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Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Housing
Friday, February 3, 2023
9:00 a.m.
Conference Room 312

On the following measure:
H.B. 1236, RELATING TO AFFORDABLE HOUSING

Chair Hashimoto and Members of the Committee:

My name is Iris Ikeda and I am the Commissioner of Financial Institutions, Department of Commerce and Consumer Affairs (“Department”). The Department offers comments on this bill.

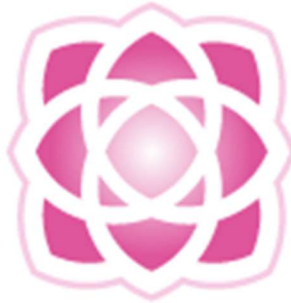
The purpose of this bill is to allow a bank to invest, in aggregate, up to two per cent of the bank's total assets in limited partnerships, limited liability partnerships, limited liability companies, and corporations formed to invest in affordable housing residential properties. The bill requires approval from the commissioner of financial institutions to exceed this amount.

The Department fully supports the intent of the bill to encourage financing of affordable residential housing projects. The Department submits comments for the purpose of highlighting potential unintended consequences of raising the investment limit from 2% of a bank's capital and surplus to 2% of its total assets. An investment of up to 2% of total assets could implicate a bank's safety and soundness position if loans

are not repaid, tax credits are not received in a timely manner, or significant financial emergencies arise. These potential circumstances could, in turn, impact the franchise tax revenues that the Division of Financial Institutions (DFI), a self-funded agency, receives.

Approximately half of DFI's revenues comes from the franchise tax which comports to about 48% of DFI's time spent on supervision and examination of our banks. Section 241-7, Hawaii Revised Statutes, provide that DFI receives \$2 million from the franchise tax paid by the banks. The DFI would not be able to collect the \$2 million from the state-chartered banks annually if the banks did not pay franchise tax due to the deferred tax situation created by the proposal. Without the revenues derived from the franchise tax, the DFI would need to have the ability to make up this revenue shortfall elsewhere.

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



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE HOUSE COMMITTEE ON
HOUSING
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 312
Friday, February 3, 2023 AT 9:00 A.M.**

To The Honorable Troy N. Hashimoto, Chair
The Honorable Micah P.K. Aiu, Vice Chair
Members of the committee on Housing

SUPPORT FOR HB1236 RELATING TO AFFORDABLE HOUSING

The Maui Chamber of Commerce **supports HB1236** which allows a bank to invest, in aggregate, up to two per cent of the bank's total assets in limited partnerships, limited liability partnerships, limited liability companies, and corporations formed to invest in affordable housing residential properties and requires approval from the commissioner of financial institutions to exceed this amount.

The Chamber can agree with this proposal because it will allow banks more flexibility in funding affordable housing projects.

For this reason we **support HB1236**.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.