

Statement before the Hawai'i Credit Union Legislative Forum

Senator Spark M. Matsunaga Papers

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STATEMENT BY THE HONORABLE SPARK M. MATSUNAGA
BEFORE THE HAWAII CREDIT UNION LEGISLATIVE FORUM
ALA MOANA HOTEL
HONOLULU, HAWAII
FRIDAY, APRIL 11, 1980

THANKS BILL LEE, DOUG DUERR, PRESIDENT ED LEONG, OFFICERS
AND MEMBERS OF THE HAWAII CREDIT UNION, DISTINGUISHED GUESTS: ALOHA!

LAST YEAR I ADDRESSED THE ALOHA CHAPTER OF THE CREDIT
UNION LEAGUE ON A MATTER OF GREAT CONCERN TO THE CREDIT UNION
MOVEMENT. AT THAT TIME, THE FEDERAL CIRCUIT COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA HAD EARLIER RULED THAT THE LAW
AS IT THEN STOOD DID NOT AUTHORIZE SHARE DRAFT ACCOUNTS AND
OTHER INTEREST-BEARING CHECKING ACCOUNTS. HAD THIS JUDICIAL
DECISION TAKEN IMMEDIATE EFFECT, IT WOULD HAVE CURBED SERVICES
WHICH WERE THEN BEING OFFERED BY MANY CREDIT UNIONS AND
DISRUPTED THE PLANS OF OTHER CREDIT UNIONS WHICH WERE ABOUT TO
OFFER SHARE DRAFT ACCOUNTS. FORTUNATELY, THE COURT TOOK JUDICIAL
NOTICE OF THE FACT THAT CONGRESS WAS THEN CONSIDERING
LEGISLATION TO PERMIT INTEREST-BEARING CHECKING ACCOUNTS AND

POSTPONED THE EFFECTIVE DATE OF ITS DECREE.

IN MY SPEECH TO THE ALOHA CHAPTER, I PLEDGED MY FULL SUPPORT FOR THE ENACTMENT OF LEGISLATION TO LEGALIZE SHARE DRAFT ACCOUNTS.

IT IS MY GREAT PLEASURE, THEREFORE, TO BE ABLE TO STAND BEFORE YOU TODAY AND SAY THAT OUR OBJECTIVE HAS BEEN ACHIEVED. THROUGH THE EFFORTS OF HAWAII CREDIT UNION LEAGUE EXECUTIVES, THE CREDIT UNION NATIONAL ASSOCIATION, AS WELL AS EACH MEMBER OF THE CREDIT UNION MOVEMENT, SHARE DRAFT AUTHORIZATION HAS BECOME LAW. THE HOUSE OF REPRESENTATIVES APPROVED THE CONFERENCE REPORT ON H.R. 4986, THE DEPOSITORY INSTITUTIONS DEREGULATION AND MONETARY CONTROL ACT OF 1980 ON MARCH 26, 1980. THE SENATE APPROVED THIS LEGISLATION AUTHORIZING SHARE DRAFTS ON MARCH 28; AND THE PRESIDENT SIGNED THE MEASURE INTO LAW ON MARCH 31, 1980, JUST ELEVEN DAYS AGO.

THE BRAND NEW LAW IS THE RESULT OF YOUR COLLECTIVE EFFORTS AND YOU CAN RIGHTFULLY TAKE PRIDE IN THIS MAJOR

ACHIEVEMENT. THE PETITIONS YOU GATHERED AND THE TELEGRAMS AND LETTERS YOU SENT MADE US MEMBERS OF CONGRESS AWARE OF THE LEGISLATION'S IMPORTANCE; AND KNOWING OF OUR CONSTITUENTS' DEEP CONCERN, WE MADE A SPECIAL EFFORT TO ENACT THE PROPOSAL. WITHOUT THIS DEMONSTRATION OF YOUR CONCERN, THE SHARE DRAFT LEGISLATION WOULD PROBABLY HAVE FAILED. TRULY, THE ENACTMENT OF SHARE DRAFT AUTHORIZATION WAS A DIRECT PRODUCT OF YOUR OWN WORK. SO, LET ME SAY TO YOU: CONGRATULATIONS!

THE HAWAII LEAGUE EXECUTIVES HAVE ALSO REPRESENTED YOU WELL. WHENEVER THEY GO TO WASHINGTON, THEY MAKE A POINT OF MEETING WITH ALL MEMBERS OF THE HAWAII DELEGATION TO INFORM US OF YOUR INTERESTS. THIS HELPS US AS LEGISLATORS, TO LEARN OF YOUR PROBLEMS AND TO KEEP ABREAST OF DEVELOPMENTS AT HOME. I URGE YOU TO CONTINUE TO KEEP US INFORMED ABOUT YOUR CONCERNS -- EVEN THOUGH IT WILL MEAN MORE WORK FOR ME. IN SAYING THIS, I MUST CONFESS THAT YOUR LEAGUE REPRESENTATIVES BRING NOT ONLY WORK FOR US, BUT ALSO HAWAIIAN

FOOD AND FLOWERS WHEN THEY COME TO WASHINGTON; AND THIS OF COURSE MAKES THEM ALL THE MORE EFFECTIVE. IF CREDIT UNION LEAGUES IN OTHER STATES ADOPTED YOUR STYLE OF LOBBYING, CONGRESS WOULD BE HAPPILY AND WILLINGLY DANCING TO THE BEAT OF THE CREDIT UNION MOVEMENT.

AS FOR MYSELF, I MUST CONFESS THAT I PERSONALLY WAS AN EASY TARGET, FOR I BELIEVED FROM THE VERY OUTSET THAT SHARE DRAFT ACCOUNTS WERE VITAL FOR CREDIT UNIONS AND THAT LEGISLATION AUTHORIZING SHARE DRAFT ACCOUNTS HAD TO BE ENACTED. MY REASONING WENT ALONG THESE LINES:

FIRST, WHEN A CORPORATION HAS LIQUID FUNDS AVAILABLE, IT EARNS INCOME ON THESE FUNDS BY INVESTING IN SHORT-TERM CERTIFICATES. WHEN THE COMPANY NEEDS THE MONEY TO PAY EXPENSES, IT SELLS OR REDEEMS THE CERTIFICATES. IN THE INTERIM, THE COMPANY IS EARNING MONEY ON ITS LIQUID FUNDS. WITHOUT INTEREST-BEARING CHECKING ACCOUNTS AND SHARE DRAFT ACCOUNTS, INDIVIDUAL SAVERS WOULD NOT HAVE THE SAME ACCESS

TO EARNING A FAIR RATE OF RETURN ON THEIR LIQUID FUNDS.

SECOND, IN 1974, THE CONGRESS AUTHORIZED DIRECT DEPOSITS OF FEDERAL CHECKS. FEDERAL EMPLOYEES HAVE UTILIZED THIS SERVICE TO HAVE THEIR PAY CHECKS DEPOSITED DIRECTLY INTO THEIR SAVINGS OR CHECKING ACCOUNTS. THE PRIVATE SECTOR HAS FOLLOWED THIS PRACTICE, AND WORKERS ARE ABLE TO EARN A FAIR RETURN ON THEIR MONEY IMMEDIATELY BY HAVING THEIR CHECKS DEPOSITED DIRECTLY IN THEIR SAVINGS ACCOUNT. HOWEVER, THIS DIRECT DEPOSIT DID NOT ALLOW EASY ACCESS TO FUNDS. THE INDIVIDUAL SAVER WAS REQUIRED TO MAKE TRIPS TO THE BANK TO OBTAIN CASH OR TO TRANSFER FUNDS FROM THE SAVINGS ACCOUNT TO THE CHECKING ACCOUNT TO MEET PAYMENTS.

SHARE DRAFT ACCOUNTS WOULD ALLEVIATE THESE PROBLEMS BY PROVIDING A MEANS FOR SAVERS TO RECEIVE A FAIR RETURN ON THEIR FUNDS IMMEDIATELY AND ALSO TO HAVE THE FUNDS READILY AVAILABLE TO MEET THEIR FINANCIAL NEEDS. MOREOVER, BY OFFERING SHARE DRAFT ACCOUNTS TO MEMBERS, CREDIT UNIONS

WOULD NOT ONLY PROVIDE THE NEEDED SERVICE, BUT WOULD ALSO PROMOTE THRIFT.

CREDIT UNIONS HAVE LONG PROVIDED IMPORTANT FINANCIAL SERVICES FOR INDIVIDUAL SAVERS, AND THE SUCCESS OF THIS SERVICE IS REFLECTED IN THE EXTRAORDINARY GROWTH OF CREDIT UNIONS. THERE ARE NOW OVER 22,000 STATE AND FEDERAL CHARTERED CREDIT UNIONS, WITH OVER 40 MILLION MEMBERS ACROSS THE COUNTRY REPRESENTING A WIDE CROSS SECTION OF OUR POPULATION.

COMMENSURATE WITH THE GROWTH OF CREDIT UNIONS HAS BEEN THE EXPANSION OF CREDIT UNION AUTHORITY. IN 1934, THE CONGRESS ENACTED THE FEDERAL CREDIT UNION ACT TO PROVIDE FOR THE CHARTER, SUPERVISION, AND EXAMINATION OF FEDERAL CREDIT UNIONS. IN 1970, THE CONGRESS EXPANDED THE FEDERAL CREDIT UNION ACT TO ESTABLISH AN INDEPENDENT FEDERAL AGENCY, THE NATIONAL CREDIT UNION ADMINISTRATION, TO REGULATE FEDERAL CHARTERED CREDIT UNIONS. IN 1978, THE ACT WAS FURTHER EXPANDED BY THE CONGRESS TO INCREASE THE AUTHORITY OF THE

NATIONAL CREDIT UNION ADMINISTRATION AND ALSO TO INCREASE THE ABILITY OF FEDERAL CREDIT UNIONS TO PROVIDE BETTER SERVICE TO THEIR MEMBERS.

THE 1978 LEGISLATION GAVE THE NATIONAL CREDIT UNION ADMINISTRATION BOARD A STATUS EQUAL TO THE FEDERAL RESERVE BOARD FOR THE NATION'S BANKS AND THE FEDERAL HOME LOAN BANK BOARD FOR THE NATION'S SAVINGS AND LOAN ASSOCIATIONS. THESE PAST LEGISLATIVE MEASURES AND NOW THE DEPOSITORY INSTITUTIONS DEREGULATION AND MONETARY CONTROL ACT OF 1980 RECOGNIZE THE UNIQUE NATURE AND CRUCIAL FUNCTION OF CREDIT UNIONS. THE AUTHORIZATION OF NATIONWIDE SHARE DRAFT ACCOUNTS IS AN IMPORTANT MILESTONE FOR THE CREDIT UNION MOVEMENT.

CREDIT UNIONS BEGAN, AND HAVE CONTINUED, AS COOPERATIVE VOLUNTEER VENTURES. A CREDIT UNION ESSENTIALLY IS AN ORGANIZATION OF INDIVIDUALS ASSOCIATED BY A COMMON BOND TO SAVE MONEY AND MAKE THEIR SAVINGS AVAILABLE FOR LOW COST LOANS TO ALL MEMBERS. OFFICIALS ELECTED FROM THE CREDIT

UNION MEMBERSHIP DIRECT THE AFFAIRS OF THE ORGANIZATION WITHOUT COMPENSATION. THUS, THE ORGANIZATION AND THE MANAGEMENT CARRY OUT THE PRINCIPLES OF COOPERATION AND SELF-HELP.

THERE IS NO DENYING THAT THE CREDIT UNION MOVEMENT HAS IMMENSELY BENEFITED INDIVIDUAL SAVERS. BY PULLING TOGETHER IN A COOPERATIVE VENTURE, CREDIT UNION MEMBERS HAVE THROUGH THEIR OWN EFFORT FILLED A GAP IN THE FINANCIAL STRUCTURE OF OUR COUNTRY. IN THE PAST, OTHER FINANCIAL INSTITUTIONS HAD FAILED TO MEET THE NEEDS FOR SMALL, PERSONAL LOANS. CREDIT UNIONS STEPPED INTO THIS GAP BY MAKING AVAILABLE TO MEMBERS FUNDS AT LOW INTEREST RATES TO MEET THEIR PERSONAL NEEDS.

MOREOVER, IN PROVIDING SUCH SERVICES, CREDIT UNIONS HAVE SAVED MEMBERS FROM ABUSIVE FINANCIAL LOAN PRACTICES. CREDIT UNIONS HAVE IN MANY CASES PROMPTED BANKS AND SMALL LOAN COMPANIES TO REDUCE THEIR INTEREST RATES AND TO

IMPROVE THEIR INSTALLMENT LOAN SERVICES. CREDIT UNIONS HAVE ALSO ENCOURAGED INDIVIDUAL SAVINGS AND FINANCIAL INDEPENDENCE. CREDIT UNION MEMBERS CAN CERTAINLY SHARE A SENSE OF PRIDE AND ACHIEVEMENT IN THEIR COOPERATIVE EFFORT TO ACHIEVE FINANCIAL SECURITY.

THE FUTURE IS FAR FROM CERTAIN FOR OUR FINANCIAL INSTITUTIONS. BANKS, SAVINGS AND LOAN ASSOCIATIONS, AND CREDIT UNIONS, FACE THE PROBLEM OF HIGHER AND HIGHER COSTS TO OBTAIN FUNDS FOR LOANS. AT THE SAME TIME, VARIOUS USURY LAWS HAVE PREVENTED FINANCIAL INSTITUTIONS FROM CHARGING HIGHER INTEREST RATES TO PAY DEPOSITORS A COMPETITIVE RETURN ON THEIR SAVINGS. AS A CONSEQUENCE, SAVINGS INSTITUTIONS HAVE HAD AN OUTFLOW OF SAVINGS DEPOSITS, WITH INDIVIDUALS TRANSFERRING THEIR SAVINGS TO MONEY MARKET FUNDS PROVIDING A HIGHER RATE OF RETURN.

THE DEPOSITORY INSTITUTIONS DEREGULATION AND MONETARY CONTROL ACT OF 1980 SEEKS TO ADDRESS THIS PROBLEM

OF DISINTERMEDIATION. BY GRADUALLY RAISING THE INTEREST CEILING ON SAVINGS DEPOSITS, AND ALSO BY LIFTING THE INTEREST RATES WHICH MAY BE CHARGED FOR CREDIT UNION LOANS AS WELL AS MORTGAGE, BUSINESS, AND AGRICULTURAL LOANS, THE MEASURE SEEKS TO IMPROVE THE POSITION OF OUR FINANCIAL INSTITUTIONS.

SOME EXPERTS HAVE QUESTIONED THE ABILITY OF VARIOUS FINANCIAL INSTITUTIONS TO SURVIVE THE PRESENT FINANCIAL SITUATION. CONSEQUENTLY, THE SUPERVISING AGENCIES -- I.E., THE FEDERAL RESERVE BOARD, THE FEDERAL HOME LOAN BANK BOARD, AND THE FEDERAL DEPOSITORY INSURANCE CORPORATION -- ARE STRICTLY REGULATING INSTITUTIONS WITHIN THEIR RESPECTIVE JURISDICTION TO INSURE THEIR FINANCIAL SOUNDNESS AND TO SAFEGUARD DEPOSITORS' FUNDS. IN THESE UNCERTAIN TIMES, SPECIAL PRECAUTION MUST BE TAKEN TO ENSURE THAT NO WAGE EARNER, NO RETIREE, WILL HAVE HIS OR HER SAVINGS ENDANGERED. IF WE SHOULD GIVE CAUSE FOR AMERICANS TO LOSE FAITH IN THE

SOUNDNESS OF OUR FINANCIAL INSTITUTIONS, AS IT HAPPENED IN THE GREAT DEPRESSION OF 1933, WE WILL BE AT THE THRESHOLD OF ANOTHER ECONOMIC CHAOS.

I AM CONFIDENT IN THE ABILITY OF HAWAII CREDIT UNIONS TO MEET FUTURE CHALLENGES AND TO THRIVE AS FINANCIAL INSTITUTIONS. THE VOLUNTEER CHARACTER AND COOPERATIVE NATURE OF CREDIT UNIONS, PERMIT THEM GREAT FLEXIBILITY IN ADAPTING TO CHANGING SITUATIONS. AS INDIVIDUAL FINANCIAL NEEDS HAVE CHANGED, SO HAVE CREDIT UNIONS CHANGED IN RESPONSE TO THEIR MEMBERS' NEEDS.

PEERING INTO THE FUTURE, I SEE AN INCREASING NEED FOR HOME MORTGAGE FINANCING. ALREADY, THE AVERAGE COST OF A DETACHED HOME IN HAWAII EXCEEDS \$100,000. IN ADDITION, INTEREST RATES OF 14 PERCENT AND 15 PERCENT, PLACE HOME MORTGAGES BEYOND THE REACH OF THE MAJORITY OF WAGE EARNERS. BUT THE NEED FOR HOUSING CONTINUES TO GROW, THE CURRENT TURMOIL IN FINANCING AND THE FALLOFF IN HOME CONSTRUCTION NOTWITHSTANDING.

AS SOON AS THE FINANCIAL MARKETS SETTLE, THERE WILL BE A NEW BURST OF HOUSING DEMAND, AND SUCH A DEMAND WILL REQUIRE INCREASED FINANCING.

I FERVENTLY HOPE THAT JUST AS THE CREDIT UNION MOVEMENT HAS MET THE NEEDS OF MEMBERS IN THE PAST, IT WILL MEET FUTURE NEEDS OF ITS MEMBERS IN PROVIDING HOME FINANCING.

IN CLOSING, I AGAIN CONGRATULATE YOU AS OFFICIALS AND MEMBERS OF CREDIT UNIONS FOR YOUR EXTRAORDINARY ACHIEVEMENTS AND SERVICES IN THE PAST AND WISH YOU EVEN GREATER SUCCESS IN THE FUTURE. AS USUAL YOU CAN COUNT ON MY FULL SUPPORT AND COOPERATION IN ALL OF YOUR ENDEAVORS.

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