

Testimony for HB2499 on 1/30/2012 2:00:00 PM

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To: CPCtestimony
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Testimony for CPC 1/30/2012 2:00:00 PM HB2499

Conference room: 325
Testifier position: Oppose
Testifier will be present: Yes
Submitted by: Gary Fujitani
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Submitted on: 1/27/2012

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Presentation of the Committees on Consumer Protection & Commerce
Monday, January 30, 2012 at 2:00 p.m.
Testimony on HB 2499 Relating to Financial Institutions

In Opposition

TO: Honorable Robert N. Herkes, Chair
Ryan I. Yamane, Vice Chair
Members of the Committee

I am Gary Fujitani, Executive Director of the Hawaii Bankers Association (HBA), testifying in opposition to HB 2499. HBA is the trade organization that represents all FDIC insured depository institutions doing business in Hawaii.

This bill raises regulatory fees for financial institutions.

No business likes to see its cost increase, especially in these difficult economic times. We **do not** disagree with the practice of periodically reviewing and adjusting fees. Our opposition stems from the inordinate percentage of the fee increases being proposed by the Division of Financial Institutions (DFI). For example the bank annual fee estimated percentage increase will range from a low of almost 100 % to a high of over 1,500%. In fact the two newest and smallest Hawaii headquartered banks will see astronomical percentage increases of 1,150% and 1,566%. Additionally, the examination hourly fee will increase 50% on top of 39 **new** fees **not previously charged** and these new fees range from \$1,000 to \$20,000.

Because this fee increase will be paid only by state chartered banks, one-third of Hawaii banks will not be impacted by this bill.

While the annual fee increase may draw the greatest scrutiny, the real impact will be the 50% increase for the hourly rate for examinations. It is likely that DFI will conduct three separate examinations of each state-chartered bank each year. Since it is difficult to predict the number of hours spent on each examination, it is difficult to predict with certainty the amount of the increase, but it would be reasonable to predict a 50% increase in fees.

Further the amount charged for a few new fees should be lower, as an example, the \$2,000 fee to review a wild card application. A wild card application is an application to DFI to exercise the same banking power enjoyed by a federally chartered bank. This is necessitated because Hawaii's banking laws and regulations provides little guidance to a state chartered bank as to whether it has the power to engage in a certain banking activity. It also does not reflect current innovations, such as electronic banking, resulting from changes in federal law. On the other hand, national banks enjoy detailed regulations and laws as to what it may or may not do, as well as the benefit of a compendium of prior OCC decisions on bank powers. Thus to engage in ordinary banking activity, a state chartered bank may feel the need to file a wild card application out of an abundance of caution.

It is our understanding that the projected revenue increase from these various fees, for all the industries DFI regulates, is approximately \$800,000 annually. This amount is almost 23% of DFI's operating annual budget of \$3.5 million, which is a very ambitious fee increase to implement at once. Obviously, any private business that tried to increase prices by such an extraordinary percentage would face the ire of its customers and probably not be able to do so.

Fee increases of 100 to 1,500 percent range are just too much to charge all at once. Rather, any fee increase of this magnitude needs to be justified to DFI customers, and if justified, should be phased in over a period of time.

We look forward to working with DFI to implement a more palatable schedule of fee changes.

Thank you for this opportunity to testify.

A handwritten signature in black ink, appearing to read 'Gary Y. Fujitani', with a horizontal line extending to the right.

Gary Y. Fujitani
Executive Director

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January 30, 2012

Rep. Robert Herkes, Chair
and members of the House Committee on Consumer Protection & Commerce
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **House Bill 2499 (Financial Institutions)**
Hearing Date/Time: Monday, January 30, 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.

However, 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.

MARVIN S.C. DANG
Attorney for Hawaii Financial Services Association

(MSCD/hfsa)