

New Licensing Requirement for Mortgage Servicers to be Effective July 1, 2010

A new statute that will regulate the activities of certain mortgage servicers in Hawaii was signed into law by the Governor on June 10, 2009, as Act 106 (the "Act" herein), Session Laws of Hawaii (2009). The Act will take effect on July 1, 2010, which is the date by which non-exempt mortgage servicers will need to be licensed under the Act.

The Act will require the licensing of mortgage servicers that are not otherwise exempt under the Act, and that receive scheduled periodic payments from a borrower under the terms of a residential mortgage loan, including a refinance loan, which is secured by a lien on residential real property located in Hawaii. The Division of Financial Institutions ("DFI") will process applications for the mortgage servicer license and administer the new law.

Section -3 of the new HRS chapter that the Act creates lists various exemptions from the provisions of the Act, including exemption from licensing. Exempt persons include insured depository institutions and their operating subsidiaries, trust companies, insurance companies, and licensed Hawaii financial services loan companies. Persons who make or acquire no more than five residential mortgage loans at any one time with their own funds for their own investment are also exempt under the Act.

DFI expects to have a license application form with related instructions available for distribution by the Fall of 2009. Interested persons can email DFI at dfi@dcca.hawaii.gov to request that they be added to DFI's mailing list to receive the application package as soon as it is available. Please include both the applicant company's name and the name of a contact person, including their e-mail or mailing address, in your request.

Act 106 establishes an initial application fee of \$500 for this license, which will expire on June 30 of each calendar year, and which may be renewed upon filing a renewal statement along with payment of an annual license renewal fee of \$250.

You may access an official copy of Act 106 on the website of the Hawaii State Legislature using the following link: http://www.capitol.hawaii.gov/session2009/bills/GM723_.PDF