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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce and Consumer Protection
Wednesday, February 10, 2021
9:30 a.m.
Via Videoconference**

**On the following measure:
S.B. 1105, RELATING TO THE MORTGAGE LOAN RECOVERY FUND**

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). The Department supports this administration bill.

The purposes of this bill are to: (1) allow a person who has been aggrieved by the fraud, misrepresentation, or deceit of a mortgage loan originator or mortgage loan originator company licensee to receive restitution payment upon a final court order; (2) repeal fees paid by mortgage loan originator companies and their branches to the mortgage loan recovery fund (MLRF); and (3) provide the Commissioner of Financial Institutions with the authority to consider applications to recover from the MLRF.

A person who holds a court order against a mortgage loan originator or a mortgage loan originator company licensee for fraud, deceit, or misrepresentation is eligible to receive restitution from the MLRF. However, that person must obtain a separate order from the court to receive the restitution payment from the MLRF. In a

recent payout from the MLRF, the court took about eight months to order the DFI to issue a restitution payment.

This bill will allow aggrieved persons to receive restitution payments more efficiently from the MLRF, as the DFI will be able to issue those payments pursuant to final, rather than separate, court orders, and the Commissioner of Financial Institutions will have authority to consider applications to recover from the MLRF.

This bill also repeals fees paid by mortgage loan originator companies and their branches to adjust the funding level of the MLRF. Currently, the MLRF has sufficient funds to make restitution payments to aggrieved persons by assessing individual mortgage loan originators, as required by federal law¹.

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

¹ The Secure and Fair Enforcement for Mortgage Licensing Act requires individual mortgage loan originators to meet a net worth or surety bond requirement or to pay into a state fund.