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PRESENTATION OF
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF FINANCIAL INSTITUTIONS

TO THE
SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND
AFFORDABLE HOUSING

THE TWENTY-FOURTH STATE LEGISLATURE
REGULAR SESSION OF 2008

Wednesday, March 12, 2008
9:00 a.m.

TESTIMONY ON H.B. NO. 2408, H.D. 1 - RELATING TO MORTGAGE BROKERS

THE HONORABLE RUSSELL S. KOKUBUN, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Nick Griffin, Commissioner of Financial Institutions ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). We appreciate the opportunity to testify on House Bill No. 2408, H.D. 1, relating to mortgage brokers.

The Department opposes this bill, which we feel is an unworkable amendment to an existing, and, in light of the current national climate, arguably deficient statute, the

historic objective of which has been to serve as a simple and non-selective registry for industry participants. As such, Hawaii Revised Statutes ("HRS") Chapter 454, as amended by this measure, would remain inadequate as a foundation for a program to meet the challenges of today's increasingly complex mortgage markets.

The intent of the measure is to provide for the transfer of the current program to regulate mortgage brokers and solicitors (the latter henceforth to be known as "loan originators") under HRS Chapter 454 from the Professional & Vocational Licensing Division ("PVL") to the Division of Financial Institutions ("DFI").

Notably, the measure entirely fails to make necessary transitional provisions to enable DFI to phase in its responsibilities for the administration of this large and complex program involving the licensing and supervision of several thousand mortgage professionals.

As presently drafted, the measure contemplates that PVL's responsibilities under HRS Chapter 454 would end, and DFI's responsibilities would commence, on the effective date of the measure's enactment. This bill provides no mechanism by which DFI could undertake, prior to the effective date, the necessary preparations to assume responsibility for the enhanced licensing program, while PVL would continue to administer HRS Chapter 454. Consequently, the bill neglects to provide the necessary staffing and funding to enable DFI to "ramp up" for a robust licensing program that will necessarily require, among other elements, the drafting of new DFI administrative rules, establishment of a

program to administer written examinations of new applicants for licensing, and the development of continuing education requirements and resources. In addition, prior to the date when DFI would begin accepting applications and issuing licenses, DFI would need sufficient time and funding to hire and train the necessary examiners and other new personnel required to administer this program.

For these reasons, DFI had proposed, in Senate Bill No. 3010, a more orderly process by which PVL would continue to administer the licensing program currently in place under HRS Chapter 454 until October 1, 2012 when HRS Chapter 454 would be repealed. In the interim, enactment of the Residential Mortgage Practices Act effective as of July 1, 2008, as contemplated under Senate Bill No. 3010, would afford DFI the time and funding required to make the extensive preparations necessary to take over the administration of this program and see to the implementation of the more robust supervisory elements associated with the ongoing continuing education and examination requirements that the new law would entail.

While the intent of House Bill No. 2408, H.D. 1, is ostensibly to improve the regulation of mortgage brokers and loan originators, the bill entirely fails to recognize the need and to make provision for these transitional preparations, both in neglecting to put in place the necessary funding appropriation for DFI's new responsibilities and in failing to provide for an orderly and seamless transfer of responsibilities from PVL to DFI.

In the Department's view, the preferred mechanism by which to achieve that goal is legislation that would enact a new statute, the Residential Mortgage Practices Act, thereby enabling DFI to commence necessary preparations to assume this new regulatory program, while leaving PVL in charge of administering HRS Chapter 454 during the phase in period until October 1, 2012 when HRS Chapter 454 would be repealed, thereby ending PVL's responsibilities under that statute.

We also have noted that while House Bill No. 2408, H.D. 1, would purportedly authorize the Commissioner to request a criminal history record check of certain individuals in accordance with section 846-2.7, HRS, in a proposed new section 454-D, the bill, as drafted, omits the necessary language to amend section 846-2.7, HRS, in order to fulfill the statutory requirements needed to perfect that authorization.

Therefore, while the intent of House Bill No. 2408, H.D. 1, may be commendable, the approach taken to reach its objective – reportedly to improve the regulation of mortgage brokers and mortgage solicitors – does not do the job. This measure is clearly inadequate as a foundation for a program to meet the challenges of today's mortgage markets.

The Department is therefore submitting, as an attachment to this testimony, a draft House Bill No. 2408, H.D. 1, (proposed) S.D. 1, for the committee's consideration, which incorporates the necessary funding and lead-time provisions that are presently missing

TESTIMONY ON HOUSE BILL NO. 2408, H.D.1
March 12, 2008, 9:00 a.m.
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from H.D. 1 and which, in the Department's view, represents a workable solution to the transitional issues discussed in my testimony today.

Thank you for the opportunity to testify. I would be happy to respond to any questions you may have.



HAWAII BANKERS ASSOCIATION

1000 BISHOP ST., SUITE 301B • HONOLULU, HAWAII 96813-4203
PHONE: (808) 524-5161 • FAX: (808) 521-4120

Presentation to the
Senate Committee on Commerce, Consumer Protection, and Affordable Housing
Wednesday, March 12, 2008, 9:00a.m.
Room 229

Testimony in Opposition of: HB 2408, HD1- Relating to Mortgage Brokers

To: Senator Russell Kokubun Chair
Senator David Ige, Vice Chair
Members of the Committee on Commerce, Consumer Protection, and Affordable Housing

I am Neal Okabayashi of First Hawaiian Bank and I testify for the Hawaii Bankers Association in strong opposition to HD 1 of HB 2408. This is not a step taken lightly as I am the principal drafter of HB 2408 but there are two provisions in HD 1 which render this effort to recodify the mortgage broker laws useless and is bad for lenders and worse for consumers.

Thus, we support our proposed SD 1 to HB 2408 (previously delivered to the Committee) which is basically the SD 1 to SB 3010 with technical amendments. HBA strongly supports the attached SD 1.

Primerica Financial Services Home Mortgages seeks to exempt all agents and employees of affiliates of a bank (the correct term is nonbank subsidiaries) from complying with the consumer protection measures in this bill, an exemption which is so vast that it can be taken advantage of by every individual and thus reduce the number of regulated mortgage brokers to zero. We should remember that Primerica Home Mortgage's situation is irrelevant to an analysis of the proposed exemption because the real question is who can qualify for this exemption under Primerica Home Mortgage's suggested language.

HBA opposes HD 1 because:

1. The exemption is contrary to the purpose of this bill which is to regulate unregulated players in the residential mortgage market – mortgage brokers – some of whom have played a substantial role in predatory and subprime lending.

2. The exemption poses an unacceptable risk of exempting predatory lenders as on its face, the exemption would exempt the three nonbank subsidiaries who paid the three largest predatory lending lawsuit settlements,
3. The exemption is contrary to the pending US. House and Senate bills regulating mortgage brokers which requires all nonbank employees to be licensed by a state to act as a loan originator (the term encompasses both a mortgage broker and loan originator under Hawaii law); if a state has no licensing statute, HUD will do it for the state, and
4. There is no rational policy reason for exempting employees and agents of nonbank subsidiaries who are already subject to the current mortgage broker law.

1. The Exemption Is Contrary To the Intent of This Bill

It is crystal clear from many studies that predatory lending and abusive subprime lending were primarily due to acts of unregulated lenders and mortgage brokers rather than regulated lenders such as banks, savings associations and credit unions. As stated in the HUD-Treasury Report: "However, there is a growing body of anecdotal evidence that an unscrupulous subset of those subprime actors – lenders (often those not subject to federal banking supervision), as well as mortgage brokers, realtors, and home improvement contractors – engage in abusive lending practices that strip borrowers' home equity and place them at increased risk of foreclosure."

Closer to home, on two occasions, the State of Hawaii was one of 45 states and the District of Columbia that signed a letter from the National Association of Attorneys General to the Office of Thrift Supervision ("OTS"), that stated: "In the experience of state Attorneys General, predatory lending is perpetrated primarily by non-depository lenders and mortgage brokers. As the OTS is well aware, these "housing creditors", unlike depository institutions, are subject to little regulation by the OTS or other federal agencies."¹

While banks, savings associations and credit unions are subject to a heavy dose of federal banking examination and supervision for consumer compliance, nonbank subsidiaries are not so regulated. Mortgage brokers are regulated, if at all, on the state level. For Hawaii, mortgage brokers are required to be registered and fall under a system which is more akin to obtaining a drivers license than any rigorous examination to protect both the mortgage broker and the borrowing public.

Thus the purpose of this bill is to fill the void of unregulated mortgage brokers, which include nonbank subsidiaries.

The core of this bill is the requirement for:

¹ The State of Hawaii signed through its Office of Consumer Protection.

1. testing prior to licensing,
2. passing a criminal background check to ensure the individual has no conviction for a crime of dishonesty,
3. passing a background check to ensure the individual has not had his or her mortgage broker license in another state revoked,
4. continuing education, including broker ethics, as a condition of renewal of licensure,
5. disclosure requirements regarding residential mortgage loans,
6. a reasonable limitation on fees paid in advance of closing,
7. prohibitions against misleading and fraudulent advertising, and most importantly,
8. do not lie, cheat, steal, mislead or bribe prohibitions.

All of these provisions would not apply to the thousands of individual agents and employees of thousands of nonbank subsidiaries if Primerica Home Mortgage's language is accepted. Why should these thousands of individual mortgage brokers be exempt from the requirements of this new chapter?

The present exemption framework of the existing Hawaii mortgage broker law is basically those who interact with the borrower are covered by the statute unless they are federally regulated by a federal banking examiner for consumer compliance. There is no change to this framework in the existing bill other than to recognize the implications of federal preemption. In other words, those who are federally supervised for consumer compliance (i.e., banks, savings associations and credit unions) are exempt, all others, including the unregulated nonbank subsidiaries, are not.

This framework is consistent with the two pending Congressional bills (one in the House and one in the Senate) on this issue.

Nonbank Subsidiaries Are Not Regulated and Supervised by a Federal Banking Agency For Compliance or Consumer Compliance

While Primerica Home Mortgage uses the term "bank affiliate" as if to suggest these companies are banks or financial institutions, these entities are not banks or necessarily financial institutions. Some nonbank subsidiaries are insurance and securities companies and others like, Primerica Home Mortgage, are sales companies, selling other people's products.

Primerica brags of its 100,000 licensed representative and 26,000 licensed mutual fund salespersons. We know that in Hawaii they are licensed to sell insurance and securities products. Why shouldn't they also be licensed to sell mortgage products.

On its website, Primerica recruits salespersons to sell insurance, securities and mortgage products. It started its life as an insurance company but has morphed into a sale company, the exact type of company that needs to be regulated and licensed just as it is licensed for insurance and mutual funds sales.

As a sales company, Primerica Home Mortgage is not regularly examined for consumer credit compliance.

Banks, savings associations and credit unions are regularly examined for compliance (sometimes called consumer compliance) to ensure that the banks, savings associations and credit unions are complying with consumer credit laws. Banks may be examined by the FDIC, OCC (Office of the Comptroller of the Currency) or the Federal Reserve, depending on the type of bank it is. Savings associations (also savings banks) are examined by the OTS. Credit Unions are examined by the National Credit Union Administration.

Nonbank subsidiaries are not regularly examined by one of the federal banking agencies for consumer credit compliance. Since they are not subject to federal banking regulation for consumer credit compliance, they are one of those "non-depository lenders" and "mortgage brokers" that the 46 states (including Hawaii) believed perpetrated predatory lending and are subject to little regulation.

To exempt employees and agents of unregulated nonbank subsidiaries flies in the face of various studies pinpointing unregulated lenders and mortgage brokers as one of the root causes of predatory lending and subprime lending problems, flies in the face of the position of 46 states, including Hawaii, that unregulated lenders and mortgage brokers are one of the big problems in predatory lending and as explained later, flies in the face of pending federal legislation which would require all individuals who are not employees of a depository institution to be licensed by a state. To include an exemption for employees and agents of nonbank subsidiaries flies in the face of the intent of this bill to regulate the unregulated. The exemption language would enable far too many individuals to escape regulation on the federal and state level and is unacceptable.

2. The Language Presents An Unacceptable Risk of Predatory Lending

The exemption language will make it much too easy to evade the mortgage broker statute, especially for one intent on conducting abusive lending practices.

When evaluating draft exemption language, we should ignore the proponent of the amendment and analyze who can take advantage of this exemption. We know it is for employees and agents of nonbank subsidiaries. How many nonbank subsidiaries are there?

As of Feb 21, 2008 there were 8,554 insured depository institutions (banks and savings associations). As of the end of 2006, there were 835 federal savings associations and the exact number of state savings associations is not clear. However, it is safe to assume that there are at least 6,000 banks and more likely, closer to 7,000 banks. Each bank has affiliates or what we properly call nonbank subsidiaries affiliated with them. Some have many. Some have few. First Hawaiian Bank has over 140 affiliates and so does Citigroup, the parent of Primerica Home Mortgage. Thus, there are

thousands of employees and agents of thousands of unregulated nonbank subsidiaries that would qualify for this exemption.

We may not know all the persons that would qualify for the exemption but we do know who could: the companies that were parties to the three largest predatory lending settlements in history:

1. Household Finance for \$484 million; the State of Hawaii was one of the settling states. Household became a nonbank subsidiary of HSBC, a bank holding company.
2. Ameriquest for \$325 million. Parts of Ameriquest was purchased by Citigroup, the parent of Primerica Home Mortgage.
3. The Associate for \$215 million. The Associates was purchased by Citigroup, the parent of Primerica Home Mortgage, while Associates was engaged in predatory lending and while the Federal Trade Commission (FTC) was investigating Associates.

The Associates case is most instructive. The Associates was an active subprime lender which engaged in abusive lending practices. While Associates was under investigation by the FTC, Citigroup, the parent of Primerica Home Mortgage, was negotiating to buy The Associates. It did and five months after the purchase, the FTC filed a lawsuit which Citigroup had to eventually settle for \$215 million. Citigroup merged Associates with one of their nonbank subsidiaries which makes mortgage loans and in fact, in a recent announcement, Citigroup announced that all residential mortgage lending would be made through this nonbank subsidiary and it would continue to make subprime loans. Thus, Primerica Home Mortgage would sell the mortgage loans of this unregulated entity.

More frightening, if John Doe, a predator, wanted to start a predatory lending operation, he could easily evade Hawaii's mortgage broker law. He could find a small nonbank subsidiary in Idaho, have them appoint him as their agent, get them licensed as a mortgage broker, and he can go out and find 100 guys with a criminal record who had their mortgage broker's license revoked elsewhere and have them appointed as agent for this small nonbank subsidiary in Idaho and they can go out and broker mortgage loans for all kinds of companies, subprime, predatory or legitimate. Remember, Primerica Home Mortgage's language only requires the exempt individual to be an agent of a nonbank subsidiary which means the exempt individual can be an agent for all lenders; there is no requirement for an exclusive agency.

While Primerica Home Mortgage has testified that their agents only sell products of affiliated companies, that is not true. On January 29, 2008, Primerica Home Mortgage announced that it would sell mortgage products of an unrelated company in Puerto Rico and once this law passes, there is nothing to prevent Primerica Home Mortgage from permitting its agents to sell mortgage products of other companies.

In summary, the Primerica Home Mortgage language is so broad, it is an invitation for predatory lenders to evade the statute. In fact, even a legitimate broker can evade the statute. All he has to do is to find a nonbank subsidiary licensed in Hawaii and have them appoint him as an agent. Since he is exempt from the statute, he is not a licensee and he can freely operate, unfettered by federal or state regulation.

3. Primerica Home Mortgage 's Proposal Is Contrary to the Pending Federal Legislation

There are two pending federal bills. One has crossed over into the Senate from the House. That is HR 3915. Section 103(a)(1) says an individual (not the company) must either be registered at the federal level or licensed by a state to be a loan originator. A loan originator can be either a mortgage broker or solicitor (loan originator in our parlance). Only employees of an insured depository institution (which also includes a credit union) or a subsidiary of the insured depository may register on the federal level. All other individuals must be state licensed. The definition of a state licensed loan originator is an individual who is not an employee of an insured depository or subsidiary of an insured depository and "is licensed by a State . . ." By Primerica Home Mortgage's own words, Primerica Home Mortgage agents are not employees of a depository institution and must be licensed by the state.

The federal bills do not require that the corporation or other entity be either registered or licensed. The focus is entirely on the individual as it should be because it is the individual that interacts with the borrower, not the corporation. Thus, Primerica Home Mortgage's suggestion that the company be licensed makes no sense.

Under section 107(a), if the HUD secretary believes that the state licensing system for licensing loan originators does not conform to the bill, HUD will implement the state licensing system. Under Primerica Home Mortgage's amendment, Hawaii would not be in compliance with the law and HUD would write the law for us.

The Senate bill (S. 2595) is consistent with the house bill.

In essence, the federal scheme is similar to HBA's proposed SD 1. If you are federally regulated, you don't have to be licensed. If you aren't federally regulated, the individual has to be licensed.

This bill is about regulating mortgage brokers to help prevent predatory lending and abusive lending practices. It is unquestioned that regulated banks have not been the problem but unregulated mortgage brokers have caused problems. Thus, this bill is designed to fill the void by having state regulation and licensure of those not regulated on the federal level for compliance by a federal banking regulator. Primerica Home Mortgage and nonbank subsidiaries are not regulated by a federal banking regulator for compliance purposes and thus should be regulated by the state.

4. There Is No Policy Reason To Exempt Nonbank Subsidiaries

Primerica has not articulated any rational policy reason to exempt nonbank subsidiaries. It is irrelevant whether Primerica Home Mortgage has been able to successfully lobby in its home state of Georgia or the home state of Citigroup, especially when those laws would be preempted by the federal legislation. Primerica Home Mortgage conveniently ignores the fact that they are required to be licensed in 45 states.

Whether there are complaints about their agents is irrelevant because that is not the criteria to determine whether one should be licensed. We should hope that there have been few complaints against existing mortgage brokers.

As discussed earlier, licensing the company is meaningless because it is the individual that interacts with the borrower, not the company. That provision offers no protection for consumers because the duty of the licensed mortgage firm is primarily to supervise and manage licensees, but if a company has no licensees because all the individuals are exempt, the licensed company has nothing to do.

Primerica Home Mortgage admits it has 500 representative currently licensed under the mortgage broker statute as mortgage solicitors. The commissioner of financial institutions calculates that after passage of this new regulation, there will be about 2,500 loan originators (new term for mortgage solicitors), including the 500 Primerica Home Mortgage representatives. Thus, Primerica Home Mortgage seeks to exempt 20% of the anticipated number of loan originators.

It is truly ironic that while Primerica brags that it has 100,000 licensed representatives nationwide, 26,000 representatives licensed to sell mutual funds, and its representatives in Hawaii are licensed to sell insurance and securities, Primerica Home Mortgage seeks to exempt its 500 representatives and the thousands of employees and agents of thousands of nonbank subsidiaries from licensure under the mortgage broker law.

5. Summary

In summary, HBA strongly opposes the HD 1 of HB 2408 and strongly supports the proposed SD 1 primarily delivered to the Committee, which is essentially the SD 1 of SB 3010.

Neal S



Mortgage Bankers Association of Hawaii
P.O. Box 4129, Honolulu, Hawaii 96812

March 12, 2008

The Honorable Russell Kokubun, Chair
and Members of the Senate Committee on
Commerce, Consumer Protection and
Affordable Housing
State Capitol, Room 229
Honolulu, Hawaii 96813

Re: House Bill 2408, HD 1 Relating to Mortgage Brokers

Dear Chair Kokubun and members of the Senate Committee on Commerce, Consumer Protection, and Affordable Housing:

I am Rick Tsujimura, representing the Mortgage Bankers Association of Hawaii ("MBAH"). The MBAH is a voluntary organization of real estate lenders in Hawaii. Our membership consists of employees of banks, savings institutions, mortgage bankers, mortgage brokers, and other financial institutions. The members of the MBAH originate the vast majority of residential and commercial real estate mortgage loans in Hawaii. When, and if, the MBAH testifies on legislation, it is related only to mortgage lending.

The Mortgage Bankers Association of Hawaii supports the proposed SD1 being proposed by the Hawaii Bankers Association. We believe it contains all safeguards necessary for appropriate regulation. MBAH, however, rejects expansion of the exemptions which would allow exclusive agents of an unregulated affiliate of a bank, to be exempt from its provisions. This is to be distinguished from the exemption of exclusive agents of a regulated bank, such as State Farm Bank. We also support the reinsertion of the prohibition of door to door sales.

Thank you for the opportunity to present this testimony.

SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION AND
AFFORDABLE HOUSING

March 12, 2008

HB 2408, HD 1 Relating to Mortgage Brokers

Chair Kokubun and members of the Senate Committee on Commerce, Consumer Protection and Affordable Housing, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders.

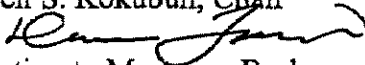
State Farm supports House Bill 2408, HD 1 Relating to Mortgage Brokers and also supports the Proposed SD1 being proposed by the Hawaii Bankers Association. HB 2408 acknowledges recent opinions issued by the Office of Thrift Supervision and federal district court cases which disallow state regulation of State Farm Bank and the exclusive agents which offer its products.

Thank you for the opportunity to present this testimony.

OPTION MORTGAGE, LLC

2948 Kahawai Street, Honolulu, Hawaii 96822

Ph: (808) 988-2670 Fax: (808) 988-4615

To: The Honorable Russell S. Kokubun, Chair
From: Dennis Taira 
Re: HB 2408 HD1 – Relating to Mortgage Brokers
Date: 3/10/08

I have been an originator of mortgage loans in Hawaii since 1993 and employed in many different capacities of the real estate finance industry in Hawaii since 1972. I support HB 2408 HD1 for many reasons:

- Assure the public that loan originators working for mortgage brokers have demonstrated a working knowledge of the legal and ethical issues involved in home financing
- Assure through background checks that individuals with troubled backgrounds are not in the business of advising Hawaii home owners
- Raise the standards without creating unique Hawaii Only prohibitions that would harm the real estate industry in Hawaii

Sincerely,



Dennis Taira
Option Mortgage



Aloha Aina Mortgage, Inc.

To: The Honorable Russell S. Kokubun, Chair, Fax: 586-6689

Re: HB 2408HD1 – Relating to Mortgage Brokers Letter in support to passage

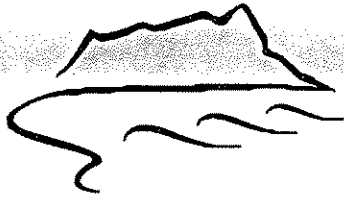
I am Chad Mizuuchi, Vice-President, Sales and association member of HAMB and NAMB. I support and request you vote for the passage of HB 2408 HD1.

There are a number of issues that will improve the industry for both mortgage loan originators and consumers:

1. It will improve the level of professionalism in the industry.
2. Assure the public that loan originators working for mortgage brokers have demonstrated a working knowledge of the legal and ethical issues involved in home financing.
3. Provide better oversight of the mortgage broker industry.
4. Assure through background checks that individuals with troubled backgrounds are not in the business of advising Hawaii home owners.
5. Better layout the lending process for consumers using improved agreements and disclosures.
6. Raise the standards without creating unique Hawaii Only prohibitions that would harm the real estate industry in Hawaii.
7. Establish greater accountability in the industry.

Sincerely,

Chad Mizuuchi
Vice-President, Sales
Aloha Aina Mortgage, Inc.
Phone: (808) 237-6768



Aloha Aina Mortgage, Inc.

To: Senate Sgt. At Arms, Fax: 586-6659

Re: HB 2408HD1 – Relating to Mortgage Brokers Letter in support to passage

I am John Kuramoto, Senior Loan Consultant and association member of HAMB and NAMB. I support and request you vote for the passage of HB 2408 HD1.

There are a number of issues that will improve the industry for both mortgage loan originators and consumers:

1. It will improve the level of professionalism in the industry.
2. Assure the public that loan originators working for mortgage brokers have demonstrated a working knowledge of the legal and ethical issues involved in home financing.
3. Provide better oversight of the mortgage broker industry.
4. Assure through background checks that individuals with troubled backgrounds are not in the business of advising Hawaii home owners.
5. Better layout the lending process for consumers using improved agreements and disclosures.
6. Raise the standards without creating unique Hawaii Only prohibitions that would harm the real estate industry in Hawaii.
7. Establish greater accountability in the industry.

Sincerely,

John Kuramoto
Senior Loan Consultant
Aloha Aina Mortgage, Inc.
Phone: (808) 237-6744



MORTGAGE SPECIALISTS, INC.

"Your Home Loan Specialist"

March 10, 2008

To: The Honorable Russell S. Kokubun, Chair

The Honorable David Y. Ige, Vice Chair

RE: HB 2408 HD1 – Relating to Mortgage Brokers

Gentlemen,

My name is Glenn Takasato and I have been a mortgage broker in Hawaii since 1990.

I support HB 2408 HD1 for the following reasons:

1. It will assure the public that loan originators working for mortgage brokers have demonstrated a knowledge of the legal and ethical issues involved in residential loans.
2. It will give the proper agency oversight of the mortgage broker industry.
3. Through background checks it will prevent people of questionable character to be licensed as mortgage brokers or originators.
4. It will provide the consumers a better understanding of the lending process with improved agreements and disclosures.
5. It will create more professionalism in the industry.

Sincerely,

Glenn Takasato,
President



CHARTER REVERSE MORTGAGE
The Reverse Mortgage Specialist

March 10, 2008

The Honorable Russell S. Kokubun, Chair

The Honorable David Y. Ige, Vice Chair

Re: HB 2408

I am Terry T. Taira and have been involved in the Hawaii mortgage industry for over 25 years.

I support HB 2408 HD1 for the following reasons:

It will improve the level of professionalism in our industry by requiring mortgage brokers to have a working knowledge of mortgages in general but also the ethical and legal issues involved in mortgage financing.

It will provide better oversight of the mortgage brokers in our industry.

The requirement of background checks will also assure the public that individuals with spotted backgrounds will not be involved in the business of advising Hawaii home owners.

Thank you very much for your consideration.

Sincerely yours,

A handwritten signature in black ink, appearing to read "T. Taira", written in a cursive style.

Terry T. Taira



Committee on Commerce, Consumer Protection, and Affordable Housing

Hearing: Wednesday, March 12, 2008 Room 229

To: The Honorable Russell S. Kokubun, Chair

The Honorable David Y. Ige, Vice Chair

RE: HB 2408 HD1 – Relating to Mortgage Brokers

I am Wesley Urada and have been a Loan Consultant in the mortgage industry in Hawaii since 1991.

I support HB 2408 HD1 for the following reasons:

It will improve the level of professionalism in the industry.

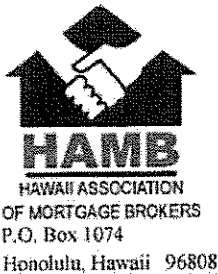
It will assure the public that loan originators working for mortgage brokers have demonstrated a working knowledge of the legal and ethical issues involved in home financing. Currently and for too many years, loan officers learn the mortgage business on the "fly." As such borrowers are subjected to the pitfalls of not only inexperienced loan officers but in many cases, uneducated loan officers. These are some of the individuals who give our industry a bad reputation due to bad service.

It will help raise standards and help establish greater accountability in the industry with better trained professionals as well as improved agreements and disclosures.

Sincerely,

A handwritten signature in black ink that reads 'Wesley Urada'.

Wesley Urada
Sr. Loan Consultant



March 10, 2008

To: The Honorable Russell S. Kokubun, Chair
The Honorable David Y. Ige, Vice Chair

Re: H. B. No. 2408, HD 1 – Relating to Mortgage Brokers

The Hawaii Association of Mortgage Brokers (HAMB), a 450+ member organization, actively works to improve the mortgage broker industry since its inception in 1992. HAMB supports passage of H. B. 2408, HD 1 by the Senate Committee On Commerce, Consumer Protection, and Affordable Housing because the bill provides significant improvement in consumer protection by establishing standards of professionalism that will reassure the public that they are dealing with knowledgeable practitioners. Additionally, it prepares Hawaii for compliance with proposed current congressional legislation, yet does not contain lending prohibitions that would be unique to Hawaii and affect available credit products.

After the 2007 State Legislature, HAMB with the other key financial industry stakeholders drafted the core concepts that are contained in HB 2408, HD1. The bill re-codifies the existing mortgage broker statutes by amending Chapter 454 on Mortgage Brokers. We have the support of the Mortgage Bankers Association of Hawaii, the Hawaii Bankers Association, Hawaii Credit Union League, Hawaii Association of Realtors and other stakeholders. We support legislation that strikes a balance between effective new regulatory requirements without damaging the industry and borrowing public.

The bill would improve the residential mortgage broker industry and give the Department of Financial Institutions (DFI) enforcement authority to protect consumers with the following requirements:

1. Pre-licensure examination
2. Background checks of brokers and loan originators
3. Continuing education requirements for brokers and loan originators
4. Examination audits by the DFI
5. Increase of bond amounts depending on the size of the brokerage firm
6. Clear written agreements for consumer regarding loan commitments and mortgage brokerage agreements.
7. Prohibition of certain kinds advertising considered to be misleading.
8. Prohibition of uninvited solicitations at a consumers residence.

Sincerely,

Donald Lau, President

Hawaii Association of Mortgage Brokers

LAW OFFICES
OF
MARVIN S. C. DANG
A Limited Liability Law Company

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JASON M. OLIVER
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March 12, 2008

Senator Russell S. Kokubun, Chair,
and members of the Senate Committee on Commerce, Consumer Protection, &
Affordable Housing
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: House Bill 2408, House Draft 1 (Mortgage Brokers)
Hearing Date/Time: Wednesday, March 12, 2008, 9:00 A.M.

I represent **Primerica Financial Services Home Mortgages, Inc. ("Primerica")**, a Hawaii licensed mortgage broker, and a subsidiary of Citigroup, Inc., a financial services holding company.

The purpose of this Bill is to revise the law regulating mortgage brokers.

Primerica supports the intent of this Bill and offers a proposed amendment.

This Bill provides a means to prevent a reoccurrence of situations where certain mortgage brokers and solicitors packaged inappropriate mortgage loans which were made to vulnerable borrowers. In Hawaii, delinquent mortgage loans have increased in recent years. While not all of the delinquencies are attributed to the origination of inappropriate loans (since job loss, divorces, and medical expenses also contribute to delinquencies), some of these delinquencies can be linked to inappropriate loans. As some of these adjustable rate mortgages reset to higher interest rates, the number of families who are unable to afford their payments and who are threatened with foreclosure has risen.

This testimony provides: an overview of this Bill; background on Primerica and Primerica's Exclusive Representatives; support for this Bill's exemption of Primerica's Exclusive Representatives, including a comparison of the state regulatory supervision of state chartered banks and Primerica; a proposed amendment to this Bill specifying the required bond for a mortgage broker licensee with exempt employees and agents; and commentary on the licensing sanctions for prearranged appointments.

I. Overview of this Bill

Presently, Hawaii mortgage brokers and mortgage solicitors are licensed by the Professional and Vocational Licensing Division of the Department of Commerce & Consumer Affairs. The current procedures for licensing applicants and regulating licensees are enhanced under this Bill.

Oversight of mortgage brokers and loan originators (the new term for mortgage solicitors) would be by the Commissioner of Financial Institutions. This Bill would require license applicants to disclose certain criminal convictions and be subject to criminal background checks. This Bill establishes the concept of a principal mortgage broker who would be responsible for the supervision and management of mortgage brokers and loan originators at the mortgage brokerage firm. The Commissioner of Financial Institutions would have various powers including the authority to examine mortgage brokers and loan originators for compliance with laws and rules. In this Bill, various prohibited acts or conduct of a licensee may result in the license being revoked, suspended, or terminated by the Commissioner. The Commissioner can also impose fines.

Primerica supports this approach.

II. Background of Primerica

A. Organization

Primerica is an affiliate of two banks and is wholly owned by the same bank holding company (Citigroup, Inc.) which also owns the banks¹. Primerica's Exclusive Representatives are exclusive agents of Primerica for the purpose of brokering mortgage loans. Primerica, as an exclusive agent of its affiliate banks, can only broker those mortgage loans to the affiliated banks.

Primerica is licensed as a Hawaii mortgage broker. Primerica's Exclusive Representatives are licensed as Hawaii mortgage solicitors.

B. Number of Primerica licensees in Hawaii

According to the Hawaii Department of Commerce & Consumer Affairs, the total number of licensed mortgage solicitors in Hawaii is 5,740 as of January 23, 2008, and the total number of licensed mortgage brokers in Hawaii is 652 as of January 23, 2008.

There are about 500 of Primerica's Exclusive Representatives who are licensed as Hawaii mortgage solicitors. Primerica's mortgage solicitors comprise roughly 1 out of every 12 licensees. Primerica has a significant interest in this Bill.

Primerica is unaware of any regulatory complaints against it or its Exclusive Representatives in Hawaii over the past eight years.

C. Primerica's Exclusive Representatives

Under the Primerica business model, Primerica's Exclusive Representatives do not engage in many of the practices that precipitated the mortgage lending crisis and which call for stronger regulation. Primerica's Exclusive Representatives originate only 15 and 30 year fixed rate mortgages - not the ARMs and exotic loan products that have been so controversial. They sell only affiliated bank products (Citigroup mortgage loan products) and are identified only with Citigroup.

Primerica's Exclusive Representatives have a limited role of: counseling potential borrowers on different loan options and how these options may affect the borrowers; obtaining mortgage loan applications; providing state and federally mandated disclosures; and assisting potential borrowers in producing and collecting the materials required by the lender to begin underwriting the loan.

Primerica's Exclusive Representatives do not hire appraisers, do not obtain credit reports, do not verify employment and/or income of applicants, do not shop loans to banks outside of Citigroup, and do not underwrite loans. The banks that are affiliated with Primerica perform these functions.

The Exclusive Representatives do not collect fees from borrowers or handle the borrowers' funds. Primerica pays the Exclusive Representatives only after the loans close.

Importantly, Primerica's Exclusive Representatives are subject to required background screening and internal training programs with Primerica.

¹ Primerica is a wholly owned second tier subsidiary of Citigroup Inc. ("Citigroup"), a publicly traded bank holding company. Citigroup is the ultimate parent of Primerica and various other entities including Citicorp Trust Bank, FSB ("CTB"), a federal savings bank, and CitiMortgage, Inc. ("CMI"), an operating subsidiary of Citibank, NA., a national bank. Primerica is an affiliate and an exclusive agent of both CTB and CMI. Primerica brokers debt consolidation home loans and refinancing of home loans exclusively for CTB. It brokers conventional purchase money mortgage loans exclusively for CMI.

III. Limited exemption provision in this Bill

Under the current law, various entities and individuals are exempt from being licensed as mortgage brokers or solicitors. There are sound and valid reasons to continue to exempt these entities and to include other limited exemptions.

A. Exemption in this Bill for employees and agents of Primerica (which needs to be licensed as a mortgage broker)

Included in the current draft of this Bill are exemptions from licensure. In “§454-2 Exemptions” on page 24, lines 3-5, the Bill would exempt:

“(9) Employees and agents of a licensee if the licensee is an affiliate of a bank and is wholly owned by the holding company that owns the bank.”

Primerica strongly supports this limited exemption. This specific wording is also in the comparable SB 3010, SD2 (Residential Mortgage Practices) which passed the Senate on March 4, 2008.

This specific wording is taken from the Administration’s mortgage broker bill as introduced (SB 3010 and HB 3088).

For this particular exemption to apply to Primerica’s employees and agents (Exclusive Representatives), Primerica must be licensed as a mortgage broker. In no uncertain terms, Primerica as an entity will **not be exempt** from being licensed. Only Primerica’s employees and agents (Exclusive Representatives) will be exempt.

During the past two years, other states have enacted laws with concepts and wording similar to this exemption. These states include Georgia (in 2006), New York (in 2006), Washington (in 2006), and Texas (in 2007). These statutory changes have taken place well after the Gramm-Leach-Bliley Financial Services Modernization Act of 1999. Another state which has recognized this approach is Idaho, whose statute is the basis for portions of the Administration’s bills. We can provide your Committee with copies of these statutes.

B. Similarity between the approach of state regulatory supervision of State Chartered Banks and Primerica

As stated above, in order to have this exemption for its employees and agents, Primerica must be a licensed mortgage broker under this Bill. As a licensee, Primerica will be subject to regulation and oversight by the Hawaii Commissioner of Financial Institutions of the Department of Commerce & Consumer Affairs ... the same Commissioner who also regulates and oversees Hawaii’s state chartered banks.

Under this Bill, the Commissioner of Financial Institutions has the power to examine and investigate Primerica and will have full access to its records. For violations, the Commissioner can revoke, suspend, or terminate Primerica’s license, and can impose fines against Primerica.

The approach in this Bill for the regulatory supervision of Primerica (and its employees and agents) is similar to the approach under the Hawaii Code of Financial Institutions for the regulatory supervision of state banks (and their employees and agents). A state bank is chartered and regulated by the Commissioner of Financial Institutions. Under the Code of Financial Institutions (Sec. 412:2-100), the Commissioner is “the primary regulator of Hawaii financial institutions”, such as state banks. Primerica would be similarly licensed and regulated under this Bill.

A state bank’s employees and agents are not individually licensed. Neither would Primerica’s employees and agents be individually licensed under this Bill. As a mortgage broker licensee, Primerica would be responsible for the regulated activities involving its employees and agents, who would be exempt from licensing ... just as a state bank is responsible for the regulated activities involving its bank employees

and bank loan officers who are exempt from licensing. Thus, for the purposes of state regulatory supervision, Primerica's employees and agents would be treated the same as employees and agents of state banks.

Table 1 below is a comparison of the approach under the Code of Financial Institutions for state regulatory supervision of state banks (and their employees and agents) with the approach under this Bill for state regulatory supervision of Primerica (and its employees or agents). The comparison shows that the licensure and regulatory supervision of Primerica (and its employees or agents) will be similar to that of state banks (and their employees or agents).

Table 1	<u>Hawaii bank (Entity) under Hawaii Code of Financial Institutions (HRS Chapter 412)</u>	<u>Primerica (Entity) under HB 2408, HD1 and SB 3010, SD 2</u>
<u>Is the Entity Chartered/Licensed by the State?</u>	Yes, the Hawaii bank is a State chartered bank.	Yes, Primerica must be licensed as a Hawaii Mortgage Broker.
<u>Who is the primary regulator which issues the Charter/License to the Entity?</u>	Commissioner of Financial Institutions of the Hawaii Department of Commerce & Consumer Affairs.	Commissioner of Financial Institutions of the Hawaii Department of Commerce & Consumer Affairs.
<u>Who is the primary regulator of loan originators (employees and agents) who are associated with the Entity?</u>	Commissioner of Financial Institutions of the Hawaii Department of Commerce & Consumer Affairs.	Commissioner of Financial Institutions of the Hawaii Department of Commerce & Consumer Affairs.
<u>Is there individual licensing of the loan originators (employees and agents) who are associated with the Entity?</u>	No, the employees and agents of the Hawaii bank are not licensed by the State.	No, the employees and agents of Primerica are not licensed by the State.
<u>Is the Entity responsible for the regulated activities involving its associated loan originators (employees and agents)?</u>	Yes, the Hawaii bank is responsible for the regulated activities involving its employees and agents.	Yes, Primerica is responsible for the regulated activities involving its employees and agents.
<u>What is the type of regulation of the loan originators (employees and agents) who are associated with the Entity?</u>	Derivative Regulation. No individual license for the associated loan originators, but the chartered Entity is held accountable for the regulated activities involving the associated originators.	Derivative Regulation. No individual license for the associated loan originators, but the licensed Entity is held accountable for the regulated activities involving the associated originators.

IV. Proposed amendment to this Bill to specify the required bond of a licensee (Primerica) with exempt employees and agents

Primerica proposes an amendment to subsection (e) under “§454-C Licensing requirement” on page 5 of this Bill by adding a subparagraph (4) to read as follows:

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Page 5

- “(1) A mortgage brokerage firm with one to five mortgage brokers or loan originators or a mortgage broker operating as a sole proprietorship shall post a bond in the amount of \$25,000;
- “(2) A mortgage brokerage firm with six to ten mortgage brokers or loan originators shall post a bond in the amount of \$50,000;
- “(3) A mortgage brokerage firm with eleven or more mortgage brokers or loan originators shall post a bond in the amount of \$75,000; and
- “(4) A mortgage brokerage firm that is an affiliate of a bank and is wholly owned by the holding company that owns the bank shall post a bond in the amount of \$1,000,000.”

The purpose of this amendment is to specify the amount of the required bond for a mortgage broker licensee (Primerica) with exempt employees and agents. This enhances consumer protection.

V. Provision in this Bill for licensing sanctions for prearranged appointments

Under §454-4, Hawaii Revised Statutes, the Commissioner is authorized to suspend a license for any of the acts or conduct of a licensee enumerated under Section 5 of this Bill. During this legislative session, Primerica requested that one of the prohibited acts/conduct of a licensee be amended from the earlier draft. Based on Primerica’s request, the latest version of that particular prohibited act/conduct, which is in *subparagraph (7) on page 31, line 17*, is:

“(7) Brokering or making any residential mortgage loan as a direct result of offering, soliciting, or selling the residential mortgage loan at the dwelling of a borrower without a prearranged appointment.”

This same revision is also in the comparable SB 3010, SD2 which was passed by the Senate on March 4, 2008.

At the request of Primerica, the previous Committee deleted the following phrase at the tail-end of subparagraph (7): *“initiated by and at the invitation of the borrower”*. Primerica felt that the deleted wording was problematic and unnecessary. Regardless of whether the prearranged appointment was initiated by and at the invitation of the borrower, the borrower is still protected because any prearranged appointment by its nature can only be set with the *consent* of the borrower. Additionally, Primerica believed that subparagraph (7) as currently worded would still eliminate any possibility of unwanted door-to-door solicitation of a mortgage loan.

However, a concerned labor union official has since explained to me that the intention of the original wording was to address certain questionable mortgage broker practices that have occurred on the Big Island a number of years ago. Based on that conversation, **Primerica does not take any position at this time if there is a request to your Committee to re-insert the deleted language in subparagraph (7).**

* * * * *

We are willing to work with your Committee and concerned parties on future drafts of this Bill.
Thank you for considering this testimony.

Marvin S. C. Dang

MARVIN S.C. DANG
Attorney for Primerica Financial Services Home Mortgages,
Inc.

HAWAII FINANCIAL SERVICES ASSOCIATION

c/o Marvin S.C. Dang, Attorney-at-Law

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March 12, 2008

Senator Russell S. Kokubun, Chair,
and members of the Senate Committee on Commerce, Consumer Protection &
Affordable Housing
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **House Bill 2408, House Draft 1 (Mortgage Brokers)**
Hearing Date/Time: Wednesday, March 12, 2008, 9:00 A.M.

I am the attorney for the **Hawaii Financial Services Association ("HFSA")**. The HFSA is the trade association for Hawaii's financial services loan companies.

The HFSA **supports the intent** of this Bill.

The purpose of this Bill is to revise the law regulating mortgage brokers.

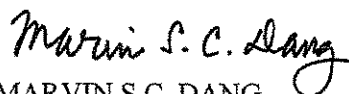
Financial services loan companies (and other financial institutions such as banks, savings banks, credit unions, and others) are not considered a "mortgage broker" under existing law (Chapter 454 of the Hawaii Revised Statutes) and under this Bill because they are separately regulated. And, this should not change.

However, the HFSA and other trade associations for mortgage lenders have an interest in how lending issues are addressed by this Bill so that legitimate mortgage lending is not adversely impacted by overly broad legislation or by unforeseen consequences.

The HFSA was a member of the Mortgage Broker Task Force of the Commissioner of Financial Institutions in 2006 and has an interest in this and other mortgage broker legislation.

The HFSA understands that various provisions in this Bill will need to be revised. The HFSA is willing to work with interested parties and your Committee to craft an acceptable bill.

Thank you for considering this testimony.



MARVIN S.C. DANG

Attorney for the Hawaii Financial Services Association

(MSCD/hfsa)

Members: American General Financial Services of Hawaii, Inc./American International Group • Beneficial Hawaii, Inc./HSBC North America • CitiFinancial, Inc./Citigroup • House of Finance, Inc. • Kauai Island Finance, Inc. • Maui Industrial Loan & Finance Company, Inc. • Safety Loan Company, Ltd. • Wells Fargo Financial Hawaii, Inc./Wells Fargo Financial, Inc.



HAWAII CREDIT UNION LEAGUE

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Honolulu, Hawaii 96826-2097
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Telephone: (808) 941-0556
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March 11, 2008

The Honorable Russell S. Kokubun, Chair
Senate Committee on Commerce, Consumer
Protection & Affordable Housing
State Capitol, Room 229
Honolulu, HI 96813

Chair Kokubun and members of the Committee:

H.B. No. 2408, H.D. 1, *Relating to Mortgage Brokers*

My name is Mike Leach, Legislative & Regulatory Manager for the Hawaii Credit Union League (HCUL). I am testifying on behalf of HCUL as the local trade association for Hawaii's 93 federally and state-chartered credit unions to support the intent of H.B. No. 2408 as introduced, and to comment on this measure.

It has taken years to arrive at a general consensus among a majority of affected private sector parties to support this measure as introduced. A basic principle in achieving support is that parties may be exempted from the provisions proposed by this bill if an institution and its employees are subject to oversight by state or federal regulators. This principle is consistent with pending federal legislation, and may be important enough that its absence could be an obstacle to passing this measure. With this in mind, we defer to your judgment which exemptions should be included.

We are concerned that sufficient resources and time be given to the Division of Financial Institutions to implement this new law. We also ask that a prohibition be reinserted regarding what may be termed as "door-to-door" sales.

Thank you for the opportunity to comment on this measure.

Sincerely,

Mike Leach
Legislative & Regulatory Manager

cc: Dennis K. Tanimoto, President



Aloha Aina Mortgage, Inc.

To: Senate Sgt. At Arms, Fax: 586-6659

Re: HB 2408HD1 – Relating to Mortgage Brokers Letter in support to passage

I am Darnell S. Umeda, Vice-President, Finance and association member of HAMB and NAMB. I support and request you vote for the passage of HB 2408 HD1.

There are a number of issues that will improve the industry for both mortgage loan originators and consumers:

1. It will improve the level of professionalism in the industry.
2. Assure the public that loan originators working for mortgage brokers have demonstrated a working knowledge of the legal and ethical issues involved in home financing.
3. Provide better oversight of the mortgage broker industry.
4. Assure through background checks that individuals with troubled backgrounds are not in the business of advising Hawaii home owners.
5. Better layout the lending process for consumers using improved agreements and disclosures.
6. Raise the standards without creating unique Hawaii Only prohibitions that would harm the real estate industry in Hawaii.
7. Establish greater accountability in the industry.

Sincerely,

Darnell S. Umeda
Vice-President, Finance
Aloha Aina Mortgage, Inc.
Phone: (808) 237-6781

The Twenty-Fourth Legislature
Regular Session of 2008

THE SENATE
Committee on Commerce, Consumer Protection, and Affordable Housing
Senator Russell S. Kokubun, Chair
Senator David Y. Ige, Vice Chair

State Capitol, Conference Room 229
Wednesday, March 12, 2008; 9:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2408, HD1
RELATING TO MORTGAGE BROKERS**

The ILWU Local 142 supports H.B. 2408, HD1, which revises the law regulating mortgage brokers. From past experience with mortgage brokers in the Hamakua area, we believe that tightening of the law regulating mortgage brokers is needed.

The ILWU represents 22,000 workers and thousands more retirees statewide. Back in the mid-1990s, times were tough for our members along the Hamakua Coast. A major impact to the economy of the Big Island was the closure of Hamakua Sugar due to bankruptcy. At that time, hundreds of plantation camp homes were in jeopardy but, thanks to efforts by a number of individuals and organizations, the camps were saved and residents were able to purchase their homes at very low prices.

For the first time in their lives, these former plantation workers had a home of their own and had equity upon which they could borrow money. Unscrupulous mortgage brokers took advantage of that fact and the workers' relative lack of understanding of borrowing concepts. These mortgage brokers actually lived and worked in the Hamakua area and knew the plantation workers well. That was how they were able to persuade the workers to sign up for mortgages they could not afford. When offered the opportunity to borrow thousands of dollars, the workers eagerly signed documents that they did not fully understand, not realizing that they could put their homes in jeopardy once again.

Their homes served as collateral for the loans with high interest rates. Coming off of jobs in the sugar industry, most of the workers either had jobs that did not pay much or were unemployed altogether. Yet the home loans were approved with little consideration of the borrower's ability to repay the loan. With inadequate income to make loan payments, several homeowners lost their homes to foreclosure.

Language in the original H.B. 2408 required that the mortgage broker could not solicit, offer or sell a mortgage loan at a home "without a prearranged appointment initiated by and at the invitation of the borrower." The language in HD1 was modified and would permit a mortgage broker to go "door-to-door" soliciting mortgage loans, relying on the borrower's good nature and trust in a community member to get the borrower to agree to a loan. We believe the language in the original bill should be restored.

With that amendment, the ILWU urges passage of H.B. 2408. Thank you for the opportunity to provide testimony on this measure.



Aloha Aina Mortgage, Inc.

To: The Honorable David Y. Ige, Vice Chair, Fax: 586-6231

Re: HB 2408HD1 – Relating to Mortgage Brokers Letter in support to passage

I am Danya Schiappa, Certified Loan Consultant and association member of HAMB and NAMB. I support and request you vote for the passage of HB 2408 HD1.

There are a number of issues that will improve the industry for both mortgage loan originators and consumers:

1. It will improve the level of professionalism in the industry.
2. Assure the public that loan originators working for mortgage brokers have demonstrated a working knowledge of the legal and ethical issues involved in home financing.
3. Provide better oversight of the mortgage broker industry.
4. Assure through background checks that individuals with troubled backgrounds are not in the business of advising Hawaii home owners.
5. Better layout the lending process for consumers using improved agreements and disclosures.
6. Raise the standards without creating unique Hawaii Only prohibitions that would harm the real estate industry in Hawaii.
7. Establish greater accountability in the industry.

Sincerely,

Danya Schiappa
Certified Loan Consultant
Aloha Aina Mortgage, Inc.
Phone: (808) 237-6744



Aloha Aina Mortgage, Inc.

To: The Honorable David Y. Ige, Vice Chair, Fax: 586-6231

Re: HB 2408HD1 – Relating to Mortgage Brokers Letter in support to passage

I am Glenn Nakai, Senior Loan Consultant and association member of HAMB and NAMB. I support and request you vote for the passage of HB 2408 HD1.

There are a number of issues that will improve the industry for both mortgage loan originators and consumers:

1. It will improve the level of professionalism in the industry.
2. Assure the public that loan originators working for mortgage brokers have demonstrated a working knowledge of the legal and ethical issues involved in home financing.
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7. Establish greater accountability in the industry.

Sincerely,

Glenn Nakai
Senior Loan Consultant
Aloha Aina Mortgage, Inc.
Phone: (808) 237-6744



Aloha Aina Mortgage, Inc.

To: The Honorable David Y. Ige, Vice Chair, Fax: 586-6231

Re: HB 2408HD1 – Relating to Mortgage Brokers Letter in support to passage

I am John Kuramoto, Senior Loan Consultant and association member of HAMB and NAMB. I support and request you vote for the passage of HB 2408 HD1.

There are a number of issues that will improve the industry for both mortgage loan originators and consumers:

1. It will improve the level of professionalism in the industry.
2. Assure the public that loan originators working for mortgage brokers have demonstrated a working knowledge of the legal and ethical issues involved in home financing.
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6. Raise the standards without creating unique Hawaii Only prohibitions that would harm the real estate industry in Hawaii.
7. Establish greater accountability in the industry.

Sincerely,

John Kuramoto
Senior Loan Consultant
Aloha Aina Mortgage, Inc.
Phone: (808) 237-6744



Aloha Aina Mortgage, Inc.

To: The Honorable David Y. Ige, Vice Chair, Fax: 586-6231

Re: HB 2408HD1 – Relating to Mortgage Brokers Letter in support to passage

I am Katrina A. T. Shomida, Sales Manager and association member of HAMB and NAMB. I support and request you vote for the passage of HB 2408 HD1.

There are a number of issues that will improve the industry for both mortgage loan originators and consumers:

1. It will improve the level of professionalism in the industry.
2. Assure the public that loan originators working for mortgage brokers have demonstrated a working knowledge of the legal and ethical issues involved in home financing.
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4. Assure through background checks that individuals with troubled backgrounds are not in the business of advising Hawaii home owners.
5. Better layout the lending process for consumers using improved agreements and disclosures.
6. Raise the standards without creating unique Hawaii Only prohibitions that would harm the real estate industry in Hawaii.
7. Establish greater accountability in the industry.

Sincerely,

Katrina A. T. Shomida
Sales Manager
Aloha Aina Mortgage, Inc.
Phone: (808) 685-7914



HB 2408, HD1

Relating to Mortgage Brokers

Senate Committee on Commerce, Consumer Protection, and
Affordable Housing

March 12, 2008

9:00 am

Room 229

The Office of Hawaiian Affairs supports the purpose and intent of HB 2408, HD 1 (HSCR718-08)

Consumer protection laws benefit all of Hawaii's residents which include the beneficiaries of the Office of Hawaiian Affairs.

Mortgage Brokers working with first time homebuyers need to be very unique individuals committed to doing more than expected for the benefit of the homebuyer. However, many are inexperienced and need laws to regulate their activities to the benefit of the homebuyer. The first time homebuyer is also inexperienced in the process of purchasing a home and these consumer protection laws benefit their education in this process as well.

We recognize that physical solutions by themselves will not solve social and economic problems, but neither can economic vitality, community stability, and environmental health be sustained without a coherent and supportive physical framework like these consumer protection laws.

Mahalo nui loa for the opportunity to provide this testimony and we urge your support.