
HOUSE CONCURRENT RESOLUTION

REQUESTING THE AUDITOR TO CONDUCT A STUDY ON PREDATORY MORTGAGE
LENDING IN HAWAII.

1 WHEREAS, Hawaii has seen a dramatic increase in housing
2 costs over the past few years; and
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4 WHEREAS, with the combination of high housing costs and
5 moderate incomes, many Hawaii residents have purchased homes
6 through subprime lending; and
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8 WHEREAS, subprime lending has the highest rates of
9 predatory lending practices, including, but not limited to
10 stripping equity through exorbitant fees and/or pre-payment
11 penalties, yield-spread premiums (kickbacks to brokers), balloon
12 payments, steering borrowers to higher interest loans, loan
13 flipping, and mandatory arbitration; and
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15 WHEREAS, some Hawaii homeowners have been issued mortgages
16 without the adequate resources to repay these mortgages and are
17 at risk of foreclosure; and
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19 WHEREAS, a December 2006, report by the Center for
20 Responsible Lending predicts a 20.6 per cent foreclosure rate
21 for subprime loans made in Hawaii in 2006; and
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23 WHEREAS, Hawaii is among the twenty-three states that have
24 no anti-predatory lending policies to curb these and other
25 abuses in the mortgage industry, while eighteen states have
26 adopted state versions of the existing federal anti-predatory
27 lending law, and the rest have even tougher standards; and
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29 WHEREAS, over the last five years, there have been various
30 attempts by the Legislature to regulate the mortgage lending
31 industry through legislation and by the creation of task forces
32 with little or no success; and
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1 WHEREAS, the State has a vital interest in ensuring that
2 there are legal mechanisms available to protect its residents
3 from predatory mortgage lending practices; now, therefore,
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5 BE IT RESOLVED by the House of Representatives of the
6 Twenty-fourth Legislature of the State of Hawaii, Regular
7 Session of 2007, the Senate concurring, that the Auditor is
8 requested to conduct a study of predatory mortgage lending
9 practices in Hawaii; and

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11 BE IT FURTHER RESOLVED that the study include:

- 12
13 (1) An overview and examination of Hawaii laws governing
14 mortgage lending, subprime lending and predatory
15 housing mortgage lending practices;
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17 (2) An examination of federal laws protecting borrowers
18 from mortgage lending, subprime lending, and predatory
19 housing mortgage lending practices;
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21 (3) An examination of other states' laws and a comparison
22 thereof with Hawaii's laws governing mortgage lending,
23 subprime lending and predatory housing mortgage
24 lending practices;
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26 (4) An assessment of the risk to Hawaii consumers through
27 a review of:
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29 (A) Subprime loans issued;
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31 (B) Rate of foreclosure on subprime loans; and
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33 (C) Any other relevant information; and
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35 (5) Recommendations for legislation to protect Hawaii
36 consumers from predatory lending practices; and
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38 BE IT FURTHER RESOLVED that the Auditor is requested to
39 consult with organizations and individuals including, but not
40 limited to the Department of Commerce and Consumer Affairs, the
41 Judiciary, banks, mortgage lenders, the Hawaii Alliance for
42 Community Based Economic Development, the Legal Aid Society of
43 Hawaii, the Hawaii Homeownership Center, Consumer Credit



