

HB2501 HD1

Measure Title: RELATING TO MORTGAGE LOAN ORIGINATION.

Report Title: Mortgage Loan Originators; Mortgage Loan Originator Companies; Fees

Description: Amends the Secure and Fair Enforcement for Mortgage Licensing Act to reflect recent changes to federal law and to adjust fees in consideration of the new regulatory requirements. (HB2501 HD1)

Companion: SB2763

Package: Gov

Current Referral: CPN, WAM

Introducer(s): SAY (Introduced by request of another party)

| Sort by Date | | Status Text |
|---------------------|---|---|
| 1/23/2012 | H | Pending introduction. |
| 1/25/2012 | H | Introduced and Pass First Reading. |
| 1/25/2012 | H | Referred to CPC, FIN, referral sheet 7 |
| 1/26/2012 | H | Bill scheduled to be heard by CPC on Monday, 01-30-12 2:00PM in House conference room 325. |
| 1/30/2012 | H | The committee(s) on CPC recommend(s) that the measure be deferred until 02-06-12. |
| 2/3/2012 | H | Bill scheduled for decision making on Monday, 02-06-12 2:15PM in conference room 325. |
| 2/6/2012 | H | The committees on CPC recommend that the measure be PASSED, UNAMENDED. The votes were as follows: 12 Ayes: Representative(s) Herkes, Yamane, Brower, Coffman, Ito, Keith-Agaran, Luke, Souki, Tsuji, Ching, Thielen; Ayes with reservations: Representative(s) Marumoto; Noes: none; and 3 Excused: Representative(s) Cabanilla, Carroll, McKelvey. |
| 2/16/2012 | H | Reported from CPC (Stand. Com. Rep. No. 457-12), recommending passage on Second Reading and referral to FIN. |
| 2/16/2012 | H | Passed Second Reading and referred to the committee(s) on FIN with |

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|-----------|---|---|
| | | none voting aye with reservations; none voting no (0) and M. Lee, Souki excused (2). |
| 2/26/2012 | H | Bill scheduled to be heard by FIN on Wednesday, 02-29-12 10:00AM in House conference room 308. |
| 2/27/2012 | H | Broadcast of hearing/briefing available. See: www.capitoltv.org |
| 3/1/2012 | H | The committees on FIN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 17 Ayes: Representative(s) Oshiro, M. Lee, Choy, Cullen, Giugni, Har, Hashem, Ichiyama, Jordan, Kawakami, C. Lee, Morikawa, Tokioka, Yamashita, Marumoto, Riviere, Ward; Ayes with reservations: none; Noes: none; and Excused: none. |
| 3/2/2012 | H | Reported from FIN (Stand. Com. Rep. No. 948-12) as amended in HD 1, recommending passage on Third Reading. |
| 3/2/2012 | H | Forty-eight (48) hours notice Tuesday, 03-06-12. |
| 3/6/2012 | H | Passed Third Reading as amended in HD 1 with none voting aye with reservations; none voting no (0) and none excused (0). Transmitted to Senate. |
| 3/8/2012 | S | Received from House (Hse. Com. No. 225). |
| 3/8/2012 | S | Passed First Reading. |
| 3/8/2012 | S | Referred to CPN, WAM. |
| 3/9/2012 | S | The committee(s) on CPN has scheduled a public hearing on 03-13-12 9:00AM in conference room 229. |



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TO THE
SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION
THE TWENTY-SIXTH STATE LEGISLATURE
REGULAR SESSION OF 2012

Tuesday, March 13, 2012
9:00 a.m.

TESTIMONY ON H.B. NO. 2501, H.D. 1
RELATING TO MORTGAGE LOAN ORIGINATION

THE HONORABLE ROSALYN H. BAKER, 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 ("DCCA") in strong support of administrative bill, House Bill No. 2501, H.D. 1, with one amendment to clarify the sole proprietor exemption and fees.

Fee structure

After discussions with interested parties affected by this chapter, we have agreed to a compromise on the fee structure as follows:

1. Page 14, line 1: the initial application fee is \$600 (not \$550)
2. Page 14, line 2: the renewal application fee is \$350 (not \$400).
3. All other fees remain the same.

The additional anticipated revenues will be approximately \$66,000 will be used to pay for the expenses of investigations (including subpoenas, and interisland travel, sheriff costs, locksmith costs), and we anticipate the need for an additional person in fiscal year 2013-14 to permanently conduct investigations.

The DFI has found that because the MLOCs are required to have a branch office physically located in Hawaii, and that they must have a branch manager located at the branch office, the MLOs who are branch managers are relocating frequently. MLOCs have been recruiting MLO branch managers from other MLOCs and have caused an increased number of filings by MLOCs and MLOs.

When DFI did unannounced site visits in December 2011, it caused MLOCs to file relocation requests through DFI. About 75% of the relocation applications are done after the fact, and the DFI has been following up with each MLOC to determine why it did not seek prior approval for the relocation. The location of the branch is important to track as consumers are using the Nationwide Mortgage Licensing System ("NMLS") consumer access to determine whether the MLO is licensed and where the branch office is located. Since many of the branches are in private homes, consumers have been

requesting verification that the MLO is licensed in our state. After the relocation is approved by the Commissioner, NMLS and the consumer access page is updated.

Sole Proprietors

DFI licensed 28 sole proprietors during 2011. Every state in the country uses the NMLS to allow applicants to apply online for both initial applications and renewal applications. NMLS collects all fees for each state based on set parameters of MLOs, MLOCs, branches, and exempt MLOCs. NMLS cannot easily program special fees for states to charge for specialized licensees. The only way to adjust the fees for sole proprietors is for them to pay all fees through NMLS and request that the State reimburse the fees we may choose to waive. The reimbursement process may take up to 120 days during the renewal period, and we would complete the renewals before starting the reimbursements as all staff persons work on the renewal applications. The reimbursement process is a manual one for DFI, DCCA fiscal office and DAGS fiscal office.

To avoid the extra costs both to the sole proprietors and to DCCA, we request an amendment to the bill to exempt sole proprietors from the initial application and annual license renewal fees. We suggest the following language be added to section 1 of the bill as a third new section:

§454F- Sole proprietorships; exemption. Every mortgage loan originator company that consists of a single

individual not exempt under section 454F-2 who engages in the business of a mortgage loan originator as a sole proprietorship shall be exempt from state mortgage loan originator initial application and annual license renewal fees."

Based on the number of licenses issued to sole proprietors (MLOC and MLO), we project 15 new applicants for 2012. Using the proposed fees and if we waive the MLO fees, the projected loss of revenue would be \$12,000, which includes the recovery fund fee. At renewal, using the proposed fees and estimating that there will be 40 sole proprietors applying for renewal, waiving the same fee (MLO), the projected loss of revenue would be \$18,000 which also includes the recovery fund fee.

Projected total loss of revenue, if waiving the MLO fees would be \$23,000.

| | SOLE PROPS MLOC/MLO | MLOC Current Fees | MLOC Recovery Fund Fee | Proposed MLO Fees | MLO Recovery Fund Fee |
|-------------------------|---------------------|-------------------|------------------------|-------------------|-----------------------|
| 2012 | | (x) \$900 | (x) \$300 | (x) \$600 | (x) \$200 |
| New Applications | 15 | \$13,500.00 | \$4,500.00 | \$9,000.00 | \$3,000.00 |
| | | (x) \$600 | (x) \$200 | (x) \$350 | (x) \$100 |
| Renewals | 40 | \$24,000.00 | \$8,000.00 | \$14,000.00 | \$4,000.00 |

Taking into account all the adjustments, including the waiving of the MLO fees for sole proprietors, the net amount projected to be collected with the new fee structure is **\$43,000** (\$66,000 – \$23,000).

TESTIMONY ON HOUSE BILL NO. 2501, H.D. 1

March 13, 2012, 9:00 a.m.

Page 5

For these reasons, DFI strongly supports this administration bill, House Bill No. 2501, H.D. 1, and respectfully asks that the measure be passed with the proposed amendments.



**SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
TESTIMONY IN SUPPORT OF
HB 2501, HD1 RELATING TO MORTGAGE LOAN ORIGATION**

Testimony of
Jodie Tanga, President
Hawaii Association of Mortgage Brokers
Tuesday, March 13, 2012, 9:00 a.m.
Conference Room 229

Chair Rosalyn H. Baker, Vice-Chair Brian T. Taniguchi, and members of the Committee:

The Hawaii Association of Mortgage Brokers' ("HAMB") comments are limited to the proposed increases in fees. Originally HB 2501 sought additional increases to fees for mortgage loan originators and their companies. Having already faced major fee increases just last year, it is extremely discouraging for mortgage loan originators and their companies, many of whom are sole proprietors, to be faced with the possibility that their fees will be increased yet again.

However in HAMB's discussions with the Commissioner of Financial Institutions of the Department of Commerce and Consumer Affairs ("the Commissioner") we have reached an agreement with the Commissioner and support the proposed increases as outlined in the House Draft 1 version of the bill as follows:

1. Initial application - additional \$100 for a fee of \$600
2. Annual renewals – additional \$50 for a fee of \$350; and
3. Sole proprietors – a one time application fee.

HAMB is encouraged by its discussions with the Commissioner and supports this amended fee schedule increase. HAMB will continue to work with the Commissioner and has requested additional information regarding how program funds are being utilized and expended. We are anxious to explore alternate cost-cutting avenues to any future fee increases.

Thank you for the opportunity to submit this testimony.