

ACT 24

A Bill for an Act Relating to Dividends of Savings and Loan Associations.

Be it Enacted by the Legislature of the State of Hawaii:

SECTION 1. This Act is hereby declared to be an urgency measure deemed necessary in the public interest within the meaning of section 11 of Article III of the Constitution of the State of Hawaii.

The following is a statement of the facts constituting such urgency:

The mortgage money market in Hawaii in 1965 was severely curtailed because the outflow of savings has been the most substantial in many years. Despite the fact that dividend rates here are fairly comparable, California savings and loan associations paying quarterly dividends have drained untold millions of dollars from Hawaii.

It appears imminent that the acute savings and mortgage picture will be compounded because competitive inequality among savings and loan associations will become possible on July 1, 1966 unless our state law is amended. Presently, all federally-chartered and state-chartered savings and loan associations in Hawaii pay dividends on savings accounts on a semi-annual basis as provided in section 180-47 of the Revised Laws of Hawaii 1955, as amended. Because of this provision, federally-chartered savings and loan associations by federal regulations have been prohibited from paying on dates other than semi-annually.

Now, however, the Federal Home Loan Bank Board (of which all insured Hawaii savings and loan associations are members) has

determined that this prohibition will not be extended beyond July 1, 1966 regardless of state law. Consequently, beginning with this July first date, federal savings and loan associations will be authorized to pay quarterly dividends while state-chartered savings and loan associations will be limited to semi-annual dividends.

Inasmuch as competing financial institutions are now permitted and since federal savings and loan associations will be allowed to pay quarterly interest on comparable savings accounts, state-chartered savings and loan associations will need the same privilege in order to equitably compete for savings capital in today's extremely tight money situation.

It is a matter of great urgency and in the public interest, therefore, (1) to halt this outflow of capital funds out of the State by making Hawaii savings more attractive, (2) to bring about parity between federal and state savings and loan associations and among competing financial institutions, and (3) to make possible the availability of more capital money for home loan demands because of the desirability of quarterly over semi-annual dividend rate.

SECTION 2. Section 180-47 of the Revised Laws of Hawaii 1955, as amended, is hereby further amended in the following respects:

(a) By amending the first paragraph to read as follows:

"The board of directors of an association may declare a dividend payable either quarter-annually or semi-annually to shareholders of record as of the last day of each calendar quarter period, or as of June 30 and December 31 if dividend is payable semi-annually, of each year after transfers to reserves and undivided profits have been made. If the dividend payment date as determined above falls on a legal holiday, then such dividends shall be payable on the next preceding business day."

(b) By amending the last paragraph to read as follows:

"Within fifteen days preceding the last day of the dividend payment period as determined by the board of directors, such association may declare and publicize a dividend rate for the ensuing dividend period; provided that such dividends will not exceed accumulated undivided profits and anticipated net earnings for the period."

SECTION 3. This Act shall take effect on July 1, 1966.

(Approved April 5, 1966.) H.B. 418.