

SB2817

Measure Title: RELATING TO SECURE AND FAIR ENFORCEMENT FOR MORTGAGE LICENSING ACT.

Report Title: Mortgage Loan Origination; Housekeeping

Description: Adds definitions for clarity. Requires a mortgage loan originator company to be open during specified regular business hours to the public and for examination or investigation by the commissioner. Deletes exemptions for individuals facilitating mortgage loans for their family members and family property. Clarifies that a branch manager may not oversee more than one branch office or principal place of business. Excludes certain information included in NMLS from confidentiality provisions of the law.

Companion: HB2267

Package: Governor

Current Referral: CPN, WAM

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



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

KEALI'I S. LOPEZ
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

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

January 29, 2014
9:00 a.m.

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

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 ("Department") in strong support of this administration bill, Senate Bill No. 2817.

S.B. 2817 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. 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 proprietor. 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.
- Clarifies existing fee schedules for a mortgage servicer company to maintain a mortgage loan servicer loan modification license.

TESTIMONY ON SENATE BILL NO. 2817

January 29, 2014, 9:00 a.m.

Page 3

- Deletes a provision reimbursing application and renewal fees to sole proprietor 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 and good standing with the Department 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 keep and post regular business hours at each location, and to be open to the public for business during those times. This will improve access for customers, and for DFI staff in the conduct of examinations and investigation.

TESTIMONY ON SENATE BILL NO. 2817

January 29, 2014, 9:00 a.m.

Page 4

DFI requests one amendment that was discovered after the submission of the bill due to a misunderstanding of a business registration requirement. The Department's Business Registration Division does not issue certificates of good standing for trade names used by sole proprietors. We request the following amendment:

Page 7

S.B. NO. 2817

1 ~~(4) The mortgage loan originator company is registered~~
2 ~~in business in this State, and is in good standing,~~
3 ~~with the business registration division of the~~
4 ~~department of commerce and consumer affairs.~~

DFI strongly supports this administration bill, Senate Bill No. 2817, and respectfully requests that it be passed out of the committee with the suggested amendment.

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