

JAN 19 2018

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# A BILL FOR AN ACT

RELATING TO FINANCIAL INSTITUTIONS.

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

1       SECTION 1. Section 412:1-109, Hawaii Revised Statutes, is  
2       amended by adding a new definition to be appropriately inserted  
3       and to read as follows:

4       "Residential mortgage loan" has the same meaning as  
5       defined in section 454F-1."

6       SECTION 2. Section 412:5-301, Hawaii Revised Statutes, is  
7       amended to read as follows:

8       **"§412:5-301 General requirements for loans.** A bank shall  
9       make loans and extensions of credit that are consistent with  
10      prudent banking practices and in compliance with all applicable  
11      federal and state law[-]; provided that a residential mortgage  
12      loan may be sold only to:

13      (1) A financial institution that has an authorized place  
14      of business in this State pursuant to part V of  
15      article 3; or

16      (2) A financial institution that designates and maintains  
17      an agent in this State who is authorized to accept



1           service of process on behalf of the financial  
2           institution."

3           SECTION 3. Section 412:6-301, Hawaii Revised Statutes, is  
4 amended to read as follows:

5           "**§412:6-301 General requirements for loans.** A savings  
6 bank shall make loans and extensions of credit that are  
7 consistent with prudent lending practices and in compliance with  
8 all applicable federal and state law[-]; provided that a  
9 residential mortgage loan may be sold only to:

10          (1) A financial institution that has an authorized place  
11          of business in this State pursuant to part V of  
12          article 3; or

13          (2) A financial institution that designates and maintains  
14          an agent in this State who is authorized to accept  
15          service of process on behalf of the financial  
16          institution."

17          SECTION 4. Section 412:7-301, Hawaii Revised Statutes, is  
18 amended to read as follows:

19          "**§412:7-301 General requirements for loans.** A savings and  
20 loan association shall make loans and extensions of credit that  
21 are consistent with prudent lending practices and in compliance



1 with all applicable federal and state law[-]; provided that a  
2 residential mortgage loan may be sold only to:

3 (1) A financial institution that has an authorized place  
4 of business in this State pursuant to part V of  
5 article 3; or

6 (2) A financial institution that designates and maintains  
7 an agent in this State who is authorized to accept  
8 service of process on behalf of the financial  
9 institution."

10 SECTION 5. Section 412:9-300, Hawaii Revised Statutes, is  
11 amended to read as follows:

12 **"§412:9-300 General requirements for loans and extensions**  
13 **of credit.** A financial services loan company shall make loans  
14 and extensions of credit that are consistent with prudent  
15 lending practices, and in compliance with all applicable federal  
16 and state laws[-]; provided that a residential mortgage loan may  
17 be sold only to:

18 (1) A financial institution that has an authorized place  
19 of business in this State pursuant to part V of  
20 article 3; or



1       (2) A financial institution that designates and maintains  
2           an agent in this State who is authorized to accept  
3           service of process on behalf of the financial  
4           institution."

5       SECTION 6. Section 412:10-401, Hawaii Revised Statutes, is  
6 amended to read as follows:

7       "**§412:10-401 General requirements for loans.** A credit  
8 union shall make loans and extensions of credit that are  
9 consistent with prudent lending practices and in compliance with  
10 all applicable federal and state law[-]; provided that a  
11 residential mortgage loan may be sold only to:

12       (1) A financial institution that has an authorized place  
13           of business in this State pursuant to part V of  
14           article 3; or

15       (2) A financial institution that designates and maintains  
16           an agent in this State who is authorized to accept  
17           service of process on behalf of the financial  
18           institution."

19       SECTION 7. This Act does not affect rights and duties that  
20 matured, penalties that were incurred, and proceedings that were  
21 begun before its effective date.



1 SECTION 8. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 9. This Act shall take effect upon its approval.  
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# S.B. NO. 2062

**Report Title:**

Financial Institutions; Residential Mortgage Loans; Sale

**Description:**

Places restrictions on the ability of financial institutions to sell residential mortgage loans to other financial institutions. Defines "residential mortgage loans" as any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling or residential real estate upon which is constructed or intended to be constructed a dwelling, and includes refinancings, reverse mortgages, home equity lines of credit, and other first and additional lien loans that meet the qualifications of the definition.

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