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# A BILL FOR AN ACT

RELATING TO THE HAWAIIAN HOMES COMMISSION ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Section 216, Hawaiian Homes Commission Act,  
1920, as amended, is amended to read as follows:

**"§216. Insurance by borrowers; acceleration of loans; lien  
and enforcement thereof[-]; loan servicing manual; requirements.**

(a) The department may require the borrower to insure, in such  
amount as the department may prescribe, any livestock,  
aquaculture stock, swine, poultry, fowl, machinery, equipment,  
dwellings, and permanent improvements purchased or constructed  
out of any moneys loaned or assured by the department; or, in  
lieu thereof, the department may directly take out such  
insurance and add the cost thereof to the amount of principal  
payable under the loan.

(b) Whenever the department has reason to believe that the  
borrower has violated any condition enumerated in paragraph (2),  
(4), (5), or (6) of section 215 of this Act, the department  
shall give due notice and afford opportunity for a hearing to  
the borrower or the successor or successors to his interest, as



1 the case demands. If upon such hearing the department finds  
2 that the borrower has violated the condition, the department may  
3 declare all principal and interest of the loan immediately due  
4 and payable notwithstanding any provision in the contract of  
5 loan to the contrary[-], subject to the policies and procedures  
6 provided in the loan servicing manual identified herein.

7 (c) The department shall have a first lien upon the  
8 borrower's or lessee's interest in any lease, growing crops,  
9 aquacultural stock, either on his tract or share in any  
10 collective contract or program, livestock, swine, poultry, fowl,  
11 aquaculture stock, machinery, and equipment purchased with  
12 moneys loaned by the department, and in any dwellings or other  
13 permanent improvements on any leasehold tract, to the amount of  
14 all principal and interest due and unpaid and of all taxes and  
15 insurance and improvements paid by the department, and any other  
16 indebtedness of the borrower, the payment of which has been  
17 assured by the department. Such lien shall have priority over  
18 any other obligation for which the property subject to the lien  
19 may be security.

20 (d) The department may, subject to this Act and procedures  
21 established by rule, enforce any lien by declaring the



1 borrower's interest in the property subject to the lien to be  
2 forfeited, any lease held by the borrower canceled, and shall  
3 thereupon order such leasehold premises vacated and the property  
4 subject to the lien surrendered within a reasonable time. The  
5 right to the use and occupancy of the Hawaiian home lands  
6 contained in such lease shall thereupon revert in the  
7 department, and the department may take possession of the  
8 premises covered therein and the improvements and growing crops  
9 or improvements and aquaculture stock thereon; provided that the  
10 department shall pay to the borrower any difference which may be  
11 due him after the appraisal provided for in section 209 has been  
12 made.

13 (e) The department shall develop and implement a loan  
14 servicing manual, subject to approval by the commission, that  
15 adopts loan mitigation policies, procedure, and methods,  
16 including financial counseling, loan loss mitigation analysis,  
17 loan modification, sale or transfer, and other options to ensure  
18 lessees and borrowers, or their successors, avoid default, cure  
19 delinquencies, and avoid cancellation or foreclosure; provided  
20 that the loan servicing manual shall incorporate all appropriate  
21 federal rules and regulations, including those that protect



1 active military service members; provided further that the  
2 department shall document all loan loss mitigation activities  
3 between the borrower and the department pursuant to the loan  
4 servicing manual."

5 SECTION 2. The provisions of the amendments made by this  
6 Act to the Hawaiian Homes Commission Act, 1920, as amended, are  
7 declared to be severable, and if any section, sentence, clause,  
8 or phrase, or the application thereof to any person or  
9 circumstances is held ineffective because there is a requirement  
10 of having the consent of the United States to take effect, then  
11 that portion only shall take effect upon the granting of consent  
12 by the United States and effectiveness of the remainder of these  
13 amendments or the application thereof shall not be affected.

14 SECTION 3. Statutory material to be repealed is bracketed  
15 and stricken. New statutory material is underscored.

16 SECTION 4. This Act shall take effect on July 1, 2050,  
17 with the consent of the United States.



**Report Title:**

Hawaiian Homes Commission Act; DHHL; Loan Services; Manual

**Description:**

Requires DHHL to develop and implement a loan servicing manual.  
Effective 7/1/2050. (SD2)

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