

STAND. COM. REP. NO.

39

Honolulu, Hawaii

FEB 09 2015

RE: S.B. No. 1093
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 1093 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 clarify mortgage servicer requirements, including loss mitigation options, licensing requirements, duties to borrowers, bonding requirements, and prohibited activities.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs, Mortgage Bankers Association of Hawaii, Hawaii Bankers Association, Hawaii Credit Union League, and one individual.

Your Committee finds that mortgage servicers administer mortgage loans after the loans have closed, including collecting and recording payments from borrowers and handling delinquent borrowers. In 2012, the National Mortgage Settlement agreement was reached by the federal government and forty-nine state attorneys general with the country's five largest mortgage servicers to address mortgage servicing, foreclosure, and bankruptcy abuses. Since that time, many mortgage servicer companies have addressed concerns previously found by state examiners during examinations. Although there are no national requirements in place for mortgage servicers, the Conference of State Bank Supervisors has formed a work group to suggest prudential standards for mortgage servicers. The federal Consumer

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Financial Protection Bureau has also issued rules relating to mortgage servicing standards that pertain to bank and nonbank mortgage servicers.

Your Committee further finds that over the past few years, there has been a dramatic rise of nonbank servicers in the mortgage service industry. However, your Committee finds that nonbank servicers are subject to far less stringent regulatory and financial requirements than banks. Consequently, the rise of nonbank servicers has been accompanied by an increasing number of consumer complaints, lawsuits, and other regulatory actions. For example, in the twenty-five month period ending January 31, 2015, Hawaii consumers lodged 516 mortgage complaints on the Consumer Financial Protection Bureau database. Most of these complaints were concerned with mortgage servicing issues.

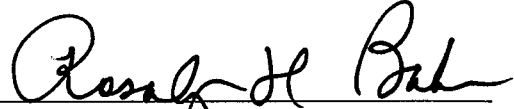
Your Committee additionally finds that this measure provides specific standards for mortgage servicers, which the Division of Financial Institutions of the Department of Commerce and Consumer Affairs needs to enhance its examinations, better regulate the industry, and protect Hawaii consumers. This measure requires nonbank mortgage servicers to meet the same mortgage servicing standards as regulated bank mortgage servicers, thus enabling borrowers to have equivalent protections in place for their mortgages, regardless of whether the mortgage servicer is a bank or nonbank.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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 S.B. No. 1093, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1093, 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-Eighth Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* SB 1093	Committee Referral: CPN, WAM	Date: 2-4-15
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The Committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312
 Pass, with amendments 2311
 Hold 2310
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)				✓
KAHELE, Gilbert	✓			
KIDANI, Michelle N.	✓			
NISHIHARA, Clarence K.	✓			
WAKAI, Glenn	✓			
SLOM, Sam	✓			
TOTAL	6			1

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature: *Michelle N. Kidani*

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*Only one measure per Record of Votes