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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Finance
Thursday, February 28, 2019
2:00 p.m.
State Capitol, Conference Room 308**

**On the following measure:
H.B. 988, H.D. 1, RELATING TO TRANSITIONAL AUTHORITY
IN THE MORTGAGE INDUSTRY**

Chair Luke and Members of the Committee:

My name is Iris Ikeda, and I am the Commissioner of Financial Institutions for the Department of Commerce and Consumer Affairs' (Department) Division of Financial Institutions. The Department supports this administration bill and requests an amendment.

The purpose of this bill is to minimize uncertainty about the implementation of section 106 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, P.L. 115–174 (section 106). This federal law requires states to provide a 120-day temporary authority to certain state-licensed mortgage loan originators moving from a depository institution to a non-depository institution and state-licensed loan originators moving interstate. H.D. 1 changes the effective date from November 24, 2019, to July 1, 2050.

Implementation of section 106 is anticipated to eliminate job barriers for loan originators by facilitating mobility as they change jobs within the profession. Nationally, approximately 75% of the mortgage loan originators who apply for a license would qualify for transitional authority because they are either employed by a depository institution or licensed in another state. Accordingly, implementation of section 106 is likely to ease the employment process for employers as their new loan originator hires will be able to originate residential mortgage loans without the impact of delays associated with the licensing process for a state license.

Section 1 of this bill adds a new part to Hawaii Revised Statutes (HRS) chapter 454F, "Transitional Authority," and proposes to provide temporary authority to certain qualified individuals moving from a depository institution to a non-depository institution, as well as temporary authority for certain state-licensed loan originators who move between states. This section sets forth the requirements for temporary authority, which includes the loan originator submitting an application to be a state-licensed loan originator in this state.

Section 2 of the bill contains an effective date of July 1, 2050. The Department respectfully requests an effective date of November 24, 2019, to conform with the date on which section 106 will take effect.

Temporary authority will allow qualified mortgage loan originators to originate mortgage loans in Hawaii without complying with state licensing laws for 120 days. During these 120 days, the mortgage loan originator has the opportunity to complete the state-specific pre-education or continuing education, the financial responsibility review, and the criminal background review. During this transitional authority period, the mortgage loan originator company will be held responsible for any origination errors caused by the mortgage loan originator. This supervisory oversight will protect consumers from harm caused by mortgage loan originators with transitional authority.

The Department supports this administration bill and requests that it pass out of this committee with the requested amendment. Thank you for the opportunity to testify.