortgage loans and other loans, and which are regulated by the Hawaii Commissioner of Financial Institutions), mortgage lenders, and financial institutions.

The HFSA opposes this Bill as drafted.

The stated purpose of this Bill is to adjust regulatory fees for financial institutions to more accurately reflect today's economy. The defective effective date is July 1, 3000.

Under this Bill, the Division of Financial Institutions will create new fees and increase other fees for financial institutions such as financial services loan companies, banks, and savings banks.

Some of the 41 fees that are listed in Section 1 of this Bill (pages 1 through 11) are new fees (e.g. reviewing and approving the relocation of a principal office or branch). Others are increases of existing fees, such as the doubling of the fee to review and approve a new branch (to \$1,000). These fee increases don't take into account the type or size of the financial institution (e.g. a small non-depository financial services loan company rather than a larger financial institution).

Another example is a 50% increase in the hourly rate for examinations (from \$40 to \$60 per hour). Because the number of hours that a state examiner spends at a financial services loan company can vary, the exact dollar amount of this increase is difficult to estimate. However, it will definitely be at least 50% more than the thousands of dollars that are presently being paid annually by a financial services loan company in examination fees.

In Section 2 of this Bill (pages 12 through 13), the amount that some of the smaller non-depository financial services loan company will pay as an annual fee could increase from a range of about \$600 - \$1,100 to a range of about \$5,000 - \$7,500 depending on the size of the company and the number of its branches. These are increases of about 700% - 800%.

The fees as stated in this Bill will negatively impact and financially burden non-depository financial services loan companies and thereby hinder Hawaii's economic recovery.

Thank you for considering our opposition to this Bill as drafted.

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