
A BILL FOR AN ACT

RELATING TO THE HAWAIIAN HOMES COMMISSION ACT.

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

1 SECTION 1. The legislature finds that the department of
2 Hawaiian home lands provides direct loans for the repair,
3 maintenance, purchase, and erection of a dwelling; however, the
4 Hawaiian Homes Commission Act of 1920, as amended, stipulates
5 that these loans cannot exceed fifty per cent of the maximum
6 single residence loan amount allowed in Hawaii by the United
7 States Department of Housing and Urban Development's Federal
8 Housing Administration.

9 The purpose of this Act is to amend the Hawaiian Homes
10 Commission Act of 1920, as amended, to increase the loan limit
11 for direct loans provided by the department of Hawaiian home
12 lands to seventy-five per cent of the maximum single residence
13 loan amount allowed in Hawaii by the United States Department of
14 Housing and Urban Development's Federal Housing Administration,
15 instead of fifty per cent.

16 SECTION 2. Section 215 of the Hawaiian Homes Commission
17 Act, 1920, as amended, is amended to read as follows:



1 **"§215. Conditions of loans.** Except as otherwise provided
2 in section 213(c), each contract of loan with the lessee or any
3 successor or successors to the lessee's interest in the tract or
4 with any agricultural, mercantile, or aquacultural cooperative
5 association composed entirely of lessees shall be held subject
6 to the following conditions whether or not stipulated in the
7 contract loan:

8 (1) At any time, the outstanding amount of loans made to
9 any lessee, or successor or successors in interest,
10 for the repair, maintenance, purchase, and erection of
11 a dwelling and related permanent improvements shall
12 not exceed [~~fifty~~] seventy-five per cent of the
13 maximum single residence loan amount allowed in Hawaii
14 by the United States Department of Housing and Urban
15 Development's Federal Housing Administration (FHA),
16 for the development and operation of a farm, ranch, or
17 aquaculture operation shall not exceed \$200,000,
18 except that when loans are made to an agricultural or
19 aquacultural cooperative association for the purposes
20 stated in section 214(a)(4), the loan limit shall be
21 determined by the department on the basis of the



1 proposed operations and the available security of the
2 association, and for the development and operation of
3 a mercantile establishment shall not exceed the loan
4 limit determined by the department on the basis of the
5 proposed operations and the available security of the
6 lessee or of the organization formed and controlled by
7 lessees; provided that upon the death of a lessee
8 leaving no relative qualified to be a lessee of
9 Hawaiian home lands, or the cancellation of a lease by
10 the department, or the surrender of a lease by the
11 lessee, the department shall make the payment provided
12 for by section 209(a), the amount of any such payment
13 shall be considered as part or all, as the case may
14 be, of any such loan to the successor or successors,
15 without limitation as to the above maximum amounts;
16 provided further that in case of the death of a
17 lessee, or cancellation of a lease by the department,
18 or the surrender of a lease by the lessee, the
19 successor or successors to the tract shall assume any
20 outstanding loan or loans thereon, if any, without



1 limitation as to the above maximum amounts but subject
2 to paragraph (3).

3 (2) The loans shall be repaid in periodic installments,
4 such installments to be monthly, quarterly,
5 semiannual, or annual as may be determined by the
6 department in each case. The term of any loan shall
7 not exceed thirty years. Payments of any sum in
8 addition to the required installments, or payment of
9 the entire amount of the loan, may be made at any time
10 within the term of the loan. All unpaid balances of
11 principal shall bear interest at the rate of two and
12 one-half per cent a year for loans made directly from
13 the Hawaiian home loan fund, or at the rate of two and
14 one-half per cent or higher as established by law for
15 other loans, payable periodically or upon demand by
16 the department, as the department may determine. The
17 payment of any installment due shall be postponed in
18 whole or in part by the department for such reasons as
19 it deems good and sufficient and until such later date
20 as it deems advisable. Such postponed payments shall



1 continue to bear interest on the unpaid principal at
2 the rate established for the loan.

3 (3) In the case of the death of a lessee the department
4 shall, in any case, permit the successor or successors
5 to the tract to assume the contract of loan subject to
6 paragraph (1). In case of the cancellation of a lease
7 by the department or the surrender of a lease by the
8 lessee, the department may, at its option declare all
9 installments upon the loan immediately due and
10 payable, or permit the successor or successors to the
11 tract to assume the contract of loan subject to
12 paragraph (1). The department may, in such cases
13 where the successor or successors to the tract assume
14 the contract of loan, waive the payment, wholly or in
15 part, of interest already due and delinquent upon the
16 loan, or postpone the payment of any installment
17 thereon, wholly or in part, until such later dates as
18 it deems advisable. Such postponed payments shall,
19 however, continue to bear interest on the unpaid
20 principal at the rate established for the loan.
21 Further, the department may, if it deems it advisable



1 and for the best interests of the lessees, write off
2 and cancel, wholly or in part, the contract of loan of
3 the deceased lessee, or previous lessee, as the case
4 may be, where such loans are delinquent and deemed
5 uncollectible. Such write off and cancellation shall
6 be made only after an appraisal of all improvements
7 and growing crops or improvements and aquaculture
8 stock, as the case may be, on the tract involved, such
9 appraisal to be made in the manner and as provided for
10 by section 209(a). In every case, the amount of such
11 appraisal, or any part thereof, shall be considered as
12 part or all, as the case may be, of any loan to such
13 successor or successors, subject to paragraph (1).

14 (4) No part of the moneys loaned shall be devoted to any
15 purpose other than those for which the loan is made.

16 (5) The borrower or the successor to the borrower's
17 interest shall comply with such other conditions, not
18 in conflict with any provision of this Act, as the
19 department may stipulate in the contract of loan.

20 (6) The borrower or the successor to the borrower's
21 interest shall comply with the conditions enumerated



1 in section 208, and with section 209 of this Act in
2 respect to the lease of any tract.

3 (7) Whenever the department shall determine that a
4 borrower is delinquent in the payment of any
5 indebtedness to the department, it may require such
6 borrower to execute an assignment to it, not to
7 exceed, however, the amount of the total indebtedness
8 of such borrower, including the indebtedness to others
9 the payment of which has been assured by the
10 department of all moneys due or to become due to such
11 borrower by reason of any agreement or contract,
12 collective or otherwise, to which the borrower is a
13 party. Failure to execute such an assignment when
14 requested by the department shall be sufficient ground
15 for cancellation of the borrower's lease or interest
16 therein.

17 (8) The department shall provide financial literacy
18 education for all borrowers."

19 SECTION 3. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



1 SECTION 4. This Act shall take effect upon its approval
2 with the consent of the United States Congress; provided that
3 the amendments made to section 215, Hawaiian Homes Commission
4 Act, 1920, as amended, by this Act shall not be repealed when
5 Act 107, Session Laws of Hawaii 2000, or Act 85, Session Laws of
6 Hawaii 2008, take effect with the consent of the United States
7 Congress.



Report Title:

DHHL; HHCA; Federal Housing Administration; Loan Limit;
Financial Literacy

Description:

Amends the Hawaiian Homes Commission Act of 1920, as amended, to increase the loan limit for direct loans provided by the Department of Hawaiian Home Lands from fifty percent to seventy-five percent of the maximum single residence loan amount allowed in Hawaii by the United States Department of Housing and Urban Development's Federal Housing Administration. Requires the Department of Hawaiian Home Lands to provide financial literacy education for all borrowers. (SD2)

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