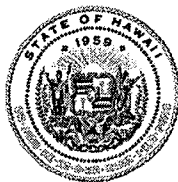


L A T E



NEIL ABERCROMBIE
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TO THE
SENATE COMMITTEE ON
WAYS AND MEANS

THE TWENTY-SIXTH STATE LEGISLATURE
REGULAR SESSION OF 2011

Thursday, February 24, 2011
9:00 a.m.

WRITTEN COMMENTS ON S.B. NO. 1519, S.D.2
RELATING TO MORTGAGE LOAN ORIGINATORS

THE HONORABLE DAVID IGE, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda Catalani, Commissioner of Financial Institutions ("Commissioner"), and I appreciate the opportunity to submit written comments on behalf of the Department of Commerce and Consumer Affairs ("Department") in support of Senate Bill No. 1519, S.D.2.

The Department has a long history of supporting the appropriate regulation and supervision of mortgage loan originators, and this bill contains several

amendments to the Secure and Fair Enforcement for Mortgage Licensing Act, Chapter 454F, Hawaii Revised Statutes ("HRS"), that are necessary to meet regulatory objectives.

The Department became aware of the need for these amendments to Chapter 454F, HRS, in late 2010, when the Nationwide Mortgage Licensing System ("NMLS") became operational for Hawaii licensees. For the most part, these amendments do not make large, substantive changes, but instead, focus on making the licensing determination process more expedient and efficient, and making Hawaii's law consistent with the language and purposes of the NMLS. The few substantive changes that are being proposed arose out of concepts that were discussed with the mortgage loan originator industry, in response to the realization that the current statute fails to address important prohibited mortgage loan originator practices.

After meeting with industry representatives and discussing the provisions in the S.D. 2, we would like to suggest the following amendments to this bill:

1. Page 2, §454F-D Tangible net benefits – delete this section, as the industry said they self-police themselves and legitimate mortgage loan originators make loans to borrowers with the borrowers best interest in mind.
2. Page 6, §454F-F Restrictions on loan terms – delete this section, as the Federal Reserve Board will be regulating this section effective April 1, 2011.

3. Page 11, §454F-H Fees, commissions, and charges payable to mortgage loan originators and mortgage loan originator companies – delete this section, as the Federal Reserve Board will be regulating this section effective April 1, 2011.
4. Page 26, Section 12 §454F-14 – delete the provisions for confidentiality as the Office of Information Protection assures the Department that the licensees confidential information will be protected by state law.
5. Page 31, Section 13 of the bill, §454F-17 Prohibited practices
 - a. (15) add the word “final” between the words “a” and “residential” on line 16, to read as follows: “Fill in or complete any blank on a final residential mortgage loan application that requests material information including financial information without adequate supporting documentation provided by the borrower;”
 - b. (16) replace the word “instrument” with the words “mortgage or note” on line 21 to read as follows: “Fill in or complete any blank on any mortgage or note evidencing or securing the residential mortgage loan which relates to the amount, interest rate, term, or monthly payment of the residential mortgage loan;”
6. Page 32 and 33, Section 13 of the bill, §454F-17 Prohibited practices
 - a. (17), (18) and (19) delete sections as we suggested deleting sections above related to tangible net benefits, costs and fees, and

borrowers ability to pay pursuant to an upcoming Federal Reserve Board regulation of these provisions effective April 1, 2011.

7. Page 33, Section 13 of the bill, §454F-17 Prohibited practices
 - a. (20) replacing "foreclosure or liquidation" with "current market value" on line 19 and adding language to allow the sale to a bona fide buyer on line 21, to read as follows: "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, provided the sale of the property is made to a bona fide buyer;"
8. Page 34, Section 13 of the bill, §454F-17 Prohibited practices
 - a. (21) Advertising – please note that a representative from HAMB will be providing language to for consideration.
 - b. (22) Misrepresent a borrower's credit rating – delete this prohibition, as lenders also request a credit report on residential mortgage loan applicants.
 - c. (23) delete the words "Misrepresent, inflate or fabricate, or" on line 8 so that paragraph (23) shall read as follows: "Encourage a borrower to misrepresent, inflate, or fabricate the source or amount of a borrower's actual income or assets in the application or underwriting process for a residential mortgage loan."

WRITTEN COMMENTS ON SENATE BILL NO. 1519, S.D.2
February 24, 2011, 9:00 a.m.
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The Department strongly supports this bill and asks for your favorable consideration of recommended additions and deletions that will aid the Department in the full implementation of this legislation. Thank you for the opportunity to provide written comments on this measure.

L A T E



P.O. Box 1074
Honolulu, Hawaii 96808

Scott Coffman
Immediate Past President
808-261-7055

Testimony to the Senate Committee on Ways and Means

Thursday, February 24, 2011 9:00 a.m.

To: The Honorable David Ige, Chair and Members of the Committee

Re: S.B. NO. 1519 SD2 – Relating To The Secure And Fair Enforcement For Mortgage Licensing Act

I am Scott Coffman, Immediate Past 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. 1519, as amended by today's testimony from Iris Ikeda Catalani, Commissioner of Financial Institutions, a result of her meeting with mortgage industry professionals yesterday afternoon.

Regarding Page 34, Section 13 of the bill, §454F-17 Prohibited practices

(21) Advertising – add "loan amount, annual percentage rate (APR), monthly payment" after "including" on line 2. Add the word "well" and delete the words "a reasonable number of" on lines 5 and 6. At the end of the section, add "Advertisements including any loan term, must also include other loan terms including loan amount, interest rate, annual percentage rate (APR), and monthly payment, all in the same size font as every other loan term."

The Hawaii Association of Mortgage Brokers supports passage of S.B. NO. 1519 SD 2, with suggested deletions and additions mentioned here and in today's testimony of DFI Commissioner Catalani, by the Senate Committee on Ways and Means.

Sincerely,

Scott Coffman