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**TO THE**  
**SENATE COMMITTEE ON**  
**WAYS AND MEANS**

**THE TWENTY-SEVENTH STATE LEGISLATURE**  
**REGULAR SESSION OF 2014**

**February 13, 2014**  
**9:30 a.m.**

**COMMENTS ON S.B. NO. 2817, S.D. 1**  
**RELATING TO SECURE AND FAIR ENFORCEMENT**  
**FOR MORTGAGE LICENSING ACT**

**THE HONORABLE DAVID Y. IGE, CHAIR,**  
**AND MEMBERS OF THE COMMITTEE:**

My name is Iris Ikeda Catalani, Commissioner of Financial Institutions ("Commissioner"), commenting on behalf of the Department of Commerce and Consumer Affairs ("Department") in strong support of this administration bill, Senate Bill No. 2817, S.D. 1.

S.B. 2817, S.D. 1 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. The bill also 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. These provisions will improve access to the business for both customers and DFI.

### **Compromise Position Reached**

DFI and industry representatives have been working on bill provisions for a number of months. Senate Bill 2817, S.D. 1 represents a compromise position reached following additional discussions between these and other interested parties, after the bill was introduced.

**DFI strongly supports this administration bill, Senate Bill No. 2817, S.D. 1, and respectfully requests that it be passed out of the committee without further amendment.**

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