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February 4, 2026

TO: The Honorable Representative Scot Z. Matayoshi, Chair  
House Committee on Consumer Protection & Commerce

FROM: Ryan I. Yamane, Director

SUBJECT: **HB 1640 – RELATING TO FINANCIAL EXPLOITATION.**

Hearing: Thursday, February 5, 2026, 2:00 p.m.  
Conference Room 329 & Via Videoconference, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) appreciates the intent of this bill and offers comments.

DHS is concerned that the proposed measure would introduce inconsistencies across existing statutes, among agencies, and duplicate existing processes. To prevent confusion and better protect vulnerable adults from financial exploitation, DHS encourages new proposals that are consistent with or reference existing law, promotes cooperative partnerships, and strengthens relationships among agencies.

DHS Adult Protective and Community Services Branch (APCSB) investigates reports of "abuse" of "vulnerable adults" as defined by Section 346-222, HRS. Vulnerable adults are defined as "a person eighteen years of age or older who, because of mental, developmental, or physical impairment, is unable to:

- (1) Communicate or make responsible decisions to manage the person's own care or resources;
- (2) Carry out or arrange for essential activities of daily living; or
- (3) Protect oneself from abuse, as defined in this part."

The existing definition in section 346-222, HRS, gives adults independence and autonomy, narrowing “vulnerable” adults to those in need of protection due to disability. APCSB also recognizes that age does not determine ability or disability. Notably, section 346-252, HRS, codifies that an individual shall not be involuntarily subjected to the provisions of Adult Protective Services (APS) solely based on advanced age.

This bill adds to Chapter 412, the Code of Financial Institutions. The proposed new sections 412:4-B and 412:4-C are unclear about which individuals are considered victims for reporting to DHS and appear to conflict with APCSB’s statutory requirements. The proposed section 412:4-B(b) on page 4, lines 1-10, includes training on reporting “vulnerable adults” and “members or customers other than vulnerable adults.” Additionally, the definition of “vulnerable adult” proposed in section 412:4-A, page 3, lines 10-12, is overly broad and does not align with APCSB’s statutory definition. DHS respectfully proposes that the definition be consistent with the definition in section 346-222, HRS, or refer to existing law to reduce confusion.

Further, reports to APCSB that do not fall within the existing “vulnerable adult” definition will consume APCSB’s limited resources to assess and respond to reports that do meet APCSB’s statutory requirements.

As drafted, DHS is also concerned about the potential departmental conflicts the proposal may create:

- This bill proposes reporting of covered financial exploitation to a law enforcement agency or DHS. Existing section 412:3-114.5, HRS, requires financial institutions to report suspected financial abuse of an elder to DHS and the appropriate county police department. Additionally, defining "elder" as a person aged 62 or older does not align with APCSB's definition, which may delay APCSB's assessment and response to reports that meet its statutory requirements.
- The proposed section 412:4-C, on page 8, lines 8 -19, requires DHS to provide written notification to the reporting financial institution of the report’s disposition and disposition of the reported incident. However, this

conflicts with existing Section 346-225, HRS, which protects the confidentiality of APCS reports and investigations.

The proposed bill also introduces duplicative practices that already exist. In proposed section 412:4-C:

- Page 8, lines 3-7: APCS documents reports of vulnerable adult abuse in the department's system of record.
- Page 8, line 20 to page 9, line 9: APCS has an existing process to cross-report to law enforcement.
- Page 9, line 20 to page 10, line 4: Disclosure of the identity of an individual or financial institution that makes a report is protected per Section 346-225, HRS.

Thank you for the opportunity to provide testimony on this measure.



**SanHi**

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 4, 2026

TO: Representative Scot Matayoshi  
Chair, Committee on Consumer Protection & Commerce

Representative Tina Grandinetti  
Vice Chair, Committee on Consumer Protection & Commerce

FROM: Tiffany Yajima / Mihoko Ito

RE: **H.B. 1640 – Relating to Financial Exploitation**  
**Hearing Date: Thursday, February 5, 2026 at 2:00 p.m.**  
**Conference Room: 329**

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Dear Chair Matayoshi, Vice Chair Grandinetti, and Members of the Committee:

We submit this testimony on behalf of the Hawaii Bankers Association (HBA). HBA represents seven Hawai'i banks and one bank from the continent with branches in Hawai'i.

The Hawaii Bankers Association provides these **comments** supporting the intent of H.B. 1640 to protect vulnerable adults from financial exploitation but expressing concerns that this bill is duplicative and already addressed under existing federal and state law.

Banks share in the goal to prevent fraud and financial abuse and maintain robust fraud prevention, escalation, and reporting practices. Banks are heavily regulated at the federal level under the Bank Secrecy Act (BSA) and also comply with the federal Suspicious Activity Reporting (SAR) requirements established to combat money laundering, fraud, and other financial crimes. These federal standards are comprehensive and continuously updated to address emerging risks.

As drafted, this bill creates a new state framework that overlaps with existing state law and existing federal supervisory and reporting requirements. We are concerned that duplicative requirements can create conflicting standards and unnecessary administrative burden without improving outcomes. If the committee is inclined to move forward, we would respectfully suggest the following considerations and amendments:

Existing law

HBA prefers the language in existing statute at HRS §412:3-114.5 rather than creating a parallel framework. If the Committee is inclined to move forward with this bill, HBA respectfully requests repealing HRS §412:3-114.5 and HRS §412:3-114 to avoid overlapping obligations, inconsistent triggers, and examiner confusion.

### Reporting Requirements

The bill allows a financial institution to choose between reporting to the Department of Human Services or to law enforcement. Financial institutions are not in the best position to decide which agency should receive the initial report. HBA recommends a single reporting path, for example, to the Department of Human Services, which can coordinate with law enforcement as appropriate.

### Preemption clause

HBA also suggests an explicit clause stating that the requirements of this statute do not apply to the extent they are inconsistent with federal or state laws or regulations. This is important to avoid unworkable mandates and potential preemption issues, including in areas where federal law governs timing and processing of transactions.

### Policy and training

We are concerned that Section 412:4-B is unduly prescriptive. Banks are regularly examined at the state and or federal level for compliance with applicable laws and controls. HBA recommends replacing the detailed policy and training requirements with a simple standard that a financial institution shall maintain a policy and provide training sufficient to ensure compliance with the requirements of this statute.

### Definitions and scope

As drafted, “vulnerable adult” relies on subjective concepts like physical impairment and advanced age. Financial institutions are not trained professionals capable of making clinical vulnerability determinations, and subjective classifications may increase the risk of inconsistent treatment and discrimination exposure. HBA recommends revising definitions to rely on objective, established standards in Hawaii law, or restructuring the bill so it focuses on suspected exploitation indicators rather than requiring frontline staff to determine who is “vulnerable.” HBA also recommends removing the “caregiver” definition or clarifying that nothing in the bill should place financial institutions in conflict with lawful court orders, fiduciary authority, or valid powers of attorney.

### Holds, liability, and the core scam pattern

The requirement that a financial institution “shall” delay a transaction based on a subjective “suspects or detects” standard is overly broad and may create liability exposure if a hold is not placed. If the intent is to address scenarios where a customer is withdrawing cash under duress at the teller window, HBA recommends narrowing the covered transactions to in-person cash withdrawals and making any delay authority permissive. We believe that any immunity should clearly apply to good faith actions and good faith decisions not to act.

### Agency response and escalation

We are also concerned that the reporting escalation provision in section 412:4-C(d) shifts agency follow-up to financial institutions if agencies do not respond would suggest removing that provision.

HBA is committed to protecting the financial well-being and safety of its customers. If the Committee is inclined to move this measure forward, HBA would welcome a coordinated working group with DHS, law enforcement, prosecutors, DFI, financial institutions, and other stakeholders to ensure the framework is clear, workable, and focused on interventions that improve outcomes.

Thank you for the opportunity to submit these comments.



Testimony to the House Committee on Consumer Protection and Commerce  
Thursday, February 5, 2026, 2:00 PM  
Conference Room 329

To: The Honorable Scot Matayoshi, Chair  
The Honorable Tina Nakada Grandinetti, Vice-Chair  
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League (HCUL), the local trade association for 45 Hawaii credit unions, representing over 879,000 credit union members across the state.

HCUL offers the following comments regarding HB 1640, Relating to Financial Exploitation. This bill would require financial institutions to establish policies for identifying financial exploitation, establishes procedures for reporting suspected financial exploitation, requires financial institutions to delay transactions, and allows freezes on assets, when there is suspected financial exploitation, and provides immunity from liability for financial institutions for any action, determination, omission, or practice related to this Act.

Hawaii's credit unions share the Legislature's goal of protecting vulnerable individuals from financial exploitation. Preventing elder abuse and financial fraud is already a core responsibility of Hawaii's credit unions, and our members devote substantial resources to fraud detection and staff training. However, HCUL has concerns that HB 1640, as currently drafted, would create redundant regulatory requirements, compliance burdens, and unintended consequences for credit union members.

Financial institutions, including credit unions, are already subject to federal anti-money laundering and fraud monitoring laws under the Bank Secrecy Act (BSA) and related suspicious activity reporting (SAR) requirements. HB 1640 appears to layer new or additional state requirements over this existing framework.

Credit unions are not-for-profit, member-owned cooperatives, many with limited compliance staff. Mandates that go beyond federal standards may require system changes, new policies, additional staff training, and ongoing legal review.

Thank you for the opportunity to provide comments on this important issue.

# HAWAII FINANCIAL SERVICES ASSOCIATION

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February 5, 2026

**LATE**

Rep. Scot Z. Matayoshi, Chair  
Rep. Tina Nakada Grandinetti, Vice Chair  
and members of the House Committee on Consumer Protection & Commerce  
Honolulu, Hawaii 96813

Re: **H.B. 1640 (Financial Exploitation)**  
**Hearing Date/Time: Thursday, February 5, 2026, 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 as drafted.**

This Bill: (a) requires financial institutions to establish policies for identifying financial exploitation and the training of employees; (b) establishes procedures for reporting suspected financial exploitation; (c) requires financial institutions to delay transactions, and allows freezes on assets, when there is suspected financial exploitation; and (d) provides immunity from liability for financial institutions for any action, determination, omission, or practice related to this Act.

The HFSA supports efforts to prevent financial exploitation, especially of elder and vulnerable adults. However, the HFSA has several concerns with this Bill as drafted, some of which include:

- 1. Broad definition of financial exploitation in §412:4-A.** The definition includes “fraudulent or otherwise illegal, unauthorized, or improper act.” It seems overly expansive and would be difficult for financial institutions to operationalize. Additionally, because this Bill applies to “all” customers, it significantly expands the scope beyond the typical “elder/vulnerable person” protections.
- 2. Detailed training requirements in §412:4-B.** The prescriptive mandates in this Bill could create compliance and operational burdens for financial institutions.
- 3. Mandatory holds in §412:4-D.** Unlike voluntary hold frameworks (such as FINRA [Financial Industry Regulatory Authority] Rule 2165), this Bill requires holds under certain circumstances. This Bill requires a transaction delay (and allows an account freeze) for up to 15 business days from the initial delay, unless the institution clears the transaction sooner. This raises operational and legal concerns for financial institutions. Instead, the HFSA prefers that the holds should be at the financial institution’s discretion. And a financial institution should be able to extend beyond 15 days at their discretion.

Accordingly, the HFSA recommends that your Committee not pass this Bill as drafted. Thank you for considering our testimony.

*Marvin S.C. Dang*

MARVIN S.C. DANG

Attorney for Hawaii Financial Services Association

(MSCD/hfsa)

**HB-1640**

Submitted on: 2/3/2026 6:21:53 PM

Testimony for CPC on 2/5/2026 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Lila Mower	Individual	Support	Written Testimony Only

Comments:

I support this measure.