

Honolulu, Hawaii

FEB 08 2013

RE: S.B. No. 1069  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2013  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 1069 entitled:

"A BILL FOR AN ACT RELATING TO MORTGAGE LOAN ORIGINATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Clarify licensure requirements for licensees under the Secure and Fair Enforcement for Mortgage Licensing Act, chapter 454F, Hawaii Revised Statutes;
- (2) Adjust fees for mortgage loan originator licensees; and
- (3) Establish fees for mortgage servicer companies that conduct mortgage loan origination activities.

Your Committee received testimony in support of this measure from the Division of Financial Institutions of the Department of Commerce and Consumer Affairs. Your Committee received comments on this measure from the Hawaii Association of Mortgage Brokers.

Your Committee finds that this measure substitutes references from the "Nationwide Mortgage Licensing System" to "NMLS", in recognition of NMLS's name change and expansion of services beyond mortgage loan origination industries; makes numerous housekeeping and clarification amendments to chapter 454F, Hawaii Revised Statutes; and strengthens educational requirements for mortgage loan originators. Your Committee further finds that the



amendments proposed by this measure are designed to keep state law current with federal law and guidelines.

Your Committee additionally finds that this measure adjusts fees for mortgage loan originators, mortgage loan originator companies, and exempt sponsoring mortgage loan originator companies and establishes fees for mortgage servicer companies that conduct mortgage loan origination activities. The fee adjustments in this measure are necessary to reflect the additional state and federal regulatory requirements and increased supervision now required for these licensees.

Your Committee also finds that the Division of Financial Institutions has indicated that the fee changes proposed by this measure are based on the Division's need to appropriately carry out its mission. The Division is responsible for the licensure, examination, and supervision of state-chartered and licensed banks, trust companies, savings and loan associations, financial services loan companies, credit unions, escrow depositories, money transmitters, mortgage servicers, mortgage loan originators, and mortgage loan originator companies. It is the only entity that monitors the regulatory compliance, safety, and soundness of these industries; the federal government does not provide this oversight.

The Division of Financial Institutions has also indicated that a guiding principle of the Division is to ensure that revenues from each program are sufficient to cover the Division's costs of operating that program. Unfortunately, the mortgage loan origination program ran deficits of more than \$250,000 in the past two fiscal years. It is therefore clear that the mortgage loan origination program is fiscally unsustainable under the existing fee schedules set out in the Hawaii Revised Statutes.

The Division estimates additional revenues of \$10,000 a year, based on the provisions in this measure that adjust and establish fees for the mortgage loan originator industry. The additional fee revenues proposed by this measure, combined with the Division's share of the franchise tax, will help close the deficit in the Division's mortgage loan originator program.

Your Committee notes that representatives of the mortgage loan origination industry met with the Commissioner of Financial Institutions in 2012 and agreed to the fee adjustments for their industry as set out in this measure. Your Committee concludes



that the fee changes proposed by this measure are necessary and appropriate and will enable the Division of Financial Institutions to continue to carry out its legislatively mandated duties.

Your Committee has amended this measure by:

- (1) Making technical, nonsubstantive amendments that amend sections 412:9-501(b); 454F-2.5; 454F-4(a), (c), (e), and (f); 454F-4.9; 454F-6(b) through (e); 454F-9(b), (c), (d), and (g); 454F-14; 454F-17; and 454F-23, Hawaii Revised Statutes, by substituting the word "NMLS" wherever the words "the Nationwide Mortgage Licensing System", or similar term, appears, as the context requires; and
- (2) Making other technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1069, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1069, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,

  
\_\_\_\_\_  
ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Seventh Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:*	Committee Referral:	Date:
SB 1069	CPN, WAM	2/5/13

The committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

Pass, unamended 2312    
  Pass, with amendments 2311    
 Hold 2310    
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
GALUTERIA, Brickwood (VC)				/
NISHIHARA, Clarence K.	/			
SOLOMON, Malama				/
TANIGUCHI, Brian T.				/
WAKAI, Glenn	/			
SLOM, Sam			/	
<b>TOTAL</b>	<b>3</b>		<b>1</b>	<b>3</b>

Recommendation:    
 Adopted    
 Not Adopted

Chair's or Designee's Signature:  
*Clarence K. Nishihara*

Distribution:    
 Original     Yellow     Pink     Goldenrod  
 File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy

\*Only one measure per Record of Votes