

DAVID Y. IGE  
GOVERNOR



**DEPT. COMM. NO. 197**

RUSSELL A. SUZUKI  
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**STATE OF HAWAII**  
**DEPARTMENT OF THE ATTORNEY GENERAL**  
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DANA O. VIOLA  
FIRST DEPUTY ATTORNEY GENERAL

December 27, 2018

The Honorable Ronald D. Kouchi  
President of the Senate  
and Members of the Senate  
Thirtieth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki  
Speaker and Members of the House of  
Representatives  
Thirtieth State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kouchi and Speaker Saiki:

For your information and consideration, I am transmitting one (1) copy for each of you of the Department of the Attorney General's Report on Administratively Established Funds and Accounts, as required by section 37-52.5, Hawaii Revised Statutes (HRS). In accordance with Section 93-16, HRS, I am also informing you that the report may be viewed electronically at <http://ag.hawaii.gov/publications/reports/reports-to-the-legislature/>.

If you have any questions or concerns, please feel free to call me at 586-1282.

Sincerely,

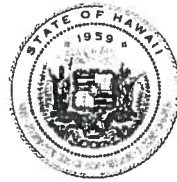
A handwritten signature in blue ink that reads "Russell A. Suzuki".

Russell A. Suzuki  
Attorney General

c: David Y. Ige, Governor  
Josh Green, Lieutenant Governor  
Legislative Reference Bureau (Attn.: Karen Mau)  
Leslie Kondo, State Auditor  
Laurel A. Johnston, Director of Finance, Department of Budget and Finance  
Stacey A. Aldrich, State Librarian, Hawaii State Public Library System  
David Lassner, PhD., President, University of Hawaii

Enclosure

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**REPORT ON ADMINISTRATIVELY ESTABLISHED FUNDS AND ACCOUNTS**

Pursuant to Section 37-52.5, Hawaii Revised Statutes

For Fiscal Year 2017-2018

Submitted to the Thirtieth State Legislature  
Regular Session of 2019

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## **I. INTRODUCTION**

Section 37-52.5 Hawaii Revised Statutes, requires that, except for the Judiciary, any department that administratively establishes a new fund or account must submit a report to the Legislature and, at least twenty days prior to the convening of each regular session, must submit a report that shall include (1) a list of all administratively established accounts or funds and (2) all revenues, expenditures, encumbrances, and ending balances of each account or fund. The Department of the Attorney General administers the following administratively established fund and account: the National Mortgage Settlement Trust Fund and the Seized Funds – Final Disposition Pending Account.

## **II. NATIONAL MORTGAGE SETTLEMENT TRUST FUND**

### **A. Overview of the National Mortgage Settlement Trust Fund**

The National Mortgage Settlement Trust Fund, appropriation number T-916-N, was established pursuant to a consent judgment that was filed in the United States District Court for the District of Columbia on April 4, 2012. Hawaii along with 48 other states and several departments and agencies of the federal government reached a national mortgage settlement with the nations five largest banks and mortgage servicers on April 4, 2012. Pursuant to the consent judgments approving the settlement Hawaii received \$7,911,883 in direct settlement funds. The court's orders approving the settlement requires that the Hawaii funds be expended as follows:

The monies are to be held in trust for the benefit of homeowners and others in the State of Hawaii who are, have been, or may be affected by mortgage loan proceedings. This includes, but is not limited to, those who have been subject to foreclosure, are in foreclosure, are at risk of foreclosure, have delinquent mortgage loan payments, have negative equity in their homes, have lost their homes due to foreclosure, have been unable to refinance their mortgage loans, or are leasing a dwelling affected by foreclosure. The monies shall be used for housing and financial counseling, public education, mediation, dispute resolution, and enforcement of laws and agreements protecting the rights of homeowners and lessees. The monies shall be used only for these purposes. The monies shall be deposited into an administrative trust account to be administered by the Attorney General of the State of Hawaii, who as custodian shall have sole discretion to make determinations as to the amounts and the purposes for which the monies are to be expended.

Then Attorney General David M. Louie convened a task force on March 22, 2012, to provide recommendations on how best to expend the funds that Hawaii received

pursuant to the settlement.

The members of the task force were:

Senator Rosalyn H. Baker  
Senator David Y. Ige  
Representative Robert N. Herkes  
Representative Marcus R. Oshiro  
Department of Commerce and Consumer Affairs Director Kealii Lopez  
Department of Commerce and Consumer Affairs Acting Deputy Director Jo Ann Uchida  
Judiciary Staff Attorney Julia P. Verbrugge  
Judiciary Center for Alternative Dispute Resolution Director Elizabeth Kent  
Attorney General David M. Louie

#### **B. Details of Revenues and Expenditures**

In accordance with recommendations from the task force and the federal court consent order, the Attorney General established the Foreclosure Assistance Program and the trust fund to expend the settlement funds.

During Fiscal Year (FY) 2017-2018, the following significant transactions occurred in the trust fund:

#### **REVENUES:**

\$599.48 Investment Pool interest

#### **EXPENDITURES:**

1. \$33,750.00 to Legal Aid of Hawaii for loan modification, housing counseling and foreclosure assistance services.
2. \$897.35 for computer equipment.

Financial Data for Fiscal Years 2012-2013, 2013-2014, 2014-2015 2015-2016  
 and 2017-2018:

*Below are the details of the revenue and expenditure for this account for FY 2017-2018*

	<b>FY 2012-2013</b>	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>
Beginning Cash Balance	\$0	\$1,529,243.00	\$1,324,990.75	\$1,066,320.25
Beginning Encumbrances		\$0	\$0	\$0
Revenues	\$7,911,883.00		\$3,840.73	\$4,364.99
Expenditures	\$6,382,640.00	\$204,252.25	\$262,511.23	\$958,785.00
Transfers				
Ending Cash Balance	\$1,529,243.00	\$1,324,990.75	\$1,066,320.25	\$111,900.24

	<b>FY 2016-2017</b>	<b>FY 2017-2018</b>
Beginning Cash Balance	\$111,900.24	\$99,411.76
Beginning Encumbrances	\$0	\$0
Revenues	\$824.35	\$599.48
Expenditures	\$13,312.83	\$34,647.00
Transfers	\$0	\$0
Ending Cash Balance	\$99,411.76	\$65,364.24

**Revenue by Source Code:**

<b>Source Code</b>	<b>Description</b>	<b>Revenue</b>
0288	INVESTMENT POOL ACCOUNT	\$599.48
787	MISCELLANEOUS CLAIMS	0.00
1492	SALE OF SERVICES – UTILITIES	0.00
	<b>Total Revenue</b>	<b>\$599.48</b>

**Expenditure by Object Code:**

<b>Object Code</b>	<b>Description</b>	<b>Expenditure</b>
6800	JUDGMENTS and CLAIMS	\$33,750.00
7244	COMPUTER EQUIPMENT	\$897.00
	<b>Total</b>	<b>\$34,647.00</b>
	<b>Expenditure</b>	

### **III. SEIZED FUNDS – FINAL DISPOSITION PENDING ACCOUNT**

#### **A. Overview of the Seized Funds – Final Disposition Pending Account: FY 2017-2018**

In 1988, the Legislature enacted chapter 712A, Hawaii Revised Statutes (HRS), the Hawaii Omnibus Criminal Forfeiture Act. Chapter 712A provides for the forfeiture of property used or acquired in connection with the commission of certain criminal offenses and for the distribution of the property, or its proceeds, to law enforcement agencies for law enforcement purposes. A detailed history and explanation to the program is provided in the Annual Report of Proceedings under the Hawaii Omnibus Criminal Forfeiture Act submitted contemporaneously with this report.

The Seized Funds – Final Disposition Pending Account, account number T-906, was administratively established in 1988 as a “holding” account. Seized currency can be deposited into the T-906 account pending the outcome of the forfeiture proceedings. The currency seized for administrative or judicial forfeiture can be ordered returned to a claimant, forfeited to the State, or divided between the claimant and the State pursuant to a judicial or administrative settlement agreement. This fund receives no actual revenue since it operates as a trust account. Disbursements from the fund include amounts returned to a claimant if the seized funds are not forfeited or, if the seized funds are ordered forfeited, the funds are transferred to the Criminal Forfeiture Fund which is discussed more fully in the Annual Report of Proceedings under the Hawaii Omnibus Criminal Forfeiture Act submitted contemporaneously with this report.

The amounts may not reflect the total seized currency for a Fiscal Year as stated on the Annual Legislative Report. This is primarily due to cases where petitions are filed and deposits into the T-906 are not completed within the same fiscal year. New petition deposit transaction times can often span from three to six months, or more if refilling of a petition is required. Other reasons for delay may include but are not limited to evidentiary requirements in a criminal case, currency handling procedures within the seizing agencies, and other processing time required by seizing agencies and the Attorney General Fiscal Offices to finalize a currency transaction into the T-906 account.

#### **B. Transfers**

During Fiscal Year (FY) 2017-2018, the following significant transactions occurred in the trust fund:

##### **TRANSFERS INTO ACCOUNT:**

Hawaii County Police Department	\$ 164,337.48
Honolulu Police Department	\$ 281,016.74

Kauai County Police Department	\$ 13,924.92
Maui County Police Department	<u>\$ 387,153.31</u>
Total Transfers In	<u>\$ 846,432.45</u>

TRANSFERS OUT OF ACCOUNT:

Transfers to the Criminal Forfeiture Fund	\$ 509,250.45
Returned directly to Claimant & DOCARE (Division of Conservation and Resource Enforcement)	<u>\$ 17,067.03</u>
Total Transfers Out	<u>\$ 526,317.48</u>