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TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2619, S.D. 1

February 26, 2016
9:45 a.m.

RELATING TO UNCLAIMED PROPERTY

Senate Bill No. 2619, S.D. 1 proposes that holders of unclaimed property submit documentation in their report to the Director of Finance that efforts were made to contact owners. For those properties valued at \$50 or more, holders would be required to contact owners via postal mail, email, and telephone.

The Department of Budget and Finance supports enhanced efforts to contact unclaimed property owners before such property is reported to the State. Currently, holders submit an affidavit with their report to the State certifying that they have met all of the statutory requirements to contact the owners prior to submitting the property to the Unclaimed Property Program.

We support this bill provided that the holders can continue to submit the affidavit certifying compliance with the increased contact provisions. The State would continue to reserve the right to conduct audits, random or otherwise, should it be necessary to validate the statements in the affidavit.

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



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**PRESENTATION OF THE
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

TO THE SENATE COMMITTEE ON
WAYS AND MEANS

THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016

FRIDAY, FEBRUARY 26, 2016
9:45 a.m.

**TESTIMONY ON S.B. No. 2619, S.D. 1
RELATING TO UNCLAIMED PROPERTY**

TO THE HONORABLE JILL N. TOKUDA, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda, Commissioner of Financial Institutions ("Commissioner"),
testifying on behalf of the Department of Commerce and Consumer Affairs in support of
S.B. No. 2619, S.D. 1.

This bill requires the holder of unclaimed property valued at \$50 or more to
provide notice to the owner that the holder holds property that was unclaimed by the
apparent owner. The notice requires that the holder provide notice in writing to the last
known postal address, stating that the holder is in possession of property that is

unclaimed, or if known by the holder, via electronic mail or telephone. DFI believes that as currently envisioned, the new notice requirements will not be an additional regulatory burden to our financial institutions.

DFI notes that this notice requirement applies to any company that reports and delivers the unclaimed property to the Director of Finance.

Thank you for this opportunity to testify. I would be pleased to respond to any questions that you may have.

Presentation To
Senate Committee on Ways and Means
February 26, 2016 at 9:45 AM
State Capitol Conference Room 211

Testimony with Comments to Senate Bill 2619, SD1

TO: The Honorable Jill N. Tokuda, Chair
The Honorable Donovan M. Dela Cruz, 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.

For financial institutions, the issue of unclaimed property deals primarily with deposit accounts and official bank instruments, like cashier's checks. There are instances of safe deposit boxes going unclaimed but that is less prevalent. With respect to deposit accounts, frankly the last thing we want to do is to escheat funds to the State, because it is burdensome for all involved. Therefore, attempts are made to contact the depositor to claim their funds. However, if we are unable to reach the depositor, or they do not respond, we have no recourse but to escheat the funds to the State, according to the time frames set forth by statutes. Usually, we will have to wait some time until the funds are ready to be escheated.

Our concern with the current version of this measure is the proposed statutory requirement by which a bank will have to contact the owner. Effective methods of contact will change with time. Twenty years ago, there was no email. Today, especially for millennials, they prefer texting over emails. For example, I have two millennial children that will not read nor respond to my emails, but will respond fairly quickly to a text message. In the not so distant future, there may be other communications alternatives that will make current methods obsolete. So, our recommendation is to amend Section 1, 2(e) by deleting the three specific optional methods of contact. This will allow the banks to use their best judgement as to the most effective means of contacting their customers.

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



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