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**Testimony of the Department of Commerce and Consumer Affairs**

**Before the  
Senate Committee on Commerce and Consumer Protection  
Friday, March 18, 2022  
10:00 a.m.  
Via Videoconference**

**On the following measure:  
H.B. 2115 H.D.1, RELATING TO MORTGAGE SERVICERS**

Chair Baker and Members of the Committee:

My name is Iris Ikeda, and I am the Commissioner of the Department of Commerce and Consumer Affairs' (Department) Division of Financial Institutions (DFI). Although the Department supports this administration bill, it prefers SB3083 which passed unamended by this committee. The Department requests the effective date of this measure to be amended to July 1, 2022 to be consistent with SB3083 and to allow the DFI to update its processes with NMLS.

The purpose of this bill is to allow the commissioner to modify or waive the requirements in chapter 454M, Hawaii Revised Statutes, to implement modernization processes, efficiencies, and improvements made to the NMLS.

The NMLS is a multi-state licensing platform that has undergone improvements with technology making it more efficient for companies to navigate through the licensing and examination process and for regulators to process applications and conduct examinations. The request would allow the commissioner to implement licensing

processes of mortgage servicers in a manner similar to that of mortgage loan originators and mortgage loan originator companies, and money transmitters. This amendment would obviate the need for repeated requests to the Legislature as NMLS modernizes and streamlines its processes.

For example, recently the NMLS provides a streamlined way to process license applications and submit surety bonds electronically. Surety companies are allowed to submit these bonds on behalf of applicants and licensees. Many state laws and regulations require mortgage servicers to maintain a surety bond as a condition of licensure. In the event a licensee fails to comply with licensing or regulatory requirements, a state agency or an aggrieved consumer can file a claim against the licensee's surety bond to receive restitution payments.

While most state agencies have adopted the process of streamlining and standardizing the filing of electronic surety bonds through NMLS, Hawaii remains one of the few states that have not adopted this modernized process.

Currently the law is not flexible to allow for modernization streamlining of the licensing process. Instead it requires applicants and licensees to physically submit a surety bond with the Commissioner before the license becomes effective. If there are errors in the surety bond (typically typos of the company name or trade name or address), the Division must mail the surety bond back to the insurer and request a new surety bond. This physical transfer add delay to a mortgage servicer offering services to its customers.

This bill will allow the commissioner to implement modernization processes through NMLS as technology improves to streamline the licensing process for mortgage servicers and ultimately for consumers to engage with mortgage servicers.

Thank you for the opportunity to testify, and we respectfully ask the Committee to pass this administration bill with the amendment.