

Honolulu, Hawaii

MAR 16 2012

RE: H.B. No. 2502  
H.D. 2  
S.D. 1

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2012  
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 2502, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO MORTGAGE SERVICERS,"

begs leave to report as follows:

The purpose and intent of this measure is to require every mortgage servicer who provides loan modification services that require licensure as a mortgage loan originator to be licensed as a mortgage loan originator, in addition to being licensed as a mortgage servicer.

Your Committee received testimony in support of this measure from the Division of Financial Institutions of the Department of Commerce and Consumer Affairs.

Your Committee finds that persons acting as mortgage servicers provide a range of services, including some mortgage loan modification services that could be considered mortgage loan originator activities. Your Committee further finds that a mortgage servicer license cannot take the place of a mortgage loan originator's license. This measure requires that anyone who provides mortgage loan origination services be licensed to do so, even if that person is already licensed as a mortgage servicer.

Your Committee notes that the companion to this measure, S.B. No. 2764, S.D. 1, which was previously passed by the Senate, contains language that expands the Commissioner of Financial



Institutions' rulemaking authority, requires mortgage servicers to register with the Nationwide Mortgage Licensing System if necessary, and provides the Commissioner with more discretion when imposing fines for violations.

Your Committee additionally finds that the language in S.B. No. 2764, S.D. 1, is preferable because it is more in line with national guidance. Mortgage servicers may eventually be required to register with the Nationwide Mortgage Licensing System. Should that occur, the Commissioner of Financial Institutions must have the authority to work with the Nationwide Mortgage Licensing System and establish a program similar to the recently established program for mortgage loan originators and mortgage loan originator companies. Appropriate rulemaking authority also allows the Commissioner to provide guidance to licensees as they apply for licensure or renewal. Discretion to adjust monetary penalties ensures companies are in compliance with licensing requirements, without the risk that a single fine could put a company out of business.

Accordingly, your Committee has amended this measure by replacing its contents with the contents of S.B. No. 2764, S.D. 1, a substantively similar measure, which:

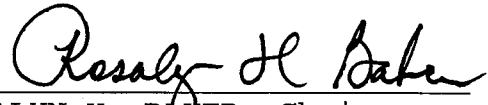
- (1) Requires every mortgage servicer who provides loan modification services that would require licensure as a mortgage loan originator to be licensed as a mortgage loan originator, in addition to being licensed as a mortgage servicer;
- (2) Allows the Commissioner of Financial Institutions to increase Hawaii's involvement with the Nationwide Mortgage Licensing System, through rulemaking authority and by requiring all mortgage servicers to register with the Nationwide Mortgage Licensing System; and
- (3) Provides the Commissioner of Financial Institutions with greater discretion when imposing fines for violations of chapter 454M, Hawaii Revised Statutes.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2502, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto



as H.B. No. 2502, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,

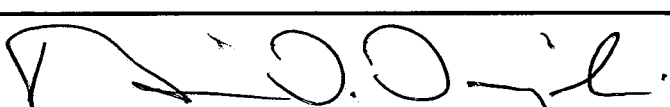


ROSALYN H. BAKER, Chair



The Senate  
Twenty-Sixth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:	Committee Referral:	Date:		
HB 2502 HD2	CPN, WAM	3-13-12		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
GALUTERIA, Brickwood				✓
GREEN, M.D., Josh	✓			
NISHIHARA, Clarence K.	✓			
SOLOMON, Malama	✓			
SLOM, Sam			✓	
<b>TOTAL</b>	5	0	1	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

\*Only one measure per Record of Votes