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LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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Testimony of the Department of Commerce and Consumer Affairs

Before the
Senate Committee on Commerce and Consumer Protection
Tuesday, February 25, 2025
9:34 a.m.
Via Videoconference

On the following measure:
S.B. 1142, RELATING TO INSURANCE PROCEEDS

Chair Keohokalole and Members of the Committee:

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

The purpose of this bill is to require mortgage services 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 S.B.1366, and H.B.1047 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.

**Council for Native Hawaiian Advancement
91-1270 Kinoaiki St., Bldg. 1
Kapolei, HI 96707**

LATE

**Hawai'i State Senate Committees on
Commerce and Consumer Protection**
SB1142 – Relating to Insurance Proceeds

RE: Strong support of SB1142

February 25, 2025

The Council for Native Hawaiian Advancement (CNHA) writes in strong support of SB1142 to refine insurance protections for disaster survivors. As an organization, CNHA has learned firsthand about the numerous pitfalls and lack of protections faced by disaster survivors in the wake of the Maui wildfires. It is important to learn from and fix our mistakes before disaster strikes again.

CNHA has been significantly involved in Maui wildfire recovery. Since August 2023, our resource center has assisted over 9,000 individuals, distributed over 11,000 donation kits, furnished over 700 homes, and housed over 1,000 individuals. We pride ourselves on the work we've been able to do, but we also know it's not nearly enough. CNHA data shows that the average homeowner payout for coverage was just \$550,000 while rebuild costs are estimated at \$600,000 to \$850,000. The overwhelming majority of policyholders were underinsured and now may be unable to rebuild their homes and their lives.

SB1142 creates significantly improves insurance and mortgage policies, such as holding insurance proceeds in an interest-bearing account. This legislation is a critical step in learning from previous disasters so future survivors won't feel the same pains. We humbly ask that you SUPPORT SB1142 and continue your work towards greater disaster resiliency.

Me ka ha'aha'a,

Madelyn McKeague
Director of Advocacy, CNHA



HAWAII **PUBLIC ADJUSTERS**

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TO: Chair Jarrett Keohokalole

2-21-2025

AND: Members of the Hawaii Senate Committee on
Commerce and Consumer Protection

My Name is Robert Hugh Joslin, and I am the President of Hawaii Public Adjusters. I strongly support this bill which will greatly change the welfare of the manner in which the Mortgage Loss Departments have been operating. Those back room loss managers take advantage of the funds signed over to them and play what is often referred to as the "float". The "float" is the passage of time from when the lender received the proceeds we fought for the policyholder, which is free funds for them to invest or to lend back out, up until the time that they must pay back the damaged policyholder.

Currently there is no governing oversight how these funds are monitored. Financiers are free to hold/invest/re-lend millions and millions of dollars without having any statutory consequences. Policyholders are made to suffer, sometimes for several years, while the lender is not having to show any accountability for their actions. Some of the most heart wrenching cases I've had to witness have been several of our elderly clients, waiting several years after HPA had prevailed against their insurance company, end up passing on while they/us had to continue to fight on against their distant mortgage company to get their funds released.

I ask for the committee to consider a parallel issue that's not being addressed in this bill. Lenders do not just hold back some of the proceeds from a loss. They hold back *ALL* the proceeds. In other words, we've had many clients that have suffered from a loss totaling over 1 million dollars. The borrower owes lender less than 200 thousand dollars. We believe that is not just wrong, we believe that this is nothing short of pure financial greed. I would like for this committee to understand that there are countless instances where most lenders are owed a small balance mortgage, yet they'll hold back the entire amount funds. My humble suggestion to this committee would that the lenders should only holdback an amount not to exceed 125% of the principal balance amount owed on the borrower's note and the remainder of the loss proceeds should be promptly released to the policyholder within 30 calendar days from the date the lender had received the insurer's proceeds. I've never witnessed a rebuild that was worth less then it was prior to the loss. The lenders remain protected, and the borrowers can move much quicker on their rebuild.

I thank the committee for its time.

Robert Hugh Joslin

Robert Hugh Joslin (P) - CPPA



Testimony of **Lahaina Strong**
Before the Senate Committee on
Commerce and Consumer Protection

In Consideration of Senate Bill No. 1142
RELATING TO INSURANCE PROCEEDS

To Chair Keohokalole, Vice Chair Fukunaga and the honorable members of the committee,

We are writing on behalf of Lāhainā Strong, an organization deeply rooted in our community's resilience and advocacy. Originally formed in 2018 following the Hurricane Lane fire in Lahaina and revitalized after the devastating fires of August 8, 2023, Lāhainā Strong has become the largest grassroots, Lahaina-based community organization, with over 35,000 supporters. Our mission is to amplify local voices and champion community-driven solutions, which are more critical than ever as we continue rebuilding and recovering.

Lāhainā Strong **supports Senate Bill 1142**, which requires mortgage services to comply with certain requirements regarding the disbursement of insurance proceeds for residential real estate that has been destroyed or damaged.

In the wake of the August 8th wildfires, countless families encountered unnecessary delays and confusion when trying to access insurance funds to rebuild their homes. Many found themselves caught in a system where the release of funds was slow, with little transparency from mortgage servicers. SB1142 takes important steps to change this by establishing clear guidelines for the disbursement of insurance proceeds.

This bill requires mortgage servicers to disclose the conditions for fund release upfront, approve repair and rebuild plans within 30 days, and hold any withheld funds in interest-bearing accounts to benefit the homeowner. These actions will protect families from prolonged financial uncertainty, ensuring they can rebuild without additional setbacks or hardships.

By supporting SB1142, you help create a more transparent system that supports homeowners and prevents further displacement. It's a crucial step toward rebuilding not just homes, but entire communities, ensuring that insurance funds are used as they were intended—quickly and efficiently.

Lahaina Strong urges you to **pass SB1142** to provide disaster survivors with the support and clarity they need to rebuild their homes and remain in the communities they've always called home.

Mahalo for your consideration and commitment to the Lahaina Community.

Sincerely,

Lāhainā Strong



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

LATE

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February 24, 2025

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, 2025
Hearing Time: 9:34am
Hearing Place: Hawaii State Capitol, Conference Room 415

Re: SB 1142

I am Linda Nakamura, 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 supports the intent of SB 1142 and provides the following comments.

SB 1142 requires mortgage servicers to comply with certain requirements regarding the disbursement of insurance proceeds for residential real estate that has been destroyed or damaged.

Providing interest on insurance proceeds is not a common practice amongst all servicers. Servicers who do not and who are unable to systemically provide interest on insurance proceeds will need to work with their servicing system vendor to update their system, and if their servicing system vendor is unable to do so, the servicer will need to find another vendor who is able to provide this. This will place a large financial burden for servicers who need to update their systems or to convert to another system and it takes approximately nine to twelve months to complete a system conversion. Therefore, we request that the effective date be moved until 1/1/2027 to accommodate systems and programming changes that are required. If servicers are unable to do so, many servicers may opt to not service Hawaii mortgages.

SB1142 states that “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. The account shall generate interest at a rate that is not less than the national rate for money market accounts, as determined by title 12 Code of Federal Regulations section 337.7.” According to section 337.7 of Title 12 of the Federal Regulations, the national rate is defined as the weighted average of rates paid by all insured depository institutions and credit unions on a given deposit product, for which data are available, where the weights are each institution’s market share of domestic deposits. The purpose of the national rate is to define the national rate cap and not to dictate the rate required to be provided to consumers by each depository institution or credit union. The MBAH suggests that the bill be amended to state that the interest paid on insurance proceeds will be the current prevailing rate at each deposit institution or credit union at the time the insurance proceeds are deposited.

Section J of the bill states “Immediately upon commencing the servicing of a mortgage, and at any time thereafter at the request of the borrower, a mortgage servicer shall (1) disclose to the borrower the interest rate associated with the mortgage; and (2) provide the borrower, in writing, with a primary point of contact for the purpose of communicating with the mortgage servicer.” Providing the borrower with a primary point of contact for the purpose of communicating with the mortgage servicer would be difficult as servicing personnel terminate or are hired frequently at any given servicer. A servicer’s customer service department or their online services provide sufficient points of contact for the purpose of communications between the borrower and servicer.

The MBAH is willing to work with the parties involved with this bill to find a solution that SB 1142 is trying to address.

Thank you for the opportunity to present this testimony.

Linda Nakamura
Mortgage Bankers Association of Hawaii

SB-1142

Submitted on: 2/23/2025 9:06:34 PM

Testimony for CPN on 2/25/2025 9:34:00 AM

LATE

Submitted By	Organization	Testifier Position	Testify
pahnelopi mckenzie	Individual	Support	Written Testimony Only

Comments:

Support SB 1142

SB-1142

Submitted on: 2/23/2025 10:27:02 PM

Testimony for CPN on 2/25/2025 9:34:00 AM

LATE

Submitted By	Organization	Testifier Position	Testify
Paul Carter	Individual	Support	Written Testimony Only

Comments:

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

I am writing in support of Senate Bill 1142, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage services when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process. After the Lahaina fire, many families faced long delays and unclear rules when trying to access their insurance funds. This bill makes sure mortgage companies release money fairly and on time, so people can start rebuilding without extra stress. It also requires clear communication and protects homeowners from unfair delays. Please pass SB1142 to help disaster survivors rebuild their homes and stay in their communities. Mahalo for your time and commitment to Lahaina's recovery.

Paul Carter

201 River RD

Wailuku, HI

LATE

SB-1142

Submitted on: 2/24/2025 8:56:08 AM

Testimony for CPN on 2/25/2025 9:34:00 AM

Submitted By	Organization	Testifier Position	Testify
Lana Albright	Individual	Support	Written Testimony Only

Comments:

Aloha, everyone

Mahalo for your time and attention.

I am writing in support of SB1142.

After the fire many people had long delays in financial help from mortgage and insurance policies that should of been there from the start.

I am in support of people being able to access funds in a timely fashion where people can start rebuilding and healing after a disaster.

We need transparency and rules to be written in a clear manner so everyone involved can plan accordingly.

Mahalo,

Lana Albright

LATE**LATE****SB-1142**

Submitted on: 2/24/2025 2:40:11 PM

Testimony for CPN on 2/25/2025 9:34:00 AM

Submitted By	Organization	Testifier Position	Testify
Christy Shaver	Individual	Support	Written Testimony Only

Comments:

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

I am writing in **support of Senate Bill 1142**, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

After the Lahaina fire, many families faced long delays and unclear rules when trying to access their insurance funds. This bill makes sure mortgage companies release money fairly and on time, so people can start rebuilding without extra stress. It also requires clear communication and protects homeowners from unfair delays.

Please **pass SB1142** to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina's recovery.

Thanks

Christy

SB-1142

Submitted on: 2/24/2025 2:42:57 PM

Testimony for CPN on 2/25/2025 9:34:00 AM

LATE

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Submitted By	Organization	Testifier Position	Testify
Stacey Alapai	Individual	Support	Written Testimony Only

Comments:

I am writing in **support of Senate Bill 1142**, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai‘i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

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Please **pass SB1142** to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina’s recovery.

LATE

LATE

SB-1142

Submitted on: 2/24/2025 2:47:59 PM

Testimony for CPN on 2/25/2025 9:34:00 AM

Submitted By	Organization	Testifier Position	Testify
Amy Sanchez	Individual	Support	Written Testimony Only

Comments:

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

I am writing in support of Senate Bill 1142, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

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Please pass SB1142 to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina's recovery.

Amy Sanchez

LATE**LATE****SB-1142**

Submitted on: 2/24/2025 2:51:17 PM

Testimony for CPN on 2/25/2025 9:34:00 AM

Submitted By	Organization	Testifier Position	Testify
Kathy Lomeli	Individual	Support	Written Testimony Only

Comments:

SUPPORT for Senate Bill 1142

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

I am writing in support of Senate Bill 1142, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

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Please pass SB1142 to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina's recovery.

Kathy Lomeli

LATE**LATE****SB-1142**

Submitted on: 2/24/2025 2:54:58 PM

Testimony for CPN on 2/25/2025 9:34:00 AM

Submitted By	Organization	Testifier Position	Testify
Cheylah	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Dela Cruz, Chair Rhoads, Vice Chair Moriwaki, Vice Chair Gabbard, and Members of the Committees,

I am writing in **support of Senate Bill 11 SD1**, which sets clear rules for vegetation management and holds property owners accountable for maintaining their land. Our community has seen the devastation wildfires cause, and we know that unchecked vegetation only makes things worse.

This bill makes sure private landowners clear hazardous vegetation, especially in high-risk fire areas, to prevent fires from spreading. If landowners don't take action, utility companies should be able to remove the dangerous vegetation at their expense.

Public agencies must also do their part by managing vegetation along roads and public land. This bill is an important step in wildfire prevention, but it needs strong enforcement to make sure the rules are followed.

We urge your **support for SB11 SD1** and ensure that enforcement is a priority to protect our communities.

Mahalo for your time and commitment to Lahaina's recovery.

Cheylah-Marie Uyeda

LATE**LATE****SB-1142**

Submitted on: 2/24/2025 3:00:08 PM

Testimony for CPN on 2/25/2025 9:34:00 AM

Submitted By	Organization	Testifier Position	Testify
Elizabeth Kashiwabara	Individual	Support	Written Testimony Only

Comments:

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

I am writing in **support of Senate Bill 1142**, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

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Please **pass SB1142** to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina's recovery

Elizabeth Kashiwabara

LATE**LATE****SB-1142**

Submitted on: 2/24/2025 3:15:38 PM

Testimony for CPN on 2/25/2025 9:34:00 AM

Submitted By	Organization	Testifier Position	Testify
carol lee kamekona	Individual	Support	Written Testimony Only

Comments:

SUPPORT for Senate Bill 1142

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

I am writing in support of Senate Bill 1142, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

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Please pass SB1142 to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina's recovery.

Carol Lee Kamekona

Kahului, Maui

LATE

LATE

SB-1142

Submitted on: 2/24/2025 3:28:18 PM

Testimony for CPN on 2/25/2025 9:34:00 AM

Submitted By	Organization	Testifier Position	Testify
Lorena Martinez	Individual	Support	Written Testimony Only

Comments:

SUPPORT for Senate Bill 1142

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

I am writing in support of Senate Bill 1142, which establishes clear guidelines for the disbursement of insurance proceeds by mortgage servicers when a home has been damaged or destroyed. By requiring mortgage servicers to disclose disbursement conditions, approve repair or rebuild plans within 30 days, and place any withheld funds in interest-bearing accounts, this measure provides essential protections for homeowners in Lahaina and across Hawai'i. These policies will help prevent further displacement of local families and support a more equitable recovery process.

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Please pass SB1142 to help disaster survivors rebuild their homes and stay in their communities.

Mahalo for your time and commitment to Lahaina's recovery.

Lorena Martinez (West Maui Resident)