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

Monday, January 30, 2012
2:00 p.m.

TESTIMONY ON H.B. NO. 2501
RELATING TO MORTGAGE LOAN ORIGINATORS

THE HONORABLE ROBERT N. HERKES, 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.

Since the adoption of Hawaii's Mortgage Loan Originator and Mortgage Loan Originator Companies laws, the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) has continued to evolve. New provisions related to nonprofit organizations that provide counseling activities and services for consumers

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and mortgage servicer employees who provide loan modifications have been proposed to provide clarity and guidance to those organizations. The new provisions exempt the following individuals from licensure:

- Employees of certain nonprofit organizations from licensure as mortgage loan originators; and
- Mortgage servicer employees from licensure as mortgage loan originators as long as the services they provide are part of their duties as an employee of a mortgage servicer company and they only provide residential mortgage loan modifications as part of the work out tool.

The factors used to determine whether a nonprofit organization may be exempt from licensure is based on the new federal guidelines released in July 2011. The federal guidelines also provided guidance on how mortgage servicer employees should be treated as it relates to the activities of mortgage servicing and negotiating residential mortgage loan modifications.

These exemptions will enable more people to aid homeowners with troubled mortgages and allow more homeowners to get the assistance they need to modify their mortgages and hopefully be able to retain their homes.

This bill also adds fees for newly established regulatory services and adjusts fees for initial application and annual license renewals for mortgage loan originators, mortgage loan originator companies, and exempt sponsoring mortgage loan originator companies to reflect the additional duties and work required to regulate and monitor

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these companies and their employees. This fee adjustment will also cover the cost of reviewing the quarterly mortgage reports submitted by MLOCs and following up with MLOCs who did not file its quarterly mortgage report. Currently, DFI receives approximately 200 inquiries a month related to MLOs and MLOCs, receives numerous anonymous complaints about MLOs who may be engaging in unlicensed activities, and is currently investigating several MLOs and MLOCs regarding the services they provide to consumers.

For these reasons, DFI strongly supports this administration bill, House Bill No. 2501 and respectfully asks that the measure be passed.

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



January 29, 2012

To: The Honorable Robert N. Herkes, Chair
The Honorable Brian Yamane
Members of the House Committee on Consumer Protection and Commerce

RE: HB No. 2501 - RELATING TO MORTGAGE LOAN ORIGINATION
Amends the Secure and Fair Enforcement for Mortgage Licensing Act to reflect recent federal changes and adjust fees in consideration of the new regulatory requirements.

Thank you for sharing with us the draft copy of HB NO. 2501- relating to Mortgage Loan Origination.

I am Jodie V. Tanga, President of the Hawaii Association of Mortgage Brokers (HAMB). After discussion with members of the executive committee, HAMB opposes the section of the bill where the proposed fees of the MLOs' and companies are to be increased.

We seem to be finding the current fee level is a very discouraging barrier for attracting new MLOs from entering the industry. Raising the application fees by \$50 and renewals by \$100 will likely mean fewer independent MLOs serving the public. Also, in the situation where the independent MLO is the sole owner with an S-corporation or LLC pay, the individual will pay close to \$1,300 per a license renewal. This is making the mortgage brokerage industry a declining one. We are a state comprised of many smaller mortgage loan originating companies, which means often times, the sole owner must pay renewal for themselves, as the Mortgage Loan Originator, as well as for the Mortgage Loan Originating Company. This is leaving the sole owner with very high fees to stay in business and continue their livelihood. We also want to stress that studies headed by Georgetown University's Gregory Eliehausen, indicate Mortgage Loan Originating Companies and Mortgage Loan Originators are the CONSUMERS' most affordable avenue to obtain their mortgages (i.e. vs directly from a bank loan officer). Thus, keeping our industry going strong is very important.

We recommend that an independent study by a CPA firm or acceptable CPA firm or acceptable independent consultant firm be done to determine cost cutting measures to operate with the operational revenue and cost now in place.

In summary, we can not support the request to increase fees.

Should you have any questions, please feel free to call or email me.

Cordially,

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