
A BILL FOR AN ACT

RELATING TO SECURITY INTERESTS IN REAL PROPERTY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the records of the
2 bureau of conveyances reflect numerous instruments evidencing
3 assignments of borrower's interests in leases and rents that
4 were given as security for mortgage loans, and that the records
5 for many of these assignments have not subsequently been
6 reassigned or released even though the underlying loans have
7 been fully paid or otherwise satisfied. The legislature has
8 recognized that it is in the public's interest to clear the
9 public record of unreleased mortgages and has authorized title
10 insurers or underwritten title companies to make a demand on the
11 mortgagee and, in the absence of compliance, to execute and
12 record a release of a fully satisfied mortgage under certain
13 conditions. However, there is no comparable provision for
14 compelling and accomplishing a release of a recorded assignment
15 of leases or rents, which sometimes accompanies the mortgage as
16 additional security for the loan. Accordingly, many



1 unenforceable assignments continue to exist in the public record
2 and may cloud title to real estate.

3 The purpose of this Act is to amend the procedure for
4 clearing titles by adding a reference to recorded assignments of
5 leases and rents for which the underlying debt has been fully
6 paid or satisfied, which will help clarify the public record.

7 SECTION 2. Section 506-8, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "§506-8 Release of mortgages of real property or
10 fixtures[-] and reassignment of security interests. (a) The
11 mortgagee of real property or the record assignee of a mortgage
12 interest shall provide to the mortgagor a release of mortgage
13 upon full satisfaction of the mortgage and discharge of any
14 secured debt. If the debt secured by the mortgage is also
15 secured by an assignment of the borrower's or mortgagor's
16 interest in leases or rents to the mortgagee, then the mortgagee
17 or record assignee shall also provide to the borrower or
18 mortgagor, as applicable, a reassignment or release of the
19 security interest upon full satisfaction and discharge of the
20 secured debt. The instrument or instruments shall be duly
21 acknowledged, shall sufficiently describe the mortgage or



1 assignment that has been satisfied, and be recordable in the
2 bureau of conveyances or office of the assistant registrar of
3 the land court, or both, as appropriate.

4 (b) If the mortgagee or record assignee fails to provide a
5 release of the mortgage and reassignment or release of security
6 interest as required by this section within sixty days from the
7 date of a request made in writing by any party in interest, and
8 sent by certified or registered mail to the mortgagee or record
9 assignee at its last known address, then:

10 (1) Any title insurer or underwritten title company as
11 defined in section 431:20-102 may execute the release
12 of mortgage or reassignment or release of the
13 mortgagee's security interest in leases and rents on
14 behalf of the mortgagee or record assignee; provided
15 that:

16 (A) The release or reassignment shall have attached
17 to it an affidavit setting forth proof, such as a
18 canceled check or written confirmation from the
19 mortgagee [7] or recorded assignee, that
20 reasonably establishes that the [mortgage] debt
21 secured by the mortgage or assignment of leases



1 and rents has been discharged and the mortgage or
2 assignment of leases and rents has been fully
3 satisfied; and

4 (B) The release or reassignment shall be executed by
5 an officer of the title insurer or underwritten
6 title company.

7 In the event that a mortgage is released or the
8 mortgagee's security interest in the leases and rents
9 is reassigned or released by a title insurer or
10 underwritten title company under [~~the provisions of~~]
11 this section but the mortgage debt has not been
12 discharged, the mortgage has not been fully satisfied,
13 and the title insurer or underwritten title company
14 acted with gross negligence or in bad faith in
15 releasing the mortgage[7] or reassigning or releasing
16 the security interest in the leases and rents, the
17 title insurer or underwritten title company releasing
18 the mortgage or reassigning or releasing the security
19 interest in the leases and rents shall be liable to
20 the mortgagee for treble damages and reasonable
21 attorneys' fees and costs; or



1 (2) The mortgagor or a company issuing title insurance to
 2 a new owner of the mortgaged subject real property or
 3 to another mortgagee of the subject real property, or
 4 the escrow company charged by the mortgagor with
 5 obtaining the release of mortgage[~~7~~] or reassignment
 6 or release of the security interest in the leases and
 7 rents, or any other interested party, as plaintiff,
 8 may institute an action in any circuit court to obtain
 9 the appropriate release [of ~~mortgage~~] or reassignment
 10 instrument; provided that:

11 (A) The plaintiff in the action shall mail a copy of
 12 the complaint to the mortgagee or record assignee
 13 by certified or registered mail addressed to the
 14 mortgagee or record assignee at its last known
 15 address;

16 (B) If the mortgagee or record assignee does not file
 17 an answer to the complaint within forty-five days
 18 after the mailing, the court, upon receipt of an
 19 affidavit of mailing required by this section and
 20 upon satisfactory proof that the mortgage debt
 21 has been discharged and the mortgage has been



1 fully satisfied, shall issue an order releasing
2 the mortgage[+] or reassigning or releasing the
3 security interest in the leases and rents, as
4 applicable;

5 (C) This order shall be recorded in the bureau of
6 conveyances or office of the assistant registrar
7 of the land court, or both, as appropriate; and

8 (D) Upon a finding of good cause by the court, the
9 plaintiff shall be entitled to treble damages and
10 reasonable attorneys' fees and costs incurred in
11 the action unless the court finds that the
12 mortgagee had a reasonable basis for believing
13 that a dispute existed regarding whether the
14 mortgage should have been released[-] or the
15 security interest in the leases and rents should
16 have been reassigned or released."

17 SECTION 3. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on July 1, 2099.



Report Title:

Security Interests; Reassignment or Release of Security Interests; Leases and Rents

Description:

Authorizes title insurers or underwritten title companies to reassign or release a mortgagee's security interest in leases and rents under certain conditions and upon full payment of the mortgage and discharge of the secured debt. Authorizes certain entities to institute an action in any circuit court to obtain the release or reassignment instrument in the absence of compliance of a mortgagee or record assignee. (HB403 HD1)

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