

STAND. COM. REP. NO. 1301-12

Honolulu, Hawaii

March 23, 2012

RE: S.B. No. 2394
S.D. 1
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 2394, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO CONSUMER PROTECTION,"

begs leave to report as follows:

The purpose of this measure as received by your Committee ("H.D. 1") is to protect military service members and their dependents from abusive lending practices by allowing the Director of Commerce and Consumer Affairs to enforce certain federal laws relating to fraud, deception, and similar practices.

For the purposes of a public hearing, your Committee circulated a proposed draft ("Proposed H.D. 2") for public review and comment. The proposed draft retains the original purpose of the bill and adds a new part that establishes a Distressed Residential Properties Program (Program) to assist Hawaii homeowners who face foreclosure on their mortgages.

More specifically, the Proposed H.D. 2, among other things:

- (1) Establishes a Distressed Residential Properties Program Special Fund (Special Fund);
- (2) Establishes a special mortgage recording fee;



- (3) Allows the Special Fund to be used to purchase, in whole or in part, existing loans of distressed residential properties;
- (4) Allows the Hawaii Housing Finance and Development Corporation (HHFDC) to issue revenue bonds in amounts not exceeding \$25,000,000 to be deposited into the Special Fund;
- (5) Requires HHFDC to submit to the Legislature at least 20 days prior to the convening of each Regular Session a report on the number of loans purchased and the disposition of the loans by HHFDC;
- (6) Sets forth eligibility requirements for homeowners who wish to participate in the Program;
- (7) Establishes terms and conditions of qualified mortgages;
- (8) Requires the Commissioner of Financial Institutions to:
 - (A) Collect from each Hawaii financial institution an assessment of \$100 for each mortgage loan secured by residential property in Hawaii during the previous fiscal year; provided that the assessment must be levied on the earnings of the Hawaii financial institution; and
 - (B) Deposit the collected assessment into the Special Fund; and
- (9) Requires that the fine of \$250 per day to be levied against a Hawaii financial institution that fails to pay the assessment described in paragraph (8) must also be deposited into the Special Fund.

Faith Action for Community Equity, IMUAlliance, and a concerned individual supported the Proposed H.D. 2. The Office of Consumer Protection (OCP) of the Department of Commerce and Consumer Affairs (DCCA), Chamber of Commerce of Hawaii and Oahu Veterans Council supported the H.D. 1. The Hawaii Bankers Association, Hawaii Credit Union League, Hawaii Financial Services Association, and Hawaii Association of REALTORS opposed the Proposed H.D. 2. DCCA, OCP, and the Hawaii Housing Finance and Development Corporation submitted comments on the Proposed H.D. 2.

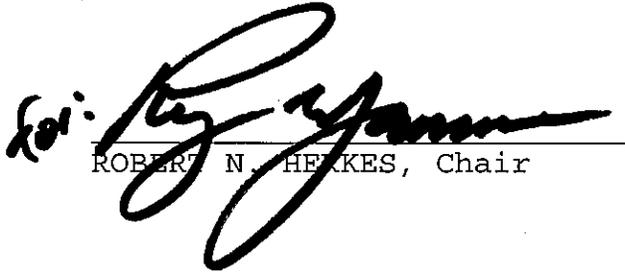


After careful consideration, your Committee adopted the Proposed H.D. 2 has further amended it by:

- (1) Deleting the special mortgage recording fee;
- (2) Deleting the \$100 assessment against Hawaii financial institutions for each mortgage loan secured by residential property in Hawaii during the previous fiscal year;
- (3) Making conforming technical amendments; and
- (4) Making technical, nonsubstantive amendments for clarity, consistency, and style.

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. 2394, S.D. 1, H.D. 1, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as S.B. No. 2394, S.D. 1, H.D. 2.

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


ROBERT N. HENKES, Chair



