

**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-EIGHTH LEGISLATURE, 2016**

ON THE FOLLOWING MEASURE:

H.B. NO. 326, RELATING TO THE BANK OF THE STATE OF HAWAII.

BEFORE THE:

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

DATE: Wednesday, January 27, 2016 **TIME:** 2:30 p.m.

LOCATION: State Capitol, Room 325

TESTIFIER(S): Douglas S. Chin, Attorney General, or
James C. Paige, Deputy Attorney General

Chair McKelvey and Members of the Committee:

The Attorney General provides these written comments to advise that the moneys received under the national mortgage settlement must be used for the purposes approved by the court. If the transfer of the funds as set forth in section 4 of the bill is meant to fund the study set forth in section 5 of the bill, then the transfer would violate the federal court's consent orders in the national mortgage settlement. Alternatively, if section 4 of the bill is meant to cause a general transfer of funds from the national mortgage settlement into the compliance resolution fund, then the specific purpose for the transfer would have to be set forth, and it would have to be for one of the purposes that are allowed under the federal court consent judgments.

There are five federal court consent judgments that restrict the use of the national mortgage settlement moneys received by the State. The national mortgage settlement with the five major national banks was resolved pursuant to those federal court consent judgments in the spring of 2012. Those judgments provide that the settlement moneys received by the State of Hawaii may only be used as follows:

The monies are to be held in trust for the benefit of homeowners and others in the State of Hawaii who are, have been, or may be affected by mortgage loan proceedings. This includes, but is not limited to, those who have been subject to foreclosure, are in foreclosure, are at risk of foreclosure, have delinquent mortgage loan payments, have negative equity in their homes, have lost their homes due to foreclosure, have been unable to refinance their mortgage loans, or are leasing a dwelling affected by foreclosure. The monies shall be used for housing and financial counseling, public education, mediation, dispute resolution, and enforcement of laws and agreements protecting the rights of homeowners and lessees. The monies shall be used only for these purposes. The monies shall be deposited into an administrative trust account to be

administered by the Attorney General of the State of Hawaii, who as custodian shall have sole discretion to make determinations as to the amounts and the purposes for which the monies are to be expended.

United States of America, et al., v. Bank of America Corp. et al., Civ. No. 12-0361 (D.D.C. 2012) filed April 4, 2012.

Accordingly, the moneys received from the national mortgage settlement may only be used for the purposes set forth in the consent judgments. Any other use would violate the federal court consent judgments.

Thank you for the opportunity to present this testimony.



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
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CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

THE TWENTY-EIGHTH STATE LEGISLATURE
REGULAR SESSION OF 2016

WEDNESDAY, JANUARY 27, 2016
2:30 p.m.

TESTIMONY ON H.B. NO. 326
RELATING TO THE BANK OF THE STATE OF HAWAII

TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda, Commissioner of Financial Institutions ("Commissioner"). I appreciate the opportunity to provide comments on behalf of the Department of Commerce and Consumer Affairs ("Department") on H.B. No. 326, relating to the proposed Bank of the State of Hawaii (the "State Bank").

To briefly summarize, H.B. No. 326: (1) directs the Department to conduct a comprehensive review of relevant state laws to develop legislation to establish the State Bank (the "review"); (2) appropriates an unspecified amount for the review, from funds received from the National Mortgage Settlement and held by the attorney general, and from the compliance resolution fund; (3) directs the Hawaii Housing Finance and

Development Corporation ("HHFDC") to establish and operate an interim purchase program for distressed residential properties encumbered by problematic mortgages until the State Bank is operational; and (4) establishes the minimum percentages of state funds that shall be deposited in the State Bank starting on a date to be determined.

The Department respectfully raises certain concerns about the potential unintended consequences to the financial community and consumers if the State established its own bank.

Comprehensive Review. With respect to Part I of the bill, the Department has no objection to conducting a review of State laws relating to developing proposed legislation for the establishment of a State Bank for the purpose of mortgage lending, housing development, agricultural development and land use. Timelines for the review would need to be adjusted in the bill. The Department would also like to invite other experts to develop the proposal for a State Bank, and its use by consumers. Experts from the financial community, the developer community, agricultural community, and native Hawaiian community may lend thoughtful ideas for consideration.

Funding for the Review. The Department does not take a position on Section 4 of the bill (page 3), which requires the attorney general to transfer an amount of funds to be determined, from National Mortgage Settlement proceeds, to the compliance

resolution fund. The Department does not know the availability of National Mortgage Settlement funds held by the attorney general's office that may be used for the review, and the benefit of Hawaii homeowners.

With regard to Section 5 of the bill, the Department notes that the Division of Financial Institutions ("DFI") does not have funds available in its budget for the review. DFI receives its funding from our licensees who may not be the beneficiaries of this review of state banking laws.

Interim program to purchase problematic mortgages. The Department does not take a position on the tasks to be undertaken by the HHFDC in Part II of the bill. The Department notes a possible overlap between bill provisions allowing the HHFDC to purchase problematic mortgages, and Chapter 454M, Hawaii Revised Statutes, which requires that mortgage servicers offer loan modification and loss mitigation relief to eligible homeowners. We suggest that the bill specify whether a homeowner may be considered for a problematic mortgage purchase through HHFDC, while concurrently pursuing loss mitigation relief under government or private programs.

The Stabilizing Urban Neighborhoods ("SUN") initiative of the non-profit community development financial institution, Boston Community Capital ("BCC"), may provide a model for the problematic mortgage purchase program described in

H.B. No. 326. SUN claims success in helping hundreds of families facing foreclosure in Massachusetts, Maryland, Rhode Island, New Jersey and Illinois, stay in their homes. For families with steady income who are unable to make their monthly mortgage payment due to hardship, SUN may purchase the home from the lender, and provide affordable financing to the family, or rent the home to them.

Capitalizing the State Bank. With respect to Part III of H.B. No. 326, the Department has concerns about moving State funds from local banks to the State Bank. Local banks are the backbone of Hawaii's financial institutions. An unintended consequence of moving State funds would be significantly reduced capital reserves of local banks, threatening their safety and soundness.

As a second consideration, the State uses funds deposited with local financial institutions for its operations. Consequently, the funds must be liquid (available) to meet State obligations such as payroll, pension benefits, and mortgage or rent payments on buildings and office space. This liquidity requirement limits the availability of State funds for long term commitments, such as providing capital for HHFDC's buyout of problematic mortgages from mortgagees, and for financing long-term mortgages for an HHFDC home buy-back program.

Third, funds deposited by the State in our local banks are secured with bonds to ensure the security and liquidity of the funds at all times. It is not clear whether the

TESTIMONY ON HOUSE BILL NO. 326
January 27, 2016, 2:30 p.m.
Page 5

State Bank will also issue bonds to secure the funds availability. If not, the safety of those funds would be at risk. If all State funds, such as general and special funds, are required to be deposited in the State Bank, then the legislature must consider whether the State should require that those funds be secured.

Thank you for the opportunity to provide these comments on House Bill No. 326. I would be pleased to respond to any questions you may have.

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
ON
HOUSE BILL NO. 326

January 27, 2016

RELATING TO THE BANK OF THE STATE OF HAWAII

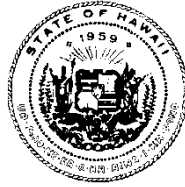
House Bill No. 326 requires DCCA to coordinate a comprehensive review of the State's laws relating to financial institutions, mortgage lending, housing development, agricultural development, and land use for the purpose of developing proposed legislation to establish a bank of the State of Hawaii. A report of this review is due to the legislature and requires the Director of Finance to deposit with the bank of the State of Hawaii, a to-be-determined sum of State funds currently held by private financial institutions. The bill also requires the Director to ensure that not less than 50% the first year, and then 75% thereafter, of all state funds required to be held in depositories, be deposited with the bank of the State of Hawaii.

The Department does not support the measure and has concerns with sections 7, 8, 9 and 10 of the bill, which requires the Director of Finance to deposit the majority of state funds with the yet to be established bank of the State of Hawaii. We believe that the amount of State funds, if any, to be deposited into the bank of the State of Hawaii should be addressed and evaluated in the proposed review to be performed by the DCCA. It may be premature to establish a level of State funding prior to the completion of the review and establishment of the bank of the State of Hawaii. The Department may have concerns with depositing State funds into the bank of the State of Hawaii as one of the primary functions and responsibilities of the Department as stated in the

Hawaii Revised Statutes, is for the safekeeping, management, investment, and disbursement of funds deposited into the state treasury by all state departments. The Department invests State funds to ensure the safety and liquidity of such funds and that there is sufficient liquidity is available to fund ongoing expenditures of the State's departments and agencies. The safety and liquidity of such investments in distressed mortgages should be addressed in the review to determine if such investments, while noble and provides assistance to Hawaii residents, is an appropriate investment for State funds. The intent of the bill with respect to an interim purchase program for distressed residential properties encumbered by problematic mortgages may best be achieved through other programs rather than a state bank. Establishment and operation of a State owned and operated bank will be a significant and expensive undertaking.

Thank you for the opportunity to submit testimony on this bill.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
CRAIG K. HIRAI
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

January 25, 2016 at 2:00 p.m.
Room 325, State Capitol

In consideration of
H.B. 326
RELATING TO THE BANK OF THE STATE OF HAWAII.

HHFDC ***has concerns with*** Part II of H.B. 326, which would require the creation of an interim purchase program for distressed residential properties encumbered by problematic mortgages. We defer to the appropriate departments on the remainder of this bill.

HHFDC's mission is the financing and development of affordable housing. HHFDC does not have expertise in the laws involved with the proposed interim purchase program. Accordingly, we respectfully suggest that the program's implementation be delayed pending the outcome of the comprehensive review of all applicable laws proposed in Part I of this bill.

Thank you for the opportunity to provide written testimony on this bill.

Presentation To
House Committee on Consumer Protection & Commerce
January 27, 2016 at 2:30 PM
State Capitol Conference Room 325

Testimony in Opposition to House Bill 326

TO: The Honorable Angus L. K. McKelvey, Chair
The Honorable Justin H. Woodson, Vice Chair
Members of the Committee

My name is Edward Pei and I am the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing eleven FDIC insured depository institutions with branch offices in the State of Hawaii.

The Hawaii Bankers Association opposes House Bill 326 which appropriates state funds to conduct a study to determine the feasibility of establishing a state owned bank. This particular measure introduced in 2015 proposes a state owned bank for the purpose of acquiring distressed residential properties encumbered by problematic mortgages. Another measure in 2012 proposed a bank to promote a clean economy. Regardless of its purpose, we are opposed to the State of Hawaii establishing a state owned bank for the following reasons:

- 1) A bank is a complex organization requiring sophisticated operating systems, sound internal controls, prudent lending policies and a governance structure to assure profitable operations. Banking is also very different today than it was even 10 years ago. Today, banks have to comply with a multitude of regulatory requirements and I believe there has only been one de novo bank in the last ten years or so. It is a complex undertaking.
- 2) The State would use public funds to capitalize the bank. The State would also move some of its deposits currently placed in other local financial institutions to operate the bank and fund its loans. In both scenarios, the State is putting public funds at risk and reducing funding to other areas where the need is greater. If this entity fails, it will be the Hawaii taxpayers that will be responsible for bailing it out. Also, if the State Owned Bank's primary source of deposits will be public funds currently housed at local banks, please understand that state law requires 100% collateralization of those deposits with high quality liquid assets. There will be minimal funds available to purchase distressed assets.
- 3) Diverting public deposits currently placed in local financial institutions will negatively impact the ability of those institutions to adequately serve a traditionally capital poor economy. The banks in Hawaii have demonstrated time and again that not only do they serve as a catalyst for economic growth but they are also generous and supportive corporate citizens who help the community in so many ways.

- 4) The issue of a state owned bank has been considered in many of the other states in the country. In every instance, study after study have all shown it was not feasible. The only state with a state owned bank is North Dakota, and that bank was established in 1919. That bank has a completely different business model, as it acts largely as a banker's bank, or a wholesale bank. There are approximately 100 banks in the State of North Dakota, and the state owned bank, the Bank of North Dakota, serves these other community banks with check clearing, liquidity, document safekeeping, and other similar services. In Hawaii, such an entity is not necessary.
- 5) The real estate market has improved considerably and the number of distressed mortgage loans has declined dramatically. There does not seem to be a need for a state run operation at this time to assist distressed homeowners, especially since there are many federally endorsed solutions available today.
- 6) Whether explicit or not, a state owned bank may enjoy unfair competitive advantages over the hard working community banks in Hawaii. Banks today continue to struggle with a very narrow interest margin, and that is not likely to change any time soon. So, to survive, they have to manage their expenses very carefully. While we are not averse to competition, we want to be sure that there is always a level playing field, and everyone is playing by the same rules.

For all these reasons and many more, we do not believe the State of Hawaii should consider running a bank. And, if this is the conclusion that any feasibility study will confirm, then it is better to allocate those precious state funds to the many other priorities the State has today.

Thank you for the opportunity to submit this testimony and please let us know if we can provide further information.

A handwritten signature in black ink, appearing to read 'Edward Y. W. Pei', with a stylized flourish at the end.

Edward Y. W. Pei
(808) 524-5161



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January 27, 2016
2:30 PM
Conference Room 325

To: House Committee on Consumer Protection & Commerce
Rep. Angus McKelvey, Chair
Rep. Justin Woodson, Vice Chair

From: Grassroot Institute of Hawaii
President Keli'i Akina, Ph.D.

RE: HB 326 -- RELATING TO THE BANK OF THE STATE OF HAWAII
Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on HB326, which would direct DCCA to conduct a comprehensive review of relevant state laws to develop legislation to establish the bank of the State of Hawaii and establish an interim purchase program for distressed residential properties encumbered by problematic mortgages until the bank is operational.

The state of Hawaii is not the first to look at its own financial woes and the problems of its citizens and wonder if the solution might be found in the creation of a state bank. Reports of the success of the nation's only state bank, the Bank of North Dakota, have no doubt spurred this trend. But while we applaud the desire to look for new solutions to the state's fiscal and housing issues, we fear that the creation of a state bank will cause more problems that it would solve.

Unfortunately, there is no indication that a bank run by the state of Hawaii would have any chance of replicating the experience of the North Dakota bank. Not only is North Dakota profiting from a shale oil boom that has enriched and transformed the entire state, but the bank was slow and conservative in entering the mortgage business—given here as the primary motivator for the creation of a Hawaii bank.

The notion that the bank would be an unmitigated source of renewed revenues for the state is also one that needs to be reexamined. Even assuming that the state did not directly compete

with commercial banks, taking advantage of its position to offer terms that would not be commercially-viable for other institutions, any profit from a state bank not subject to taxes would be offset by a diminution in revenues from institutions that are. The California Legislature's non-partisan Legislative Analyst's Office, considering an initiative to create a state bank, noted that it was "impossible to estimate" the bank's possible effect on state and local revenues.¹ A similar proposal in Massachusetts was rejected after a commission found that starting a state bank would cost \$3.6 billion and expose public funds to "unacceptably high risk."²

That high risk is especially concerning given the other budget problems faced by the state. When the costs of rail and the fiscal sinkhole that is the state's unfunded liabilities bear eloquent witness to fundamental issues in fiscal accountability and transparency, the trust required for a successful state bank is simply not there. Instead, such an institution runs a high risk of pursuing a financially disastrous course in pursuit of political aims, being vulnerable to political pressure and influence, or simply wasting yet more of the taxpayers' money.

There is a reason that every other state that has considered a state bank in recent years has also rejected it. This is not a mistake that we can afford to make.

Thank you for the opportunity to submit our comments.

Sincerely,
Keli'i Akina, Ph.D.
President, Grassroot Institute of Hawaii

¹ California State Legislature. Legislative Analyst's Office Report (Nov. 18, 2011). Available at <http://www.lao.ca.gov/ballot/2011/110675.aspx>

² Alison Veshkin. "North Dakota's State-Run Bank Boosts Treasury, Spurs Imitators." *Bloomberg Business* (Nov. 17, 2011). Available at <http://www.bloomberg.com/news/articles/2011-11-17/north-dakota-s-state-run-bank-adds-millions-to-treasury-spurs-imitators>

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, January 23, 2016 2:33 PM
To: CPCtestimony
Cc: bishopmattj@gmail.com
Subject: Submitted testimony for HB326 on Jan 27, 2016 14:30PM

HB326

Submitted on: 1/23/2016

Testimony for CPC on Jan 27, 2016 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Matt Bishop	Individual	Oppose	No

Comments: I am against this action. We as citizens of the State of Hawaii have trusted our legislators time and time again, only to be disappointed and disgusted at the betrayal of our trust by reckless spending. The Obamacare website saw the citizens of Hawaii loose over \$200 million dollars and we have seen nothing but increased taxes and increased costs for a rail system that will forever be supported by taxes and never self sustaining. The last thing this state needs is for the legislature or government to get control of a bank which will allow them an unregulated source of income with which to gamble foolish ideas and business ventures that will again ultimately cost the people of Hawaii valuable tax resources.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, January 23, 2016 10:59 PM
To: CPCtestimony
Cc: chingcakes@yahoo.com
Subject: Submitted testimony for HB326 on Jan 27, 2016 14:30PM

HB326

Submitted on: 1/23/2016

Testimony for CPC on Jan 27, 2016 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Clarisse S. Ching Lavatai	Individual	Oppose	No

Comments: I oppose the this bill that allows buying properties that are in trouble. 1. Let the banks do their job. 2.We don't need more government; stop babysitting. 3.Let the market/industry have natural consequences. I don't want more of my taxes to support someone else's situation.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Testimony of Dr. Daniel P. de Gracia, Th.D., D.Min., M.A.
in opposition to the measure
House Bill No. 326, Relating to the Bank of the State of Hawaii
before the
House Committee on Consumer Protection & Commerce
Wednesday, January 27, 2016 at 2:30 p.m. in Conference Room 325

Chair McKelvey, Vice Chair Woodson, Honorable Members of the Committee:

Thank you for the opportunity to testify on this urgent matter of the proposed creation of a State-owned bank. As you are no doubt well aware, for years, the Hawaii State Legislature has flirted with the idea of a State bank, either in resolutions requesting feasibility studies or, as is presently the case, with enabling measures such as the one presently before your committee.

While the proposed functions of the State bank have changed over the years - ranging from issuing credit for infrastructure and various development projects, to serving as a device for economic stabilization - the fundamental danger remains the same in all these cases, and that is State-owned banking artificially manipulates both the volume and velocity of the money supply, which has grave implications for markets and consumers alike.

Presently, Hawaii, as well as most of the globe, is still suffering the prolonged effects of the 2008 Financial Crisis and the so-called "Great Recession" that followed. In macroeconomic terms, a "recession" is what occurs after market preferences reveal unsustainable activities and unprofitable assets, which are, in short order, shedded or liquidated, resulting in economic distress. While recessions are clearly unpleasant experiences to endure, they are a critical part of establishing market optimization as the correct values for goods and services and the proper balance between supply and demand are established.

Government policymakers and legislators in particular often attempt to bypass this necessary market sea change by reaching into the "tool box"

of intervention, using strategies ranging from bailouts of insolvent corporations, purchases of bad assets, and, as a last resort, "stimulus" of markets by large injections of money, either in the form of credit or subsidy.

While these actions may temporarily mask the symptoms of a recession, it only further entrenches the very activities that resulted in the recession in the first place: Individuals and corporations over-extend themselves, markets perceive greater scarcity than is actually present, and speculators balloon the value of assets.

To make real for you how markets always seek equilibrium, I'd like to submit for the Committee's monetary edification the example of Salvador Dalí, a surrealist painter and avid epicurean who often enjoyed dining in expensive restaurants in big cities like New York City and others. One evening after enjoying a meal, Dalí was given the bill for his dinner, and he wrote a check for the full price of the service. On the back of the check, Dalí doodled a small graphic as a personalization for the restaurant.

The restaurant owner, discovering Dalí's artwork on the check, realized that the novelty value of the artwork made the check more valuable than the dollar value of the dinner. Instead of cashing the check, he decided to have it framed. Dalí, seeing this, proceeded to repeat this practice at multiple restaurants, with such a frequency that eventually nearly every fine dining establishment of any worth was flooded with Dalí doodle checks. The result? As scarcity of Dalí checks decreased, their perceived value dropped, and owners started cashing the checks, depleting Dalí's bank account.

Creating a State-owned bank here in Hawaii would essentially be the equivalent of Dalí's dining practice. For a time, markets will respond favorably to the artificial value created by such an institution, but in the end, the economic dilation created by this bank will result in a credit implosion. If the objective of the Committee is to stabilize housing prices in Hawaii, this is the worst possible way to approach it. As Ludwig von Mises warned, "There is no means of avoiding the final

collapse of a boom brought about by credit expansion. The alternative is only whether the crisis should come sooner as a result of the voluntary abandonment of further credit expansion, or later as a final and total catastrophe of the currency system involved.”

To be blunt, in order for Hawaii to have a strong, vibrant, and sustainable economy, both individual consumers and markets as a whole must be free to win or lose on their own, without the interference of government banking. The 2008 crisis occurred because Wall Street was not exposed to the true risk associated with exotic financial devices, because they were able to sell risk with the backing of government. If we were to establish a State-owned bank in Hawaii, the Legislature would almost certainly be duplicating at the local level the same disastrous policies that destroyed the national and international economy.

Please do not encourage bad money and bad decisions.

Thomas Paine warns, “There are a set of men who go about making purchases upon credit, and buying estates they have not wherewithal to pay for; and having done this, their next step is to fill the newspapers with paragraphs of the scarcity of money and the necessity of a paper emission, then to have a legal tender under the pretense of supporting its credit, and when out, to depreciate it as fast as they can, get a deal of it for a little price, and cheat their creditors; and this is the concise history of paper money schemes.”

Hawaii is already in an untenable fiscal position, both structurally over the long-term and in terms of fragility over the short. History has given us the example of monetary disasters in places like Zimbabwe, Yugoslavia, and Greece as a warning for us to steer clear of the temptation of playing with the fire of state banking. Hawaii deserves better than to be next on the list of devastated economies. Please defer this measure.

Thank you for the opportunity to testify.

TESTIMONY to House Committee on Consumer Protection & Commerce

H.B. 326 Relating to the Bank of the State of Hawaii

Wednesday, January 27, 2016 2:30 pm
Conference Room 325

Submitted in **OPPOSITION** by: Mary Smart, Mililani, HI 96789

Chairman McKelvey Vice-Chair Woodson, and Members :

1. I most strongly **OPPOSE H.B. HB326**. This initiative is a waste of time and tax dollars. We don't need a study to tell us what we already know, the government should stay out of the banking system.
2. We don't want Hawaii residents to be responsible for "problematic" mortgages. It is irresponsible governance to force local residents to invest in a failing proposition. Most investment advisors would tell their clients to stay away from these high risk, money losing schemes. But, if government gets involved, the "clients" aka Hawaii residents, will be forced to supplement the sure losses that will accrue.
3. A state bank will weaken the private banking system, already under attack by the government. Government take-over of banking is the antithesis of everything for which America stands. There have been numerous bills proposing a Hawaii State Bank and it has been repeatedly opposed each time it was presented.
4. Stop wasting our time and money. We don't want DCCA to conduct a comprehensive review of relevant state laws to develop legislation to establish the bank of the State of Hawaii. We don't want the Hawaii housing finance and development Corporation (HHFDC) to establish and operate an interim purchase program for distressed residential properties encumbered by problematic mortgages at any time, with or without a state bank. It would be best to close down the HHFDC and turn over its functions to the private sector and return all mortgage settlement funds to Hawaii taxpayers. Stop expanding government into all facets of our lives. It isn't desired and government has proven inept (Hawaii Health Connector, Rail, Bottle Bill, etc.) If the government can't manage these simple programs, they cannot be trusted with our banking.
5. Vote NO on H.B. 326.

LATE



Testimony to the House Committee on Consumer Protection & Commerce
January 27, 2016

Testimony in Opposition to HB 326, Relating to the Bank of the State of Hawaii

To: The Honorable Angus McKelvey, Chair
The Honorable Justin Woodson, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 63 Hawaii credit unions, representing approximately 800,000 credit union members across the state. We are opposed to HB 326, Relating to the Bank of the State of Hawaii.

We are in opposition to HB 326, which would direct the Department of Commerce and Consumer Affairs to conduct a review of laws with the purpose of developing legislation to establish the Bank of the State of Hawaii. This bill would also establish an interim program to purchase distressed properties that are considered encumbered by troubled mortgages.

Funds being deposited into a state bank would apparently be insured by the state itself. Without the benefit of being insured by a separate entity like the National Credit Union Administration (which insures and oversees all credit unions in the State of Hawaii), the state would be in an extremely precarious situation in the event of any financial difficulty within the bank, and within the state. Further, pursuant to the State's Code of Financial Institutions (HRS Ch. 412:4-104), it is a requirement that all financial institutions be federally insured. Therefore, a state-owned, and state-insured bank would be in violation of state law.

Thank you for the opportunity to testify.