



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
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Statement of
James Kunane Tokioka
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

Thursday, February 22, 2024
10:00 AM
State Capitol, Conference Room 308

In consideration of
HB2369 HD1
**RELATING TO THE HAWAII COMMUNITY-BASED ECONOMIC DEVELOPMENT
TECHNICAL AND FINANCIAL ASSISTANCE PROGRAM.**

Chair Yamashita, Vice Chair Kitagawa and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) supports **HB2369 HD1** which will allow for the increase of the maximum interest rate on Community-Based Economic Development (CBED) loans to 10 percent.

By current statute the interest rate allowable on CBED business loans is between 3 and 6 percent. CBED uses federal funds to leverage or supplement these loans. The federal rules require an interest rate floor according to market conditions which is defined as WSJ Prime Rate minus four (4) percent. Currently, WSJ Prime is 8.5%. At some point in the future the federal floor may approach or overtake the CBED maximum interest rate, thus making it impossible to use federal funds for these loans.

Increasing the CBED maximum rate to 10 percent will ensure the CBED loan program has the flexibility to offer low interest loans, but also comply with federal requirements.

Thank you for the opportunity to testify.