



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
KA 'OIHANA PILI KĀLEPA
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: 1-844-808-DCCA (3222)
Fax Number: (808) 586-2856
cca.hawaii.gov

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

DEAN I. HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce and Consumer Protection
Wednesday, February 25, 2026
9:32 a.m.
Via Videoconference**

**On the following measure:
S.B. 2951, RELATING TO INSURANCE PROCEEDS**

Chair Keohokalole and Members of the Committee:

My name is Dwight Young, and I am the Commissioner of the Department of Commerce and Consumer Affairs' Division of Financial Institutions. The Department offers comments on this bill.

The purpose of this bill is to require mortgage servicers to comply with certain requirements regarding the disbursement of insurance proceeds for residential real estate that has been destroyed or damaged.

The Department appreciates the intent of this bill and offers the following comments. The August 8, 2023, wildfires in the counties of Hawaii and Maui caused extensive loss of life and damage. Destruction of infrastructure has hindered victims' ability to rebuild, leaving insurance proceeds sitting in escrow accounts until the rebuilding process is possible. Local banks have been offering interest on the insurance proceeds, but it is not required by law, and consumers with out-of-state mortgage servicers and banks have not been offered the same because current laws do not

require insurance proceeds to be held in interest bearing accounts. The Department prefers the language in carryover measures S.B.1366, S.D.1 and H.B.1047, H.D.1, as it increases consumer protection in cases of damage or destruction to a mortgagor's property by requiring that both licensed Hawaii mortgage servicers and financial institutions contact the consumer and provide them with an option of putting their insurance proceeds in an interest-bearing account.

Thank you for the opportunity to testify providing comments.

February 20, 2026

Committee on Commerce and Consumer Protection
The Honorable Senator Jarrett Keohokalole, Chair
The Honorable Senator Carol Fukunaga, Vice Chair

Submitted via Hawai'i State Legislative Portal

RE: Strong Support for SB 2951 – Mortgage Servicers; Destroyed and Damaged Residential Real Estate; Disbursement of Insurance Proceeds

Dear Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

On behalf of United Policyholders¹ (“UP”), I write in strong support of SB 2951. This measure takes important steps to ensure that homeowners recovering from disasters can access insurance funds in a timely, transparent, and fair manner so they can repair and rebuild their homes and communities. This bill ensures that insurance funds are handled in a way that promotes recovery rather than compounding hardship.

After a catastrophic loss, insurance proceeds checks are typically made payable to both the homeowner and the mortgage servicer. The homeowner is then required to sign the proceeds check over to the the mortgage servicer. Servicers then hold substantial sums—sometimes hundreds of thousands of dollars—for extended periods

¹ United Policyholders is a national nonprofit that has advocated for insurance consumers for more than 30 years. Recently in Hawai'i, UP has been actively supporting residents in the aftermath of the 2023 Maui wildfires through our Roadmap to Recovery[®] program, public workshops, and in-person assistance for survivors navigating insurance claims and rebuilding challenges. Our staff and volunteers—including Maui-based partners—have provided free guidance, educational resources, and advocacy to help homeowners understand coverage, secure benefits, and resolve disputes with insurers. We have also filed amicus briefs in Hawai'i courts and engaged with policymakers to strengthen consumer protections and improve disaster-recovery outcomes for residents across the state.

while repairs or reconstruction are underway. During this time, homeowners remain displaced, are paying rent or other temporary housing costs, are making their mortgage payments for the damaged or destroyed home and are attempting to finance the rebuilding of their homes. Yet the funds intended for their recovery are effectively frozen.

Insurance proceeds are not ordinary escrow funds. They are benefits paid under a policy purchased and maintained by the homeowner to restore a destroyed home. When a servicer retains those funds for months or years without compensating the borrower for the time value of money, the economic burden shifts unfairly to disaster survivors.

SB 2951 corrects this imbalance. By requiring that retained proceeds be placed in interest-bearing accounts for the benefit of the homeowner, the bill:

- Recognizes the time value of money during extended rebuilds;
- Prevents servicers from benefiting from holding substantial sums without compensation;
- Provides homeowners with meaningful additional resources during recovery; and
- Aligns Hawai'i with emerging best practices in other disaster-impacted states.

United Policyholders has worked extensively with policymakers across the country on post-disaster recovery issues. One consistent lesson is that small financial protections can have outsized impact for displaced families. The 2% interest provision is modest, reasonable, and fair—yet over the course of a multi-year rebuild it can amount to tens of thousands of dollars that rightfully belong to the homeowner.

Additionally, impacted homeowners chronically struggle to get their lender to release their insurance funds so they can commit to a rebuilding project and pay their builder. They don't know who to contact, and when they reach an authorized person employed by the

lender, there are often delays in getting the required release. (See UP Roadmap to Recovery publication; “Let Go Lender, Getting Your Mortgage Company To Release Insurance Proceeds;

<https://uphelp.org/claim-guidance-publications/let-go-lender-getting-your-mortgage-company-to-release-insurance-proceeds/>)

SB 2951 will improve the process by establishing clear standards for the disbursement of insurance proceeds, improving transparency around servicer requirements, and ensuring that funds are released in a timely way so policyholders can move forward with repairs and reconstruction, similar to what are now in place in California and Colorado.

The bill appropriately requires mortgage servicers to disclose conditions for releasing insurance proceeds, approve repair or rebuild plans within defined timeframes, and disburse funds based on reasonable milestones. It also ensures that initial payments are made promptly, that smaller claims are released quickly, that excess proceeds are provided to borrowers when appropriate, and that any retained funds are held in interest-bearing accounts for the benefit of the homeowner. These provisions help strike a fair balance between protecting lender interests and ensuring that policyholders can access the insurance benefits they need to rebuild.

United Policyholders has worked extensively with policymakers and regulators across the country on post-disaster recovery issues affecting homeowners. Following major catastrophes, we consistently see that delays in the release of insurance proceeds—particularly when mortgage servicers control funds—can slow rebuilding and prolong displacement. States that adopt clearer timelines, transparency requirements, and fair disbursement standards help ensure that insurance funds are used for their intended purpose: restoring homes and communities as quickly as possible.

SB 2951 reflects these best practices. By establishing clear rules for the handling and release of insurance proceeds after damage or destruction to a home, the bill will help Hawai'i homeowners

navigate recovery more efficiently and reduce unnecessary delays during an already difficult time.

We respectfully urge your support for SB 2951. Thank you for your leadership on this important issue and for your continued work to protect Hawai'i homeowners and support long-term disaster recovery.

Sincerely,

A handwritten signature in black ink that reads "Amy Bach". The signature is written in a cursive style with a long horizontal stroke at the end.

Amy Bach,
Executive
Director
United
Policyhold
ers



LATE

DATE: February 24, 2026
TO: Senator Jarrett Keohokalole
Chair, Committee on Commerce and Consumer Protection
FROM: Tiffany Yajima / Mihoko Ito
RE: **S.B. 2951 - Relating to Insurance Proceeds**
Hearing Date: Wednesday, February 25, 2026 at 9:32 a.m.
Conference Room 229 & Videoconference

Dear Chair Keohokalole, Vice Chair Fukunaga and Members of the Committee on Commerce and Consumer Protection:

We submit these **comments** with concerns on behalf of the Hawaii Bankers Association (HBA). HBA represents seven Hawai'i banks and one bank from the continent with branches in Hawai'i.

S.B. 2951 requires mortgage servicers to comply with certain requirements regarding the disbursement of insurance proceeds for residential real estate that has been destroyed or damaged.

This bill amends the Fannie Mae/Freddie Mac standard mortgage industry forms, which could impact the ability of Hawaii lenders to make Fannie/Freddie conforming loans and thus reduce their capacity to make loans in our State. Mortgage loan terms are established through a written contract between the homeowner/borrower and the financial institution, outlining repayment obligations and the handling of insurance proceeds. For residential mortgage loans, this written contract is the Fannie Mae and Freddie Mac mortgage contract (Form 3012). Changing these standardized terms would create inconsistencies across states and could have serious unintended consequences for home mortgage financing in Hawaii.

S.B. 2951 imposes highly rigid operational mandates on all Hawaii banks and mortgage servicers, which could inadvertently harm the very consumers the bill intends to protect during a crisis. This bill requires that servicers approve or deny complex rebuild plans within a strict thirty-day window and dictates inflexible disbursement schedules based on rigid delinquency tiers. In the aftermath of a severe disaster, families face immense challenges coordinating with overwhelmed contractors, inspectors, and insurance adjusters. Stripping away operational flexibility to enforce strict statutory deadlines could force servicers to deny incomplete rebuild plans simply to comply with the thirty-day clock. Ultimately, forcing all servicers into rigid, non-standard processing tiers removes their ability to work compassionately with homeowners on a case-by-case basis, potentially delaying critical recovery efforts when residents are at their most vulnerable.



808-524-5161



P.O. Box 10065, Honolulu, Hawaii 96816



director@hawaii.ba.org



In addition, as of December 30, 2025, the Office of the Comptroller of the Currency, the federal banking regulator within the U.S. Department of the Treasury, is establishing rules to preempt state laws requiring national banks and federal savings associations to pay interest on escrow accounts. When finalized, national banks servicing Hawaii mortgages would be exempt from this bill, while state-chartered depositories would remain subject to the minimum interest amount. This places local institutions at a competitive disadvantage and creates uncertainty regarding compliance with Fannie Mae and Freddie Mac rules.

For these reasons, we have concerns about this bill.

Thank you for the opportunity to submit this testimony.



808-524-5161



P.O. Box 10065, Honolulu, Hawaii 96816



director@hawaiiiba.org



Mortgage Bankers Association of Hawaii
P.O. Box 4129, Honolulu, Hawaii 96812

Date: February 23, 2026

The Honorable Jarrett Keohokalole, Chair
The Honorable Carol Fukunaga, Vice Chair
Members of the Senate Committee on Commerce and Consumer Protection

Hearing Date: February 25, 2026
Hearing Time: 9.32am
Hearing Place: Hawaii State Capitol, Conference Room 229

Re: SB2951 regarding Insurance Proceeds

I am Victor Brock, representing the Mortgage Bankers Association of Hawaii ("MBAH"). The MBAH is a voluntary organization of individuals involved in the real estate lending industry in Hawaii. Our membership consists of employees of banks, savings institutions, mortgage bankers, mortgage brokers, financial institutions, and companies whose business depends upon the ongoing health of the financial services industry of Hawaii. The members of the MBAH originate and service, or support the origination and servicing, of the vast majority of residential and commercial real estate mortgage loans in Hawaii. When, and if, the MBAH testifies on legislation or rules, it is related only to mortgage lending and servicing.

The MBAH **OPPOSES SB2951**(the "Bill") for two primary reasons:

1. This proposed rule would disadvantage non-depository mortgage servicers in a low-interest rate environment.
2. This proposed rule may directly conflict with proposed OCC rulemaking.

Item #1:

The MBAH understands and agrees with the intent of the Bill to assure that homeowners receive some earnings on funds held on their behalf by a mortgage servicer. We also understand that in today's interest rate environment, a minimum interest rate of 2.0% per annum may be considered low. However, this was not the case during the very low-interest rate environment from 2020 to 2022. During that period, a non-depository mortgage servicer would not be able to find an account at their deposit institution that paid 2.0% per annum, and they would have had to make up the difference between the actual rate paid by their financial institution and 2.0% on potentially hundreds of thousands of dollars. We do not believe that a servicer should be able to retain these funds without paying any interest to the borrower altogether, thereby receiving a windfall profit. However, mandating a 2.0% minimum rate in all cases may have the opposite

effect, and will penalize servicers for retaining funds for safety and soundness reasons and/or as mandated by the owner/guarantor of the loan (e.g. Fannie Mae, Freddie Mac, or Ginne Mae).

Fannie Mae and Freddie Mac rules already specify that a servicer must retain funds in an interest-bearing account and disburse those interest proceeds to the borrowers. Neither specifies a minimum interest rate.

Freddie Mac Seller/Servicer Guide, Section 8202.5 specifies, “If repair or reconstruction of the residence is expected to take more than three months, insurance funds retained by the Servicer pending disbursement for such repair or reconstruction must be maintained in a federally insured account that pays interest to the Borrower.”

Fannie Mae’s Servicing Guide Section B-5-01 is pasted to the last page of this letter in full, but similarly mandates payment of interest to the borrower.

For loans not sold/guaranteed by Fannie Mae or Freddie Mac and held in the portfolio, current state law does not mandate that any interest be paid. Therefore, we understand the legislature’s desire to move forward with this Bill and align this requirement for all mortgages, irrespective of the underlying owner or guarantor. **HOWEVER**, we request that the Bill be amended to delete the words “*at either*” and the phrase “*The rate of two per cent simple interest per annum, or*”, as well as the phrase “*whichever rate is greater.*” from proposed section (i). We also request that the rate be described at the “*prevailing*” rate. The proposed section would therefore read as follows:

(i) A mortgage servicer shall hold in an interest-bearing account any insurance proceeds that the mortgage servicer does not immediately disburse to a borrower as required by this section. A mortgage servicer shall ensure that any interest credited to the account is credited and disbursed to the borrower. The account shall generate interest ~~at either:~~
~~(1) The rate of two per cent simple interest per annum; or~~
~~(2) As follows: (A) For a depository mortgage servicer, the prevailing rate for the depository mortgage servicer's money market accounts or (B) For a non-depository mortgage servicer, the prevailing rate for the money market account at the deposit institution with which the non-depository mortgage servicer conducts its banking business, ~~whichever rate is greater.~~~~

Item #2:

On December 30, 2025, the Office of Comptroller of Currency (OCC) published its Notice of Proposed Rulemaking in the Federal Register which would preempt state laws requiring national banks and federal savings associations to pay interest on mortgage escrow accounts. Insurance proceeds are held in escrow accounts by servicers. This means that, if this rule is finalized as drafted, any servicer chartered as a national bank would be exempt from this proposed HRS 454M amendment in the Bill, whereas locally based state-chartered depositories would be subject to the 2.0% minimum interest rate and receive disadvantageous treatment relative to federally chartered mainland banks who also service mortgages in Hawaii. The comment period for the proposed rule closed on January 29, 2026, and the date of publication of the final rule is not known. It is unclear

how conflicts with Fannie Mae's and Freddie Mac's rules regarding payment of interest would be impacted by this preemption rule. The full proposed rule may be found by clicking the link below.

Due to possible conflicts with forthcoming OCC rules and disparate treatment of locally chartered depositories, we asked the Legislature to considering deferral of this Bill altogether.

<https://www.federalregister.gov/documents/2025/12/30/2025-23987/preemption-determination-state-interest-on-escrow-laws>

Thank you for the opportunity to present this testimony.

Victor Brock
Mortgage Bankers Association of Hawaii

Pasted from Fannie Mae Servicing Guide, section B-5-01, Insured Loss Events (07/12/2023)

Depositing the Insurance Loss Proceeds Not Disbursed

The servicer must deposit the insurance loss proceeds not disbursed to the borrower in an interest-bearing account. The following table provides a list of account requirements.

✓	The interest-bearing account must...
	Be a T&I custodial account with a depository institution that meets Fannie Mae's eligibility criteria for custodial depositories.
	Be for the borrower's benefit.
	Yield interest equivalent to the interest the borrower could expect to obtain from a savings or money market account.

The servicer must pay the accumulated interest to the borrower once the repairs to the property have been completed, unless

- the borrower requests an earlier disbursement of the interest, or
- applicable law allows for the accumulated interest to be applied to the UPB.

LATE



Testimony to the Senate Committee on Consumer Protection and Commerce
Wednesday, February 24, 2026, 9:30 AM
Conference Room 229

To: The Honorable Jarrett Keohokalole, Chair
The Honorable Carol Fukunaga, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League (HCUL), the local trade association for 45 Hawaii credit unions, representing over 879,000 credit union members across the state.

HCUL offers the following comments regarding SB 2651, Relating to Insurance Proceeds. This bill requires mortgage servicers to comply with certain requirements regarding the disbursement of insurance proceeds for residential real estate that has been destroyed or damaged.

While we understand that the intent of this bill is to help borrowers affected by disasters, we are concerned with the possible administrative impact. Managing and tracking interest payments on insurance proceeds would require system modifications and increased staff resources, which could be particularly challenging for smaller credit unions with limited operational capacity.

We are also in agreement with the testimony of the Hawaii Financial Services Association and the Mortgage Bankers Association.

Thank you for the opportunity to provide comments on this important issue.

LATE

HAWAII FINANCIAL SERVICES ASSOCIATION
c/o Marvin S.C. Dang, Attorney-at-Law
P.O. Box 4109
Honolulu, Hawaii 96812-4109
Telephone No.: (808) 521-8521

February 25, 2026

Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair
and members of the Senate Committee on Commerce and Consumer Protection
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **S.B. 2951 (Insurance Proceeds)**
Hearing Date/Time: Wednesday, February 25, 2026, 9:32 a.m.

I am Marvin Dang, the attorney for the **Hawaii Financial Services Association** (“HFSA”). The HFSA is a trade association for Hawaii’s consumer credit industry. Its members include Hawaii financial services loan companies (which make mortgage loans and other loans, and which are regulated by the Hawaii Commissioner of Financial Institutions), mortgage lenders, and financial institutions.

The HFSA **opposes this Bill as drafted.**

This Bill requires mortgage servicers to comply with certain requirements regarding the disbursement of insurance proceeds for residential real estate that has been destroyed or damaged.

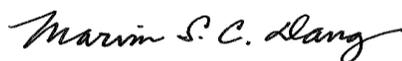
As drafted, this Bill is problematic. By amending Hawaii Revised Statutes chapter 454-M governing mortgage servicers, **this Bill would (1) create an unlevel “playing field” for mortgage servicers, and (2) result in inconsistency and lack of uniformity.**

This Bill would:

1. Require mortgage servicers to “hold in an interest-bearing account any insurance proceeds that the mortgage servicer does not immediately disburse to a borrower A mortgage servicer shall ensure that any interest credited to the account is credited and disbursed to the borrower.” However, the Office of Comptroller of Currency (OCC) published a Notice of Proposed Rulemaking in the Federal Register on December 30, 2025. That rule, if finalized, would preempt state laws that require national banks and federal savings associations to pay interest on mortgage escrow accounts. But under this Bill, mortgage servicers would not be exempt.
2. Force mortgage servicers to put the find a depository institution (e.g., a bank) that has a savings account (e.g., money market account) which pays depositors at least an interest rate of “two percent simple interest per annum.” However, this minimum interest rate requirement would be inconsistent with the rules of government-sponsored enterprises Fannie Mae (FNMA) and Freddie Mac (FHLMC) which do not specify a minimum interest rate.

We incorporate by reference the testimonies of the Hawaii Bankers Association and the Mortgage Bankers Association of Hawaii regarding their concerns about this Bill as drafted.

Accordingly, we ask that your Committee **defer (i.e., not pass) this Bill as drafted.** Thank you for considering our testimony.



MARVIN S.C. DANG
Attorney for Hawaii Financial Services Association

LATE

SB-2951

Submitted on: 2/24/2026 10:42:11 PM

Testimony for CPN on 2/25/2026 9:32:00 AM

Submitted By	Organization	Testifier Position	Testify
Jackie Keefe	Individual	Support	Remotely Via Zoom

Comments:

Aloha Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee,

My name is Jackie Keefe and I am a community advocate from Lahaina in **strong support of SB2951**, which requires mortgage servicers to comply with certain requirements regarding the disbursement of insurance proceeds for residential real estate that has been destroyed or damaged.

Fire survivors have not only spent the past 30 months struggling to cope with their trauma, housing insecurity, and an array of other challenges, but also fighting for their own money from their insurance and/or mortgage servicers. Sherry Peterson has dedicated over 2 years to navigating these difficult processes with homeowners, helping families fight to get the money that is rightfully owed to them, learning from other communities' insurance challenges and wins, and writing legislation for our State Legislature to protect our people in times of disaster. This is one of those pieces of legislation.

SB 2951 addresses the imbalance between the mortgage servicer and the consumer by minimum requirements of requiring disclosure of disbursement conditions; establishing clear timelines for approval and initial payment; creating structured repair/rebuild plans with defined milestones; and providing minimum release thresholds so homeowners can begin rebuilding promptly.

These provisions promote fairness to the borrower as well as transparency and predictability in the mortgage servicing process.

This bill does not prevent servicers from protecting their collateral. It simply establishes clear, fair standards so consumers understand the process and are not left in uncertainty during disaster recovery.

In times of catastrophe, homeowners should not face opaque financial practices on top of personal loss.

SB 2951 is a reasonable consumer protection measure that promotes clarity, fairness, and accountability.

Mahalo for your consideration. Please **pass SB2951**.

Jackie Keefe, Lahaina

LATE

TESTIMONY IN SUPPORT OF SB 2951
Committee on Commerce and Consumer Protection

Aloha Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

My name is Stacey Ann L. Casco, and I serve as a HUD Certified Housing Counselor and Community Engagement Specialist. I am submitting this testimony in strong support of SB 2951, which strengthens consumer protections and transparency in the handling of insurance proceeds held by mortgage servicers.

Following the August 8, 2023 Maui wildfire disaster, many homeowners encountered significant obstacles when insurance payments were issued jointly to the homeowner and the mortgage servicer. Once endorsed, these funds were fully controlled by the servicer, with no requirement that the funds earn interest for the homeowner, even when the homeowner was underinsured and every available dollar was crucial for rebuilding.

Throughout this period, homeowners were still required to continue paying mortgage principal and interest, property taxes, and insurance, despite not having access to the very funds intended to repair or rebuild their homes.

Additionally, many clients reported unclear or undefined timelines for disbursement and insufficient communication about required documentation, approval steps, and release conditions. This lack of transparency created financial hardship, delayed recovery, and added stress for families already experiencing trauma and displacement.

SB 2951 is a reasonable, necessary consumer protection measure that promotes clarity, fairness, and accountability within the mortgage servicing system during catastrophic loss.

Respectfully,



Stacey Ann L. Casco

Phone: (808) 281-8047

Email: stacey.casco.maui@gmail.com