



NEIL ABERCROMBIE  
GOVERNOR

SHAN S. TSUTSUI  
LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

335 MERCHANT STREET, ROOM 310  
P.O. Box 541  
HONOLULU, HAWAII 96809  
Phone Number: 586-2850  
Fax Number: 586-2856  
[www.hawaii.gov/dcca](http://www.hawaii.gov/dcca)

KEALI'I S. LOPEZ  
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

TO THE  
HOUSE COMMITTEE ON  
COMMERCE AND CONSUMER PROTECTION  
THE TWENTY-SEVENTH STATE LEGISLATURE  
REGULAR SESSION OF 2014

March 17, 2014  
2:10 p.m.

TESTIMONY ON S.B. NO. 2817, S.D. 2  
RELATING TO SECURE AND FAIR ENFORCEMENT  
FOR MORTGAGE LICENSING ACT

THE HONORABLE ANGUS L.K. MCKELVEY, 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 in strong support of this administration bill, Senate Bill No. 2817, S.D. 2, with amendments for clarity, recommended below.

S.B. 2817, S.D. 2 amends Chapter 454F of the Hawaii Revised Statutes, the "Secure and Fair Enforcement for Mortgage Licensing Act." It is largely a housekeeping bill that adds consistency to changes made last session. It also provides needed

clarification and a few updates that will benefit the public and better protect consumers.

It does not change fee schedules or impose new fees.

The bill includes these highlights:

### **Housekeeping and Clarification**

- Adds definitions for the terms elder, principal office, "offers or negotiates terms of a residential mortgage loan" (part of the mortgage loan originator definition), regular business hours, and sole proprietorship. Amends definitions for branch office, mortgage loan originator, mortgage servicer company, and principal place of business.
- Updates names of mortgage call report forms. Clarifies that the reporting requirement applies to an exempt sponsoring mortgage loan originator company ("MLOC").
- Replaces the term "the Nationwide Mortgage Licensing System" with the system's current name, "NMLS" in a couple of places that were missed as an oversight.
- Clarifies that an MLOC must have a separate branch manager at each branch.
- Exempts certain MLOC and mortgage servicer company information from confidentiality requirements, as it is accessible by the public through NMLS.
- Changes the name of the "sole proprietor" mortgage loan originator license to a "sole proprietorship" license, for consistency in use of the latter term.

- Changes the name of the license issued to a mortgage servicer company maintaining a mortgage loan origination license, to a “mortgage loan servicer loan modification” license, to be more descriptive.
- Deletes a provision reimbursing application and renewal fees to sole proprietorship MLOCs. DFI was able to change the NMLS billing system, rendering reimbursement unnecessary.

### **Consumer Protection**

- Removes chapter exemptions for individuals handling mortgage loans for their family members and family property. Mortgage loans involve substantial assets and should be handled by qualified licensees.
- Adds the failure to meet initial licensing requirements at any time as grounds for license denial, suspension, revocation, condition, and non-renewal. Once issued a license, the licensee should continue to meet initial licensing standards.
- Expressly requires registration with the Department’s Business Registration Division for renewal of an MLOC or a mortgage servicer company license.
- Extends the Commissioner’s authority to issue a temporary order to cease doing business, to unlicensed persons who are in violation of Chapter 454F. The law already grants the Commissioner this power with respect to licensees.
- Requires licensees to be open for business to the public during posted business hours at each location. Such notice is important as DFI has received complaints

from stressed consumers reporting that their MLO is not returning phone messages, and that their MLO cannot be found in person.

- Clarifies the authority of the Commissioner or the Commissioner's authorized representatives to conduct an examination or investigation of an MLOC during regular business hours. Some MLOCs have asserted that their business hours are between midnight and 5 a.m., and this clarification will address the problem that those late business hours render them effectively unavailable for DFI examination.

#### **Proposed Amendments on Office Hours**

At various times, representatives of the mortgage loan originator industry and several individual mortgage loan originators have proposed that DFI find satisfactory "office hours" that are "by appointment only". DFI has pointed out to the industry and MLOs that "by appointment only" does not give consumers or mortgage transactions the importance that they warrant. A mortgage loan is of paramount importance to a borrower's financial future and is often a family's largest investment. Before making a 30-year commitment to pay hundreds of thousands of dollars, consumers often want to periodically meet with their mortgage loan originator face to face and reassure themselves that their loan is being handled diligently, knowledgeably and in their best interests. This is particularly important to consumers when new underwriting requirements generate questions, and as the closing deadline approaches with

potentially serious consequences and penalties for untimely performance and non-performance.

DFI has made a genuine effort to work with the industry to help smaller MLO businesses, but there is a limit on the extent to which accommodations can be made without jeopardizing consumer protection. DFI received 33 complaints in 2013 related to consumers being unable to reach their MLO. DFI found 14 of these complaints were of MLOs working from virtual offices with no physical business location open to the public, or MLOs who list an address for NMLS but have no rental or lease agreement at the specified location. Consumers facing financial and contractual deadlines become very worried when they are unable to reach their MLO by phone and cannot find them in person, and there are often substantial escrow deposits at stake. Consequently, DFI is unable to support “by appointment only” office hours.

DFI recommends that if an MLOC is located in a commercial building, it should post its business hours on its main office door. Otherwise, office hours should be posted on the homepage of the MLOC’s website. The goal is for MLOCs to display their office hours clearly, conspicuously and accurately, so consumers know when their MLO can be reached.

### **Compromise Position Reached**

DFI and industry representatives worked on bill provisions for a number of months. Senate Bill 2817, S.D. 2 represents a compromise position that was reached

TESTIMONY ON HOUSE BILL NO. 2817, S.D. 2  
March 17, 2014, 2:10 p.m.  
Page 6

following additional discussions between these and other interested parties, after the bill was introduced. DFI requests that the bill be amended as indicated on the attached bill mark-up, which clarifies business hour posting requirements, and also authorizes an MLOC that is not located in a commercial building to post business hours on its website.

**DFI strongly supports this administration bill, Senate Bill No. 2817, S.D. 2, and respectfully requests that the bill be passed out of the committee with the attached amendatory language. If the committee is in agreement, DFI also requests that the effective date be changed to “on approval”.**

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

1 NMLS to consumers as a location at which the licensee holds  
2 itself out as a mortgage loan originator company. Each such  
3 location shall be open for business to the public during posted  
4 business hours. <sup>which</sup> ~~The posted business hours shall be during~~  
5 regular business hours and displayed in a conspicuous place at  
6 the location to inform the consumer when the location will be  
7 open.

8 (h) The commissioner or the commissioner's authorized  
9 representatives may conduct an examination or investigation  
10 during regular business hours. If the commissioner or the  
11 commissioner's authorized representatives are denied access to  
12 any office, record, or file for any reason, the denial may be  
13 considered a violation of this chapter."

14 SECTION 5. Section 454F-12, Hawaii Revised Statutes, is

15 . If a location is in a commercial building, then the business hours shall be posted on or adjacent to the  
16 main office door of the MLOC location, visible to the public from outside the location. If a location is not in  
17 a commercial building, or such posting is not permitted by the commercial building, then the business  
18 hours shall be posted on the home page of the MLOC's website along with the address and phone  
number of the location. Business hours, whether posted at a location or on an MLOC's website, shall be  
displayed clearly, conspicuously and accurately,

19 a license because of a violation of this chapter,



# HAWAII FINANCIAL SERVICES ASSOCIATION

c/o Marvin S.C. Dang, Attorney-at-Law

P.O. Box 4109

Honolulu, Hawaii 96812-4109

Telephone No.: (808) 521-8521

Fax No.: (808) 521-8522

March 17, 2014

Rep. Angus L.K. McKelvey, Chair, and Rep. Derek S.K. Kawakami, Vice Chair  
and members of the House Committee on Consumer Protection and Commerce  
Hawaii State Capitol  
Honolulu, Hawaii 96813

Re: **Senate Bill 2817, S.D. 2 (Secure and Fair Enforcement for Mortgage Licensing Act)**  
**Hearing Date/Time: Monday, March 17, 2014, 2:10 P.M.**

I am Marvin Dang, 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.

### **The HFSA would like to offer comments.**

The purposes of this Bill are to: (1) add and amends definitions for clarity; (2) delete exemptions for individuals facilitating mortgage loans for family members and family property; (3) clarify requirements for branch managers; (4) require a mortgage loan originator company to be open for business during posted business hours; (5) authorize the Commissioner of Financial Institutions or the Commissioner's representative to conduct examinations or investigations of a mortgage loan originator company during regular business hours; (6) exclude certain information included in NMLS from confidentiality provisions of the law; and (7) make various housekeeping amendments.

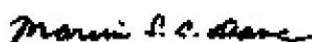
**After this Bill was introduced on January 23, 2014, the Commissioner of Financial Institutions and the HFSA agreed to amend the proposed new definition in this Bill called "offers or negotiates terms of a residential mortgage loan". The agreed-to amendment is in the current Senate Draft 2 on page 1, line 15, and reads as follows:**

**"(3) Takes or gathers information from a borrower or prospective borrower for the purpose of recommending, referring, or steering that borrower or prospective borrower directly or indirectly to a particular lender or set of residential mortgage loan terms, in accordance with a duty to or incentive from any person other than the borrower or prospective borrower."**

The HFSA agreed to this amendment because it is consistent with what was intended by the federal Secure and Fair Enforcement for Mortgage Licensing Act ("federal SAFE Act") and the rule adopted by the Department of Housing and Urban Development to implement the federal SAFE Act, and now administered by the Consumer Financial Protection Bureau as Regulation H ("federal SAFE Act Rule"). In the preamble to the federal SAFE Act Rule, an "individual's generic referral to or recommendation of a particular lender, divorced from any receipt and consideration by the individual of the prospective borrower's application", would not likely be an activity that would subject the individual to a mortgage loan originator licensing obligation.

Under the proposed amendment to the definition to which the HFSA and the Commissioner have agreed, the HFSA envisions that under one scenario, an individual, who is a financial advisor, would not take applications from the individual's clients for mortgage loans and would not take information from the individual's clients for purposes of making a decision, or extending an offer, for a mortgage loan. That financial advisor might introduce his or her clients to a mortgage lender. The individual financial advisor might be compensated for such introduction by the individual's employer, as permitted under the Real Estate Settlement Procedures Act (RESPA), but the compensation would be only from the individual's employer and not from the lender or the borrower. With the proposed amended definition of "offers or negotiates terms of a residential mortgage loan", by referring such a client to a lender, the individual's activity as described above would not constitute acting as a mortgage loan originator.

Accordingly, we support the current wording of the definition of "offers or negotiates terms of a residential mortgage loan," but we take no position on the rest of this Bill. Thank you for considering our testimony.



MARVIN S.C. DANG, Attorney for HFSA





March 17, 2014

TO: HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
Rep. Angus L.K. McKelvey, Chair  
Rep. Derek S.K. Kawakami, Vice Chair

FROM: Tiare Fullerton, President  
Hawaii Association of Mortgage Brokers

RE: SB 2817 SD2, Relating to Secure and Fair Enforcement for Mortgage Licensing Act  
Position: Comments

Dear Chair McKelvey , Vice Chair Kawakami and members of the Committee:

I am Tiare Fullerton, President of the HAMB "The Hawaii Association of Mortgage Professionals" a nonprofit organization dedicated to promoting high standards of professionalism in the mortgage industry through education and advocacy. We are a state affiliate of NAMB "The Association of Mortgage Professionals." We support amending to the House version, HB 2267 HD 1 with two further amendments regarding the proposed definition of sole proprietor and the requirement to post hours of operations.

Just last year, Act 168 was enacted. Among other changes, it reduced the renewal fee for sole proprietors to \$35. The intent of the provision was to provide relief to Mortgage Loan Origination Companies (MLOC) controlled by a single Mortgage Loan Originator (MLO). However, the definition of sole proprietor currently used by DFI and contained in this bill limits the fee reduction to only those MLOCs organized for liability purposes as a sole proprietor. There are MLOCs owned and operated by single MLOs who have chosen to organize as Limited Liability Companies or S Corporations in an effort to protect their personal assets. We request an amendment to the definition to allow the single-MLO MLOCs to pay the \$35 renewal fee, rather than the \$600 fee for their personal renewal on top of the \$600 fee for the license renewal for their company. We have only about 40 MLOCs that are owned and operated by a single MLO. These small businesses would appreciate the reduction in fees intended by the language in the current law.

We appreciate the amendment contained in the HD 1 to allow for our hours to be by appointment. However, the buildings of several of our members do not allow for the posting of additional signs. We request an amendment to provide an alternative posting method for MLOCs operating in buildings that prohibit the posting of additional signs. The draft amendment is attached for your consideration.

Thank you for this opportunity to testify. Copies of our proposed amendments are attached. We look forward to continuing to work with the Committee to improve this bill as it moves through the process.

### **Proposed Sole Proprietor Definition Amendment**

Language to be added is capitalized

"Sole proprietorship" means a mortgage loan originator business that is solely and personally owned and operated by an individual mortgage loan originator, and where there is no legal distinction between the individual business owner and the business. THE SINGLE OWNER FUNCTIONS AS THE QUALIFIED INDIVIDUAL FOR THE FIRM AND HAS NO OTHER MORTGAGE LOAN ORIGINATORS ASSIGNED TO THE BUSINESS THROUGH NMLS. THE NMLS SYSTEM WILL BE USED TO DETERMINE ELIGIBILITY FOR THIS CLASSIFICATION.

### **Proposed Amendment on Posting of Hours:**

Language to be added is capitalized

(g) The principal place of business and each branch office of the mortgage loan originator company shall be identified in NMLS to consumers as a location at which the licensee holds itself out as a mortgage loan originator company. Each such location shall be open for business to the public during posted business hours; provided that the mortgage loan originator company may also post language that specifies that members of the public are seen by appointment during posted business hours. The posted business hours shall be during regular business hours and displayed in a conspicuous place at the location OR CLEARLY, CONSPICUOUSLY AND ACCURATELY ON THE MLOC'S WEBSITE to inform the consumer when the location will be open.

Harbor Financial Group  
745 Fort Street # 327  
Honolulu, HI 96813

Date: 3-14-2014

To: House Committee On Consumer Protection and Commerce  
Representative Angus L. K. McKelvey, Chair  
Representative Derek S. K. Kawakami, Vice Chair

From: Stephen Higa

RE: SB 2817, SD2, Relating to Secure and Fair Enforcement for Mortgage Licensing Act  
Hearing Date, Time and Place: Monday March 17, 2:10 pm Conf Room 325, Hawaii Capitol,

Dear Honorable Chair McKelvey and Vice Chair Kawakami and members of the committee:

I would like to introduce myself, I am Steve Higa, a Sr. Executive Loan Officer with over 30 years of experience in the Lending Industry. I have been HAMB Mortgage Broker of the Year in 1999 & 2008 as well as 2 time President of HAMB.

As mortgage loan originator and former Owner of a MLOC, I oppose the SB 2817, SD2 because of the proposed definition of sole proprietor and the hours of operation requirement.

My understanding of the intention of the previous legislature, the fee exemption for the sole proprietors was intended to allow Mortgage Loan Origination Companies (MLOC) owned by a single Mortgage Loan Originator (MLO) with only themselves as a loan originator to pay only the single MLOC fee. There are MLOCs that meet that definition whose companies are organized for tax and legal purposes as IRS sole proprietors, LLCs, S and C corporations. However, the definition of sole proprietor in SB 2817 limits the fee reduction benefit to only those MLOCs who have not chosen to use an LLC or corporate structure. Such structures provide for a level of liability protection purposes beyond that of a simple single person company. It seems an unfair tactic to charge double the fees for persons that are both Single Owners as well as Single Entity of S Corp or LLC. The cost of owning a small business is already high in Hawaii, and our fees have increased from \$200 to over \$700 per year in the past 4 years.

The proposed requirement in the Bill 2817, SD2 that MLOCs to post and adhere to fixed weekly open office hours. As I understand the purpose is to require us to be available to hours defined as Regular Business Hours of being from 8:00 am to 4:30 pm Monday through Friday. The reason for this MLOC Statewide inclusion into the law is due to DFI having to deal with 1 or 2 MLOC's that stated their business hours were from 12 midnight to 4 am, and therefore wanted DFI to visit them during these hours. Why must the entire



MLO & MLOC's be forced to comply with a Law when DFI already has the power to require all MLOC's to be available to meet with DFI when DFI requires they be open. If they just send a Certified Letter requiring the MLOC respond to DFI's request or face "consequences" described in the current Law, enough said!

I am part of an industry where clients are often met outside of the office and the principals must attend mortgage signings off site at Escrow offices all over the State, as part of the superior service we provide, in order to stay in business and create income to pay taxes. We / I must also attend Seminars and meetings to stay on top of all the new Laws and Regulations imposed by the Dodd / Frank Mortgage Act of 2008 & 2010 (Too many to mention), outside of our office. Why must we (the only Industry Group) be required by law to provide an office that maintains consistent weekly office hours the week? The Landlord at Topa Tower, where my office is located, does not allow us to post any notices on our door or signage because they do not want to be liable if their employees take down or remove these Notices. Per DFI, I must lock my files in my private office when I am out so even if there was a "reception or staff" working they would not be able to help DFI or anyone get information on my client's file, so how does that help? This law will require I be there at the slight chance DFI wants to "check if I exist".

How many times have you gone to a small business only to discover when you arrive the owner is away on vacation or out to lunch or just stuck in traffic? Is there a need to have a Law requiring these small businesses be there during their posted hours? Why must we have this costly requirement? We will be the only Industry with such a requirement, why? Allowing the alternative use of our website rather than physical signage to indicate available hours and contact information would be a more flexible approach and compromise, but a Simple Letter from DFI to the Small Business advising them of their intent of a visit will solve this without having to make this part of the Law. I am concerned that although the intent of the request by DFI may be a relative issue today, another Commissioner may require we be there and we are not, impose penalties that will put us out of business.

In closing, please consider we are the most regulated group in an highly regulated Industry and we are for the most part Small Business and laws like these put further burden upon us, and increase the cost of doing business for the Consumer as well as our Small Business. It also requires more Enforcement by the State that does not have the ability to enforce what they have now, and adding to their load will cause unintended consequences.

Please do not pass SB 2217, SD2 in its present form.

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

Mahalo,



Stephen Higa / 808-783-4442  
HFG / NMLS # 332766

DONALD LAU MORTGAGE BROKER, INC.  
 535 PAIKAU ST.  
 HONOLULU, HI 96816  
 PH: (808) 732-8893  
 FAX: (808) 734-0254  
 (email: [donald.lau@hawaiiantel.net](mailto:donald.lau@hawaiiantel.net))

## FAX TRANSMITTAL

DATE: 3/16/14  
 FROM: Donald Lau  
 TO: House Committee On Consumer Protection and Commerce  
 RE: SB2817, SD2, Relating to Secure and Fair Enforcement for  
 Mortgage Licensing Act.  
 Hearing Date, Time, and Place: Monday March 17, 2:10 P. M.  
 Conference Room 325, Hawaii State Capitol

For Testimony

at-It <sup>®</sup> Fax Note	7671	Date	3/16	# pages
To	CPC	From	DONALD LAU	
Co./Dept.		Co.		
Phone #		Phone #	732-8893	
Fax #	808 586-8437	Fax #	734-0254	

Donald Lau Mortgage Broker, Inc.  
535 Paikau Street  
Honolulu, HI 96816  
Ph.: 808 732-8893

March 16, 2014

To: House Committee On Consumer Protection and Commerce  
Representative Angus L. K. McKelvey, Chair  
Representative Derek S. K. Kawakami, Vice Chair

From: Donald Lau

RE: SB 2817, SD2, Relating to Secure and Fair Enforcement for Mortgage  
Licensing Act  
Hearing Date, Time, and Place: Monday March 17, 2:10 P. M. Conf. Room 325,  
Hawaii State Capitol

Dear Chair McKelvey and Vice Chair Kawakami and members of the Committee,

My name is Donald Lau and I am the President, a 100 % owner of my own company and a sole Mortgage Loan Originator (MLO) for the past 15 years. As a mortgage loan originator, **I oppose SB 2817, SD2 because of the proposed definition of sole proprietor and the hours of operation requirement.**

The proposed new definition of sole proprietor in SB 2817, SD2 limits the fee reduction to only those Mortgage Loan Origination Companies (MLOCs) organized as simple companies. If adopted, very few firms would be eligible for the fee reduction. Single owner/single originator companies which are organized as Limited Liability, S or C corporations in order to protect the MLO's personal assets would become ineligible for the fee reduction per the bill, which is contrary to the original intent of the current regulation to allow MLOCs owned by a single Mortgage Loan Originator with only themselves as the loan originator to pay the reduced MLOC fee once and not double costly renewal fees as defined by SB 2817, SD2.

**For 2014, as a MLO and MLOC, I paid my license renewal fee of \$1,516.41, which is a large sum for a small business to pay and a hardship for many of us in the industry. This renewal fee is by comparison probably more than what single shop realtors pay. So, please amend the definition of sole proprietor to include MLOs with single owner/single originator and also LLC, S or C corporations so as to aid small businesses from unfair, double, high fees.**

My second concern with SB 2817, SD2 is the proposed requirement that mortgage loan origination companies post and adhere to fixed, weekly, open office hours. A profession in which clients are often met outside of the office and the principals must attend mortgage signings off-site and many other meetings and seminars, it is not practical or fiscally possible to maintain inflexible, weekly office hours. A

mortgage loan originator meets clients at the client's convenience, which does not lend itself to set office hours. It seems the proposed legislation is developed to provide DFI convenient audit scheduling and does not take into account the burden of fixed hours on the sole proprietor mortgage loan originator whose livelihood will be inhibited if he/she is tied to the office. One questions: What other professions presently are regulated to post office hours? Is regulation of hours a reasonable requirement? Therefore, if the purpose of this legislation is to provide DFI with the opportunity to schedule either scheduled or unscheduled audits, **the Commissioner of DFI presently has enough authority for enforcement. So, why must punitive rules be initiated? The proposed legislation makes DFI appear to be micro-managing the industry.**

**In conclusion, this proposed bill is poor legislation, which if passed will be detrimental to the mortgage broker industry for the following reasons:**

**Regarding the Sole Proprietor definition:**

- 1. That it is discriminatory against single MLOs owning a MLOC having an LLC, S, or C Corporation.**
- 2. That it will raise the cost significantly for a single MLO owner to operate a MLOC under a LLC, S or C Corporation.**
- 3. That small businesses in the mortgage broker industry will have a harder time financially surviving with the increased cost.**
- 4. That MLOC & MLO renewal costs are unfairly higher than other professions.**

**Regarding the proposed hours posting:**

- 1. That this requirement would create inflexibility for single MLO and small MLOCs who have two or less MLOs.**
- 2. That DFI would be micro-managing the mortgage broker industry by determining work hours and requiring posting of hours on buildings and possibly on other entities like websites.**
- 3. That because other professions are not being regulated as to regular hours of operation, MLOs and MLOCs are unfairly targeted.**
- 4. That DFI appears to be proposing SB 2817, SD2 as a result of its reaction to a few negative responses and which if enacted will punish the mortgage broker industry because of a few bad MLOCs.**
- 5. That the Commissioner of DFI has enough authority for enforcement for non-compliance to the law.**

**The State of Hawaii needs to support small businesses. Please do not pass SB 2817, SD2 in its present form.**

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

Cordially,

Donald Lau







**LATE**

**LATE**

March 14, 2014

To: House Committee on Consumer Protection and Commerce  
Representative Angus L. K. McKelvey, Chair  
Representative Derek S K Kawakami, Vice Chair

From: Cathy Lee

RE: SB 2817 SD2, Relating to Secure and Fair Enforcement for Mortgage Licensing Act

Dear Chair McKelvey and Vice Chair Kawakami,

My name is Cathy Lee. I am a mortgage loan originator and a member of HAMB, The Hawaii Association of Mortgage Professionals. I oppose the proposed bill SB2817 SD2 as it is written due to (1) the proposed definition of a sole proprietor and (2) for the hours of operation requirement.

- (1) As I understood the intention of the existing law, the fee exemption for the sole proprietors was intended to allow Mortgage Loan Origination Companies (MLOC) controlled by a single Mortgage Loan Originator (MLO) with that (MLO) as the only originator to pay only the MLOC fee.

The proposed new definition of "sole proprietor" in SB 2817 SD2 limits the fee reduction to ONLY those MLOC's (MLOC) organized as "simple companies". Alternative organization structures would make a single owner/single originator ineligible for the fee reduction. If adopted there will be very few firms eligible.

I understand that the large majority of MLOC's (MLOC) owned and operated by single MLO's (MLO) have chosen to organize as Limited Liability Companies (LLC) or as S Corporations in an effort to protect the personal assets of the (MLO). Assuring that these single (MLO) shops are also eligible for the fee reduction is an aid to small businesses in a high fee industry.

I know for a fact that these companies have been formed due to professional advice from either their CPA or attorney or both. I for one have been advised by both my CPA and my attorney to change my status from a sole proprietor to an (LLC). I have delayed this for the past two years and am currently having my CPA get my papers together and file before April 15<sup>th</sup> of this year.

- (2) There is concern with the requirement in the bill that (MLOC)s offices and branches maintain posted business hours that are defined in the bill as being within defined "regular business hours" of 8:00am to 4:30pm Monday through Friday.

In an industry where clients are often met outside of the office and the principals must attend mortgage signings off site, it is not practical to provide an office that remains open throughout the week. My office is a 2-person operation. Most of our closing or signings are done at an escrow office that is the nearest and most convenient place for our clients to meet with us. We also have clients that are located on the neighbor islands. We will meet with them as often as they request their meetings with myself and/or the Managing Partner and their closings or signings are always done on the neighbor islands. These are usually an all-day event as driving to the escrow location may take an hour or so depending on the island and the escrow location.

There will be times when both the Managing Partner and myself must attend seminars and conferences in order to stay informed with the new policies that are implemented and to complete our continuing education requirement in order to be compliant with our licensing.

If we are required to have a "warm body" to man our calls or address the public during the "regular business hours", this will place a hardship on a very small independent company as temp services are costly. The only task for this person would be to answer our phones and take messages. This person would not be able to assist the public with financing questions or assist the auditors with their requests or questions as this person would not be licensed or to our locked file cabinets as required by law.

The other issue at hand is "office building compliance". There are many companies that are tenants in office buildings. Our office is located in the Century Square Building, Downtown Honolulu. Building by-laws allow for a door signage for suite number and company name ONLY. It does not allow for posting of "regular office hours" on our office door. It is a uniformed look throughout our building. You are not allowed to post or tape any notices up on your door.

This would create a hardship for all mortgage companies that have to adhere to their building policies if SB 2817 SD2 is passed. The questions that would need to be answered is: "How would you address the issue of out of office due to vacation, sick or illness, lunch or restroom break when you are not allowed to post on your office door if your building by-laws prohibit such actions?" "Would we be cited or fined because of these absences?" These are some of my concerns and of others within our industry. At the current moment, when we are out of the office for a lengthy time, we have the auto "out-of-office" reply stating that we will be out for a specific time and that the client may contact us via cell phone, email or texting should there be a need for an immediate response.

Please do not pass SB 2817 SD2 in its present form

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

Cordially,

A handwritten signature in black ink, appearing to read 'Cathy Lee', enclosed within a hand-drawn oval.

Cathy Lee

Mortgage Loan Originator / NMLS #258662

Hawaii Lending Specialists, LLC dba

Commercial and Business Lending / NMLS #258448

1188 Bishop Street, Suite 602

Honolulu, Hawaii 96813

PH: (808) 585-7227 / FAX: (808) 585-7447

Email: [clee@cblending.com](mailto:clee@cblending.com)