Honolulu, Hawaii

Moch 17, 2006

RE: S.B. No. 770

S.D. 2 H.D. 1

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Third State Legislature Regular Session of 2006 State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 770, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this bill, as received, is to improve regulation of mortgage brokers by transferring responsibility for the licensing and regulation of mortgage brokers from the Professional and Vocational Licensing Division of the Department of Commerce and Consumer Affairs (DCCA), to the Division of Financial Institutions (DFI) of DCCA.

The Hawaii Bankers Association, Hawaii Financial Services Association and Primerica supported the intent of this bill. The DCCA Commissioner of Financial Institutions supported the intent of the bill and recommended amendments. The Office of Information Practices offered comments. The Mortgage Bankers Association of Hawaii, Hawaii Association of Mortgage Brokers, and a concerned individual opposed the bill.

Your Committee finds that the DFI is responsible for overall supervision of the financial services industry and has the expertise to oversee the financial services provided by mortgage brokers.

Upon further consideration, your Committee has amended this bill by replacing its substance with that of H.B. No. 2316, a bill that your Committee and the Committee on Judiciary heard jointly earlier this session. As amended, the bill repeals the existing mortgage broker law and establishes a new chapter that increases consumer protections against predatory lending practices, including:

- (1) Providing for regulation of mortgage brokers by the Commissioner of Financial Institutions;
- (2) Restricting state regulation to mortgage brokers who deal in residential mortgage loan transactions;
- (3) Eliminating regulation of mortgage solicitors, persons who perform mortgage broker functions and are employed or controlled by a mortgage broker;
- (4) Allowing a mortgage broker's license to be revoked based on the actions of any officers, directors, employees, partners, and members of the licensee;
- (5) Requiring prelicensing testing and criminal background checks;
- (6) Establishing continuing education and periodic testing requirements; and
- (7) Increasing the required bond from \$15,000 to \$50,000.

This bill also differs from the S.D. 2 in that it becomes effective on July 1, 2050.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 770, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 770, S.D. 2, H.D. 1, and be referred to the Committee on Judiciary.

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

ROBERT N. HERKES, Chair

## State of Hawaii House of Representatives The Twenty-third Legislature



## **Record of Votes of the Committee on Consumer Protection & Commerce**

Bill/Resolution No.:	Date:	3/15/06			
SB 770 SD 2  Committee Referral: CPC, JUD, FIN	☐ The committee is reconsidering its				
CP C,JUD, FIN	previous decision on the measure.				
The recommendation is to:  Pass, unamended	Pass, with amendments				
☐ Hold	□ Recommit				
CPC Members	Ayes	Ayes (WR)	Nays	Excused	
1. HERKES, Robert N. (C)	V				
2. SCHATZ, Brian (VC)	V				
3. CALDWELL, Kirk	,			V	
4. ITO, Ken	V				
5. KANOHO, Ezra R.	W^>				
6. KARAMATSU, Jon Riki	V	·			
7. MORITA, Hermina M.				V	
8. SONSON, Alex M.				V	
9. SOUKI, Joseph M.	1,				
10. MARUMOTO, Barbara C.			-		
11. STONEBRAKER, Bud				V	
			-		
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TOTAL	6			5	
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The recommendation is:					
☐ Not Adopted					
If joint referral,		did not suppo	rt recommendation		
committee acronym(s)					
Vice Chair sor designee's signature:					
Distribution: Original (White) – Committee Duplicate (Yellow) – Clerk's Office					