STAND. COM. REP. NO. 836

Honolulu, Hawaii

MAR 0 2 2007

RE: S.B. No. 940

S.D. 1

Honorable Colleen Hanabusa President of the Senate Twenty-Fourth State Legislature Regular Session of 2007 State of Hawaii

## Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 940, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HAWAIIAN HOMES COMMISSION ACT 1920, AS AMENDED,"

begs leave to report as follows:

The purpose of this measure is to prohibit the Department of Hawaiian Home Lands from lowering allowable loan amounts to lessees unless beneficiaries of the trust have been consulted.

Your Committee received comments in support of the measure from the Council for Native Hawaiian Advancement, Hui Kakooaina Hoopulapula, the State Council of Hawaiian Homestead Associations, and one concerned individual. Comments in opposition were received from the Department of Hawaiian Home Lands.

Your Committee finds that this measure will greatly impact current and future homestead lessees by maximizing the amount of capital available to lessees of Hawaiian Home Lands. Specifically, your Committee finds that the Department of Hawaiian Home Lands recently lowered the loan-to-value ratio on mortgage loans under the Federal Housing Administration 247 program from ninety-five per cent to seventy-five per cent. In concrete terms, this means that on a home valued at \$150,000, the maximum loan amount available under the Federal Housing Administration 247 program dropped from \$142,500 to \$112,000.

Your Committee understands that the department made that decision in order to reduce potential losses to the trust in the event of a loan default. However, beneficiaries of the trust currently pay mortgage insurance fees into a reserve fund to cover such delinquent loans. It is in their best interest to have loan amounts maximized. Thus, the department's actions in lowering loan amounts available under the program without warning or discussion with the beneficiaries makes the department appear as if it is falling a little short of fully meeting its fiduciary responsibilities to these beneficiaries.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 940, S.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on behalf of the members of the Committee on Ways and Means,

ROSALYN H. BAKER, Chair

## The Senate Twenty-Fourth Legislature State of Hawaii

## Record of Votes Committee on Ways and Means WAM

Bill / Resolution No.:* SB 940 SDI	Committee Referral: WAH, WAN	1 Z	te: <u>2-23-6</u>	ア
The committee is reconsidering its previous decision on this measure.  If so, then the previous decision was to:				
The Recommendation is:				
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)				
TSUTSUI, Shan S. (VC)				
CHUN OAKLAND, Suzanne				
ENGLISH, J. Kalani				
FUKUNAGA, Carol				
HOOSER, Gary L.				
KIM, Donna Mercado				
MENOR, Ron				
TOKUDA, Jill N.				
HEMMINGS, Fred				
WHALEN, Paul			and page of any processing	Elevania servici servici se
TOTAL	9	/		
Recommendation:  Adopted Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink File with Committee Report Clerk's Office Drafting Agency				