

MORTGAGE BROKER TASK FORCE  
(MBTF)

Minutes of Meeting #4

August 24, 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

Charles Greenfield	Neal Okabayashi
Stephen Higa	Jason Okuhama
Kendall Hirai	Nelson Oyadomari
Gayle Ishima	Beau P. Springer
Harry Matson	Alvin K. Tanaka
John Nabers	

Absent: Candace Chase                      Dennis Tanimoto  
Bonnie Horibata

In Attendance: Guests

Russell Miyashiro, Jim Dixon, Donald Lau, Marvin Dang, Claude Phillips, Linda Aron, Grace Ogawa, Pam Herrington, and Mike Leach.

DFI Staff

Debra Takeuchi-Au absent.  
Christine Daleiden – absent.

Minutes:

A quorum of Task Force members was present.

- A. Welcome and call to order by N. Griffin at 2:05 p.m.
- B. N. Griffin noted that the minutes from the August 10 MBTF Meeting were sent out to the members and guests via e-mail and reminded the attendees that in compliance with the Sunshine Law, the Notice of Meeting and Agenda was filed with the Lt. Governor's Office and posted on the DCCA bulletin board.
- C. N. Griffin reminded the attendees that oral and written comments are always welcomed from the public.
- D. The MBTF discussed the subcommittee's (N. Okabayashi, C. Greenfield, S. Higa, and C. Daleiden) draft bill which combined sections from the current HRS Ch. 454, the HAMB bill, and the DFI bill.

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1. Desire to have concept of licensee having a physical office and add in operating subsidiaries.
2. Ch. 454 exemptions – “exclusive agent” changed to mean only those persons employed by banks, savings and loans, and credit unions because these are federally regulated institutions and they can only do what the parent can do.
3. “Building and loan association” changed to “savings associations.”
4. Financial subsidiaries would not be exempt.
5. C. Greenfield distributed a list of Comments and Recommendations on Proposed Mortgage Broker and Solicitor Bill dated 8-22-06.
6. S. Higa stated that the language in Ch. 454 already states what “agents of borrower” are and the disclosures stated in Ch. 454 seem to be enough.
7. Discussion on subject of broker representing borrower. D. Higa noted he would not like to see it mandated by statute.
8. Regarding front-end disclosure should be stated in statute; State should not be telling mortgage brokers what they are and what to disclose.
9. Bonds – Suggestion to change bond amounts to \$50,000 for mortgage brokers. Big companies should not pay less than small shops. E&O policies cover dishonesty and bonds cover damages covered in the statutes. Bond requirement may prevent non-serious mortgage solicitors.  
  
Suggested that it may be interesting to check the number of claims filed with RICO as well as how many were settled.
10. Ch. 454 already has about 20 prohibited acts. S. Higa asks why add 6 more if the 20 are not even enforced now? Observation made that a DFI administered statute would be enforced.
11. Have selective audits/examinations.
12. Provide regulator with tools to enforce statute.
13. Requirements of continuing education, bonds, etc. may help to eliminate “fly-by-nighters.”

14. Exam provisions – N. Griffin distributed a “Draft Examination and Enforcement Provisions” for review by the MBTF.

If mortgage brokers/solicitors are regulated by DFI, then the fees may be more expensive.

DFI examination would be of the financial books, processes, and records. Exams may be conducted for cause. DFI exams are risk-based; they are therefore done more often on problem companies.

About 4,000 presently licensed solicitors would be exempted; e.g. Primerica and State Farm, but these brokers can only market their own products.

15. If mortgage solicitors are not required to be licensed, then mortgage brokers will have to do their own background checks on the solicitors they hire; if mortgage solicitors are licensed by DFI, then DFI would do the background checks.
16. N. Griffin distributed an AARMR core Managers Questionnaire for review and comment by the MBTF. **N. Griffin will participate in an AARMR conference call during the week of August 28 and will share the results of the discussion with the MBTF at the next meeting.**
17. National mortgage broker licensing registry goal by early 2008.
18. Pre-qualification test – should there be different tests for mortgage brokers and solicitors?
19. Mortgage solicitors – should they be W-2 employees, non-exempt from Direct Seller provision; they are not independent contractors. **N. Oyadomari to work on this area and report back to the MBTF at the Sept. 14 meeting.**
20. **Before the 9-14-06 meeting, C. Daleiden will work with N. Okabayashi and C. Greenfield to put all the different pieces together and come up with an outline of each section for the 9-14-06 meeting.** The MBTF will then decide what should go into the omnibus bill.

- E. Next Meeting – September 14, 2006, 2:00 p.m.  
King Kalakaua Conference Rm.  
335 Merchant St., 1<sup>st</sup> Flr.

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K. Adjournment – 3:40 p.m.

Submitted:

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Karen Kaneko  
Secretary