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H.B. NO. 230

A Bill for an Act Relating to Industrial Loan Companies.

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

SECTION 1. Findings and purpose. (a) The Legislature finds and declares that the immediate establishment of an insurance guaranty program to protect public investors in industrial loan companies is deemed urgent and necessary.

(b) The Legislature finds that the industrial loan industry in Hawaii is a significant component of the State's economy and that the stability of the industrial loan industry in Hawaii is in the public interest. Like banks and savings and loan associations, industrial loan companies receive substantial public monies and put these funds to work by making loans. In Hawaii in recent years these companies have experienced explosive growth. Their share of the total market for the consumer's savings dollar is substantially higher than it is in other states. As of June 1976, public investments in industrial loan companies amounted to \$450,285,853 or 13 percent of total savings in all financial institutions in the State.

The Legislature further finds that the industrial loan industry is presently experiencing difficulties brought about at least in part by economic circumstances beyond the control of the management of these companies. The sharp decline in Hawaii's real estate and construction industries from the boom conditions of the late 1960s and early 1970s has adversely affected many companies which heavily engaged in real estate development and second mortgage lending.

In addition, the Legislature finds that until the enactment of Act 103, Session Laws of Hawaii 1976, there was a lack of regulatory controls essential to the long-range protection of investors during changed economic conditions. That Act instituted such controls by (1) increasing the cash or security reserve; (2) placing limits on affiliate (insider) transactions; (3) placing limits on loans and investments involving single obligors; (4) requiring collateral for certain loans; and (5) placing management under increased responsibility to protect investor interests. That Act, however, cannot immediately resolve the industry's difficulties. This is because such difficulties stem from loan transactions entered into over a period of years in different economic circumstances. Such transactions obviously cannot be legislatively reversed. Although in the long run Act 103 will result in a strengthened and improved industrial loan industry, other measures are necessary to protect investor interests and enable the industry to adjust to changed economic conditions.

The Legislature further finds that two receivership proceedings and the necessity of a recent bank acquisition of a large industrial loan company have undermined consumer confidence in this industry. The Legislature finds that it is

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essential and in the public interest that consumer confidence in the industry be strengthened and improved. An overall loss of confidence in the industry would result in needless investor loss and disruption of the State's economy. With such confidence the industry can take steps to minimize or avoid further investor loss and to resolve its current problems.

(c) The purpose of this Act is to establish an insurance guaranty program to protect public investors in industrial loan companies. The insurance program will be funded by the industrial loan industry itself through a non-profit corporation to be known as the Thrift Guaranty Corporation of Hawaii. This measure should strengthen public confidence in an industry which is a vital segment of Hawaii's financial community. In order to stabilize the industry, it is in the public interest for the State to assist the industry in adjusting to changed economic conditions and to help prevent a widespread loss of consumer confidence with its attendant disruption of the State's economy, and in the furtherance of such public interest, the director of finance should be authorized to issue general obligation bonds, the proceeds of which can be used to make loans to the Thrift Guaranty Corporation where necessary to enable it to avoid investor loss or to make payments to investors. The issuance of general obligation bonds for such purpose is found and determined to be a public purpose. Such loans shall be repaid with interest over a twenty-year period.

(d) Pursuant to Article VI, Section 5, of the Constitution of the State of Hawaii, the Governor has recommended immediate passage of this appropriation.

SECTION 2. The Hawaii Revised Statutes is amended by adding thereto a new chapter to read:

"Sec. 408A-1 Title. This chapter shall be known as the Industrial Loan Company Guaranty Act.

Sec. 408A-2 Purpose and policy. (a) The purpose of this chapter is to assist in stabilizing the industrial loan industry by providing for a guarantee payment of the obligations of members up to \$10,000 for each thrift account, subject to the express limitations of this chapter.

(b) Because of the increased use of industrial loan companies by the people within this State, it is hereby declared to be in the best interest of the public and the policy of the State to provide for the guarantee of thrift accounts in these institutions.

Sec. 408A-3 Definitions. As used in this chapter unless the context otherwise requires:

(a) "Bank examiner" means the bank examiner as provided in section 401-1.

(b) "Guaranty corporation" means the Thrift Guaranty Corporation of Hawaii.

(c) "Member" means an industrial loan company licensed and regulated by chapter 408 which: (1) on the effective date of this Act, has outstanding thrift account obligations and is not the subject of any bankruptcy, insolvency, reorganization or receivership proceedings in either federal or State courts; or

(2) after the effective date of this Act becomes a member in accordance with section 408A-30.

(d) "Applicant" means an industrial loan company which subsequent to the effective date of this Act obtains the written approval of the bank examiner to issue thrift account obligations.

(e) "Thrift account" includes the principal invested in investment or thrift certificates (including thrift passbooks) or debentures, whether on installment bases or fully paid and however evidenced, plus unpaid interest accrued thereon; provided that "thrift account" shall not include single transactions in which the investor invests an amount of \$250,000 or more and the instrument evidencing such transaction states on its face that it is not protected by the Thrift Guaranty Corporation of Hawaii.

(f) "Independent activity" means activity other than that directed solely at increasing guarantee coverage under section 408A-9.

(g) "Board" means the board of directors of the Thrift Guaranty Corporation of Hawaii.

Sec. 408A-4 Establishment of Guaranty Corporation. (a) Within sixty days after the effective date of this Act, all industrial loan companies operating on the effective date of this Act which have issued and have outstanding thrift account obligations shall establish a nonprofit corporation pursuant to chapter 416, to operate under the name "THRIFT GUARANTY CORPORATION OF HAWAII". Initial administrative and organizational expenses shall be borne equally by the organizing companies. The initial by-laws and any subsequent amendments thereto shall be subject to the prior written approval of the bank examiner.

(b) Upon the establishment of the guaranty corporation, no industrial loan company licensed under and regulated by chapter 408, shall issue thrift account obligations, unless it is a member of the guaranty corporation.

Sec. 408A-5 Voting rights of members. Any other law to the contrary notwithstanding, any action by the members of the guaranty corporation, including the election of a board of directors, shall be taken after a vote of the members in accordance with this section. Each member company shall be entitled to one vote plus an additional vote for each \$1,000 of assessments, rounded to the nearest \$1,000, which such member shall have actually paid to the guaranty fund in accordance with section 408A-10; provided that no member shall be entitled to more votes than is represented by fifteen per cent of the aggregate assessments. For purposes of any actions taken prior to the initial assessment required by section 408A-10(1), including the initial election of the board, voting rights of members shall be calculated as if each member had paid the initial assessment required by section 408A-10(1).

Sec. 408A-6 Board of directors; powers. (a) The board of directors of the guaranty corporation shall consist of seven members and shall have responsibility and control over the organization, management, policies and activities of the guaranty corporation. Four votes shall be required for any action taken by the board. The board may subject to the prior written approval of the bank examiner:

- (1) Investigate and inquire into the financial condition and management of any of its members, and have access to examine at reasonable hours, the offices, books, accounts, papers, records, files, safes, and vaults thereof.
- (2) Impose such reasonable restrictions and conditions on the activities and operations of its members as it finds necessary to protect the interests of the members' thrift account holders or to prevent thrift account holder loss.
- (3) Make recommendations to the bank examiner as to actions reasonably necessary to protect the interests of members' thrift account holders.
- (4) Invest amounts held in the guaranty fund in accordance with the requirements set forth in section 408-14 with respect to the investment of the cash or security reserve.
- (5) Borrow funds from the State or any other lender when necessary to effectuate the provisions of this chapter.

Sec. 408A-7 Guaranty corporation—power to act as receiver. (a) Whenever the bank examiner makes application pursuant to sections 401-12 or 402-5 for the appointment of a receiver of any member, he may request that the court appoint the guaranty corporation as receiver.

(b) In the event that the guaranty corporation is appointed receiver it shall have all of the powers of receivers as set forth in chapters 401 and 402.

Sec. 408A-8 Miscellaneous powers of guaranty corporation. (a) In order to reopen a closed member or, when the guaranty corporation has determined that a member is in danger of closing, in order to prevent such closing, the guaranty corporation, with the approval of the bank examiner, is authorized to make loans to, or purchase the assets of, or invest in, such member, upon such terms and conditions as the board with the approval of the bank examiner may prescribe.

(b) Receivers or liquidators of members shall be entitled to offer the assets of such members for sale to the guaranty corporation or as security for loans from the guaranty corporation. The proceeds of every such sale or loan shall be utilized for the same purposes and in the same manner as other funds realized from the liquidation of the assets of such members. The guaranty corporation with the approval of the bank examiner may make loans on the security of or may purchase and liquidate or sell any part of the assets of a member which may hereafter be placed in receivership or adjudicated bankrupt, but in any case in which the guaranty corporation is acting as receiver of a member, no such loan or purchase shall be made without the approval of a court of competent jurisdiction.

(c) Whenever in the judgement of the board such action will reduce the risk of or avert a threatened loss to the guaranty corporation, or will facilitate a merger or consolidation of a member with another institution, or will facilitate the sale of the assets of an open or closed member to, and assumption of its liabilities by, another institution, the guaranty corporation may, upon such terms and conditions as it may determine, with the approval of the bank examiner, make loans secured in whole or in part by assets of an open or closed

member, which loans may be in subordination of the rights of thrift account holders and other creditors, or the guaranty corporation may purchase such assets, or the guaranty corporation may guarantee any other institution against loss by reason of its assuming the liabilities and purchasing the assets of an open or closed member.

(d) Whenever in the judgment of the board such action will reduce the risk of or avert a threatened loss to the guaranty corporation, the board in its sole discretion may prospectively suspend the guarantee of thrift accounts in any member. The board shall upon not less than ten days notice establish an effective date of such suspension and all monies thereafter invested in thrift accounts of the member shall not be guaranteed by the guaranty corporation as provided in section 408A-9. In the event of such action the board shall direct the member to prominently post a notice of such suspension at each of its places of business within the State and to publish such notice in a newspaper of general circulation within the State at least twice prior to the effective date of the suspension. If the member fails to make publication as required by the board, the board may make such publication.

Sec. 408A-9 Guarantee of thrift accounts. Thrift accounts plus unpaid interest thereon accrued as of the last interest accrual date prior to the date of receivership of the property and business of a member or the date such member is declared bankrupt, whichever first occurs, shall be guaranteed by the guaranty corporation as follows:

- (a) For single ownership thrift accounts in any one institution:
 - (1) Funds owned by an individual and invested in the manner set forth in this paragraph (a) shall be added together and guaranteed up to \$10,000 in the aggregate.
 - (2) Individual accounts invested in one or more accounts in his own name shall be guaranteed up to \$10,000 in the aggregate.
 - (3) Funds owned by a principal and invested in one or more accounts in the name or names of agents or nominees shall be added to any individual account of the principal and guaranteed up to \$10,000 in the aggregate.
 - (4) Accounts held by a guardian, custodian, or conservator for the benefit of his ward or for the benefit of a minor under the "Hawaii Uniform Gifts to Minors Act" and invested in one or more accounts in the name of the guardian, custodian, or conservator shall be added to any individual account of the ward or minor and guaranteed up to \$10,000 in the aggregate.
- (b) For testamentary accounts in any one institution:
 - (1) Funds owned by an individual and invested in a revocable trust account, or tentative trust account, payable-on-death account, or similar account evidencing an intention that on his death the funds shall belong to his spouse, child, or grandchild shall be guaranteed up to \$10,000 in the aggregate as to each such named beneficiary, separately from any other account of the owner.
 - (2) If the named beneficiary of such an account is other than the owner's spouse, child, or grandchild, the funds in such account shall be added

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to any individual account of such owner and guaranteed up to \$10,000 in the aggregate.

(c) For accounts in any one institution held by executors or administrators being funds of a decedent held in the name of the decedent or in the name of the executor or administrator of his estate and invested in one or more accounts shall be guaranteed up to \$10,000 in the aggregate, separately from the individual accounts of the beneficiaries of the estate or of the executor or administrator.

(d) For corporation or partnership accounts in any one institution, being accounts of a corporation or partnership engaged in any independent activity, up to \$10,000 in the aggregate. An account of a corporation or partnership engaged in an independent activity shall be deemed to be owned by the person owning such corporation or comprising such partnership and, for guarantee purposes, the interest of each person in such account shall be added to any other account individually owned by such person and guaranteed up to \$10,000 in the aggregate.

(e) For unincorporated association accounts in any one institution, being accounts of an unincorporated association engaged in any independent activity up to \$10,000 in the aggregate. An account of an unincorporated association not engaged in any independent activity shall be deemed to be owned by the persons comprising such association and, for guarantee purposes, the interest of each owner in such account shall be added to any other account individually owned by such person and guaranteed up to \$10,000 in the aggregate.

(f) For joint accounts in any one institution:

(1) Accounts owned jointly, whether as joint tenants with right of survivorship, as tenants by the entirety, or as tenants in common, shall be guaranteed separately from account individually owned by the co-owners.

(2) A joint account shall be deemed to exist, for purposes of guarantee of accounts, only if each co-owner has personally executed an account signature card and possesses redemption rights.

(3) An account owned jointly which does not qualify as a joint account for purposes of guarantee of accounts shall be treated as owned by the named persons as individuals, and the actual ownership interest of each person in such account shall be added to any other account individually owned by such person and guaranteed up to \$10,000 in the aggregate.

(4) All joint accounts owned by the same combination of individuals shall first be added together and guaranteed up to \$10,000 in the aggregate.

(5) The interest of each co-owner in all joint accounts owned by different combinations of individuals shall then be added together and guaranteed up to \$10,000 in the aggregate.

(g) For trust accounts in any one institution being all trust interests for the same beneficiary invested in accounts established pursuant to valid trust arrangements created by the same settlor (grantor) shall be added together and guaranteed up to \$10,000 in the aggregate, separately from other accounts of the trustee of such trust funds or the settlor or beneficiary of such trust arrangements.

Sec. 408A-10 Guaranty fund—establishment—maintenance—assessment. The guaranty corporation shall establish and maintain a guaranty fund as follows:

- (1) The guaranty corporation shall within ten days after the issuance of its charter levy on each of its members an initial assessment equal to one-quarter of one per cent of each member's outstanding thrift account obligations as shown on the most recent reports required by section 408-21. One year after the initial assessment, the guaranty corporation shall levy on each of its members an assessment of three-eighths of one per cent of each member's outstanding thrift account obligations. Two years after the initial assessment the guaranty corporation shall levy an assessment of one-half of one per cent of each member's outstanding thrift account obligations and a similar assessment shall be levied annually thereafter until the fund equals or exceeds two per cent of the total thrift account obligations of all members of the guaranty corporation. In the event that upon receivership of any member the amount of total funds available in the guaranty fund are insufficient to pay \$10,000 of each thrift account obligation as specified in section 408A-9, the bank examiner may make demand upon the guaranty corporation for an advance payment, as may be required to meet the deficiency, of annual assessments to become due, not to exceed two times the annual assessment. Any amount prepaid by a member as a result of such demand by the bank examiner shall be credited to the next annual assessment or assessments and each member shall at the time of the next annual assessment pay the balance otherwise due, if any, or shall be refunded any amount overpaid as a result of the advance assessment. At no time shall any member be required to be prepaid in excess of three years.
- (2) Whenever the total amount in the fund exceeds two per cent of the total of all members' thrift account obligations as shown on the most recent reports required by section 408-21, the guaranty corporation shall not levy the annual assessment; provided that any member, which at such time has not paid assessments totaling at least two per cent of its outstanding thrift account obligations, shall continue to pay assessments in accordance with the schedule established by paragraph (1) of this section until it has paid two per cent of its outstanding thrift account obligations.
- (3) The guaranty corporation may assess members at any time during any calendar year in which the fund has been reduced by a demand of the bank examiner if the aggregate assessments during the year do not exceed the amount provided in paragraph (1) above.

Sec. 408A-11 Notice of assessment—payment. The guaranty corporation shall send a written notice of assessment to each member assessed within five days after the levy of any assessment. Amounts assessed shall be paid to the guaranty corporation by each member assessed not later than sixty days following written notice of assessment.

Sec. 408A-12 Report of levy. A report of each levy of assessment shall be made to the bank examiner within five days after the levy.

Sec. 408A-13 Default in payment of assessment. In the event any member fails to pay the initial or any subsequent assessment when due, the guaranty corporation shall report such default in writing to the bank examiner no later than two days after such default, may suspend insurance as provided in section 408A-8(d), and may bring a civil action in circuit court to enforce payment. If the guaranty corporation does not bring such action within a reasonable time, the bank examiner may take such actions as he deems appropriate to enforce payment. Such actions may include bringing a civil action against the member in default.

Sec. 408A-14 Payments for members in receivership. (a) When a member has been adjudicated bankrupt or has been or is in receivership, the bank examiner shall either:

- (1) Direct the guaranty corporation to forthwith pay to each thrift account holder of the member up to \$10,000 as specified in section 408A-9; or
- (2) Withhold any direction to the guaranty corporation until it has been determined that the proceeds of the receivership are insufficient to pay up to \$10,000 of each thrift account obligation as specified in section 408A-9; upon such determination the bank examiner shall direct the guaranty corporation to pay each such deficiency.

(b) The guaranty corporation shall comply with any demand for payment made by the bank examiner pursuant to section 408A-14(a) within ninety days from the date of the demand. If the total funds available from the guaranty corporation at the time demand for payment is made are insufficient to pay in full the amounts provided by section 408A-9, the amount paid to each thrift account holder shall be ratably reduced in proportion to the amount by which the fund is deficient, and thereafter further payments shall be made ratably to each thrift account holder in accordance with the directions of the bank examiner as additional funds are paid into the guaranty fund. When thrift account obligations are paid, each member's account shall be reduced ratably based on its account balance prior to the payment.

(c) Whenever the guaranty corporation makes payments in accordance with section 408A-14(a), it shall be subrogated to all rights of the thrift account holder up to the amount of its payment, and shall be entitled to repayment in full from the estate of the member prior to any distribution to the thrift account holder to whom it has made payment.

Sec. 408A-15 Bank examiner's authority to take possession of guaranty corporation—grounds. Whenever it appears to the bank examiner that the guaranty corporation has violated its articles of incorporation or any law of this State, has not paid amounts as directed by the bank examiner pursuant to section 408A-14, has invested its funds in violation of section 408A-6, has not levied assessments as required by sections 408A-10 and 408A-11, has not taken action to enforce payment as required by section 408A-13, has violated any section of this chapter, or has neglected or refused to submit its books, papers, and affairs for the inspection of the bank examiner, the bank examiner may

order the guaranty corporation to cease and desist from committing any such violations and, failing compliance with such order, may forthwith take possession of the property and business of the guaranty corporation and retain possession until the guaranty corporation satisfies the bank examiner that it will operate in conformity with this chapter. During the time the bank examiner has such possession, he shall perform the duties and carry out the obligations of the guaranty corporation.

Sec. 408A-16 Action to enjoin taking—hearing—order. Whenever the bank examiner has taken possession of the property and business of the guaranty corporation, the guaranty corporation, if it deems itself aggrieved thereby, may apply to the circuit court of the first circuit to enjoin further proceedings. The court, after citing the bank examiner to show cause why further proceedings should not be enjoined, and after a hearing and a determination of the facts upon the merits, may dismiss such application, enjoin the bank examiner from further proceedings and direct him to surrender the property and business to the guaranty corporation, or make such further order as may be just.

Sec. 408A-17 Appeal—stay of judgment. An appeal may be taken from the judgment of the circuit court by the bank examiner or by the guaranty corporation in the manner provided by law for appeals from the judgment of a circuit court. An appeal from the judgment of the circuit court shall not operate as a stay of the judgment unless the court, for good cause, so orders.

Sec. 408A-18 Reports by guaranty corporation—financial condition of member—liability for statements. The guaranty corporation shall have authority to submit reports and make recommendations to the bank examiner regarding the financial condition of any member, and the bank examiner shall have authority to order the member to take action to implement such recommendations. Such reports and recommendations shall not be public documents. There shall be no liability on the part of, and no cause of action of any nature shall arise against, the guaranty corporation or its directors, officers, employees, or agents or the bank examiner or his authorized representatives for any statement made by them in reports, recommendations or orders made hereunder.

Sec. 408A-19 Disposition of income from investments. Income from investments shall be recorded in an income account and be used to defray expenses of administration. Income from investments that exceeds an amount determined by the board of directors to be adequate to provide for current expenses may be credited to members' accounts. Each member's account shall receive credit ratably, based on the account balance, for the amount of the excess. Income received by the guaranty corporation, whether or not credited to members' accounts, shall be subject to a demand of the bank examiner made pursuant to section 408A-14, except as to a reasonable portion reserved by the board for expenses of administration during the calendar year.

Sec. 408A-20 Payment of expenses of administration. Expenses of administration that exceed income from investments at year-end shall be charged to members' accounts. Each member's account shall be charged ratably

based on the account balance for the amount of the excess.

Sec. 408A-21 Board not to divulge information. No member of the board shall divulge any information acquired from the bank examiner pursuant to section 408-27 except insofar as the same may be rendered necessary by this chapter or by any other law or under order of the court in any civil or criminal proceeding.

Sec. 408A-22 Notice to guaranty corporation by bank examiner of receivership of member. The bank examiner shall give prompt notice to the guaranty corporation when he applies for receivership of the property and business of a member.

Sec. 408A-23 Non-transferability of membership. Memberships issued by the guaranty corporation shall be non-transferable.

Sec. 408A-24 Regulation, investigation or examination of guaranty corporation by bank examiner. The operation of the guaranty corporation shall at all times be subject to the regulation of the bank examiner. The bank examiner may at any time investigate the affairs and examine the books, accounts, records, and files used by the guaranty corporation. The bank examiner shall have free access to the offices, books, accounts, papers, records, files, safes, and vaults of the guaranty corporation.

Sec. 408A-25 Appeal to bank examiner by aggrieved member. Any member aggrieved by any action or decision of the guaranty corporation may appeal to the bank examiner within thirty days after the action or decision.

Sec. 408A-26 Advertisement by guaranty corporation—approval. The guaranty corporation shall not advertise, print, display, publish, distribute, or broadcast, or cause or permit to be advertised, printed, displayed, published, distributed, or broadcast in any manner, any statement or representation with regard to its plan of operation without first obtaining the written approval of the bank examiner.

Sec. 408A-27 Advertisements by members. All advertising by any member with regard to its membership in the guaranty corporation shall include the following statement: "Thrift accounts protected up to \$10,000 by the Thrift Guaranty Corporation of Hawaii, which is not an agency or instrumentality of the State of Hawaii or of the federal government."

Sec. 408A-28 Limitation on interest paid thrift account holders. (a) No member shall pay interest on thrift accounts at a rate in excess of one and one-quarter per cent more than the rate of interest permitted under applicable federal laws and regulations to be paid by savings and loan associations regulated under chapter 407; provided that the limitation of this section shall not apply to thrift accounts the face amount of which is \$50,000 or more.

(b) The bank examiner may, without regard to chapter 91, increase or decrease the interest rate established by section 408A-28(a) whenever he determines that such action is in the public interest and is reasonably necessary to preserve stability among financial institutions so as to protect public investors and depositors.

(c) The limitation on interest established by section 408A-28(a) shall be effective on January 1, 1978; provided that the bank examiner may by rule prescribe an earlier effective date or may prior to such effective date limit the interest rate paid by any member on its thrift accounts to a rate not less than the rate permitted by section 408A-28(a). No member may after the effective date of this Act increase the rate of interest paid on its thrift accounts to a rate which exceeds that permitted by section 408A-28(a).

Sec. 408A-29 Premiums; limitation. (a) Premiums, whether in the form of merchandise, credit or cash, given to thrift account holders by members shall be considered interest for purposes of the limitation on interest set forth in section 408A-28(a).

(b) A member may give a thrift account holder a premium which shall not be considered interest for purposes of section 408A-28(a) if: (1) the premium is given to a thrift account holder only at the time of purchase of a thrift account with an original term not exceeding one year; (2) the premium is not given to any thrift account holder on a recurring basis; and (3) the value of the premium or, in the case of articles of merchandise, the wholesale cost (excluding shipping and packaging costs), does not exceed \$10, except that the value or wholesale cost may not be more than \$15 if the face amount of the thrift account is \$5,000 or more.

Sec. 408A-30 Applicant—initiation fee. Each applicant of the guaranty corporation shall pay to the corporation a fee of \$15,000 which may be applied as a credit to any assessment levied by the guaranty corporation. Upon payment of the \$15,000, the applicant shall thereafter be considered a member of the guaranty corporation.

Sec. 408A-31 List of companies having outstanding savings account obligations. In order to permit the guaranty corporation to fulfill its obligations under this chapter, the bank examiner shall furnish it with a list of all industrial loan companies which have outstanding thrift account obligations."

SECTION 3. Section 408-27, Hawaii Revised Statutes, is amended to read:

Sec. 408-27 Not to divulge information. The director or regulatory agencies, bank examiner, or his assistants, or any other person appointed by the bank examiner as provided by this chapter, shall not divulge any information acquired by them in the discharge of their duties, except insofar as the same may be rendered necessary by this chapter or any other law or under order of court in the action involving the bank examiner or in any criminal action or proceeding; provided that any such information may be furnished to the board of directors of the Thrift Guaranty Corporation of Hawaii in response to a written request by the board."

SECTION 4. There is hereby authorized to be issued general obligation bonds of the State in a principal amount not to exceed \$20,000,000 and, when requested by the director of regulatory agencies, the director of finance may issue such general obligation bonds as provided by law, the proceeds of which may be used to make loans to the Thrift Guaranty Corporation of Hawaii. Any such loan to said Guaranty Corporation shall be repaid over a term not to exceed

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twenty years and shall be in such amounts as are necessary to enable Guaranty Corporation to guarantee the thrift account obligations of its members or otherwise prevent or avoid loss to thrift account holders of a member in accordance with chapter 408A; provided that no loan shall be made to Guaranty Corporation which exceeds the difference between \$20,000,000 and the balance of the guaranty fund at the time the loan is made. The terms and conditions of any such loan to Guaranty Corporation shall be subject to the prior approval of the Governor. Pending the receipt of funds from the issuance and sale of general obligation bonds, the amount required for any such loan shall be advanced from the general fund of the State. Upon the receipt of the proceeds of the general obligation bonds funds, the general fund shall be reimbursed. Prior to the issuance and sale of the general obligation bonds, interest on any loan made to said Guaranty Corporation shall be computed at one per cent more, rounded to the nearest one-eighth of one per cent, than that paid by the State on general obligation bonds most recently issued by it or on any other interim borrowings whichever is higher. After the issuance and sale of the general obligation bonds, interest on any such loan shall be computed at one per cent more, rounded to the nearest one-eighth of one per cent, than that paid by the State for the general obligation bonds. The issuance of general obligation bonds pursuant to the authorization of this Act and for purposes of making loans to the Thrift Guaranty Corporation of Hawaii is hereby found and determined to be for a public purpose.

The bond authorization set forth in this section to the extent uncommitted shall expire five years after the effective date of this Act or when the balance of the guaranty fund established by chapter 408A reaches two per cent of the total outstanding thrift account obligations of all members of the guaranty corporation, whichever occurs first.

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of \$200,000 (4) to be expended by the Department of Regulatory Agencies for the purposes of this Act.

SECTION 6. Statutory material to be repealed is bracketed. New material is underscored. In printing this Act, the revisor of statutes need not include the brackets, the bracketed material, or the underscoring.*

SECTION 7. This Act shall take effect upon its approval.

(Approved April 1, 1977.)

*Edited accordingly.