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

TO THE SENATE COMMITTEE ON
WAYS AND MEANS

THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016

THURSDAY, FEBRUARY 25, 2016
9:30 a.m.

**TESTIMONY ON S.B. No. 2849, S.D. 1
RELATING TO ESCROW DEPOSITORIES**

TO THE HONORABLE JILL N. TOKUDA, 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, S.B. No. 2849, S.D. 1.

This bill improves the Escrow Depositories law, Chapter 449, Hawaii Revised
Statutes ("HRS"), in a number of ways. First, the bill clarifies that transfer of an escrow
depository license requires the Commissioner's approval of the proposed purchaser's
application for approval of proposed change in control of the licensee. The 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, a nationwide online licensing and registration system for state-licensed providers of financial services. NMLS is much more efficient for both DFI and licensees than a paper-based system, and it 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 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 extend the license renewal deadline from June 30, 2016 until December 31, 2016.

Third, requirements for initial licensure are augmented to include the applicant's material litigation history and criminal convictions for the past five years, and criminal background checks of key personnel. This will enhance protection of consumer funds and transactions involving escrow depositories. The criminal record check fee, currently about \$51.50 per record, would be paid to the Hawaii Criminal Justice Data Center. The fee for a new license authorized by Section 449-8, HRS, is set at \$2,000, to cover substantial Commissioner and DFI staff time developing an assessment and

determination whether the applicant's officers and directors possess the character, fitness and ability to successfully manage an honest and efficient escrow business, pursuant to Section 449-7.4, HRS.

Definitions are added to make the chapter more readable and improve support for licensee compliance. A \$50 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, S.B. No. 2849, S.D. 1, 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.