
A BILL FOR AN ACT

RELATING TO MORTGAGE RESCUE FRAUD.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 480E, Hawaii Revised Statutes, is
2 amended by adding three new sections to be appropriately
3 designated and to read as follows:

4 "§480E-A Recordkeeping and compliance requirements. (a)
5 Any distressed property consultant shall keep, for a period of
6 twenty-four months from the date the record is created, the
7 following records:

8 (1) All contracts or other agreements between the
9 distressed property consultant and any consumer for
10 any mortgage assistance relief service;

11 (2) Copies of all written communications between the
12 distressed property consultant and the distressed
13 property owner or owners occurring prior to the date
14 on which the property owner or owners entered into an
15 agreement with the distressed property consultant for
16 any mortgage assistance relief service;



- 1 (3) Copies of all documents or telephone recordings
2 created in connection with compliance with subsection
3 (b);
- 4 (4) All files containing the distressed property owner's
5 names and phone numbers, dollar amounts paid, and
6 descriptions of mortgage assistance relief services
7 purchased, to the extent the distressed property
8 consultant keeps such information in the ordinary
9 course of business;
- 10 (5) Copies of all materially different sales scripts,
11 training materials, commercial communications, or
12 other marketing materials, including web sites and
13 weblogs, for any mortgage assistance relief service;
14 and
- 15 (6) Copies of the documentation provided to the consumer
16 as specified in section 480E-3.
- 17 (b) A distressed property consultant shall also:
- 18 (1) Take reasonable steps sufficient to monitor and ensure
19 that all employees and independent contractors comply
20 with this chapter. Such steps shall include the
21 monitoring of communications directed at specific



1 consumers, and shall also include, at a minimum, the
2 following:

3 (A) If the distressed property consultant is engaged
4 in the telemarketing of mortgage assistance
5 relief services, performing random, blind
6 recording and testing of the oral representations
7 made by individuals engaged in sales or other
8 customer service functions;

9 (B) Establishing a procedure for receiving and
10 responding to any and all complaints regarding or
11 relating to the distressed property consultant or
12 mortgage assistance relief service, or both; and

13 (C) Ascertaining the number and nature of any
14 complaints regarding transactions in which any
15 employee or independent contractor, or both, is
16 involved;

17 (2) Investigate promptly and fully each consumer complaint
18 received;

19 (3) Take corrective action with respect to any employee or
20 independent contractor whom the distressed property
21 consultant determines is not complying with this



1 chapter, which action may include training,
2 disciplining, or terminating the individual; and

3 (4) Maintain any information and material necessary to
4 demonstrate its compliance with this subsection.

5 (c) A distressed property consultant may keep the records
6 required by this section in any form, and in the same manner,
7 format, or place as it keeps such records in the ordinary course
8 of business.

9 §480E-B Enforcement authority. The attorney general or
10 the executive director of the office of consumer protection are
11 authorized to investigate reported or suspected violations of
12 the federal mortgage assistance relief services rules, set forth
13 in 12 C.F.R. part 1015, and to enforce such rules by bringing
14 civil actions or proceedings.

15 §480E-C Requirements for attorneys licensed in Hawaii. An
16 attorney licensed in the State of Hawaii engaged in the practice
17 of law who performs or provides, or attempts to perform or
18 provide, or who arranges for others to perform or provide, or
19 who assists others to perform or provide, or who makes any
20 solicitation, representation, or offer to perform or provide,
21 any mortgage assistance relief service shall:



- 1 (1) Execute a written contract that identifies each
2 mortgage assistance relief service to be provided;
- 3 (2) Maintain a client trust account that complies with all
4 applicable state laws and rules;
- 5 (3) Deposit into the attorney's client trust account all
6 monies received by or on behalf of the consumer to be
7 provided with any mortgage assistance relief service;
8 and
- 9 (4) Keep and maintain all moneys received in deposit in
10 the client trust account until such time as the
11 attorney has fully performed each service the attorney
12 contracted to perform or represented would be
13 performed."

14 SECTION 2. Section 480E-1, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "~~{}~~ §480E-1 ~~{}~~ Purpose. The purpose of this chapter is to
17 protect Hawaii consumers from persons who prey on ~~[homeowners~~
18 ~~who face property foreclosures, liens, or encumbrances.]~~ them by
19 offering services that purport to provide relief from their
20 mortgage loan obligations or from other filed or threatened
21 liens or encumbrances against their properties. Consumers who



1 face foreclosures, liens, or encumbrances are often in desperate
2 financial situations that can have severe adverse consequences
3 for individuals and families even if the consumers have
4 significant equity in their residential real property. The
5 consumers' desperation makes them vulnerable to persons who
6 claim they can stop, prevent, or delay foreclosures, liens, or
7 encumbrances[-], or claim they can reduce, modify, or eliminate
8 mortgage loan obligations or other filed or threatened liens or
9 encumbrances. Persons who make these claims often use the
10 consumers' desperation to foster unequal bargaining positions
11 and withhold or misrepresent vital information and details. As
12 a result, consumers may be convinced to give up their real
13 property interests and valuable equity to these persons while
14 receiving little in return. Requiring full and complete
15 disclosure of vital information will better enable consumers to
16 make informed decisions when dealing with persons claiming to be
17 able to stop foreclosures, liens, or encumbrances. This
18 [+]chapter[+] addresses possible misrepresentations by
19 compelling persons who offer assistance to fully and completely
20 describe their services in written contracts and gives [the
21 ~~homeowners~~] consumers the right to cancel at any time before a



1 distressed property consultant has performed all services called
2 for in a contract."

3 SECTION 3. Section 480E-2, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "§480E-2 Definitions. As used in this chapter, unless the
6 context otherwise requires:

7 "Consideration" means any payment or thing of value
8 provided to an owner of a distressed property, including
9 reasonable costs paid to independent third parties necessary to
10 complete the distressed property conveyance or payment of money
11 to satisfy a debt or legal obligation of an owner of the
12 distressed property. "Consideration" shall not include any
13 amounts paid or to be paid directly or indirectly to the
14 distressed property purchaser, including amounts identified as
15 "gift equity", "fees", "escrow", or "down payment".

16 "Distressed property" means any residential real property
17 that:

- 18 (1) Is in foreclosure or at risk of foreclosure because
19 payment of any loan that is secured by the residential
20 real property is more than sixty days delinquent;



- 1 (2) Had a lien or encumbrance charged against it because
2 of nonpayment of any taxes, lease assessments,
3 association fees, or maintenance fees;
- 4 (3) Is at risk of having a lien or encumbrance charged
5 against it because the payments of any taxes, lease
6 assessments, association fees, or maintenance fees are
7 more than ninety days delinquent;
- 8 (4) Secures a loan for which a notice of default has been
9 given; [øx]
- 10 (5) Secures a loan that has been accelerated[-]; or
- 11 (6) Is the subject of any solicitation, representation,
12 offer, agreement, promise, or contract to perform any
13 mortgage assistance relief service.

14 "Distressed property consultant" means any person who
15 performs or provides, or attempts to perform or provide, or who
16 arranges for others to perform or provide, or who assists others
17 to perform or provide, or who makes any solicitation,
18 representation, or offer to perform or provide, any [~~of the~~
19 ~~following relating to a distressed property-~~] mortgage
20 assistance relief service.



- 1 ~~[-(1) Stop or postpone the foreclosure sale or loss of any~~
2 ~~distressed property due to the nonpayment of any loan~~
3 ~~that is secured by the distressed property,~~
- 4 ~~-(2) Stop or postpone the charging of any lien or~~
5 ~~encumbrance against any distressed property or~~
6 ~~eliminate any lien or encumbrance charged against any~~
7 ~~distressed property for the nonpayment of any taxes,~~
8 ~~lease assessments, association fees, or maintenance~~
9 ~~fees,~~
- 10 ~~-(3) Obtain any forbearance from any beneficiary or~~
11 ~~mortgagee, or relief with respect to a tax sale of the~~
12 ~~property,~~
- 13 ~~-(4) Assist the owner to exercise any cure of default~~
14 ~~arising under Hawaii law,~~
- 15 ~~-(5) Obtain any extension of the period within which the~~
16 ~~owner may reinstate the owner's rights with respect to~~
17 ~~the property,~~
- 18 ~~-(6) Obtain any waiver of an acceleration clause contained~~
19 ~~in any promissory note or contract secured by a~~
20 ~~mortgage on a distressed property or contained in the~~
21 ~~mortgage,~~



- 1 ~~(7) Assist the owner in foreclosure, loan default, or~~
- 2 ~~post tax sale redemption period to obtain a loan or~~
- 3 ~~advance of funds;~~
- 4 ~~(8) Avoid or ameliorate the impairment of the owner's~~
- 5 ~~credit resulting from the recording or filing of a~~
- 6 ~~notice of default or the conduct of a foreclosure sale~~
- 7 ~~or tax sale; or~~
- 8 ~~(9) Save the owner's residence from foreclosure or loss of~~
- 9 ~~home due to nonpayment of taxes.]~~

10 "Distressed property consultant" shall not include any of
 11 the following:

- 12 (1) A person or the person's authorized agent acting under
- 13 the express authority or written approval of the
- 14 federal Department of Housing and Urban Development;
- 15 (2) A person who holds or is owed an obligation secured by
- 16 a lien on any distressed property, or a person acting
- 17 under the express authorization or written approval of
- 18 such person, when the person performs services in
- 19 connection with the obligation or lien, if the
- 20 obligation or lien did not arise as the result of or
- 21 as part of a proposed distressed property conveyance;

- 1 (3) Banks, savings banks, savings and loan associations,
2 credit unions, trust companies, depository and
3 nondepository financial service loan companies, and
4 insurance companies organized, chartered, or holding a
5 certificate of authority to do business under the laws
6 of this State or any other state, or under the laws of
7 the United States;
- 8 (4) Attorneys licensed in the State of Hawaii engaged in
9 the practice of law;
- 10 (5) Certified public accountants licensed under chapter
11 466, persons holding a permit to practice public
12 accountancy in the State of Hawaii, and persons
13 holding a valid certified public accountant license
14 issued under the laws of another state or territory
15 who are lawfully practicing in the State of Hawaii
16 with a temporary permit to practice pursuant to rules
17 established by the board of public accountancy and who
18 are subject to regulation by the board of public
19 accountancy while engaged in the practice of public
20 accountancy;



- 1 (6) A federal Department of Housing and Urban Development
2 approved mortgagee and any subsidiary or affiliate of
3 these persons or entities, and any agent or employee
4 of these persons or entities, while engaged in the
5 business of these persons or entities;
- 6 (7) A nonprofit organization that, pursuant to chapter
7 446, offers counseling or advice to an owner of a
8 distressed property, if the nonprofit organization has
9 no contract or agreement for services with lenders,
10 distressed property purchasers, or any person who
11 effects loans or distressed property purchases; or
- 12 (8) A person currently licensed as an active real estate
13 broker or real estate salesperson in Hawaii pursuant
14 to chapter 467, when acting in the capacity of a real
15 estate broker or real estate salesperson in accordance
16 with customary industry standards.
- 17 "Distressed property consultant contract" means any
18 agreement or obligation between an owner or agent of an owner of
19 a distressed property and a distressed property consultant.



1 "Distressed property conveyance" means the transfer of any
2 interest in a distressed property effected directly or
3 indirectly by or through a distressed property consultant.

4 "Distressed property conveyance contract" means any
5 agreement or obligation affecting a distressed property
6 conveyance.

7 "Distressed property lease" means any agreement or
8 obligation regarding the lease or rental of a distressed
9 property effected directly or indirectly by or through a
10 distressed property consultant or distressed property purchaser.

11 "Distressed property owner" and "property owner" mean the
12 owner of any distressed property.

13 "Distressed property purchaser" means any person who
14 acquires any interest in a distressed property directly or
15 indirectly through a distressed property conveyance or
16 distressed property conveyance contract.

17 "Fully performed" means:

18 (1) In the case of relief requiring the consent of any
19 lending party, the distressed property consultant or
20 attorney has both:



- 1 (A) Carried out and provided all of the services the
2 distressed property consultant or attorney
3 contracted to perform or represented would be
4 performed; and
- 5 (B) Obtained from the lending party a written offer
6 for mortgage assistance relief that the consumer
7 has accepted by executing the written contract.
- 8 (2) In the case of relief requiring the consent of any
9 non-lending party, including any person that may hold
10 a lien or encumbrance against any residential real
11 property, the distressed property consultant or
12 attorney has both:
- 13 (A) Carried out and provided all of the services the
14 distressed property consultant or attorney
15 contracted to perform or represented would be
16 performed; and
- 17 (B) Obtained from the non-lending party a written
18 offer for mortgage assistance relief that the
19 consumer has accepted by executing the written
20 contract.



1 (3) In all other cases, being instances where consent is
2 not obtained as the result of a mortgage assistance
3 relief service, the property owner obtains the desired
4 relief from a court of law which includes a favorable
5 determination that the mortgage assistance relief
6 service conferred a benefit upon the property owner
7 and is therefore compensable.

8 "Lending party" means the person from whom mortgage
9 assistance relief is sought, and includes the residential loan
10 holder or servicer.

11 "Material" means likely to affect a consumer's choice of,
12 or conduct regarding, any mortgage assistance relief service.

13 ~~["Material fact" means a fact that, if disclosed, might~~
14 ~~have influenced the distressed property owner to not enter into~~
15 ~~the agreement or obligation.]~~

16 "Mortgage assistance relief service" means any service,
17 plan, or program, offered or provided to the consumer in
18 exchange for consideration, that is represented, expressly or by
19 implication, to assist or attempt to assist the consumer with
20 any of the following:



- 1 (1) Stopping, preventing, or postponing the loss of any
2 residential real property, whether by mortgage or deed
3 or trust foreclosure sale or repossession, or
4 otherwise saving any consumer's residential real
5 property from foreclosure or repossession;
- 6 (2) Stopping, preventing, or postponing the charging of
7 any lien or encumbrance against any residential real
8 property or reducing or eliminating any lien or
9 encumbrance charged against any residential real
10 property for the nonpayment of any taxes, lease
11 assessments, association fees, or maintenance fees;
- 12 (3) Saving the owner's property from foreclosure or loss
13 of home due to nonpayment of taxes;
- 14 (4) Negotiating, obtaining, or arranging any modification
15 of any term of a residential loan, including a
16 reduction in the amount of interest, principal
17 balance, monthly payments, or fees;
- 18 (5) Negotiating, obtaining, or arranging any extension of
19 the period of time within which the consumer may:
- 20 (A) Cure the default on a residential loan;
- 21 (B) Reinstate the residential loan;



- 1 (C) Redeem any residential real property; or
2 (D) Exercise any right to reinstate a residential
3 loan or redeem a residential real property;
4 (6) Negotiating, obtaining, or arranging, with respect to
5 any residential real property:
6 (A) A short sale;
7 (B) A deed-in-lieu of foreclosure; or
8 (C) Any other disposition of the property other than
9 a sale to a third party who is not the
10 residential loan holder;
11 (7) Obtaining any forbearance or modification in the
12 timing of payments from any residential loan holder or
13 servicer;
14 (8) Obtaining any forbearance from any beneficiary or
15 mortgagee, or any relief with respect to a tax sale of
16 any residential real property;
17 (9) Obtaining any waiver of an acceleration clause or
18 balloon payment contained in any promissory note or
19 other contract secured by a mortgage on any
20 residential real property or contained in the
21 mortgage;



- 1 (10) Obtaining any extension of the period within which the
2 owner may reinstate the owner's rights with respect to
3 the owner's property;
- 4 (11) Obtaining a loan or advance of funds while the
5 consumer is in foreclosure or at risk of foreclosure
6 due to nonpayment of any obligation related to a
7 residential real property, including but not limited
8 to one or more loans, taxes, lease assessments,
9 association fees, or maintenance fees;
- 10 (12) Obtaining a loan or advance of funds during any post-
11 tax sale redemption period;
- 12 (13) Considering or deciding whether a consumer should
13 continue making payments on any loan, taxes, lease
14 assessments, association fees, or maintenance fees or
15 any other obligation related to a residential real
16 property;
- 17 (14) Exercising any cure of default;
- 18 (15) Avoiding or ameliorating the impairment of the
19 property owner's credit resulting from the recording
20 or filing of a notice of default or the conduct of a
21 foreclosure sale or tax sale;



1 (16) Drafting, preparing, performing, creating, or
2 otherwise obtaining a forensic loan audit, a forensic
3 securitization audit, or any other type of audit,
4 report, summary, affidavit, or declaration involving
5 an opinion, determination, or analysis of whether a
6 lending party has an enforceable mortgage or lien,
7 predicated upon claims that a lending party that is a
8 party to a pooling and service agreement failed to
9 adhere to the terms of that agreement, or that errors
10 occurred after the signing of the mortgage loan, or
11 disputing whether the lending party is the holder of
12 the promissory note, or any argument that the lending
13 party has failed to comply with federal or state
14 mortgage lending laws;

15 (17) Drafting, preparing, performing, creating, or
16 otherwise obtaining any documentation used or intended
17 to be used to advance any legal theory in defense of a
18 foreclosure or ejectment action, regardless of any
19 disclaimer as to providing legal advice; or

20 (18) Understanding any legal theory which may be used in
21 defense of a foreclosure or ejectment action,



1 regardless of any disclaimer as to providing legal
2 advice.

3 "Person" means any individual, partnership, corporation,
4 limited liability company, association, or other group or
5 entity, however organized.

6 "Residential loan" means any loan that is secured by a
7 mortgage against residential real property, regardless of
8 whether the property owner lacks sufficient equity in the
9 property so as to render the loan partially or entirely
10 unsecured.

11 "Residential loan holder" means any person who holds the
12 residential loan that is the subject of the offer to provide
13 mortgage assistance relief services.

14 "Residential real property" means any fee simple or
15 leasehold real property wherever located, the primary use of
16 which is occupancy as a residence by any natural person or
17 persons, regardless of whether the property owner resides on the
18 property.

19 "Servicer" means the person responsible for:

20 (1) Receiving any scheduled periodic payments pursuant to
21 the terms of the residential loan that is the subject



1 of the offer to provide mortgage assistance relief
2 services; and
3 (2) Making the payments of principal and interest and such
4 other payments with respect to the amounts received
5 from the consumer as may be required pursuant to the
6 terms of the mortgage servicing loan documents or
7 servicing contract."

8 SECTION 4. Section 480E-2.5, Hawaii Revised Statutes, is
9 amended to read as follows:

10 " ~~[+] §480E-2.5 [.]~~ **Mortgage rescue fraud; consumer**
11 **education.** The office of consumer protection shall educate
12 consumers about ~~[fraudulent activities]~~ abusive practices that
13 may be committed against ~~[homeowners]~~ consumers who may be
14 offered mortgage assistance relief services, or who face
15 property foreclosures, liens, or encumbrances, as appropriate."

16 SECTION 5. Section 480E-3, Hawaii Revised Statutes, is
17 amended to read as follows:

18 " ~~[+] §480E-3 [.]~~ **Distressed property consultant contract.**

19 (a) A distressed property consultant contract shall be in
20 writing and shall fully disclose all services to be performed by
21 the distressed property consultant and all terms of any



1 agreements between the distressed property consultant and all
2 owners of the distressed property, including the total amount
3 and terms of compensation to be directly or indirectly received
4 by the distressed property consultant.

5 (b) A distressed property consultant contract shall
6 contain on its first page in a type size no smaller than
7 fourteen-point boldface type:

- 8 (1) A description of the distressed property;
- 9 (2) The name, street address, and telephone number of the
10 distressed property consultant; and
- 11 (3) The name and address of the distressed property
12 consultant to which notice of cancellation is to be
13 delivered.

14 (c) A distressed property consultant contract shall be
15 dated and signed by the distressed property consultant. If the
16 distressed property consultant is a person other than an
17 individual, the individual executing the distressed property
18 consultant contract on behalf of the distressed property
19 consultant shall identify the title and office held by the
20 individual.

1 (d) A distressed property consultant contract shall be
2 dated and signed by all owners of the distressed property.

3 (e) A distressed property consultant contract shall
4 disclose the following information, and shall be substantially
5 in the following form and printed in not less than fourteen
6 point type:

7 "You may stop doing business with us at any time. You may
8 accept or reject the offer of mortgage assistance we obtain
9 from your lender (or servicer). If you reject the offer,
10 you do not have to pay us. If you accept the offer, you
11 will have to pay us [insert amount or method of calculating
12 the amount] for our services.

13 [Name of the company] is not associated with the
14 government, and our service is not approved by the
15 government or your lender.

16 Even if you agree to use our service in an attempt to
17 obtain mortgage assistance relief from the lending party,
18 your lender may not agree to change your loan.

19 IF YOU STOP PAYING YOUR MORTGAGE, YOU COULD LOSE YOUR HOME
20 AND DAMAGE YOUR CREDIT RATING."



1 For the purposes of this subsection the amount "you will have to
2 pay" shall consist of the total amount the consumer must pay to
3 purchase, receive, and use all of the mortgage assistance relief
4 services that are the subject of the sales offer, including, but
5 not limited to, all fees and charges.

6 [~~e~~] (f) The distressed property consultant shall provide
7 each distressed property owner with a copy of the distressed
8 property consultant contract and attached notice of cancellation
9 immediately upon execution by all parties to the distressed
10 property consultant contract. A distressed property consultant
11 contract shall not be effective until all parties to the
12 distressed property consultant contract have signed the
13 contract.

14 (g) As to those forms of mortgage assistance relief which
15 can only be obtained from a lending party, the objective of
16 every such distressed property consultant contract shall be to
17 obtain from the lending party a written offer to the distressed
18 property owner for mortgage assistance relief on terms
19 acceptable to the property owners. Any such agreement with the
20 lending party for mortgage assistance relief shall be in
21 writing, and shall become binding upon the distressed property



1 owners only after all property owners have accepted the offer by
2 executing the written contract."

3 SECTION 6. Section 480E-5, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "[+] §480E-5 [+] Cancellation of a distressed property
6 consultant contract. (a) In addition to any other legal right
7 to rescind a contract, any distressed property owner has the
8 right to cancel a distressed property consultant contract,
9 without any penalty or obligation, at any time before the
10 distressed property consultant has fully performed each and
11 every service the distressed property consultant contracted to
12 perform or represented would be performed.

13 (b) Cancellation occurs when any [~~owner of a~~] distressed
14 property owner delivers, by any means, written notice of
15 cancellation to the address specified in the distressed property
16 consultant contract.

17 (c) Notice of cancellation, if given by mail, is effective
18 when deposited in the mail with postage prepaid. Notice by
19 certified mail, return receipt requested, addressed to the
20 address specified in the distressed property consultant
21 contract, shall be conclusive proof of notice of cancellation.



1 (d) Notice of cancellation given by any ~~[owner of a]~~
2 distressed property owner need not take the particular form as
3 provided with the distressed property consultant contract and,
4 however expressed, is effective if it indicates the intention of
5 ~~[an owner]~~ the distressed property owner not to be bound by the
6 contract."

7 SECTION 7. Section 480E-6, Hawaii Revised Statutes, is
8 amended by amending subsections (a) and (b) to read as follows:

9 "(a) A distressed property conveyance contract shall be in
10 writing and shall fully disclose all rights and obligations of
11 the distressed property purchaser and all ~~[owners of the]~~
12 distressed property owners and all terms of any agreements
13 between the distressed property purchaser and all ~~[owners of the]~~
14 ~~distressed property.]~~ distressed property owners.

15 (b) Every distressed property conveyance contract shall
16 specifically include the following terms:

17 (1) The total consideration to be given by the distressed
18 property purchaser or tax lien payor in connection
19 with or incident to the distressed property
20 conveyance;



- 1 (2) A complete description of the terms of payment or
- 2 other consideration including any services of any
- 3 nature that the distressed property purchaser
- 4 represents will be performed for any owner of the
- 5 distressed property before or after the distressed
- 6 property conveyance;
- 7 (3) A complete description of the terms of any related
- 8 agreement designed to allow any [~~owner of the~~]
- 9 distressed property owner to remain in the distressed
- 10 property, such as a rental agreement, repurchase
- 11 agreement, contract for deed, or lease with option to
- 12 buy;
- 13 (4) All notices as provided in this chapter;
- 14 (5) The following notice, in a type size no smaller than
- 15 fourteen-point boldface type, completed with the name
- 16 of the distressed property purchaser, shall appear
- 17 immediately above the notice of right to cancel a
- 18 distressed property conveyance contract required by
- 19 section 480E-7(a):

"NOTICE REQUIRED BY HAWAII LAW



1 UNTIL YOUR RIGHT TO CANCEL THIS CONTRACT HAS ENDED,
2 (Name of distressed property purchaser) OR ANYONE
3 WORKING FOR (Name of distressed property purchaser)
4 CANNOT ASK YOU TO SIGN OR HAVE YOU SIGN ANY DEED OR
5 ANY OTHER DOCUMENT. YOU ARE URGED TO HAVE THIS
6 CONTRACT REVIEWED BY AN ATTORNEY OF YOUR CHOICE WITHIN
7 FIFTEEN BUSINESS DAYS OF SIGNING IT."; and

8 (6) If title to the distressed property will be
9 transferred in the conveyance transaction, the
10 following notice, in a type size no smaller than
11 fourteen-point boldface type, completed with the name
12 of the distressed property purchaser, shall appear
13 immediately below the notice required by paragraph
14 (5):

15 "NOTICE REQUIRED BY HAWAII LAW
16 AS PART OF THIS TRANSACTION, YOU ARE GIVING UP TITLE
17 TO YOUR HOME." "

18 SECTION 8. Section 480E-8, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "[+] §480E-8 [+] Cancellation of a distressed property
21 conveyance contract. (a) In addition to any other legal right



1 to rescind a contract, any distressed property owner has the
2 right to cancel a distressed property conveyance contract,
3 without any penalty or obligation, at any time before the later
4 of midnight of the fifteenth business day following the day on
5 which the last party to a distressed property conveyance
6 contract signs the distressed property conveyance contract or
7 5:00 p.m. on the last day of the period during which any owner
8 of a distressed property has the right to cure a default under
9 state law.

10 (b) The period of fifteen business days following the day
11 on which the last party to a distressed property conveyance
12 contract signs the contract during which any [~~owner of the~~]
13 distressed property owner may cancel the contract shall not
14 begin to run until all parties to the distressed property
15 conveyance contract have executed the distressed property
16 conveyance contract and the distressed property purchaser has
17 complied with all the requirements of sections 480E-6, 480E-7,
18 and this section.

19 (c) Cancellation occurs when any [~~owner of a~~] distressed
20 property owner delivers, by any means, and within the time
21 specified under subsection (a), written notice of cancellation



1 to the address specified in the distressed property conveyance
2 contract.

3 (d) Notice of cancellation, if given by mail, is effective
4 when deposited in the mail with postage prepaid. Notice by
5 certified mail, return receipt requested, addressed to the
6 address specified in the distressed property conveyance
7 contract, shall be conclusive proof of notice of cancellation.

8 (e) Notice of cancellation given by any ~~[owner of a]~~
9 distressed property owner need not take the particular form as
10 provided with the distressed property conveyance contract and,
11 however expressed, is effective if it indicates the intention of
12 ~~[an owner]~~ a distressed property owner not to be bound by the
13 contract.

14 (f) Within fifteen days following receipt of a notice of
15 cancellation given in accordance with this section, the
16 distressed property purchaser shall return, without condition,
17 any and all original contracts and documents signed by any
18 ~~[owner of the distressed property.]~~ distressed property owner."

19 SECTION 9. Section 480E-10, Hawaii Revised Statutes, is
20 amended to read as follows:



1 " [f] §480E-10 [f] Prohibitions. (a) A distressed property
2 consultant shall not:

3 (1) Represent, expressly or by implication, in connection
4 with the advertising, marketing, promotion, offering
5 for sale, or performance of any mortgage assistance
6 relief service, that a distressed property owner
7 cannot or should not contact or communicate with the
8 person's lender or servicer;

9 (2) Misrepresent, expressly or by implication, any
10 material aspect of any mortgage assistance relief
11 service, including but not limited to:

12 (A) The likelihood of negotiating, obtaining, or
13 arranging any represented service or result, such
14 as those set forth in the definition of mortgage
15 assistance relief service;

16 (B) The amount of time it will take the distressed
17 property consultant to accomplish any represented
18 service or result, such as those set forth in the
19 definition of mortgage assistance relief service;



- 1 (C) That a mortgage assistance relief service is
2 affiliated with, endorsed or approved by, or
3 otherwise associated with:
- 4 (i) The United States government;
5 (ii) Any governmental homeowner assistance plan;
6 (iii) Any federal, state, or local government
7 agency, unit, or department;
8 (iv) Any nonprofit housing counselor agency or
9 program;
10 (v) The maker, holder, or servicer of the
11 consumer's residential loan; or
12 (vi) Any other individual, entity, or program;
- 13 (D) The distressed property owner's obligation to
14 make scheduled periodic payments or any other
15 payments pursuant to the terms of the distressed
16 property owner's residential loan;
- 17 (E) The terms or conditions of the distressed
18 property owner's residential loan, including but
19 not limited to the amount of the debt owed;
- 20 (F) The terms or conditions of any refund,
21 cancellation, exchange, or repurchase policy for



- 1 any mortgage assistance relief service, including
2 but not limited to the likelihood of obtaining a
3 full or partial refund, or the circumstances in
4 which a full or partial refund will be granted,
5 for a mortgage assistance relief service;
- 6 (G) That the distressed property consultant has
7 completed the represented services or has a right
8 to claim, demand, charge, collect, or receive
9 payment or other consideration;
- 10 (H) That the distressed property owner will receive
11 legal representation;
- 12 (I) The availability, performance, cost, or
13 characteristics of any alternative to for-profit
14 mortgage assistance relief services through which
15 the distressed property owner can obtain mortgage
16 assistance relief, including negotiating directly
17 with the residential loan holder or servicer, or
18 using any nonprofit housing counselor agency or
19 program;



- 1 (J) The amount of money or the percentage of the debt
- 2 amount that a distressed property owner may save
- 3 by using any mortgage assistance relief service;
- 4 (K) The total cost to purchase any mortgage
- 5 assistance relief service; or
- 6 (L) The terms, conditions, or limitation of any offer
- 7 of mortgage assistance relief the distressed
- 8 property consultant obtains from the distressed
- 9 property owner's residential loan holder or
- 10 servicer, including the time period in which the
- 11 distressed property owner must decide to accept
- 12 the offer;
- 13 (3) Make any representation, expressly or by implication,
- 14 about the benefits, performance, or efficacy of any
- 15 mortgage assistance relief service unless, at the time
- 16 such representation is made, the provider possesses
- 17 and relies upon competent and reliable evidence that
- 18 substantiates that the representation is true. For
- 19 the purposes of this paragraph, competent and reliable
- 20 evidence means tests, analyses, research, studies, or
- 21 other evidence based on the expertise of professionals

- 1 in the relevant area, that have been conducted and
2 evaluated in an objective manner by individuals
3 qualified to do so, using procedures generally
4 accepted in the profession to yield accurate and
5 reliable results;
- 6 ~~[-(1) Misrepresent or conceal]~~ (4) Conceal any material
7 fact;
- 8 ~~[-(2)]~~ (5) Induce or attempt to induce a distressed property
9 owner to waive any provision of this chapter;
- 10 ~~[-(3)]~~ (6) Make any promise or guarantee not fully disclosed
11 in the distressed property consultant contract;
- 12 ~~[-(4)]~~ (7) Engage or attempt to engage in any activity or
13 act concerning the distressed property not fully
14 disclosed in the distressed property consultant
15 contract;
- 16 ~~[-(5)]~~ (8) Induce or attempt to induce a distressed property
17 owner to engage in any activity or act not fully
18 disclosed in the distressed property consultant
19 contract;
- 20 ~~[-(6)]~~ (9) Take, ask for, claim, demand, charge, collect, or
21 receive any compensation until after the distressed



1 property consultant has fully performed each service
2 the distressed property consultant contracted to
3 perform or represented would be performed;

4 [~~(7)~~] (10) Take, ask for, claim, demand, charge, collect,
5 or receive for any reason, any fee, interest, or any
6 other compensation that exceeds the two most recent
7 monthly mortgage installments of principal and
8 interest due on the loan first secured by the
9 distressed property or the most recent annual real
10 property tax charged against the distressed property,
11 whichever is less;

12 [~~(8)~~] (11) Take or ask for a wage assignment, a lien of any
13 type on real or personal property, or other security
14 to secure the payment of compensation. This type of
15 security is void and not enforceable;

16 [~~(9)~~] (12) Receive any consideration from any third party
17 in connection with services rendered to a distressed
18 property owner unless the consideration is fully
19 disclosed in the distressed property consultant
20 contract;



- 1 ~~[(10)]~~ (13) Acquire any interest, directly or indirectly, or
2 by means of a subsidiary or affiliate, in a distressed
3 property from a distressed property owner with whom
4 the distressed property consultant has contracted;
- 5 ~~[(11)]~~ (14) Require or ask a distressed property owner to
6 sign any lien, encumbrance, mortgage, assignment, or
7 deed unless the lien, encumbrance, mortgage,
8 assignment, or deed is fully described in the
9 distressed property consultant contract, including all
10 disclosures required by this chapter; ~~[or]~~
- 11 ~~[(12)]~~ (15) Take any power of attorney from a distressed
12 property owner for any purpose, except to inspect
13 documents concerning the distressed property as
14 allowed by law~~[-]~~;
- 15 (16) Advise or instruct a distressed property owner to stop
16 making payments to any lending party if that property
17 owner is not in receipt of a written notice that the
18 property owner's residential loan has been
19 accelerated;
- 20 (17) Fail to disclose, at the time the distressed property
21 consultant furnishes the distressed property owner



1 with the lending party's written offer for mortgage
2 assistance relief, the following information:

3 "This is an offer of mortgage assistance we
4 obtained from your lender [or servicer]. You may
5 accept or reject the offer. If you reject the
6 offer, you do not have to pay us. If you accept
7 the offer, you will have to pay us [same amount
8 as disclosed in the distressed property
9 consultant contract] for our services."

10 The disclosure required by this paragraph must be made
11 in a clear and prominent manner, on a separate written
12 page, and preceded by the heading:

13 "IMPORTANT NOTICE: Before buying this service,
14 consider the following information."

15 The heading must be in bold face type that is two
16 point-type larger than the type size of the required
17 disclosure;

18 (18) Fail to provide, at the time the distressed property
19 consultant furnishes the distressed property owner
20 with the written agreement specified in paragraph
21 (17), a notice from the lending party that describes



1 all material differences between the terms,
2 conditions, and limitations associated with the
3 distressed property owner's current residential loan
4 and the terms, conditions, and limitations associated
5 with the distressed property owner's residential loan
6 if the owner accepts the lending party's offer,
7 including but not limited to differences in the
8 loan's:

9 (A) Principal balance;

10 (B) Contract interest rate, including the maximum
11 rate and any adjustable rates, if applicable;

12 (C) Amount and number of the owner's scheduled
13 periodic payments on the loan;

14 (D) Monthly amounts owed for principal, interest,
15 taxes, and any mortgage insurance on the loan;

16 (E) Amount of any delinquent payments owing or
17 outstanding;

18 (F) Assessed fees or penalties; and

19 (G) Term;

20 The notice must be made in a clear and prominent
21 manner, on a separate written page, and preceded by



1 the heading: "IMPORTANT INFORMATION FROM YOUR [name of
2 lender or servicer] ABOUT THIS OFFER." The heading
3 must be in bold face type that is two-point-type
4 larger than the type size of the required disclosure;
5 and
6 (19) Fail to disclose in the notice specified in paragraph
7 (18), in cases where the offer of mortgage assistance
8 relief obtained by the distressed property consultant
9 from the lending party is a trial residential loan
10 modification, the terms, conditions, and limitations
11 of this offer, including but not limited to:
12 (A) The fact that the distressed property owner may
13 not qualify for a permanent loan modification;
14 and
15 (B) The likely amount of the scheduled periodic
16 payments and any arrears, payments, or fees that
17 the distressed property owner would owe in
18 failing to qualify;
19 (20) File any document in the bureau of conveyances of the
20 State of Hawaii that purports to modify, reduce,
21 eliminate, discharge, contest, or otherwise effect any



1 mortgage, lien, or encumbrance of record without,
 2 either the express written consent of the lending
 3 party or lienholder or a court order permitting or
 4 directing the document to be filed, with the exception
 5 of a notice of pendency of action or lis pendens.

- 6 (b) A distressed property purchaser shall not:
- 7 (1) Misrepresent or conceal any material fact;
 - 8 (2) Induce or attempt to induce a distressed property
 - 9 owner to waive any provision of this chapter;
 - 10 (3) Make any promise or guarantee not fully disclosed in
 - 11 the distressed property conveyance [+]contract[+];
 - 12 (4) Engage or attempt to engage in any activity or act
 - 13 concerning the distressed property not fully disclosed
 - 14 in the distressed property conveyance contract;
 - 15 (5) Induce or attempt to induce a distressed property
 - 16 owner to engage in any activity or act not fully
 - 17 disclosed in the distressed property conveyance
 - 18 contract;
 - 19 (6) Enter into or attempt to enter into a distressed
 - 20 property conveyance unless the distressed property
 - 21 purchaser verifies and can demonstrate that [~~an owner~~



1 ~~ef]~~ the distressed property owner has a reasonable
2 ability to pay any amounts due to reacquire an
3 interest in the distressed property or to make monthly
4 or any other payments due under a distressed property
5 conveyance contract or distressed property lease, if
6 the distressed property purchaser allows any ~~[owner of~~
7 a] distressed property owner to remain in, occupy,
8 use, or repurchase the distressed property;
9 (7) Fail to make a payment to the ~~[owner of the]~~
10 distressed property owner at the time the title is
11 conveyed so that the ~~[owner of the]~~ distressed
12 property owner has received consideration in an amount
13 of at least eighty-two per cent of the property's fair
14 market value, or, in the alternative, fail to pay the
15 ~~[owner of the]~~ distressed property owner no more than
16 the costs necessary to extinguish all of the existing
17 obligations on the distressed property, as set forth
18 in this chapter; provided that the distressed property
19 owner's costs to repurchase the distressed property
20 pursuant to the terms of the distressed property
21 conveyance contract do not exceed one hundred twenty-



- 1 five per cent of the distressed property purchaser's
2 costs to purchase the property. If [~~an owner~~] a
3 distressed property owner is unable to repurchase the
4 property pursuant to the terms of the distressed
5 property conveyance contract, the distressed property
6 purchaser shall not fail to make a payment to the
7 [~~owner of the~~] distressed property owner so that the
8 [~~owner of the~~] distressed property owner has received
9 consideration in an amount of at least eighty-two per
10 cent of the property's fair market value at the time
11 of conveyance or at the expiration of the distressed
12 property owner's option to repurchase;
- 13 (8) Enter into any repurchase or lease agreement as part
14 of a distressed property conveyance contract or
15 subsequent conveyance of an interest in the distressed
16 property back to a distressed property owner that is
17 unfair or commercially unreasonable or engage in any
18 other unfair conduct;
- 19 (9) Represent, directly or indirectly, that the distressed
20 property purchaser is acting as an advisor or a
21 consultant or is acting on behalf of or assisting an



- 1 owner of a distressed property to "remain in the
2 house", "save the house", "buy time", or "stop the
3 foreclosure" or is doing anything other than
4 purchasing the distressed property;
- 5 (10) Misrepresent the distressed property purchaser's
6 status as to licensure or certification;
- 7 (11) Do any of the following until after the time during
8 which [~~an owner of~~] a distressed property owner may
9 cancel the distressed property conveyance contract:
- 10 (A) Accept from [~~an owner of the~~] a distressed
11 property owner execution of any instrument of
12 conveyance of any interest in the distressed
13 property;
- 14 (B) Execute an instrument of conveyance of any
15 interest in the distressed property; or
- 16 (C) Pursuant to chapter 501 or 502, record any
17 document signed by [~~an owner of~~] a distressed
18 property[~~r~~] owner, including any instrument of
19 conveyance;
- 20 (12) Fail to re-convey title in a distressed property to
21 the distressed property owner or owners when the terms



1 of the distressed property conveyance contract have
2 been fulfilled if the distressed property consultant
3 or distressed property purchaser contracted or
4 represented that title in the distressed property
5 would be re-conveyed to the distressed property owner
6 or owners when the terms of the distressed property
7 conveyance contract have been fulfilled;

8 (13) Induce or attempt to induce [~~an owner of the~~] a
9 distressed property owner to execute a quitclaim deed
10 concerning a distressed property;

11 (14) Enter into a distressed property conveyance contract
12 where any party to the contract is represented by
13 power of attorney;

14 (15) Immediately following the conveyance of the distressed
15 property, fail to extinguish all liens encumbering the
16 distressed property at the time of the distressed
17 property conveyance or fail to assume all liability
18 with respect to all liens encumbering the distressed
19 property at the time of the distressed property
20 conveyance, which assumption shall be accomplished
21 without violations of the terms and conditions of the



- 1 lien or liens being assumed. Nothing herein shall
2 preclude a lender from enforcing any provision in a
3 contract that is not otherwise prohibited by law;
- 4 (16) Fail to complete a distressed property conveyance
5 through:
- 6 (A) An escrow depository licensed by the department
7 of commerce and consumer affairs;
- 8 (B) A bank, trust company, or savings and loan
9 association authorized under any law of this
10 State or of the United States to do business in
11 the State;
- 12 (C) A person licensed as a real estate broker in this
13 State who is the broker for a party to the
14 escrow; provided that the person does not charge
15 any escrow fee; or
- 16 (D) A person licensed to practice law in this State
17 who, in escrow, is not acting as the employee of
18 a corporation; provided that the person does not
19 charge any escrow fee; or
- 20 (17) Cause the property to be conveyed or encumbered
21 without the knowledge or permission of all ~~owners of~~



1 a] distressed property owners or in any way frustrate
2 the ability of [a] any distressed property owner to
3 reacquire the distressed property.

4 (c) There shall be a rebuttable presumption that an
5 appraisal by a person licensed or certified as a real property
6 appraiser by the State or the federal government is an accurate
7 determination of the fair market value of the property.

8 (d) An evaluation of "reasonable ability to pay" under
9 this chapter shall include debt to income ratio, fair market
10 value of the distressed property, and the distressed property
11 owner's payment history."

12 SECTION 10. Section 480E-11, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "**§480E-11 Unfair or deceptive act or practice; penalties.**

15 (a) Any person who violates any provision of this chapter shall
16 be deemed to have engaged in an unfair or deceptive act or
17 practice in the conduct of any trade or commerce within the
18 meaning of section 480-2.

19 (b) Any person who violates any provision of 12 C.F.R.
20 part 1015, pertaining to mortgage assistance relief services,
21 shall be deemed to have engaged in an unfair or deceptive act or



1 practice in the conduct of any trade or commerce within the
2 meaning of section 480-2.

3 ~~[-(b)]~~ (c) The penalties provided in this section shall be
4 cumulative to the remedies or penalties available under all
5 other laws of this State."

6 SECTION 11. In codifying the new sections added to chapter
7 480E, Hawaii Revised Statutes, by section 1 of this Act, the
8 revisor of statutes shall substitute appropriate section numbers
9 for the letters used in designating the new sections in this
10 Act.

11 SECTION 12. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 13. This Act shall take effect on July 1, 2030.



Report Title:

Mortgage Rescue Fraud; Mortgage Assistance Relief Services Rule;
Distressed Property Owners

Description:

Harmonizes Hawaii's Mortgage Rescue Fraud Prevention Act with
the Federal Trade Commission's Mortgage Assistance Relief
Services Rule. Provides technical amendments. (HB2326 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is
not legislation or evidence of legislative intent.*

