

JAN 22 2016

A BILL FOR AN ACT

RELATING TO A COMMUNITY STATE BANK.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The Hawaii Revised Statutes is amended by
2 adding a new chapter to be appropriately designated and to read
3 as follows:

4 "CHAPTER

5 COMMUNITY STATE BANK

6 § -1 Community state bank; established. (a) The
7 community state bank shall be established.

8 (b) The purposes of the bank shall be to:

- 9 (1) Offer low-interest loans under \$10,000 to only
10 individuals who are refused financing by financial
11 institutions regulated under chapter 412; and
12 (2) Require, as a condition for financing under this
13 chapter, those individuals only as described under
14 paragraph (1) to develop minimal levels of financial
15 literacy.

16 § -2 Board of the community state bank; powers and
17 duties. (a) The board of the community state bank shall



1 operate, manage, and control the bank. The board shall locate
2 and maintain places of business of the bank and adopt and
3 enforce rules, orders, and bylaws for the transaction of the
4 bank's business.

5 (b) The board shall consist of the governor, the director
6 of finance, the director of labor and industrial relations, the
7 director of business, economic development, and tourism, and the
8 director of commerce and consumer affairs. The powers of the
9 board and the functions of the bank shall be implemented through
10 actions taken and policies and rules adopted by the board.

11 (c) The governor shall act as chairperson of the board.
12 The board shall adopt rules requiring the holding of regular
13 meetings and specifying the means for providing notice of the
14 meetings.

15 (d) Three members of the board shall constitute a quorum
16 to transact business and exercise all rights, duties, and powers
17 of the board.

18 (e) A special meeting may be called at any time upon
19 notice by the governor or by a majority of the members of the
20 board.



1 (f) The board shall appoint a president of the bank. The
2 person appointed as president shall have extensive experience in
3 banking. The board may appoint and employ any subordinate
4 officers, employees, and agents as the board considers
5 necessary, and shall define the duties, designate the titles,
6 and fix the compensation of all those persons. The board may
7 designate the president or other officers or employees as its
8 agent in respect to the functions of the bank, subject to the
9 supervision, limitation, and control of the board.

10 (g) The board may remove and discharge any person
11 appointed in the exercise of the powers granted under this
12 chapter.

13 § -3 **Advisory board of directors; appointment and**
14 **duties.** (a) To enlist the help of private enterprise and to
15 encourage active exercise of the purposes for which the
16 community state bank was established, the board of the bank
17 shall appoint an advisory board of directors that shall consist
18 of eight members.

19 (b) The members of the advisory board shall include
20 representatives of the State's financial, business,
21 agricultural, housing, and public labor sectors. At least two



1 members shall be officers of banks, the majority of the stock of
2 which shall be owned by residents of this State.

3 (c) The board of the community state bank shall appoint a
4 chairperson, vice-chairperson, and secretary from the advisory
5 board members. The term of office of members of the advisory
6 board of directors shall be set by the board of the bank, but
7 shall not exceed four years.

8 (d) The advisory board shall:

9 (1) Meet regularly with the management officers of the
10 bank to review the bank's operations and finances to
11 determine whether recommendations should be made by
12 the advisory board to the community state bank
13 relating to improved management performance, better
14 customer service, and overall improvement in internal
15 methods, procedures, and operating policies of the
16 bank;

17 (2) Make recommendations to the board of the community
18 state bank relating to the establishment of additional
19 objectives for the operation of the bank;



1 (3) Make recommendations to the board of the community
2 state bank concerning the appointment of officers of
3 the community state bank;

4 (4) Meet regularly with the board of the community state
5 bank to present any recommendations concerning the
6 bank; and

7 (5) Participate on loan committees.

8 § -4 **Deposits of public funds.** (a) The community state
9 bank may accept deposits of public funds. Except as otherwise
10 provided in section -5, the bank may not accept deposits of
11 private funds. All income earned by the bank for its own
12 account on public funds shall be credited to, and become a part
13 of, the revenues and income of the bank.

14 (b) Whenever any public funds are deposited in the bank,
15 the official having control of the public funds and the sureties
16 on the bond of the official shall be exempt from all liability
17 by reason of loss of any of the funds while deposited in the
18 bank.

19 (c) The community state bank shall pay interest on
20 deposits of public funds at a rate comparable to rates paid by
21 private depositories of public funds.



1 (d) The department of budget and finance shall deposit
2 into the bank moneys from the general fund in an amount that the
3 department of budget and finance determines is necessary to
4 allow the bank to fulfill its duties under this chapter.

5 § -5 Powers of the bank. The community state bank may:

6 (1) Make, purchase, guarantee, or hold loans:

7 (A) To state chartered or federally chartered lending
8 agencies or institutions or other financial
9 institutions;

10 (B) That are insured or guaranteed in whole or in
11 part by the United States, its agencies, or
12 instrumentalities;

13 (C) Obtained as security pledged for, or originated
14 in the restructuring of, any other loan properly
15 originated or participated in by the bank; or

16 (D) To instrumentalities of the State;

17 (2) Purchase participation interests in loans made or held
18 by banks, bank holding companies, state chartered or
19 federally chartered lending agencies or institutions,
20 or any other financial institution or entity that
21 provides financial services and meets underwriting



- 1 standards that are generally accepted by state or
2 federal financial regulatory agencies;
- 3 (3) Invest its funds in conformity with policies of the
4 board of the community state bank and the department
5 of budget and finance;
- 6 (4) Buy and sell federal funds;
- 7 (5) Lease, assign, sell, exchange, transfer, convey,
8 grant, pledge, or mortgage all real and personal
9 property, title to which has been acquired in any
10 manner;
- 11 (6) Perform all acts and do all things necessary,
12 convenient, advisable, or desirable to carry out the
13 powers expressly granted or necessarily implied in
14 this chapter through or by means of its president,
15 officers, agents, or employees or by contracts with
16 any person, firm, or corporation;
- 17 (7) Purchase, guarantee, or hold loans originated by
18 financial institutions doing business in this State;
19 and
- 20 (8) Make low-interest loans of under \$10,000 to only
21 individuals who are refused financing by financial



1 institutions regulated under chapter 412, provided
2 that these individuals shall obtain acceptable levels
3 of financial literacy, as determined by the bank.

4 § -6 **Income; excess earnings.** Except as otherwise
5 provided, as soon as possible after the end of each calendar
6 year, the board of the community state bank shall determine the
7 amount of income, if any, earned by the community state bank in
8 that calendar year that is in excess of amounts necessary to pay
9 for expenses of administering the activities of the bank. The
10 amount of the excess shall be transferred to the general fund.

11 § -7 **Rulemaking powers.** (a) The board of the community
12 state bank shall adopt rules to:

- 13 (1) Ensure the safety and soundness of the bank that, to
14 the extent possible, reflect applicable standards for
15 safety and soundness set forth in title 12 Code of
16 Federal Regulations part 364;
- 17 (2) Specify the bank's powers and permissible investments
18 and activities;
- 19 (3) Authorize specific services that the bank may provide;
- 20 (4) Specify limits for the low-interest loans of under
21 \$10,000 that the bank makes to only individuals who



1 are refused financing by financial institutions that
2 are regulated under chapter 412;

3 (5) Specify reserve requirements; and

4 (6) Establish other requirements that the board considers
5 necessary.

6 (b) The department of commerce and consumer affairs shall
7 examine the bank no less than once each calendar quarter to
8 verify that the bank is complying with the rules that the board
9 of the community state bank adopted under subsection (a). The
10 department shall report the results of the examination to the
11 board of the community state bank and to the legislature. The
12 department's report shall be a public record subject to
13 disclosure.

14 (c) The state auditor shall audit the accounts and
15 financial affairs of the bank no less than once every two years.

16 § -8 Deposits; guaranteed by State; exempt from
17 taxation. (a) All deposits in the community state bank shall
18 be guaranteed by the State.

19 (b) The deposits and any income earned by the community
20 state bank shall not be subject to state or local taxes of any
21 kind.



1 **§ -9 Civil actions.** (a) Civil actions may be brought
2 as provided in this section against the State on account of
3 claims for relief asserted to have arisen out of transactions
4 connected with the operation of the community state bank.

5 (b) In an action brought under this section, the State
6 shall be designated as the State of Hawaii, doing business as
7 the community state bank.

8 (c) An action brought under this section may be brought in
9 the same manner and shall be subject to the same laws as other
10 civil actions. The action shall be brought in a circuit court
11 in the State.

12 **§ -10 Public officials; exemption from liability.**

13 Whenever any public funds are deposited in the community state
14 bank, the public official who deposited the funds and the
15 sureties on any bond of the public official shall be exempt from
16 liability by reason of loss of any of the funds while the funds
17 are deposited in the community state bank.

18 **§ -11 Conduct of business; execution of instruments.**

19 (a) All business of the community state bank shall be conducted
20 under the name of the community state bank. Title to property
21 pertaining to the operation of the bank shall be obtained and



1 conveyed in the name of the community state bank, doing business
2 as the community state bank.

3 (b) Instruments shall be executed in the name of the State
4 of Hawaii. Within the scope of authority granted by the board
5 of the community state bank, the president of the bank may
6 execute instruments on behalf of the bank, including any
7 instrument granting, conveying, or otherwise affecting any
8 interest in or lien upon real or personal property.

9 (c) Other officers or employees of, and legal counsel to,
10 the bank may execute instruments on behalf of the bank when
11 authorized by the board of the community state bank.

12 § -12 Certain records confidential. (a) The following
13 records of the community state bank shall be confidential and
14 shall not be disclosed:

15 (1) Commercial or financial information of a customer of
16 the bank, whether obtained directly or indirectly,
17 other than routine credit inquiries concerning
18 information that is required to be disclosed in
19 accordance with due legal process;



1 (2) Internal or interagency memoranda or letters that
2 would not be available by law to a party other than in
3 litigation with the bank; and

4 (3) Except as provided in section -7, information that
5 is contained in or related to a report of an
6 examination or operating or condition reports prepared
7 by, on behalf of, or for the use of, a state or
8 federal agency responsible for the regulation or
9 supervision of any bank activity.

10 (b) As used in this section, "customer" means any person
11 that has transacted or is transacting business with, or has
12 used, or is using the services of, the community state bank, or
13 for which the bank has acted or is acting as a fiduciary with
14 respect to trust property."

15 SECTION 2. Section 38-1, Hawaii Revised Statutes, is
16 amended by amending the definition of "depository" to read as
17 follows:

18 ""Depository" includes the community state bank, any
19 federally insured national or state bank, savings and loan
20 association, or financial services loan company; or federal or



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1 state credit union insured by the national credit union
2 administration authorized to do business in this State."

3 SECTION 3. Section 412:1-109, Hawaii Revised Statutes, is
4 amended by amending the definition of "depository institution"
5 to read as follows:

6 "Depository institution" means a financial institution
7 that is authorized to accept deposits under its chartering or
8 licensing authority and includes the community state bank, a
9 bank, savings bank, savings and loan association, depository
10 financial services loan company, credit union, or intra-Pacific
11 bank."

12 SECTION 4. New statutory material is underscored.

13 SECTION 5. This Act shall take effect upon its approval.

14

INTRODUCED BY: Shannon Chun Adair



S.B. NO. 2280

Report Title:

Financial Institutions; Community State Bank

Description:

Establishes the community state bank. Directs the bank to offer low-interest small loans to only individuals who do not otherwise qualify for financing and requires those individuals to achieve financial literacy.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

