

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
KA 'OIHANA PILI KĀLEPA
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
cca.hawaii.gov

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

DEAN I. HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Finance
Tuesday April 1, 2025
2:00 p.m.
Via Videoconference

On the following measure:
S.B. 1142, S.D. 1, H.D. 1, RELATING TO INSURANCE PROCEEDS

Chair Yamashita and Members of the Committee:

My name is Dwight Young, and I am the Commissioner of the Division of Financial Institutions of the Department of Commerce and Consumer Affairs' (Department). The Department offers the following comments.

The purpose of this bill is to require mortgage services to comply with certain requirements regarding the disbursement of insurance proceeds for residential real estate that has been destroyed or damaged.

The Department appreciates the intent of this bill and offers the following comments. The August 8, 2023, wildfires in the counties of Hawaii and Maui caused extensive loss of life and damage. Destruction of infrastructure has hindered victims' ability to rebuild, leaving insurance proceeds sitting in escrow accounts until the rebuilding process is possible. Local banks have been offering interest on the insurance proceeds, but it is not required by law, and consumers with out-of-state mortgage servicers and banks have not been offered the same because current laws do not

require insurance proceeds to be held in interest bearing accounts. The Department prefers the language in S.B.1366, and H.B.1047 as it increases consumer protection in cases of damage or destruction to a mortgagor's property by requiring that both licensed Hawaii mortgage servicers and financial institutions contact the consumer and provide them with an option of putting their insurance proceeds in an interest-bearing account.

In addition, it is the Department's understanding that non bank mortgage servicers do not control the interest rate paid on escrow accounts.

Thank you for the opportunity to testify providing comments.



Testimony of **Lahaina Strong**
Before the House Committee on
Finance

In Consideration of Senate Bill No. 1142 SD1 HD1
RELATING TO INSURANCE PROCEEDS

To Chair Yamashitai, Vice Chair Takenouchi and the honorable members of the committee,

We are writing on behalf of Lāhainā Strong, an organization deeply rooted in our community's resilience and advocacy. Originally formed in 2018 following the Hurricane Lane fire in Lahaina and revitalized after the devastating fires of August 8, 2023, Lāhainā Strong has become the largest grassroots, Lahaina-based community organization, with over 35,000 supporters. Our mission is to amplify local voices and champion community-driven solutions, which are more critical than ever as we continue rebuilding and recovering.

Lāhainā Strong supports **Senate Bill 1142 SD1 HD1**, which seeks to establish fair and transparent requirements for how mortgage servicers handle insurance proceeds for homes destroyed or damaged by disaster.

In the wake of the August 8th wildfires, countless Lāhainā families experienced delays, confusion, and a lack of transparency when trying to access their insurance funds. Many were left in limbo—still unable to rebuild because mortgage servicers were slow to disburse funds, or offered unclear and inconsistent guidance. SB1142 SD1 HD1 takes important steps toward correcting these injustices by creating a more accountable process.

We appreciate the recent amendment that strengthens the requirement for mortgage servicers to place withheld funds in interest-bearing accounts—guaranteeing homeowners at least 2% simple interest, or the market rate of the servicer's financial

institution, whichever is higher. This ensures that families are not penalized for delays they didn't cause.

However, we are concerned about the removal of two key provisions that would have required mortgage servicers to make specific disclosures at the start of servicing and to retain communications for at least four years. These are common-sense transparency measures that would help protect disaster survivors from misinformation, mismanagement, or unfair treatment.

We urge the Legislature to **support SB1142 SD1 HD1**—and consider restoring the removed transparency provisions—to ensure families can rebuild safely, quickly, and with dignity.

Mahalo for your consideration and commitment to the Lahaina Community.

Sincerely,

Lāhainā Strong



Native Hawaiian LEGAL CORPORATION

1164 Bishop Street, Suite 1205 • Honolulu, Hawai'i 96813
Phone (808) 521-2302 • www.nativehawaiianlegalcorp.org



**Testimony In Support Of SB 1142, SD1, HD1
House Of Representatives - Committee On Finance
Tuesday, April 1, 2025, 2:00 p.m.
Via Videoconference**

March 31, 2025

Aloha Chair Yamashita, Vice-Chair Takenouchi and Committee Members,

This testimony is offered in support of **SB 1142, SD1, HD1**. The purpose of the bill is to ensure that mortgage servicers pay interest on hazard insurance proceeds to homeowners and handle those proceeds in a manner that is predictable and fair to homeowners who have lost their homes due to a disaster.

This consumer protection measure will facilitate a fair and equitable recovery for homeowners hit by disasters. In the wake of the Maui wildfires in August 2023, many homeowners reported that checks made out by their home insurance carriers for their losses had to be signed over to mortgage lenders and servicers, and these financial institutions refused to deposit these monies in an account that would bear interest for the benefit of the homeowners.¹

This refusal adds up. These insurance proceeds often amount to thousands of dollars. Even a modest rate of interest could make a difference for homeowners who are faced with the Herculean tasks of (a) making mortgage payments on a home that no longer exists; (b) making rental payments for interim housing while that home is being rebuilt; and (c) paying to rebuild their home at a cost much higher than the original purchase price.

This tug of war with financial institutions after a disaster is not new to those who have worked in disaster response over the years. Other states ensure that homeowners in this situation are protected. Colorado, in response to struggles those survivors of the Marshall Fire faced with getting banks to release insurance proceeds to rebuild, enacted a law to protect homeowners when lenders were not timely releasing insurance proceeds to homeowners and/or refusing to pay interest. Hawai'i should follow suit.

Most Lahaina homeowners – about 74% – still have mortgage payments to make, according to the Economic Research Organization at the University of Hawai'i.² Without

¹ <https://www.civilbeat.org/2024/04/unequal-treatment-by-lenders-is-hurting-lahaina-homeowners/>

² <https://uhero.hawaii.edu/delinquencies-have-spiked-in-the-aftermath-of-the-maui-wildfires/>

policy measures like this bill, the turnover of ownership of homes in Lahaina is projected to increase by 20% in the next three years, according to a report commissioned by the Hawai'i Land Trust in 2024. This turnover could exacerbate the displacement of indigenous and multi-generational families that the disaster has already caused.

Because at least 13 other states have laws that require lenders to pay interest on monies (for insurance premiums and property taxes) in mortgage escrow accounts for the benefit of the homeowner, lenders may readily draw from the experience and expertise from these contexts when Hawai'i enacts this law. Lenders and servicers are required to pay interest on funds held in mortgage escrow accounts in at least thirteen other states like New York, Connecticut, New Hampshire, Maine, and Vermont.

Finally, the effective date of this measure should be established so as to provide relief for Lahaina homeowners whose insurance proceeds are still in the custody and control of mortgage lenders and servicers.

Mahalo for the opportunity to testify on this measure.

Sharla Manley
Native Hawaiian Legal Corporation



Testimony in Support of SB1142 SD1, HD1—Relating to Insurance Proceeds

Hearing Date and Time April 1, 2025 at 2:00 p.m.

Before the Committee on Finance

Chair Representative Kyle T. Yamashita, Vice Chair Representative Jenna Takenouchi, and Members of the Committee on Finance:

Thank you for the opportunity to provide written and oral testimony on this important matter—SB 1142 SD1.

I am writing to express my strong **support for Hawaii Senate Bill 1142 SD1,HD1.**

Introducing myself, I am Sherry Peterson. I am the Maui Roadmap to Recovery Liaison and Equal Justice Fellow working for United Policyholders. United Policyholders is a 501(c)(3) nonprofit that has been helping insurance consumers for over 30 years. United Policyholders has been providing free education, resources, support and community advocacy for survivors of the Maui Wildfires since August 2023.

In addition to working for United Policyholders, our organization and I are members of the Hawaii VOAD and I serve on the Long-Term Recovery Group's Construction Committee and Advocacy Committee.

Since September 2023 I have provided support for the recovery of disaster survivors in several capacities. In March 2024 I began working for United Policyholders. In working directly with individual policyholders, I am acutely aware of the challenges Lahaina homeowners faced when their homes were destroyed or damaged in this disaster.

The majority of those homeowners are underinsured by anywhere from 23% to 60% according to the Maui County CDBG-DR Draft Action Plan February 24, 2025. The majority of homeowners are scrambling for funds to rebuild or repair their homes. Every penny matters.

When an insured home is damaged or destroyed, the insurance company writes a check to the mortgage company and the insured homeowner. The insured homeowner must then endorse the check and send it to the mortgage company. The mortgage company then deposits the check holding it until the owner rebuilds.

Presently, in our state, there is no requirement the mortgage company place the money in an escrow account and pay the interest to the insured homeowner. **The mortgage company gets to keep all the interest it accrues while holding the homeowners' money!** I will note some of the Hawaii bank mortgage lenders are paying interest on homeowner proceeds, however, the majority of mortgage lenders are not paying interest.

And to make matters even more unfair, the insured homeowner still must make mortgage and **interest** payments on the destroyed/damaged property.

Consider this. The Maui County Draft CDBG-DR Action Plan dated February 24, 2024 reports 52.7% of those living in the burn scar were Low to Moderate Income. Low to Moderate Income families and individuals have limited resources, and thus a harder time recovering from a disaster. Every dollar matters.

The Maui Wildfires of August 8, 2023 brought to the forefront issues that could affect every insured homeowner on each of our Islands. Imagine either you or someone in your family, a friend were a survivor and your home or their home was destroyed. Wouldn't you want the monies received from the insurance company that must go to the bank to hold to receive interest? Of course the answer is yes.

Thank you for considering my support for Hawaii Senate Bill 1142 SD1.

Sincerely,

Sherry Peterson

Equal Justice Fellow; United Policyholders Roadmap to Recovery Liaison





Mortgage Bankers Association of Hawaii
P.O. Box 4129, Honolulu, Hawaii 96812

March 31, 2025

Rep. Kyle T. Yamashita, Chair
Rep. Jenna Takenouchi, Vice Chair
Members of the House Committee on Finance

Hearing Date: April 1, 2025
Hearing Time: 2:00pm
Hearing Place: Hawaii State Capitol, Conference Room 308

Re: SB 1142 SD1 HD1

I am Victor Brock, representing the Mortgage Bankers Association of Hawaii ("MBAH"). The MBAH is a voluntary organization of individuals involved in the real estate lending industry in Hawaii. Our membership consists of employees of banks, savings institutions, mortgage bankers, mortgage brokers, financial institutions, and companies whose business depends upon the ongoing health of the financial services industry of Hawaii. The members of the MBAH originate and service, or support the origination and servicing, of the vast majority of residential and commercial real estate mortgage loans in Hawaii. When, and if, the MBAH testifies on legislation or rules, it is related only to mortgage lending and servicing.

The **MBAH OPPOSES this most recent amended version** of SB 1142 SD1 HD1 and provides a recommended amendment.

The most recent version of this Bill requires that a mortgage servicer hold insurance proceeds that are not otherwise disbursed in an interest-bearing account as follows:

- (i) A mortgage servicer shall hold in an interest-bearing account any insurance proceeds that the mortgage servicer does not immediately disburse to a borrower as required by this section. A mortgage servicer shall ensure that any interest that is credited to the account is credited and disbursed to the borrower. The account shall generate interest at either:
 - (1) The rate of **two per cent** simple interest per annum; or
 - (2) As follows:
 - (A) For a depository mortgage servicer, the rate for the depository mortgage servicer's money market accounts; **or**
 - (B) For a non-depository mortgage servicer, the rate for the money market account

at the deposit institution with which the non-depository mortgage servicer conducts its banking business,

whichever is greater.

In this section, it specifies that the rate of interest received on the account must be no less than two percent per year. A non-depository mortgage servicer must deposit these funds into an account with their depository financial institution. The non-depository mortgage servicer has no control over market rates and what interest rates depositories pay on their deposit accounts. If that non-depository mortgage servicer's depository financial institution is not willing to pay at least two percent in interest on that account, the non-depository mortgage servicer cannot comply with the section of this bill as written that specifies that the account must "generate interest" at a rate of two percent.

In this situation, if the intent of this bill is to have the non-depository mortgage servicer make up the difference in the interest rate paid by their depository financial institution and two percent, we believe this to be unfair to the non-depository mortgage servicer. Essentially, the servicer will be "upside down" and paying interest to the homeowner at a rate greater than the amount earned on that deposit account.

Apparently, there is a perception that mortgage servicers are withholding insurance proceeds solely at their discretion and sometimes for no good reason. Both Fannie Mae and Freddie Mac require that the mortgage servicer retain insurance proceeds in excess of \$40,000 to repair or rebuild a property. Fannie Mae requires that funds be deposited in an interest-bearing account that yields "interest equivalent to the interest the borrower could expect to obtain from a savings or money market account." Freddie Mac specifies that funds "must be maintained in a federally insured account that pays interest to the Borrower."

Although servicers of mortgages held in their portfolio or not insured by a Government Sponsored Entity or government agency (FHA, USDA, or VA) are not held to specific requirements, it would be an unsound and imprudent practice for a servicer to disburse proceeds in excess of small amounts to borrowers, as they may use the funds for other purposes or may invest in speculative instruments (stocks, bonds, crypto, etc.) that lose value with market movements. Then when the funds are needed to complete repairs or rebuild the property after several months, they may not be available.

For full details of Fannie Mae's requirements, see their **Servicer Guide section B-5-01, Insured Loss Events (07/12/2023)** <https://servicing-guide.fanniemac.com/svc/b-5-01/insured-loss-events> . For full details of Freddie Mac's requirements, see their **Seller/Servicer Guide section 8202.11 Insurance Loss Settlements (7/15/2020)** <https://guide.freddiemac.com/app/guide/section/8202.11/highlight/insurance%20loss%20proceeds>

Due to delays with architectural plans, permitting, contractor estimates, and actual repair or rebuild, it is not unusual for completion to take at least six months to two years in normal circumstances. With the unfortunate destruction that occurred in Lahaina and the need to rebuild its infrastructure (e.g. sewer lines, streets, etc.), rebuild of many properties may take up to five years from some estimates. If this Bill is passed, it means that a non-depository mortgage servicer would be required to pay two percent on hundreds of thousands of dollars held on each mortgage even though the rate received on the deposit account from their depository financial institution may be less than two percent.

The graphs shown on the last page of this testimony show that the average interest rate paid on certificates of deposits (“CD’s”) by US depositories was less than two percent from July 2010 until November 2023, a continuous thirteen-year period. The average exceeded two percent for only eleven months and has subsequently decreased below two percent again. A servicer would more likely invest the funds in a more liquid, lower interest, money market account, as it would be difficult to align the maturity of the CD with the intended disbursement schedule of funds for each mortgage borrower. The graphs are provided to illustrate that even if the non-depository mortgage servicer invests in the highest yielding federally insured CD instrument it is likely that deposit account interest rate will be less than two percent, and the servicer will be “upside down” and required to subsidize the difference.

Whereas paying interest at two percent on insurance proceeds held may seem reasonable in today’s interest rate environment, the interest rate environment changes over time, and this may not be reasonable in the future. The MBAH suggests that the bill be amended as follows with deletions highlighted in red and with strike-throughs:

- (ii) A mortgage servicer shall hold in an interest-bearing account any insurance proceeds that the mortgage servicer does not immediately disburse to a borrower as required by this section. A mortgage servicer shall ensure that any interest that is credited to the account is credited and disbursed to the borrower. The account shall generate interest ~~at either:~~

~~(1) The rate of two per cent simple interest per annum; or~~

~~-As follows:~~

- (A) For a depository mortgage servicer, the rate for the depository mortgage servicer’s money market accounts; or
- (B) For a non-depository mortgage servicer, the rate for the money market account at the deposit institution with which the non-depository mortgage servicer conducts its banking business,

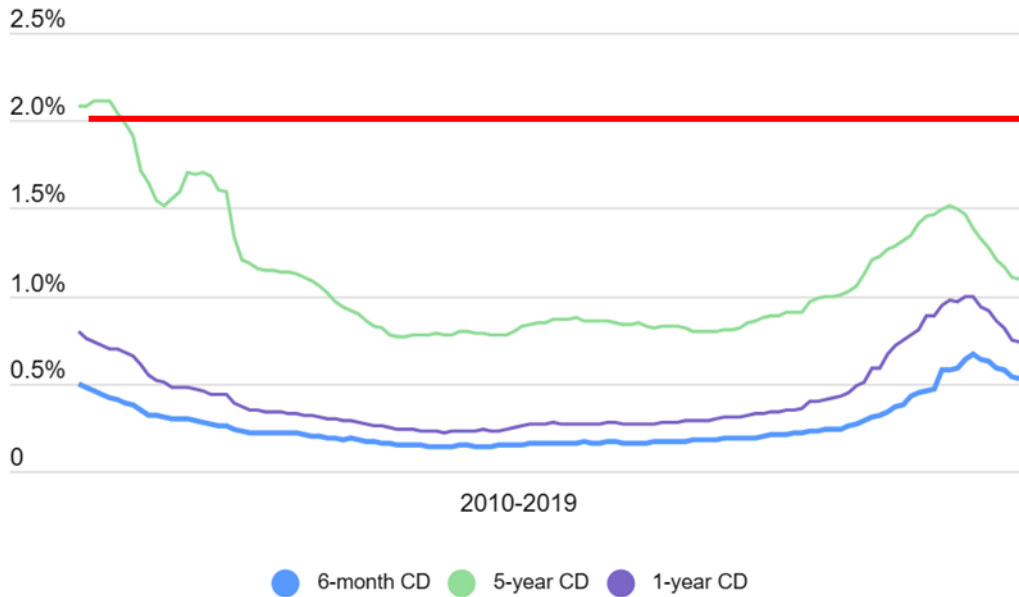
~~whichever is greater.~~

Thank you for the opportunity to present this testimony.

Victor Brock
Mortgage Bankers Association of Hawaii

Average CD rates: 2010-2019

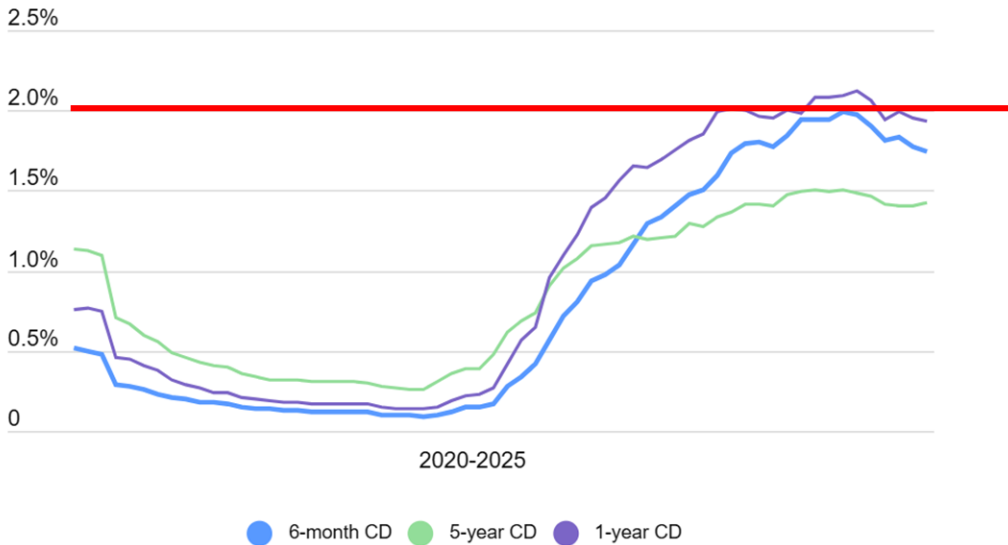
After the global financial crisis, CD rates fell to their lowest point in U.S. history. Toward the end of the decade, rates began rising, but fell again in 2019.



Source: Bankrate national survey

Average CD rates: 2020-2025

As the COVID pandemic emerged in early 2020, the Federal Reserve lowered interest rates, but inflation caused a reversal of those decreases starting in 2022.



Source: Bankrate national survey

Nā Alakaʻi o ʻAhahui o Hawaiʻi

Advocates for Native Hawaiian Justice

William S. Richardson School of Law | University of Hawaiʻi at Mānoa



Testimony of Nā Alakaʻi o ʻAhahui o Hawaiʻi

Before the House Committee on Finance

Tuesday, April 1, 2025, 2:00 p.m.
State Capitol, Conference Room 308
415 South Beretania Street
Honolulu, HI 96813

Re: Support for SB1142 SD1 HD1 Relating to Insurance Proceeds

Aloha e Chair Yamashita, Vice-Chair Takenouchi, and committee members,

We are the alakaʻi of ʻAhahui o Hawaiʻi (“the Hui”), an organization of law student advocates at the William S. Richardson School of Law. For over 50 years, the Hui has advocated for Native Hawaiian justice in all areas of law, especially those affecting Native Hawaiian communities, traditional and customary practices, resource management, and environmental protection. Today we submit this **testimony in strong SUPPORT of SB1142 SD1 HD1.**

Over the last two years, members of our organization have supported the Maui Komohana community and have assisted in their efforts to rebuild after the total devastation of their homes and loss of ʻohana. Several survivors shared stories about the frustration and harm they have endured because of the unethical practices of out-of-state mortgage servicers and banks. After losing everything they had, including loved ones, survivors were forced to wait to rebuild because out-of-state mortgagors held insurance proceeds that should have been expedited to these ʻohana. Survivors were unable to hire locals to rebuild their homes (which could have provided local jobs) and some were forced to leave Hawaiʻi permanently. Local lenders would not get away with operating this way, and this bill must be enacted to prevent out-of-state lenders from taking advantage of and victimizing our ʻohana in their greatest time of need.

Supporting SB1142 will enforce transparency, efficient processes for survivors, and ethical operations relating to the disbursement of insurance funds that local banks already conform to. We must require the same of banks who are only here to make a profit and are not concerned about the people of Hawaiʻi. Opposing the bill will add to the narrative that Hawaiʻi only exists for the outside investor’s bottom line, and contribute to the mass exodus and disenfranchisement of Hawaiians and locals who have been here for generations and rightfully belong in their homes and on their land.

Please vote in SUPPORT to SB1142 and in favor of the people of Hawaiʻi and survivors of the Lāhainā wildfires.

Mahalo for this opportunity to provide this testimony.

Nā Alakaʻi o ʻAhahui o Hawaiʻi

Advocates for Native Hawaiian Justice

William S. Richardson School of Law | University of Hawaiʻi at Mānoa



**ʻAHAHUI
O HAWAIʻI**

Advocates for Native Hawaiian Justice

Nā Alakaʻi o ʻAhahui o Hawaiʻi

Nā Alakaʻi:

B. Oriana McCallum ('25)

Andrea Leialoha Mākuanani ('25)

Kyle K. Moriguchi ('26)

Bronson Gonzales ('26)

Lenei Naipo ('27)

Derek Kamakanaaloha Soong ('27)

HAWAII FINANCIAL SERVICES ASSOCIATION

c/o Marvin S.C. Dang, Attorney-at-Law

P.O. Box 4109

Honolulu, Hawaii 96812-4109

Telephone No.: (808) 521-8521

April 1, 2025

Rep. Kyle T. Yamashita, Chair
Rep. Jenna Takenouchi, Vice Chair
and members of the House Committee on Finance
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **S.B. 1142, S.D. 1, H.D. 1 (Insurance Proceeds)**
Hearing Date/Time: Tuesday, April 1, 2025, 2:00 p.m.

I am Marvin Dang, the attorney for the **Hawaii Financial Services Association** (“HFSA”). The HFSA is a trade association for Hawaii’s consumer credit industry. Its members include Hawaii financial services loan companies (which make mortgage loans and other loans, and which are regulated by the Hawaii Commissioner of Financial Institutions), mortgage lenders, and financial institutions.

The HFSA opposes this Bill as drafted and offers a proposed amendment.

This Bill requires mortgage servicers to comply with certain requirements regarding the disbursement of insurance proceeds for residential real estate that has been destroyed or damaged.

We urge your consideration of the following proposed amendment to Subsection 454M - __ (i) which begins on page 6, line 16 and continues through page 7, line 10:

“(i) A mortgage servicer shall hold in an interest-bearing account any insurance proceeds that the mortgage servicer does not immediately disburse to a borrower as required by this section. A mortgage servicer shall ensure that any interest that is credited to the account is credited and disbursed to the borrower. The account shall generate interest at either:

(1) ~~[The rate of two per cent simple interest per annum;]~~ **A rate that is not less than the national rate for money market accounts, as determined by title 12 Code of Federal Regulations section 337.7;** or

(2) As follows:

(A) For a depository mortgage servicer, the rate for the depository mortgage servicer's money market accounts; or

(B) For a non-depository mortgage servicer, the rate for the money market account at the deposit institution with which the non-depository mortgage servicer conducts its banking business,

whichever is greater.”

(The material to be deleted is bracketed, stricken, and highlighted in yellow. The proposed amendment is double-underscored, in red font, and highlighted in yellow.)

We respectfully object to requiring mortgage servicers to find a depository institution (e.g., a bank) that has a savings account (e.g., money market account) which pays depositors at least “a rate of “two percent simple interest per annum.” We’re objecting because if savings rates (e.g., money market rates) fall to the level of low interest savings rates that they were a few years ago, it will be problematic for mortgage servicers to find a depository institution that actually pays rates as high as 2% per year.

Instead, we recommend that this Bill require **“a rate that is not less than the national rate for money market accounts, as determined by title 12 Code of Federal Regulations section 337.7.”**

This “national rate for money market accounts” verbiage was in the original version of this Senate Bill 1142 when it was introduced. See page 7, lines 4 through 7. The provision stated:

“The account shall generate interest at a rate that is not less than the national rate for money market accounts, as determined by title 12 Code of Federal Regulations section 337.7.”

Additionally, this “national rate for money market accounts” verbiage remained in the Senate Draft 1 version of this Senate Bill 1142 when this Bill crossed over from the Senate to the House. The Senate Draft 1 provision (on page 6, line 19 through page 7, line 1) stated:

“The account shall generate interest at a rate that is not less than the national rate for money market accounts, as determined by title 12 Code of Federal Regulations section 337.7.”

Other bills introduced this session which also contained a similar provision for “national rate for money market accounts” are:

1. Administration bill **H.B. 1047** (Interest On Insurance Proceeds Related To A Mortgage Loan). See page 12, lines 5 through 8.

It should be noted that when that bill was later amended by House Draft 1, the “national rate for money market accounts” provision was completely deleted; the draft didn’t require a specific interest rate or a specific type of savings account other than requiring that the monies “be in an interest-bearing account.” See page 12, lines 15 through 21.

2. Administration bill **S.B. 1366** (Interest On Insurance Proceeds Related To A Mortgage Loan). See page 12, lines 5 through 8.

It should be noted that when that bill was later amended by Senate Draft 1, the “national rate for money market accounts” provision was completely deleted; the draft didn’t require a specific interest rate or a specific type of savings account other than requiring that the monies “be in an interest-bearing account.” See page 12, lines 6 through 12.

Accordingly, we respectfully request that House Bill 1142, H.D. 1 be amended with a H.D. 2 to:

- (1) delete the “two percent simple interest per annum” provision, and
- (2) substitute in the “national rate for money market accounts” provision that we’re proposing.

Thank you for considering our testimony.


MARVIN S.C. DANG
Attorney for Hawaii Financial Services Association



Testimony to the House Committee on Finance
April 1, 2025, at 2:00 PM
Conference Room 308

Comments Regarding HB 1142, Relating to Insurance Proceeds

To: The Honorable Kyle Yamashita, Chair
The Honorable Lisa Kitagawa, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League (HCUL), the local trade association for 45 Hawaii credit unions, representing over 877,000 credit union members across the state.

HCUL offers the following comments regarding SB 1142, Relating to Insurance Proceeds. This bill requires mortgage servicers to comply with certain requirements regarding the disbursement of insurance proceeds for residential real estate that has been destroyed or damaged.

While we understand that the intent of this bill is to help borrowers affected by disasters, we are concerned with the possible administrative impact. Managing and tracking interest payments on insurance proceeds would require system modifications and increased staff resources, which could be particularly challenging for smaller credit unions with limited operational capacity.

We are also in agreement with the amendments proposed by the Hawaii Financial Services Association and the Mortgage Bankers Association.

Thank you for the opportunity to provide comments on this issue.

SB-1142-HD-1

Submitted on: 3/29/2025 10:04:07 AM

Testimony for FIN on 4/1/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Shay Chan Hodges	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Matayoshi, Vice Chair Chun and Members of the Committee,

I am writing in support of Senate Bill 1142 SD1 HD1, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

After the Lahaina fire, many families faced long delays and unclear rules when trying to access their insurance funds. This bill makes sure mortgage companies release money fairly and on time, so people can start rebuilding without extra stress. It also requires clear communication and protects homeowners from unfair delays.

Please pass SB1142 SD1 HD1 to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina's recovery.

Shay Chan Hodges

Maui

SB-1142-HD-1

Submitted on: 3/29/2025 11:43:32 AM

Testimony for FIN on 4/1/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Nicki Tedesco	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Matayoshi, Vice Chair Chun and Members of the Committee,

I am writing in support of Senate Bill 1142 SD1 HD1, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

After the Lahaina fire, many families faced long delays and unclear rules when trying to access their insurance funds. This bill makes sure mortgage companies release money fairly and on time, so people can start rebuilding without extra stress. It also requires clear communication and protects homeowners from unfair delays.

Please pass SB1142 SD1 HD1 to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina's recovery.

SB-1142-HD-1

Submitted on: 3/29/2025 1:19:46 PM

Testimony for FIN on 4/1/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kathy Lomeli	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Matayoshi, Vice Chair Chun and Members of the Committee,

I am writing in support of Senate Bill 1142 SD1 HD1, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

After the Lahaina fire, many families faced long delays and unclear rules when trying to access their insurance funds. This bill makes sure mortgage companies release money fairly and on time, so people can start rebuilding without extra stress. It also requires clear communication and protects homeowners from unfair delays.

Please pass SB1142 SD1 HD1 to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina's recovery.

Kathy Lomeli

SB-1142-HD-1

Submitted on: 3/29/2025 2:13:21 PM

Testimony for FIN on 4/1/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
mary drayer	Individual	Support	Written Testimony Only

Comments:

submitting testimony in support of SB1142 SD1 HD`

SB-1142-HD-1

Submitted on: 3/29/2025 9:11:49 PM

Testimony for FIN on 4/1/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Sarah Biggs	Individual	Support	Written Testimony Only

Comments:

Protect homeowners from being subjected to lengthy delays in their efforts to rebuild and repair their homes.

SB-1142-HD-1

Submitted on: 3/30/2025 7:01:32 AM

Testimony for FIN on 4/1/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Richard Ho	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Matayoshi, Vice Chair Chun and Members of the Committee,

I am writing in support of Senate Bill 1142 SD1 HD1, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

After the Lahaina fire, many families faced long delays and unclear rules when trying to access their insurance funds. This bill makes sure mortgage companies release money fairly and on time, so people can start rebuilding without extra stress. It also requires clear communication and protects homeowners from unfair delays.

Please pass SB1142 SD1 HD1 to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina's recovery.

Richard Ho

SB-1142-HD-1

Submitted on: 3/30/2025 2:56:38 PM

Testimony for FIN on 4/1/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Stacey Alapai	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Matayoshi, Vice Chair Chun and Members of the Committee,

I am writing in support of Senate Bill 1142 SD1 HD1, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

After the Lahaina fire, many families faced long delays and unclear rules when trying to access their insurance funds. This bill makes sure mortgage companies release money fairly and on time, so people can start rebuilding without extra stress. It also requires clear communication and protects homeowners from unfair delays.

Please pass SB1142 SD1 HD1 to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina's recovery.

SB-1142-HD-1

Submitted on: 3/30/2025 7:20:17 PM

Testimony for FIN on 4/1/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kazuo Flores	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Matayoshi, Vice Chair Chun and Members of the Committee,

I am writing in support of Senate Bill 1142 SD1, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

After the Lahaina fire, many families faced long delays and unclear rules when trying to access their insurance funds. This bill makes sure mortgage companies release money fairly and on time, so people can start rebuilding without extra stress. It also requires clear communication and protects homeowners from unfair delays.

Please pass SB1142 SD1 to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina's recovery.

Kazuo Flores

SB-1142-HD-1

Submitted on: 3/31/2025 7:23:05 PM

Testimony for FIN on 4/1/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kelcy Durbin	Individual	Support	Written Testimony Only

Comments:

I am writing to express my strong support for Hawaii State Senate Bill 1142, which aims to establish critical requirements that mortgage servicers must adhere to regarding the disbursement of insurance proceeds for residential real estate that has been destroyed or damaged.

Senate Bill 1142 is an essential legislative measure designed to protect homeowners during times of crisis. When a residential property is damaged or destroyed, homeowners rely on insurance proceeds to rebuild and recover. However, without clear regulations, the disbursement of these funds can become contentious and delayed, causing undue hardship to those affected.

This bill will ensure that mortgage servicers follow a defined set of guidelines for the timely and fair disbursement of insurance proceeds. Such guidelines are crucial to prevent any misuse or withholding of funds that could further jeopardize the homeowner's ability to restore their property.

By mandating compliance, Senate Bill 1142 supports economic stability within our communities. When homeowners can promptly access the funds they are entitled to, they can expedite repairs and reconstruction, thus contributing to the overall economic health and resilience of our neighborhoods.

In conclusion, I strongly urge the esteemed members of the Senate to pass Senate Bill 1142. This legislation is vital for safeguarding the interests of homeowners and ensuring they receive the support they need during challenging times. The establishment of clear requirements for mortgage servicers regarding the disbursement of insurance proceeds will promote fairness, transparency, and efficiency.

Thank you for your consideration.

Respectfully submitted,

Kelcy Durbin