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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

WEDNESDAY, FEBRUARY 17, 2016
9:15 a.m.

**TESTIMONY ON S.B. NO. 2850, S.D.1
RELATING TO MORTGAGE INDUSTRY REGULATION**

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
("Department") in strong support of this Administration bill, S.B. No. 2850, SD1.

There is a degree of overlap between the mortgage loan origination industry
governed by Chapter 454F, Hawaii Revised Statutes ("HRS"), the Safe and Fair
Enforcement for Mortgage Licensing Act, and the mortgage servicer industry governed
by Chapter 454M, HRS. Some companies conduct business under both chapters.

In order to provide clarity in both laws, the Division of Financial Institutions (“DFI”) of the Department supports this measure that will abolish the Mortgage Loan Servicer Loan Modification (“MLSLM”) license, which will reduce DFI’s licensing revenue under Chapter 454F, HRS. However, any reductions in fee revenue to DFI from this deletion should be offset by the measure’s increase in the mortgage servicer license renewal fee under Chapter 454M, HRS. Chapter 454M, HRS, license renewal fees will increase by about \$21,000 because the license renewal fee is changing from \$425 to \$600. At the same time, Chapter 454F, HRS, license renewal fees will be reduced by about \$20,400, because the bill abolishes the MLSLM license. The bill would allow a mortgage servicer licensed under Chapter 454M, HRS, to make loan modifications without also needing a Chapter 454F, HRS license.

The measure adds a small fee for a mortgage servicer’s name or address changes, to cover DFI staff time for processing the change. This is not expected to be a significant expense for mortgage servicers as they do not frequently change their names or addresses.

The mortgage servicer bond requirement is simplified by changing the wording of the required coverage from “the applicant or licensee’s principal office and any branch office from which the applicant or licensee acts as a mortgage servicer”, to “the applicant or licensee”.

Finally, the Department supports the amendment made by the Senate Committee on Commerce, Consumer Protection, and Health to Section 454M-10, HRS, that would remove current provisions in that section that effectively discourage the imposition of smaller fines. The current language in Section 454M-10, HRS, requires that "\$1,000 of the aggregate fine amount" be deposited to the Mortgage Foreclosure Dispute Resolution Fund ("MFDRF"). In practice, if the aggregate fine is less than \$1,000, DFI must take funds from the Compliance Resolution Fund to make up the difference owed by statute to the MFDRF. Senate draft 1 of this measure contains statutory amendments that will help address the practical concern described above.

DFI strongly supports S.B. No. 2850, SD1, and respectfully requests it be passed with the amendment above.

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