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**PRESENTATION OF THE
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE

THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016

MONDAY, FEBRUARY 8, 2016
2:05 p.m.

**TESTIMONY ON H.B. NO. 2320
RELATING TO ESCROW DEPOSITORIES**

TO 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 Commerce and Consumer Affairs in strong
support of this administration bill, H.B. No. 2320.

This bill improves the Escrow Depositories law, Chapter 449, Hawaii Revised
Statutes ("HRS"), in a number of ways. First, the bill rewords the license transfer
provisions to make it clear that the Commissioner must approve the purchase or
transfer of an escrow depository license. The prospective purchaser or transferee

("applicant") must submit an application for approval of a proposed change in control of the licensee, pay an application fee, and authorize the Commissioner to conduct criminal background checks on key personnel. The Commissioner approves the application only upon finding, among others, that the applicant and key personnel are competent to successfully control and manage an escrow business. The change in control application fee is moved from the subject matter section to the chapter's fee section, for internal consistency.

Second, the bill streamlines the licensing process by authorizing the Commissioner to use NMLS for its escrow depositories program. NMLS is a nationwide online licensing and registration system for state-licensed providers of financial services. It is much more efficient for both DFI and licensees than a paper-based system. NMLS also provides public online access to updated licensee information. The Division of Financial Institutions ("DFI") has successfully implemented NMLS under statutory authority, for its mortgage loan originator, mortgage servicer, and money transmitter programs.

The bill also moves the license renewal period from June 30 of each year to December 31 of each year to be consistent with NMLS' renewal period. For this year, DFI proposes to allow a "long year" for escrow companies that are currently licensed by June 30, 2016, and allow these escrow companies to renew their license by December 31, 2016 through NMLS.

Third, requirements for initial licensure are augmented to include the applicant's material litigation history and criminal convictions for the past five years, criminal background checks of key personnel, and information the Commissioner may need to participate in NMLS. Criminal background checks will enhance protection of consumer funds and transactions involving escrow depositories. The fee for a new license authorized by Section 449-8, HRS, is specified.

Definitions are added to make the chapter more readable and improve support for licensee compliance. A nominal fee is added for license reissuance on a name change. It should have little impact on licensees as they infrequently change names.

DFI strongly supports this administration bill, H.B. No. 2320, and respectfully requests it be passed.

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