EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

July 12, 2006

The Honorable Calvin K. Y. Say, Speaker
and Members of the House of Representatives
Twenty-Third State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear Mr. Speaker and Members of the House:

Re: Senate Bill No. 3066 SD1 HD1

On July 11, 2006, Senate Bill No. 3066, entitled "A Bill for an Act Relating to Interest and Usury" became law without my signature, pursuant to Section 16 of Article III of the Constitution of the State of Hawaii.

This bill permits certain credit card service fees from being included in the calculation of the maximum interest rate credit card issuers can charge for firms that issue such cards and are domiciled in the State of Hawaii.

While I understand the concern of local credit card firms who want to remain competitive, I remain concerned that Hawaii's current law already permits an 18% per annum annual interest charge on credit card balances. This interest rate is significantly higher than interest charged on most other financial transactions such as non-secured loans, collateralized loans, and borrowings from a bank or lending institution. This interest rate is also considerably higher than inflation and other cost drivers, both locally and nationally.

I recognize that firms who issue credit cards need to make an adequate return on their money. However, it has not been demonstrated that they are not making such a return based on the current method of calculating the 18% interest rate.

For the foregoing reasons, I allowed Senate Bill No. 3066 to be come law as Act 307 effective July 11, 2006 without my signature.

Sincerely,

LINDA LINGLE