

MORTGAGE BROKER TASK FORCE
(MBTF)

Minutes of Meeting #2

July 13, 2006, 2:00 p.m.
King Kalakaua Conference Room, First Floor
335 Merchant Street, Honolulu, Hawaii 96813

Presiding: Nick Griffin, Task Force Chairman

Secretary: Karen Kaneko

Present: Task Force Members

Candace Chase	Harry Mattson
Charles Greenfield	Neal Okabayashi
Stephen Higa	Jason Okuhama
Kendall Hirai	Nelson Oyadomari
Bonnie Horibata	Beau Springer
Gayle Ishima	Dennis Tanimoto

Absent: John Nabers
Alvin Tanaka

In Attendance: Guests
Russell Miyashiro, Pat Young, Marvin Dang, Jim Dixon,
Carolyn Fujioka, Donald Lau.

DFI Staff
Debra Takeuchi-Au, Christine Daleiden.

Minutes:

A quorum of Task Force members were present.

- A. Welcome by N. Griffin.
- B. N. Griffin noted that the minutes from the June 8 MBTF Meeting are posted on the DFI website. He noted that the committee decided to look at HRS Ch. 454, HAMB Bill No. 2788, and DFI Bill No. 770; and decide on a framework which should benefit the industry as well as the public and the regulators.
- C. Considerations to think about in drafting new bill.
 1. DCCA feels mortgage brokers and solicitors should be regulated. The Conference of State Bank Supervisors is working on a program to license all mortgage brokers and solicitors. A Beta test application is being tried out in several states. N. Griffin will try to get a copy of the new application forms for the MBTF to review and possibly incorporate some of the

language in the MBTF proposed bill.

2. Should loan officers employed by banks be required to follow the same requirements as individual mortgage broker companies? The Hawaii Bankers Association (“HBA”) argued that loan officers employed by banks should be exempted from any proposed legislation since banks are already heavily federal and state regulated. Furthermore, in a bank, the loan officers represent the bank. In a mortgage brokerage, the loan officers represent the borrowers. The Mortgage Bankers Association of Hawaii acknowledged that, in a bank, functions such as compliance, audit, etc., exist to reduce violations.
3. The Hawaii mortgage broker industry mirrors the insurance industry in some ways.
4. Would mortgage brokers and solicitors be better regulated by DFI rather than PVL? The HBA preferred the Division of Financial Institutions (“DFI”) over the Professional and Vocational Licensing Division (“PVL”) as the regulator and supervisor because of DFI’s knowledge regarding mortgages. The Hawaii Association of Mortgage Brokers (“HAMB”) preferred PVL because of the financial burden of examinations. N. Griffin clarified that, unlike PVL, DFI regulates and supervises, while PVL licenses only.
5. Determination of how often examinations should be done is a big consideration; if too often and with the cost per hour by DFI, it may put some companies out of business. Maybe have only warranted examinations or examinations only every five years or only if the mortgage broker has a certain number of complaints.
6. Some of the requirements in SB 770 are duplicating the national requirements.
7. Need to be careful that any new language does not make for more confusion or problems in the industry.
8. Need to have a good definition of “conviction”, “juvenile”, “arrest or conviction records”. The HBA recommended that the extent of the criminal justice background check be defined. For example, juvenile convictions.
9. License both mortgage brokers and solicitors.

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10. Include additional funding for DFI if DFI will be the regulator; funding may come from persons participating in the program.
 11. Complaint would be handled by RICO if PVL continues to regulate the mortgage brokers and solicitors; if DFI becomes the regulator, the DFI would handle the complaints.
 12. Delete last section in the HAMB bill.
 13. Need description of “commercial” and “residential” types of dwelling.
 14. Incorporate part from the DFI bill into the HAMB bill.
 15. D. Lau to email his “pared down” version of SB 770 to N. Griffin so the committee can review it.
- D. Concepts to consider.
1. Appropriate framework for mortgage broker regulation and supervision.
 2. The task force agreed that any proposed legislation should include:
 - Requirement for continuing education.
 - Requirement for a pre-licensing test.
 - Requirement for a criminal justice background check.
 - Solicitors must be employees of the mortgage broker, not independent contractors, enabling the mortgage broker to be liable for the actions of its solicitors.
 - Increase the amount of the bond to cover all of a mortgage broker’s solicitors.
 - Regulation and supervision should be funded by the mortgage broker industry.
 - Exemption of mortgage brokers who finance only commercial properties.
 3. Consistency of licensing.
- E. In-depth discussion on whether to start with a “blank sheet” or with Ch. 454, the HAMB bill or the DFI bill. N.Griffin clarified that the intent of House Bill No. 2788 was to amend Chapter 454, Hawaii Revised Statutes. The intent of Senate Bill No. 770 was to rewrite Chapter 454, Hawaii Revised Statutes.
1. It was decided that a sub-committee consisting of N. Okabayashi, C. Greenfield, S. Higa, and C. Daleiden will start with the HAMB bill (HB 2788) and incorporate parts of the DFI bill (SB 770).

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2. The draft from the sub-committee will be emailed to N. Griffin by July 27 who will email it to the MBTF for review and comment at the next meeting.
- F. Decisions.
1. N. Griffin will try to get a copy of the CSBS Beta applications for the MBTF to review.
 2. D. Lau will email his “pared down” version of SB 770 to N. Griffin for the MBTF to review.
- G. Next Meeting – August 10, 2006, 2:00 p.m.
King Kalakaua Conference Rm.
335 Merchant St., 1st Flr.
- H. Adjournment – Approximately 4:00 p.m.

Submitted:

Karen Kaneko
Secretary