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**TO THE
HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE**

**THE TWENTY-EIGHTH STATE LEGISLATURE
REGULAR SESSION OF 2015**

Wednesday, February 11, 2015
2:30 p.m.

TESTIMONY ON H.B. NO. 1096

**RELATING TO THE SECURE AND FAIR ENFORCEMENT
FOR MORTGAGE LICENSING ACT**

THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda, Commissioner of Financial Institutions ("Commissioner"), testifying on behalf of the Department of and Consumer Affairs ("Department") on House Bill No. 1096. The Department offers the following comments.

House Bill No. 1096 proposes to amend the Secure and Fair Enforcement for Mortgage Licensing Act (Chapter 454F, HRS), by revising requirements of mortgage loan originator companies ("MLOCs") for posting business hours.

The public would be disserved by relaxing the MLOC office hour requirements of Section 454F-10.5, HRS, to require only that an MLOC be available "by appointment", during posted business hours that are during regular business hours.

A mortgage loan is of paramount importance to a borrower. It is typically a 30-year commitment to pay hundreds of thousands of dollars, and the basis for a family's financial future. The home that secures the loan is often a family's largest investment. By appointment only may work for industries where potential consumer risks and licensee responsibilities are magnitudes lower. But by appointment only does not serve a stressed mortgage customer trying to understand important loan disclosures, terms, and last minute underwriting requirements, especially when loss of substantial escrow deposits, penalties and lawsuits are looming for failure to close on time. The current law requires very little of MLOCs in terms of office hours, and in view of the risk to consumers who cannot contact their MLO, it should not be changed.

DFI has made a genuine effort to work with the industry to provide flexibility to smaller MLO businesses. However, the record does not support the change proposed by the bill. DFI received 33 complaints in 2013 related to consumers being unable to reach their MLO. DFI found 14 of these complaints were of MLOs working from virtual offices with no physical business location open to the public, or MLOs who listed an address for NMLS but had no rental or lease agreement at the specified location.

In response, the 2014 Legislature amended Chapter 454F to require an MLOC location to be open for business to the public during posted business hours, which must be during regular business hours (the latter is defined as Monday through Friday, between 8 a.m. and 4:30 p.m., excluding State holidays). Even after passage of the

2014 amendments to Chapter 454F, DFI received 22 complaints related to consumers being unable to reach their MLO. DFI investigations found that in eight of the complaints, the MLO was working from a virtual office and had no physical location. While DFI understands that appointments make sense for busy MLOs, DFI does not support an amendment that would allow an MLOC to be open for business to the public by appointment only, during posted business hours which are during regular business hours.

DFI has concerns about this bill, House Bill No. 1096, and the unintended consequences that may ensue.

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

LATE



February 11, 2015

TO: COMMITTEE ON COMMERCE PROTECTION & COMMERCE
Angus L. K. McKelvey, Chair
Justin H. Woodson, Vice Chair

FR: Cathy Lee, President
Hawaii Association of Mortgage Brokers

RE: H.B. 1096 Relating to the Secure and Fair Enforcement for Mortgage Licensing Act.
Position: Support, but open to deferral

Dear Chair Angus McKelvey, Vice Chair Justin Woodson and Members,

The Hawaii Association of Mortgage Brokers (HAMB) supports House Bill 1096.

The bill would authorize mortgage loan originator companies to post, at the company's principal place of business and each branch office, language specifying that members of the public are seen by appointment during posted business hours. The requirements of posted hours during regular business hours arose out of 2014's Act 198. HAMB believes that this rigid requirement of specific business hours does not reflect the operations of the industry nor meet the needs of customers and the public, who may prefer to meet out of the business location or outside of regular business hours.

However, we have been in discussions with the Department of Commerce and Consumer Affairs, Division of Financial Institutions (DFI) and understand its concerns. HAMB hopes to continue further discussions in the interim on this issue. As such, we are amenable should the Committee decide to defer this measure. We appreciate the introducer for putting this measure forward and we thank you for the opportunity to testify.