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REPORT ON ADMINISTRATIVELY ESTABLISHED FUNDS AND ACCOUNTS

Pursuant to Section 37-52.5, Hawaii Revised Statutes

For Fiscal Year 2016-2017

Submitted to the Twenty-Ninth State Legislature
Regular Session of 2018

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I. INTRODUCTION

Section 37-52.5, Hawaii Revised Statutes, requires that, except for the Judiciary, any department that administratively establishes a new fund or account must submit a report to the Legislature and, at least twenty days prior to the convening of each regular session, must submit a report that shall include (1) a list of all administratively established accounts or funds and (2) all revenues, expenditures, encumbrances, and ending balances of each account or fund. The Department of the Attorney General administers the following administratively established fund and account: the National Mortgage Settlement Trust Fund and the Seized Funds – Final Disposition Pending Account.

II. NATIONAL MORTGAGE SETTLEMENT TRUST FUND

A. Overview of the National Mortgage Settlement Trust Fund

The National Mortgage Settlement Trust Fund, appropriation number T-916-N, was established pursuant to a consent judgment that was filed in the United States District Court for the District of Columbia on April 4, 2012. Hawai'i along with 48 other states and several departments and agencies of the federal government reached a national mortgage settlement with the nations five largest banks and mortgage servicers on April 4, 2012. Pursuant to the consent judgments approving the settlement Hawai'i received \$7,911,883.00 in direct settlement funds. The court's orders approving the settlement requires that the Hawai'i funds be expended as follows:

The monies are to be held in trust for the benefit of homeowners and others in the State of Hawaii who are, have been, or may be affected by mortgage loan proceedings. This includes, but is not limited to, those who have been subject to foreclosure, are in foreclosure, are at risk of foreclosure, have delinquent mortgage loan payments, have negative equity in their homes, have lost their homes due to foreclosure, have been unable to refinance their mortgage loans, or are leasing a dwelling affected by foreclosure. The monies shall be used for housing and financial counseling, public education, mediation, dispute resolution, and enforcement of laws and agreements protecting the rights of homeowners and lessees. The monies shall be used only for these purposes. The monies shall be deposited into an administrative trust account to be administered by the Attorney General of the State of Hawaii, who as custodian shall have sole discretion to make determinations as to the amounts and the purposes for which the monies are to be expended.

Then Attorney General David M. Louie convened a task force on March 22, 2012, to provide recommendations on how best to expend the funds that

Hawai'i received pursuant to the settlement. The members of the task force were:

Senator Rosalyn H. Baker

Senator David Y. Ige

Representative Robert N. Herkes

Representative Marcus R. Oshiro

Department of Commerce and Consumer Affairs Director Kealii Lopez

Department of Commerce and Consumer Affairs Acting Deputy Director

Jo Ann Uchida

Judiciary Staff Attorney Julia P. Verbrugge

Judiciary Center for Alternative Dispute Resolution Director Elizabeth Kent

Attorney General David M. Louie

B. Details of Revenues and Expenditures

In accordance with recommendations from the task force and the federal court consent order, the Attorney General established the Foreclosure Assistance Program and the trust fund to expend the settlement funds.

During Fiscal Year (FY) 2016-2017, the following significant transactions occurred in the trust fund:

REVENUES:

\$824.35 Investment Pool Interest

EXPENDITURES:

1. \$10,000.00 paid to Big Island Mediation service providers to provide mortgage loan modification and foreclosure mediation services to consumers on the Big Island.
2. \$2,917.83 employee travel.
3. \$395.00 employee training.

Financial Data for Fiscal Years 2012-2013, 2013-2014, 2014-2015,
 2015-2016, and 2016-2017:

Below are the details of the revenue and expenditure for this account for FY 2016-2017

	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017
Beginning Cash Balance	\$0	\$1,529,243.00	\$1,324,990.75	\$1,066,320.25	\$111,900.24
Beginning Encumbrances	\$0	\$0	\$0	\$0	\$0
Revenues	\$7,911,883.00	\$0	\$3,840.73	\$4,364.99	\$824.35
Expenditures	\$6,382,640.00	\$204,252.25	\$262,511.23	\$958,785.00	\$13,312.83
Transfers	\$0	\$0	\$0	\$0	\$0
Ending Cash Balance	\$1,529,243.00	\$1,324,990.75	\$1,066,320.25	\$111,900.24	\$99,411.76

Revenue by Source Code:

Source Code	Description	Revenue
0288	Investment Pool Account	\$824.35
787	Miscellaneous Claims	\$0.00
1492	Sales of Services – Utilities	\$0.00
	Total Revenue	\$824.35

Expenditure by Object Code:

Object Code	Description	Expenditure
6800	Judgments and Claims	\$10,000.00
4300	Employee Travel	\$2,917.83
7215	Employee Training	\$395.00
	Total Expenditure	\$13,312.83

III. SEIZED FUNDS – FINAL DISPOSITION PENDING ACCOUNT

A. Overview of the Seized Funds – Final Disposition Pending Account: FY 2016 - 2017

In 1988, the Legislature enacted chapter 712A, Hawaii Revised Statutes (HRS), the Hawaii Omnibus Criminal Forfeiture Act. Chapter 712A provides for the forfeiture of property used or acquired in connection with the commission of certain criminal offenses and for the distribution of the property, or its proceeds, to law enforcement agencies for law enforcement purposes. A detailed history and explanation to the program is provided in the Annual Report of proceedings under the Hawaii Omnibus Criminal Forfeiture Act and Report on Seized Funds – Final Disposition Pending Account submitted contemporaneously with this report.

The Seized Funds – Final Disposition Pending Account, account number T-906, was administratively established in 1988 as a “holding” account because currency seized for administrative or judicial forfeiture can be ordered returned to a claimant, forfeiture to the State, or divided between the claimant and the State pursuant to a judicial or administrative settlement agreement. This fund receives no actual revenue since it operates as a trust account. Disbursements from the fund include amounts returned to a claimant if the seized funds are not forfeited or, if the seized funds are ordered forfeited, the funds are transferred to the Criminal Forfeiture Fund which is discussed more fully in the Annual Report of proceedings under the Hawaii Omnibus Criminal Forfeiture Act and Report on Seized Funds – Final Disposition Pending Account submitted contemporaneously with this report.

B. Transfers

During Fiscal Year (FY) 2016 - 2017, the following significant transactions occurred in the trust fund:

TRANSFERS INTO ACCOUNT:

Hawaii County Police Department	\$131,166.69
Honolulu Police Department	\$162,897.00
Kauai County Police Department	\$ 7,839.00
Maui County Police Department	\$ 46,690.00
Total Transfers In	<u>\$348,592.00</u>

TRANSFERS OUT OF ACCOUNT:

Transfers to the Criminal Forfeiture Fund	\$ 214,114.92
Returned directly to Claimant/DOCARE	\$ 7,796.36
Honolulu Police Department	<u>\$ 4,121.00</u>
Total Transfers Out	<u>\$ 226,032.28</u>