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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. 989, H.D. 1, RELATING TO MORTGAGE SERVICERS**

Chair Luke and Members of the Committee:

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

The first purpose of this bill is to expand the Commissioner's ability to adapt the requirements of Hawaii Revised Statutes (HRS) chapter 454M, as reasonably necessary to use the Nationwide Mortgage Licensing System (NMLS). The NMLS is a web-based nationwide licensing system that streamlines workflows and communications for applicants, licensees, and the DFI. Created by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators, the NMLS began operations in January 2008 and is continually being improved.

Currently, the DFI cannot accept through the NMLS an electronic bond uploaded by an insurance carrier due to HRS sections 454M-4(g) and (j), which respectively require that a licensee “provides directly to the commissioner a bond rider or endorsement” and that a prospective licensee file a surety bond “with the commissioner.” Amendments in this bill will give the Commissioner authority to allow electronic bonds through the NMLS, in accordance with the current practice of other states. In addition, the DFI will be able to further use the NMLS to manage licensure of mortgage servicers, without burdening licensees.

The second purpose of this bill is to authorize the Commissioner to enter into consent judgments and issue cease and desist orders (C&D orders) for HRS chapter violations. Recently, the Commissioner was unable to issue a C&D order against a mortgage servicer who did not want to comply with state law. Since the Commissioner could issue only a proposed C&D order, the licensee was able to continue the unlawful activity. After two years of negotiations, the DFI and the mortgage servicer negotiated a settlement on behalf of consumers harmed. Amendments in this bill will enable the Commissioner to quickly minimize consumer harm by persons violating HRS chapter 454M. Authority to issue consent orders will also expedite decisions and save resources.

H.D. 1 changes the effective date from “upon approval” to July 1, 2050. The Department respectfully requests an “upon approval” effective date so that the DFI can act immediately upon any enforcement actions against persons engaging in harmful activities to consumers.

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.