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TO THE  
HOUSE COMMITTEES ON  
CONSUMER PROTECTION & COMMERCE  
AND  
JUDICIARY

THE TWENTY-FIFTH STATE LEGISLATURE  
REGULAR SESSION OF 2010

Thursday, March 11, 2010  
2:00 p.m.

TESTIMONY ON S.B. NO. 2603, S.D. 2 - RELATING TO THE SECURE AND  
FAIR ENFORCEMENT FOR MORTGAGE LICENSING ACT

THE HONORABLE ROBERT N. HERKES, CHAIR,  
THE HONORABLE JON RIKI KARAMATSU, CHAIR  
AND MEMBERS OF THE COMMITTEES:

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 submit  
testimony in support of Senate Bill No. 2603, S.D.2.

The Department has long endorsed the appropriate regulation and  
supervision of mortgage loan originators (MLO), and has worked for some years  
attempting to implement such a program. This bill, which now contains the

TESTIMONY ON SENATE BILL NO. 2603, S.D.2  
March 11, 2010, 2:00 p.m.  
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necessary amendments to Hawaii Revised Statutes Chapter 454F such that it is compliant with the federal S.A.F.E. Act, would essentially appear to accomplish the Department's objectives in this regard since it also essentially provides the requisite appropriation and staffing necessary for the Division of Financial Institutions to implement this industry-funded program.

The Department strongly supports this bill and asks for your favorable consideration. Thank you for the opportunity to testify. I would be happy to respond to any questions you may have.

# HAWAII FINANCIAL SERVICES ASSOCIATION

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March 11, 2010

Rep. Robert N. Herkes, Chair,  
and members of the House Committee on Consumer Protection and Commerce  
Rep. Jon Riki Karamatsu, Chair,  
and members of the House Committee on Judiciary  
Hawaii State Capitol  
Honolulu, Hawaii 96813

Re: **Senate Bill 2603, SD2(Secure and Fair Enforcement for Mortgage Licensing Act)**  
**Hearing Date/Time: Thursday, March 11, 2010, 2:00 P.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, which are regulated by the Hawaii Commissioner of Financial Institutions. Financial services loan companies make mortgage loans and other loans.

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

The purposes of this Bill are to: make amendments to the application, licensing, and regulatory requirements of the Secure and Fair Enforcement for Mortgage Licensing Act; establish the mortgage recovery fund to protect consumers injured by violations of HRS Chapter 454F; include mortgage loan originator companies in the regulatory system established by HRS Chapter 454F; and authorize the Commissioner of Financial Institutions to hire temporary and permanent staff to effectuate the purposes of HRS Chapter 454F.

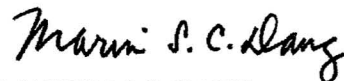
HRS Chapter 454F is the Secure and Fair Enforcement for Mortgage Licensing Act (Hawaii SAFE Act). It was enacted in 2009 pursuant to the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (federal SAFE Act) and is based on the model state law of the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators.

This Bill is still a "work in progress" as to certain issues, such as the dollar amount of the fees that need to be paid by applicants and licensees.

One intent of this Bill is that a "nondepository financial services loan company" licensed under Article 9 of HRS Chapter 412 is exempt from being licensed under HRS Chapter 454F as a "mortgage loan originator company". To the extent that it is not clear, this Bill should be revised.

Another intent of this Bill is that a loan processor or underwriter who is an "employee" of a nondepository financial services loan company shall not be required to be licensed under HRS Chapter 454F as a "mortgage loan originator". To the extent that it is not clear, this Bill should be revised.

Thank you for considering our testimony.



MARVIN S.C. DANG  
Attorney for Hawaii Financial Services Association

(MSCD/hfsa)



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Scott Coffman  
President  
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Testimony to the House of Representatives  
Committee on Consumer Protection & Commerce and the Committee on Judiciary

Thursday, March 11, 2010 2:00 p.m.  
Conference Room 325

To: Representative Robert N. Herkes, Chair,  
Representative Jon Riki Karamatsu, Chair  
Members of the House Committees

**Re: S.B. NO. 2603 SD2 – Relating To The Secure And Fair Enforcement For  
Mortgage Licensing Act (the SAFE Act)**

**The Hawaii Association of Mortgage Brokers supports passage of S.B. 2603**

My name is Scott Coffman, President of the Hawaii Association of Mortgage Brokers. The Hawaii Association of Mortgage Brokers ("HAMB"), a 250+ member of mortgage professionals, supports passage of S.B. NO. 2603. The bill will enable the DCCA to implement a program that will meet the requirements for participation in the Federal SAFE program regulating Mortgage Loan Originators (MLO). Participation is required for individuals to originate residential mortgage loans effective January 2011.

We have concerns in regard to the fee structure for the Hawaii program. At the same time, we recognize that the Hawaii program needs to be self funding from the program participants. We propose a more reasonable schedule of fees for the following reasons:

1. The level of fees for the DFI (in SD 2) when taken in conjunction with related program fees are high. Program participants must pay for national registration, required education programs, testing, recovery funds, finger printing, criminal and credit background checks. First year fees are projected to exceed \$1,500 per MLO. Add another \$990 if they are the managing broker under SB 2603 SD 2. We believe these will contribute to significant attrition in the industry.
2. The DFI's program budget should anticipate lower participation volumes than historically experienced. At the peak of the housing boom there were over 6,000 Brokers & Solicitors. About 1,800 remain as of January, 2010. Any higher than necessary fees will further depress participation.

3. The SAFE Act requires all current industry MLOs to be tested and fully vetted the same as a new participant. This will create an initial wave of activity that will rapidly subside a few weeks into 2011. DFI should use the early applicants as a development test bed to determine if there is a way to sort applicants based upon experience in conjunction with flags from the testing and various background checks.

This would conserve resources and allow operation under a lower fee structure.

Expecting overall costs to be an issue, we propose a more reasonable fee structure, that should allow more of small business owners to remain in the industry:

MLO	Initial Application Fee	\$400.00
	Renewal Fee	\$200.00
MLO Company	Initial Application Fee	\$600.00
	Renewal Fee	\$300.00
Branch Office	Initial Application Fee	\$250.00
	Renewal Fee	\$125.00

We can provide more details in regard to our cost assumptions and operating model, and will be happy to discuss alternatives with you.

Sincerely,

Scott Coffman

