



Testimony to the House Committee on Judiciary and Hawaiian Affairs
February 2, 2021, 2:00 pm
Hawaii State Capitol, Via Videoconference

Testimony in Opposition to HB 350, Relating to Attachment of Real Property

To: The Honorable Mark Nakashima, Chair
The Honorable Scot Matayoshi, 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 51 Hawaii credit unions, representing over 800,000 credit union members across the state. We offer the following comments in opposition to HB 350, Relating to Attachment of Real Property.

Approximately 50 of Hawaii's credit unions currently offer mortgages and other forms of credit to their members. Credit unions are not-for-profit organizations whose members ultimately bear any losses. Occasionally, members default in payment of their obligations, and a credit union may have to take legal action to collect the debt. If the credit union cannot collect the debt, its members suffer the loss.

Thus, we oppose HB 350, and concur with the testimony presented by the Hawaii Financial Services Association.

Thank you for the opportunity to provide comments.

HAWAII FINANCIAL SERVICES ASSOCIATION

c/o Marvin S.C. Dang, Attorney-at-Law

P.O. Box 4109

Honolulu, Hawaii 96812-4109

Telephone No.: (808) 521-8521

February 2, 2021

Rep. Mark M. Nakashima, Chair
Rep. Scot Z. Matayoshi, Vice Chair
and members of the House Committee on Judiciary & Hawaiian Affairs
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **H.B. 350 (Attachment of Real Property)**
Hearing Date/Time: Tuesday, February 2, 2021, 2:00 p.m.

I am Marvin Dang, the attorney for the **Hawaii Financial Services Association** (“HFSA”). The HFSA is a trade association for Hawaii’s consumer credit industry. Its members include Hawaii financial services loan companies (which make mortgage loans and other loans, and which are regulated by the Hawaii Commissioner of Financial Institutions), mortgage lenders, and financial institutions.

The HFSA **opposes** this Bill.

This Bill increases the real property exemption amount for attachment or execution.

This Bill, as drafted, does not seem to be sound public policy. We believe that the proposed changes in this Bill will enable and encourage certain debtors, who have real properties with a lot of equity, to avoid paying their contractual obligations and to shelter their assets from creditors.

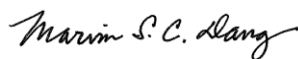
We object to the provisions in this Bill which would allow a debtor to shelter from creditors up to either \$90,000 or \$60,000 in equity in a real property regardless of whether the property is owner-occupied or owned as an investment, and regardless whether the property is a residential or commercial. Currently the exemption amounts are either \$30,000 or \$20,000.

An unintended consequence of this Bill is that consumers and other borrowers could be negatively impacted. That’s because if this Bill passes, lenders and other creditors might need to tighten their underwriting standards for unsecured loans or other unsecured credit to ensure that the lenders and creditors get repaid the monies that are loaned.

Accordingly, we ask that your Committee “defer” this Bill and not pass it.

However, if your Committee is inclined to pass this Bill, we ask that the dollar amounts be blank and that there be a “defective” effective date so that there can be further discussion about this Bill among the various stakeholders.

Thank you for considering our testimony.



MARVIN S.C. DANG
Attorney for Hawaii Financial Services Association

Presentation to The
Committee on Judiciary & Hawaiian Affairs
February 2, 2021 at 2:00 pm
State Capitol Conference Room 325

Testimony in Opposition to HB 350

TO: The Honorable Mark M. Nakashima, Chair
The Honorable Scot Z. Matayoshi, Vice Chair
Members of the Committee

My name is Neal K. Okabayashi, the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing eight Hawaii banks and two banks from the continent with branches in Hawaii.

HBA is concerned about the increase in the real property exemption on real property, regardless of whether it is residential or commercial property, owner-occupied residential property or investment property, or whether the debt is consumer or commercial.

The increase in the exemption to either \$90,000 or \$60,000 is so large that many debts will not be repaid. For example, credit card debts or auto loans debts are likely to be way under \$90,000 or \$60,000, so the logical response is to lower the loan limit, tighten underwriting standards, or require collateral for loans which are now normally unsecured.

It is normal practice for a lender to attempt to reach an accommodation with the debtor for repayment of the debt rather than seeking recourse on real property because collecting from real property is a more tedious process, and thus is a last resort. Another alternative is to place a lien of the real property so when sold, the debt is paid.

Thank you for the opportunity to submit this testimony in opposition to HB 350. Please let us know if we can provide further information.

Neal K. Okabayashi
(808) 524-5161