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**Presentation to the House Committee on Finance  
Wednesday, March 30, 2011, at Noon**

Chairman Marcus R. Oshiro, and  
members of the committee:

My name is Terry O'Reilley. I am a Senior Vice President and the Director of Marketing and Product Development for American Savings Bank ("ASB"). ASB is a Federal savings bank doing business in Hawaii for eighty-six (86) years, and has assets of over \$4.8B.

**ASB supports the intent of Senate Bill 675, SD1 and respectfully requests its passage for further consideration.**

Since 1991 ASB maintained a business relationship with USA Funds, Hawaii's student loan guarantor, to offer student and parent loans under the federal guaranteed student loan program. Subsequently, ASB entered into an agreement with SMS Hawaii to help finance loans to Hawaii students and parents. ASB was pleased to work with SMS Hawaii because it supported reduced interest rate loans for borrowers who made their payments on time. However, the Federal health care legislation that was enacted last March contained provisions that ended the role of lenders, like ASB, and student loan secondary markets, like SMS Hawaii, in originating new federal student loans, effective last June 30.

Although its role in financing new federal student loans has ended, SMS Hawaii has advised ASB of its intent to continue to provide services to Hawaii's students and families as a IRC §501(c)(3) not-for-profit organization. It's the understanding of ASB that for SMS Hawaii to pursue continued support of higher education in Hawaii, the enactment of this legislation is necessary.

I appreciate your kind attention.

Chairman Oshiro and Members of the Finance Committee,

I am Frank Green, president of Travel Institute of the Pacific, which is located here in Honolulu and is one of the nation's oldest and most respected training organizations specializing in travel, hospitality, food and beverage service and culinary arts studies.

Please support SB 675 SD 1, legislation that would repeal a section of Hawaii statute that has been made obsolete by federal legislation and, which if allowed to remain on the books, would limit resources to promote access to college for Hawaii students and parents.

The provision in question designates a student loan secondary market for Hawaii. The current secondary market is SMS Hawaii, which is an affiliate of USA Funds, our state's student loan guarantor.

Because Travel Institute of the Pacific uses the Federal Direct Loan Program to serve its students, we have not used the student loan services of USA Funds or SMS Hawaii. But I assure you that in my experience, there is no stronger partner than USA Funds for supporting higher education access in this state. Let me give you just two examples.

Ten years ago USA Funds provided – and they still do - financial and staff support to help us launch our annual College Goal Sunday program in Hawaii. College Goal Sunday provides free help to students and parents in completing the Free Application for Federal Student Aid. This is the form required to qualify for federal grants, work-study and loans, as well as many other sources of financial aid to help pay college costs. It's a complex form, especially for families with no previous college experience. So the help we provide through College Goal Sunday can really make the difference in whether a student can afford to go to college.

Through the Pacific Financial Aid Association, our association of state financial aid administrators, we deliver financial aid nights to parents and high school students so they understand the variety of options that are available to pay for education and training after high school. Financial support from USA Funds has enabled us to take this valuable information to all islands throughout the state.

My understanding is that, if this legislation passes, SMS Hawaii will convert to a 501(c)(3) nonprofit organization and undertake charitable activities, similar to those supported by USA Funds, to help more students and parents in this state benefit from higher education.

If we are to strengthen the economy in Hawaii, we need to have a better- educated workforce, one that has the skills needed to perform the jobs of the 21st century. Additional support for activities that promote higher education, such as those that SMS Hawaii could support, is vital for enhancing the education levels of our state's workforce.

For this reason, I would ask you to support SB 675 SD 1. Thank you.

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Chairman Oshiro and Members of the Finance Committee,

Thank you for the opportunity to testify in support of SB675 SD1.

My name is Lorraine Teniya, Director of Customer Relations for USA Funds and SMS Hawaii. I have worked with Hawaii's colleges, universities, banks, and credit unions for the past 31 years in support of the guaranteed student loan program. In the early 1980s I was very much involved in legislation which authorized the establishment of SMS Hawaii, but today I am requesting your support to repeal that legislation.

SB 675 seeks to repeal section 309-1.5, which authorized Secondary Market Services Corp., "SMS Hawaii," to serve as a not-for-profit student loan secondary market. SMS Hawaii used tax-exempt financing to support the purchase of federal student loans from Hawaii's lending institutions, in order to continually replenish the supply of capital to fund new loans to students and parents, and ensuring liquidity in the student loan program.

With the passage of the federal Health Care and Education Reconciliation Act of 2010, new student loan originations under the Federal Family Education Loan program ended. Thus, the function of a student loan secondary market for Hawaii has been eliminated.

The repeal of section 309-1.5, Hawaii Revised Statutes, will permit SMS Hawaii to continue to support higher education in Hawaii in other educational and charitable activities authorized for tax-exempt organizations under section 501 (c) (3) of the Internal Revenue Code. In addition SMS Hawaii will seek the advice and input from state officials, colleges and universities, and community organizations that support college access and success, to help us determine the educational and charitable activities that we will pursue.

SMS Hawaii's parent company, USA Funds, has served as Hawaii's designated student loan guarantor since 1979. USA Funds, a 501 (c) (3) organization, has provided significant support to higher education in Hawaii, providing millions of dollars in scholarship support, grants to local organizations that support college access and success, funds to support STEM initiatives, and assistance to families in overcoming major paperwork barriers in obtaining financial aid for college. If HRS Section 309-1.5 is repealed, SMS Hawaii envisions providing comparable support to benefit higher education in Hawaii.

Please support SB 675 SD1. Thank you very much.