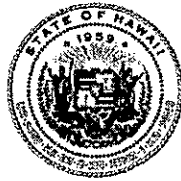


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TO THE
HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE

THE TWENTY-SIXTH STATE LEGISLATURE
REGULAR SESSION OF 2012

Monday, January 30, 2012
2:00 p.m.

TESTIMONY ON H.B. NO. 2499
RELATING TO FINANCIAL INSTITUTIONS

THE HONORABLE ROBERT N. HERKES, 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 administration bill, House Bill No. 2499.

The Division of Financial Institutions 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

TESTIMONY ON HOUSE BILL NO. 2499

January 30, 2012, 2:00 p.m.

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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 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.

This bill establishes some new fees and adjusts others. The fees are based on the time spent reviewing and analyzing financial institution requests at the rate of \$60 an hour.

The proposed annual renewal fee is the amount of fees DFI will use in its budget analysis to determine any funding needs. Annual fees charged to each financial institution subject to examination by the Commissioner are set out in Section 2 of the bill and are based on the asset size of each financial institution so that the smaller institutions pay less than the larger ones and reflect the amount of time staff spends reviewing and analyzing the financial institution during the annual review. The analysis for the renewal includes review of the financial statements, confirmation that the company is in compliance with business registration laws, confirmation that the company's organizational structure has not changed, and confirmation that the company's locations are up-to-date.

Currently, based on the proposed annual fee, DFI projects it will receive \$167,500 in annual fees. Currently, DFI receives \$35,100 in annual fees. The analysis for the

renewal includes review of the financial statements, confirm that the company is in compliance with business registration laws, confirm that the owners of the company are still the same, confirm that the company has adequate capital and the appropriate bonds, and confirm that the company's offices are up-to-date.

All other fees are grouped together into one statutory section and apply to the various types of financial institutions regulated by DFI. Some of these fees had already been established by statute, while others provided the authority for the Commissioner to establish them by rule. All proposed fees were either added or adjusted to reflect the amount of work necessary for that particular review of the requested service. The amount of each fee, whether an annual fee or some other fee, is based on the amount of work necessary to provide regulatory oversight. The regulatory oversight review includes both compliance with federal and state laws and the impact to consumers and customers.

For these reasons, the Division strongly supports administrative bill, House Bill No. 2499 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.