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REINVESTMENT
COALITION



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March 5, 2013

Ms. Kelly Walsh
Senior Examiner
Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, CA 94105

Dear Ms. Walsh:

The undersigned organizations working together through the National Community Reinvestment Coalition, are writing to express our very serious concerns about Bank of Hawaii's announced exit from American Samoa. We call on the Federal Reserve to conduct hearings in both American Samoa and Hawaii and to slow or stop Bank of Hawaii's exit from American Samoa, and we support Congressman Eni Faleomavaega and Governor Lolo Moliga's efforts to obtain the same.

We also issue this request on behalf of American Samoan families working with our organizations and living in Hawaii, and are attaching a letter from a person whose access to basic banking services will be affected by Bank of Hawaii's exit from American Samoa. We have heard from many more constituents who believe that the plan will negatively impact them.

As the only American bank operating in the territory, and only one of two deposit-taking institutions in the market, we believe that the Bank of Hawaii's exit from American Samoa will have serious and dire consequences on the quality and availability of banking services. Our concerns are as follows:

The timeline of Bank of Hawaii's exit from American Samoa will not afford customers sufficient time to seek alternative banking services.

Bank of Hawaii publically announced their intention to close their branches in American Samoa on November 30, 2012, with the final branch closing date set for March 15, 2013.¹ While this timeline may comply with the Federal Reserve's policies regarding branch closures, it does not leave clients with enough time to consider and obtain other banking services. While the ninety-day timeline may be suitable notice for a single branch closure, Bank of Hawaii is closing all of their branches in the market, leaving customers no choice but to seek alternative

depositories. Because of BOH's large market share – approximately 51% of deposits representing \$97 million, according to the FDICⁱⁱ – a large number of American Samoans will be forced to move their deposits. We find this to be especially troubling because of the lack of other depositories with the level of service and unique amenities that the bank has offered its customers. According to news reports and a letter by the Governor of American Samoa, the only remaining depository could be at least twelve months away from offering some of the services currently offered by Bank of Hawaii. With this in mind, the Governor requested that BOH slow its exit from the market in order to ensure that a similar level of banking services will remain after their exit. We hope too that Bank of Hawaii will consider extending their transition in order to ease the burden on their former customers. We urge the Federal Reserve to do everything in its power to slow the bank's exit from the market in order to give customers substantial time to consider their alternative banking options.

The level of service provided by only the remaining deposit-taking institution in American Samoa is not adequate to serve many customers' basic banking needs, and could produce dire economic consequences for customers trying to do business with the United States mainland.

Bank of Hawaii is one of only three banks on American Samoa, and the only one based in the United States. Of the two remaining banks, only one, ANZ Amerika Samoa, takes deposits. The third bank, the Development Bank of American Samoa, is a semi-autonomous agency of the American Samoan government that only serves as a lender. As ANZ is the last depository on the island, Bank of Hawaii has announced that it will work with the bank to smooth the transition as customers move their accounts.ⁱⁱⁱ We have serious concerns about the level of service that customers using ANZ Amerika Samoa will be able to receive, especially in their continued economic transactions with the United States. ANZ, which is chartered out of Australia, has no branches in the mainland United States, or in Hawaii. Because of this, and their more Pacifically-oriented business model, ANZ does not offer a number of services that people in American Samoa have come to rely on to stay economically connected to the United States. We are specifically concerned about the following issues:

1. ANZ Amerika Samoa does not offer a Visa or Mastercard debit card, and instead offers a proprietary card that works at local EFTPOS terminals. We are concerned that debit cards outside of the main American card networks will limit purchasing options and could expose cardholders to heavy fees whenever they use their card outside of American Samoa.^{iv}
2. Transferring money from the mainland of the United States could take up to three weeks. On their website, ANZ Amerika Samoa discloses that *checks drawn on "mainland USA financial institutions" will not be available until 21 business days after the deposit.*^v

3. With a large American Samoan population in Hawaii, families have used joint Bank of Hawaii accounts to share funds and as a secure and inexpensive way to share remittances. With no ANZ branches in Hawaii, families will no longer have the option to share money through a joint account and may resort to more expensive options like wire transfers. Especially with the extraordinary length of time that it takes for a check from a US-chartered bank to clear, families who have commonly shared resources could be left in dire straights. Even if ANZ makes substantial changes to their service, families spread between American Samoa and Hawaii are still left without options for conveniently and securely sharing accounts and finances.
4. ANZ Amerika Samoa is not yet equipped to handle accounts for the government of American Samoa. This is particularly problematic because the government has announced that they will continue to process their payroll with Bank of Hawaii until ANZ is equipped to handle the account.^{vi} Because Bank of Hawaii will no longer be a local bank and will therefore be subject to the funds availability restrictions for mainland banks, government employees who switch their accounts to ANZ could have to wait over three weeks to receive the funds from their paychecks.

Due to these concerns, we request that the Federal Reserve slow or stop Bank of Hawaii's exit from American Samoa. Should Bank of Hawaii ultimately leave, we urge the Federal Reserve and the bank to work with community organizations in American Samoa and Hawaii to identify and support another banking institution that could step in and replace them. As opposed to ANZ taking over Bank of Hawaii's deposits – which would essentially create a banking monopoly in American Samoa – we believe that it would be more beneficial in terms of promoting competition for another lending institution to enter the market and take over a substantial amount of Bank of Hawaii's deposits. This will take time to accomplish, which is another reason to delay the branch closures.

Branches are integral to reinvestment and community wealth building. The loss of Bank of Hawaii's branches in American Samoa means the loss of a deposit base to support lending and investment activity in a very low-income area.

According to Bank of Hawaii's most recent CRA examination, the bank made 1,103 consumer loans in American Samoa in 2009 and 2010.^{vii} Small, unsecured loans help people to meet basic needs, and the loss of BOH's branches will significantly diminish access to these important products. The full potential of Bank of Hawaii to make loans commensurate with its capacity has not been realized since the bank had a low satisfactory on its lending test; and community organizations could have worked with the bank to significantly increase access to credit for American Samoans. The branch closures also represent a serious blow to the potential for community development as evidenced by a

community development loan recorded on the 2011 CRA exam. Bank of Hawaii also received a low satisfactory rating on its investment test, meaning that there was room for improvement and potential for public agencies and community organizations to work with the bank to fund pressing investment needs in American Samoa.

In order to promote and protect community reinvestment and lending activity, we once again request that the Federal Reserve work with Bank of Hawaii and community organizations to identify and support viable and responsive banking alternatives. The lending, service, and community development needs of American Samoa are not likely to be met by a single bank alone standing in the wake of Bank of Hawaii's departure.

Reports from families in Hawaii raise alarm that Bank of Hawaii may not have notified their customers in American Samoa about the closures within the timeline laid out by the Federal Reserve regulations on branch closings.

According to the Federal Reserve regulations on branch closings laid out in the Consumer Compliance Handbook, "an institution must include a customer notice at least ninety days in advance of the proposed closing in at least one of the regular account statements mailed to customers, or in a separate mailing."^{viii} Faith Action for Community Equity (F.A.C.E), an NCRC member in Hawaii, reported that some customers in American Samoa have only heard about the closings in the last month or so, and that some were informed by their families in Hawaii instead of by direct notices from the bank.

Due to these reports of late notifications, we request that the Federal Reserve investigate Bank of Hawaii's notification process to ensure that all regulations were followed in closing the American Samoan branches.

Bank of Hawaii claimed in their press release about the branch closings that they had decided to exit the American Samoan market "due to its geographic isolation from [their] other markets."^{ix} The bank's continued operation in other Pacific Rim markets, and persistent rumors of a difficult relationship between the American Samoan government and BOH call this claim into question.

Bank of Hawaii has been opaque about their reason for exiting the American Samoan market. An American Samoan government official, in correspondence over this issue, stated that the government's tax office believes that the branches slated to close are still profitable. Bank of Hawaii itself has named their geographic isolation as the rationale for their closure. However, Bank of Hawaii has not communicated any plans to close their branches in other isolated markets, like Guam, Palau, and Saipan, three other American territories in the Western Pacific that are farther from Hawaii than American Samoa. Bank of Hawaii has operated in American Samoa since 1969, and it is not clear why geographic isolation has

become suddenly problematic; indeed, given the advance of banking technologies, it seems reasonable to assume that the geographic isolation of American Samoa is less problematic today than it was 40 years ago.

Rumors of other reasons for Bank of Hawaii's exit persist among their customers in Hawaii and American Samoa, and mainly focus on the relationship between the bank and the territorial government. Bank of Hawaii was caught in the middle of a controversial lawsuit between the American Samoan government and Marisco, LTD., a shipbuilding company in Hawaii.^x Bank and government sources speaking to F.A.C.E. members in Hawaii have named this suit and perceptions of corruption in the American Samoan government as the real reasons behind Bank of Hawaii's departure. In fact, the newly inaugurated governor, Lolo Moliga, apologized to Bank of Hawaii for the previous administration's litigation and dropped the lawsuit against Marisco, LTD.^{xi} The governor took these steps in a letter asking Bank of Hawaii to delay its exit for twelve months, implying a direct correlation between the litigation and the branch closures.

Due to the inconsistencies and persistent rumors regarding Bank of Hawaii's choice to exit the American Samoan market, we ask that the Federal Reserve work with the bank to identify their motives for the branch closures and support the bank, the American Samoan government, and community organizations in remedying those issues if possible.

Rumors about Bank of Hawaii's transition plans are commonplace and very little verifiable information is available to the public regarding the closures.

Bank of Hawaii has only released one public statement regarding the branch closures. This statement came in the form of a press release on November 30, 2012 announcing that the bank would be closing all of their branches in the territory. Since that time, a number of rumors have surfaced on the internet and in American Samoan and Hawaiian communities. These rumors go beyond the bank's reasons for leaving, and point to a lack of a clear transition plan and clear communication between the bank and its customers. We are particularly concerned about the lack of clarity surrounding the following issues:

1. Returning the funds balance of accounts to customers after the closures: Bank of Hawaii announced that customers who do not withdraw the balance of their accounts prior to the branch closures will be sent a cashier's check for the balance of the funds. However, community members report that Bank of Hawaii intends to simply send the check to the last address on file without verifying whether or not that address is still valid.
2. Transferring students loans: Hawaiian community members with students loans through Bank of Hawaii's American Samoan branches have been given verbal

commitments by the bank that their loans will be transferred, but have not received written confirmation that this will occur.

We ask the Federal Reserve work with Bank of Hawaii to publicly clarify their transition plans, and to specifically address concerns about transferring student and other loans, and how remaining account funds will be returned to customers.

The perception of a conflict of interest may taint the process if the Federal Reserve Board of San Francisco does not hold a full public hearing.

Peter Ho, President & CEO of Bank of Hawaii, is on the Board of the Federal Reserve Bank of San Francisco. In order to avoid a potential conflict of interest and to assure the public of the highest levels of transparency, it is incumbent upon the Federal Reserve Bank of San Francisco to hold public hearings.

In conclusion, as laid out in the Federal Reserve policies regarding branch closings, we would like to request a public hearing involving Bank of Hawaii, the Federal Reserve Bank of San Francisco, and community organizations to discuss Bank of Hawaii's exit and banking options for families in American Samoa and Hawaii. We ask that the Federal Reserve Bank of San Francisco hold meetings in Pago Pago and in Honolulu to address the serious concerns raised by Bank of Hawaii's departure. We request that these hearings occur as soon as possible.

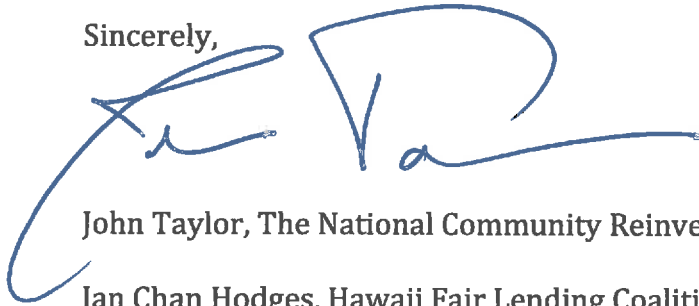
In addition to the public hearings, we also request the following actions from the Federal Reserve Bank of San Francisco, as laid out above.

We ask that the Federal Reserve Bank of San Francisco:

- Use its authority to delay or stop the branch closings in American Samoa.
- Hold a hearing with the Bank of Hawaii and community members in American Samoa and Hawaii to discuss the bank's exit.
- Work with Bank of Hawaii and community organizations to identify and support alternative banking options.
- Investigate and ensure that Bank of Hawaii followed the timeline for notifying customers.
- Work with Bank of Hawaii to clarify its reasons for exiting the market and work with the bank and other parties to resolve the issues identified, if possible.
- Work with Bank of Hawaii to clarify its transition plans.

Thank you for your serious consideration of this issue. Bank of Hawaii, which has operated in American Samoa for over forty years, has an obligation to their customers to ensure the availability of realistic and comprehensive banking options in American Samoa. We look forward to discussing this issue with you at greater length soon.

Sincerely,



John Taylor, The National Community Reinvestment Coalition

Ian Chan Hodges, Hawaii Fair Lending Coalition

Mike Gleason, The Arc of Hilo

Kim Harman, Faith Action for Community Equity

Pono Shim, Enterprise Honolulu

Reverend Piula Alailima, Wesley United Methodist Church

Reverend Taavao Alualu, Solid Rock Samoan Church

Napua Amina, Individual from American Samoa

Reverend Stan Bain, Hawaii Coalition for Immigration Reform

Eric Gill, UNITE HERE Local 5

Leotele Renee Togafau, Individual from American Samoa

Monsignor Terrence A.M. Watanabe, St. Theresa Catholic Church

CC: Tracy Basinger, Vice President, Examinations Group
Federal Reserve Board of San Francisco

Peg Meagher, Executive Vice President
Bank of Hawaii

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- ⁱ <https://www.boh.com/news-room/American-Samoa-Branches.asp>
- ⁱⁱ FDIC Summary of Deposits, Deposit Share Market Report as of June 2012 for America
Somoa.
- ⁱⁱⁱ <https://www.boh.com/news-room/American-Samoa-Branches.asp>
- ^{iv} <http://www.anz.com/americansamoa/en/personal/everyday-banking/access-freedom-account/>
- ^v <http://www.anz.com/americansamoa/en/auxiliary/general-disclosures/>
- ^{vi} <http://www.rnzi.com/pages/news.php?op=read&id=74236>
- ^{vii} http://www.frbsf.org/cra_pes/2011/795968.pdf
- ^{viii} <http://www.federalreserve.gov/boarddocs/supmanual/cch/closings.pdf>
- ^{ix} <https://www.boh.com/news-room/American-Samoa-Branches.asp>
- ^x <http://www.samoanews.com/?q=node/6595>
- ^{xi} <http://www.samoaoobserver.ws/american-samoa/3443-governor-lolo-says-sorry-for-togiolas-administration>

February 27, 2013

Craig Nolte, Regional Manager
Federal Reserve Bank of San Francisco
San Francisco Office
101 Market Street, MS 215
San Francisco, CA 94105

Dear Mr. Nolte,

I am writing to request that you help us have a hearing to keep Bank of Hawaii open in American Samoa. I grew up in the village of Aasu-fou in Tutuila. My aunt still lives there and I have relatives all over American Samoa. My family travels back and forth between Hawaii and American Samoa and depend on Bank of Hawaii services when we are travelling.

If Bank of Hawaii is allowed to pull out of American Samoa, there won't be other American-owned banking alternatives for us. We depend on Bank of Hawaii to be a full-service bank, what will we do without that?

Thank you for your time. I hope to see you at a hearing on this matter in the near future.

Sincerely,

A handwritten signature in black ink, appearing to read 'Napua K Amina', with a large, sweeping flourish at the end.

Napua K Amina

CC:

Faith Action for Community Action Hawaii

NCRC