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TO THE  
SENATE COMMITTEE ON  
COMMERCE AND CONSUMER PROTECTION  
THE TWENTY-SEVENTH STATE LEGISLATURE  
REGULAR SESSION OF 2014

March 25, 2014  
10:30 a.m.

COMMENT ON H.B. NO. 1814, H.D. 2, S.D. 1  
RELATING TO PAYMENT OF WAGES

THE HONORABLE ROSALYN H. BAKER, CHAIR,  
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda Catalani, Commissioner of Financial Institutions ("Commissioner"), commenting on behalf of the Division of Financial Institutions ("DFI") on House Bill No. 1814, H.D. 2, S.D. 1. DFI takes no position on the merits of this bill, but offers these comments regarding its application.

The bill brings under DFI's purview pay cards that are issued by a depository institution authorized to accept deposits, and whose deposits are federally insured. The following is an example of how pay cards typically work. An employee has a network prepaid card with a \$50 credit balance. The employee uses the card to purchase goods or services for \$39.12. The employee wants to buy another item at a

different store for \$20. If the employee uses the prepaid card, the purchase will be declined because there are not enough funds remaining on the card. The merchant is unable to see the balance remaining on the card. Consequently, the employee must call for or check the account balance. The employee then tells the merchant the amount to deduct off the prepaid card. The merchant will try that amount and the network will either accept or decline the amount.

A caution about using prepaid cards at banks (or anywhere) is that the bank, like the merchant, cannot see the funds balance on the card. If the non-bank customer (employee) wants \$1,000 from the card, the teller will enter that sum on the card reader, and the reader will indicate that the request is either approved or declined. If the pay card network happens to be down (usually for maintenance), then generally the bank will give out the amount authorized by the bank's policy. As well, if a branch is low on cash, the employee may receive cash for less than the full amount requested, with the balance paid by bank check.

Additionally, we note that the bank or any retailer cannot see how many times the card has been used.

DFI has been in communication with the Department of Labor and Industrial Relations ("DLIR") to continue to adjust the bill's pay card provisions (primarily pages 1:4 though 2:4, and 4:11 through 9:4). DFI feels comfortable continuing to work with DLIR to refine the language of the measure. However, DFI defers to DLIR's position on

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this bill, and understands that DLIR will request that the Committee hold the bill, or hold the pay card section of it.

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