

Honolulu, Hawaii

FEB 08 2013

RE: S.B. No. 1070  
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. 1070 entitled:

"A BILL FOR AN ACT RELATING TO MORTGAGE SERVICERS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Authorize the Commissioner of Financial Institutions to conduct examinations and investigations; and
- (2) Adjust fees for mortgage servicer licensees registering through the NMLS system used by the Division of Financial Institutions.

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 finds that the need for meaningful mortgage servicer oversight is evident from the failure of the country's mortgage loan systems and the 2012 National Mortgage Settlement, a landmark \$25,000,000,000 joint federal-state agreement with the nation's five largest mortgage servicers over foreclosure fraud and abuses. As a result of these events, there has been a reevaluation of laws at the state and federal government levels in an effort to address breakdowns in the mortgage service industry and better protect consumers.



Your Committee further finds that although eighty-eight percent of Hawaii mortgage loans are paid on time, the other twelve percent are considered delinquent. Because homes are at stake, it is imperative for the Commissioner of Financial Institutions to have the tools to protect consumers and conduct meaningful examinations and investigations of mortgage servicers. This measure provides the Commissioner with this authority and the ability to cooperate with other states in joint examinations of licensees operating in more than one state.

Your Committee additionally 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 servicer program ran a deficit of \$86,765 in fiscal year 2011 and a deficit of \$173,942 in fiscal year 2012. It is therefore clear that the mortgage servicer program is fiscally unsustainable under the existing fee schedules set by chapter 454M, Hawaii Revised Statutes.

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.

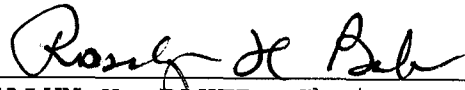
Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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. 1070, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1070, 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



