

STAND. COM. REP. NO. 793

Honolulu, Hawaii

FEB 27 2025

RE: S.B. No. 1366
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 1366 entitled:

"A BILL FOR AN ACT RELATING TO INTEREST ON INSURANCE PROCEEDS RELATED TO A MORTGAGE LOAN,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Support mortgagors during disasters and other instances of damage to property by requiring licensed mortgage servicers and financial institutions to pay interest on insurance proceeds held for the benefit of consumers;
- (2) Provide that a fee shall not be charged to the borrower in connection with the maintenance or disbursement of insurance proceeds received by the financial institution; and
- (3) Provide that the minimum interest rate paid on insurance proceeds be based on the national rate for money market accounts, as determined according to federal law, to be credited to the borrower monthly.

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



Your Committee received testimony in opposition to this measure from the Mortgage Bankers Association of Hawaii.

Your Committee received comments on this measure from the Hawaii Bankers Association and Hawaii Credit Union League.

Your Committee finds that the 2023 Maui Wildfires caused extensive destruction of infrastructure that is currently hindering survivors' ability to rebuild, leaving insurance proceeds sitting in escrow accounts until the rebuilding process is feasible. 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 benefit because existing laws do not require insurance proceeds to be held in interest bearing accounts. This measure will increase consumer protection in cases of damage or destruction to a mortgager's property by requiring that all licensed Hawaii mortgage servicers contact the consumer and provide them with an option of putting their insurance proceeds in an interest-bearing account.

Your Committee has amended this measure by:

- (1) Clarifying that certain requirements shall apply in the event of a state of emergency declared by the Governor pursuant to section 127A-14, Hawaii Revised Statutes;
- (2) Deleting language that would have required a Hawaii financial institution or mortgage service holding an interest-bearing account to generate interest at a rate not less than the national rate for money market accounts;
- (3) Deleting language that would have prohibited a financial institution or mortgage service from charging the borrower a fee for the maintenance or disbursement of insurance proceeds;
- (4) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (5) 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. 1366, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1366, S.D. 1, and be placed on the calendar for Third Reading.

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



JARRETT KEOHOKALOLE, Chair



