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PRESENTATION OF THE
DIVISION OF FINANCIAL INSTITUTIONS

TO THE
HOUSE COMMITTEE ON FINANCE

THE TWENTY-SIXTH STATE LEGISLATURE
REGULAR SESSION OF 2011

Friday, April 1, 2011
5:00 p.m.

TESTIMONY ON S.B. NO. 1519, S.D.3, H.D.1
RELATING TO MORTGAGE LOAN ORIGINATORS

THE HONORABLE MARCUS R. OSHIRO, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda Catalani, Commissioner of Financial Institutions ("Commissioner") testifying on behalf of the Department of Commerce and Consumer Affairs ("Department") in support of Senate Bill No. 1519, S.D.3, H.D.1.

After meeting with industry representatives and discussing the provisions in S.D. 3, we reached a definitive agreement with those industry representatives on a package of amendments to Chapter 454F, HRS. That package of agreed amendments was presented in testimony as Proposed H.D.1 to the House Committees on Consumer Protection and Commerce and Judiciary at a joint committee hearing on March 16, 2011.

TESTIMONY ON SENATE BILL NO. 1519, S.D.3, H.D.1
April 1, 2011, 5:00 p.m.
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Those committees have produced H.D. 1, which fully and accurately reflects the changes requested by the Department in Proposed H.D.1. We are therefore very pleased to support this measure in its present form.

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



HAWAII ASSOCIATION
OF MORTGAGE BROKERS

P.O. Box 1074
Honolulu, Hawaii 96808

Cathy Lee
President
808-306-8885

Testimony to the House Committee on Finance

Friday, April 1, 2011, 5:00 p.m.
Conference Room 2308

To: Representative Marcus R. Oshiro, Chair,
Representative Marilyn B. Lee, Vice Chair
Members of the Finance Committee

Re: S.B. 1519 SD3, HD1 – Relating To Mortgage Loan Originators

My name is Cathy Lee, President of the Hawaii Association of Mortgage Brokers. The Hawaii Association of Mortgage Brokers ("HAMB"), a 200+ member of mortgage professionals, **can support enactment of SB1519**

With multiple reviews amongst our members we recommend changes be made to two Prohibited Practices (PP) no. (17) and (18). We propose:

(17) Originate a residential mortgage loan based primarily on the current market value of the borrower's collateral rather than on the borrower's ability to repay the loan according to its terms, (CUT AND ADD THE FOLLOWING)
Unless the sale of the property to a bona fide buyer is specified in the mortgage instrument as an option to satisfy the obligation.

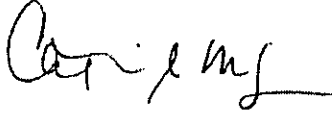
This recognizes that there are valid reasons for short term mortgage financing that may involve the probable sale of the property as the planned strategy.

(18) We recommend deletion of the final phrase on the HD1 version that currently
a. states: "... **all in the same size font as every other loan term;**..."

Following a review of Federal TILA rules, we believe there is comprehensive direction in regard to mortgage related advertising already

If we can provide additional information please let us know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cathy Lee".

Cathy Lee, President HAMB

A handwritten signature in cursive script, appearing to read "Claude R. Phillips".

Claude Phillips, Director HAMB
808 220-1504

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April 1, 2011

Rep. Marcus R. Oshiro, Chair,
and members of the House Committee on Finance
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **Senate Bill 1519, SD 3, HD 1 (Mortgage Loan Originators)**
Hearing Date/Time: Friday, April 1, 2011, 5:00 P.M.

I am the attorney for the Hawaii Financial Services Association ("HFSA"). The HFSA is a trade association for Hawaii's consumer credit industry. Its members include Hawaii financial services loan companies (which make mortgage loans and other loans and which are regulated by the Hawaii Commissioner of Financial Institutions), mortgage lenders, and financial institutions. Many of the financial services loan companies employ mortgage loan originators.

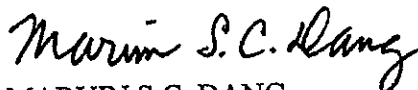
The HFSA supports this Bill.

The purpose of this Bill is to: (1) amend the Secure and Fair Enforcement for Mortgage Licensing Act to require all mortgage loan originators to work under the sponsorship of a registered entity; (2) specify standards for processing denied, abandoned, and withdrawn applications; (3) specify additional prohibited practices and prohibited loan terms; (4) specify duties and qualifications for supervisory staff of sponsoring entities; (5) restrict fees payable to a licensee; (6) clarify confidentiality provisions for applications; (7) establish licensing fees for sponsoring entities; and (8) make conforming amendments.

In previous versions of this Bill, there were problematic provisions. However, the HFSA and other organizations have been working with the Commissioner of Financial Institutions on acceptable revisions to this Bill. Those revisions are contained in the current House Draft 1.

Accordingly, we support the current House Draft 1 version of this Bill.

Thank you for considering our testimony.



MARVIN S.C. DANG

Attorney for Hawaii Financial Services Association

(MSCD/hfsa)