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

TO THE HOUSE COMMITTEE ON
FINANCE

THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

FRIDAY, MARCH 31, 2017
2:00 p.m.

**TESTIMONY ON S.B. NO. 950, S.D. 2, H.D. 1
RELATING TO MORTGAGE SERVICERS**

TO THE HONORABLE SYLVIA LUKE, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda, Commissioner of Financial Institutions ("Commissioner") of the Division of Financial Institutions ("DFI"), testifying on behalf of the Department of Commerce and Consumer Affairs, in strong support of this administration bill, S.B. No. 950, S.D. 2, H.D.1, Relating to Mortgage Servicers.

This measure will add clarity and consistency to various provisions of the Mortgage Servicers Law, Chapter 454M, Hawaii Revised Statutes ("HRS"), and provide for appropriate supervision of the mortgage servicers industry. It will make the chapter

clearer and more effective, improving compliance within the industry, regulatory oversight, and the Commissioner's ability to enforce the chapter. Consumer protection will be enhanced.

The bill clarifies and refines the chapter by identifying which persons related to a mortgage servicer are subject to interviews and examination, and disclosure of bankruptcy filings, lending industry violations, and criminal history. It also deletes the reference to needing a license under Chapter 454F, HRS, in order for a mortgage servicer to make loan modifications, as this is no longer required.

The bill adds a section requiring the Commissioner to approve a change of control of a licensee. The licensee will submit an application and a \$500 application fee to DFI. Following an investigation, the Commissioner will approve the application provided that the Commissioner makes certain determinations as to the fitness of the persons who will obtain control, and the impact of the change of control on the public interest.

A new section is added that identifies when an individual is presumed to control a mortgage servicer. The presumption applies to certain key persons with specified voting powers, and to an executive officer of a mortgage servicer. The bill adds a definition of "executive officer" to Section 454M-1, HRS. These new provisions will enhance consumer protection by preventing the takeover of a licensed mortgage servicer by unqualified persons.

This bill will make Chapter 454M clearer and more effective and efficient, and improve compliance within the industry. DFI's regulatory oversight and enforcement of the chapter will be enhanced, and consumer protection will be elevated. These are important interests since mortgage servicers often have relationships with borrowers lasting 30 years or more, directly impacting what is often a consumer's largest asset.

DFI strongly supports this administration bill, S.B. No. 950, S.D. 2, H.D. 1, and respectfully requests that it be passed, with an amendment changing the effective date from "July 1, 2090", to "September 1, 2017".

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