



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE
HOUSE COMMITTEE ON FINANCE
THE TWENTY-EIGHTH STATE LEGISLATURE
REGULAR SESSION OF 2015

April 2, 2015
2:00 p.m.

TESTIMONY ON S.B. NO. 1093, S.D. 2
RELATING TO MORTGAGE SERVICERS

THE HONORABLE SYLVIA LUKE, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda, Commissioner of Financial Institutions ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department") in strong support of this administration bill, Senate Bill No. 1093, S.D. 2, with a technical amendment requested below.

S.B. 1093, S.D. 2 amends the Mortgage Servicers law, Chapter 454M of the Hawaii Revised Statutes. This bill strengthens the law to protect consumers, by adding important new requirements for mortgage servicers, such as bonding, making specific information available to borrowers about their mortgage, and setting loss mitigation standards to help homeowners in distress, and penalties for chapter violations. The

provisions in this bill are especially important because while mainland mortgage servicers service loans for Hawaii homeowners, none have a physical presence in this State. This can make it very difficult for homeowners to obtain appropriate attention from their mortgage servicer. We believe that the provisions of this bill will not have a substantial negative impact on mortgage servicer companies since many companies have already implemented the proposed provisions.

It is important to strengthen Hawaii's law now, given the nationwide surge in nonbank mortgage servicers, the types and gravity of complaints against the industry, and the serious potential for harm to consumers. By requiring nonbank mortgage servicers to meet the same servicing standards as regulated bank mortgage servicers, borrowers will have the same protections in place for their mortgages, whether they are serviced by a bank or a nonbank servicer.

DFI requests that the terms "suspends" and "suspended" on page 27, lines 13 and 18 of S.B. 1093, S.D. 2, be changed to "suspenses" and "suspended", respectively. The references are to an accounting term.

DFI strongly supports this administration bill, Senate Bill No. 1093, S.D. 2, and respectfully requests that it be passed out of the Committee with the technical amendment mentioned above.

Thank you for the opportunity to testify. I would be pleased to respond to any questions you may have.

Presentation To
Committee on Finance
April 2, 2015 at 2:00 p.m.
State Capitol Conference Room 308

**Testimony in Support of SB 1093, SD2, HSCR 1003
Relating to Mortgage Servicers**

TO: The Honorable Sylvia Luke, Chair
The Honorable Scott Y. Nishimoto, Vice Chair
Members of the Committee

My name is Neal Okabayashi and I testify for the Hawaii Bankers Association (HBA). HBA is the trade association representing all FDIC insured depository institutions with branch offices in the State of Hawaii.

HBA supports the intent of this administration bill which will fill a gap in the regulatory framework of mortgage servicing because one of its key provisions is to make the Consumer Financial Protection Bureau servicing rules applicable to nonbank servicers.

While many bank servicers are subject to the servicing rules of the Consumer Financial Protection Bureau, there are nonbank servicers that are not subject to the servicing rules of the Consumer Financial Protection Bureau which became effective January 10, 2014. Among other things, the servicing rules address loan mitigation procedures to follow upon borrower delinquency. This bill would require mortgage servicers to adhere to the Consumer Financial Protection Bureau rules even if they are not presently subject to such rules.

The importance of this bill is that it is anticipated that the market share of nonbank servicers will grow because regulatory bank capital rules discourage banks from servicing loans.

To assure clarity of the obligation of these servicers to adhere to the Consumer Financial Protection Bureau rules, we recommend revising subsection (b)(1)(C) at the bottom of page 45 to read:

“Rules and regulations issued or administered by the Consumer Financial Protection Bureau, and interpretations of the rules by Consumer Financial Protection Bureau through interpretative rules, bulletins, statements of policy, and statements of guidance, even if the rules and regulations of the Consumer Financial Protection Bureau do not apply to the mortgage servicer under the rules and regulations of the Consumer Financial Protection Bureau;”

Thank you for the opportunity to submit this testimony and please let us know if we can provide further information.

Neal Okabayashi
525-8785