

Honolulu, Hawaii

FEB 29 2008

RE: S.B. No. 3026
S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Judiciary and Labor, to which was referred
S.B. No. 3026, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE PREVENTION OF MORTGAGE
RESCUE FRAUD,"

begs leave to report as follows:

The purpose of this measure is to enact a new chapter, known
as the Mortgage Rescue Fraud Prevention Act to:

- (1) Require mortgage rescuers to provide homeowners with a written contract that spells out the services the mortgage rescuer is expected to provide and allow the homeowner the right to cancel the contract at any time before the services are rendered; and
- (2) Limit the amount that the mortgage rescuer can make if the homeowner is successful in buying back the home to one hundred twenty-five per cent of the total debt on the home paid by the mortgage rescuer, and require that the mortgage rescuer provide the homeowner with at least eighty-two per cent of the value of their home if the homeowner is eventually unable to buy back the home from the mortgage rescuer.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs and the Hawaii Association of Realtors.



Your Committee finds that persons may prey on homeowners facing property foreclosures, liens, or encumbrances. These devious "mortgage rescuers" offer phantom help to homeowners, taking a fee of a few thousand dollars for supposedly negotiating with the homeowners' secured creditors. After collecting the fee, little or no work is done for the homeowner who is essentially abandoned. In the most insidious cases, the consultant will persuade families to deed the house to the investors for a year, in which time the homeowner can clear up their credit and refinance their property. However, in many cases the homeowners wind up becoming tenants and being evicted.

Your Committee has amended this measure by:

- (1) Changing from five to fifteen days the period of rescission or cancellation, on the recommendation of the Hawaii Association of Realtors, to be consistent with section 508D-5, Hawaii Revised Statutes, relating to delivery of disclosure statements to the buyer;
- (2) Changing the period in which the distressed property purchaser may record the distressed property conveyance if the contract has not been cancelled, from ten to twenty days after execution; and
- (3) Making technical, nonsubstantive amendments.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3026, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 3026, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary and
Labor,


BRIAN T. TANIGUCHI, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Judiciary and Labor
JDL

Bill / Resolution No.:	Committee Referral:	Date:
SB 3026 SD1	CPH, JDL	2/25/08

The committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312 Pass, with amendments 2311 Hold 2310 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
TANIGUCHI, BRIAN T. (C)	/			
HEE, Clayton (VC)				/
GABBARD, Mike	/			
KOKUBUN, Russell S.	/			
NISHIHARA, Clarence K.				/
SLOM, Sam	/			
TOTAL	4			2

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature:


Distribution: Original Yellow Pink Goldenrod
 File with Committee Report Clerk's Office Drafting Agency Committee File Copy

*Only one measure per Record of Votes