

JAN 23 2025

A BILL FOR AN ACT

RELATING TO THE HAWAIIAN HOMES COMMISSION ACT, 1920, AS AMENDED.

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

1 SECTION 1. The legislature finds that Act 279, Session
2 Laws of Hawaii 2022 (Act 279), appropriated out of the general
3 revenues of the State of Hawaii the sum of \$600,000,000 or so
4 much thereof as may be necessary for fiscal year 2021-2022 to
5 provide a multi-pronged approach to reducing the over twenty-
6 eight thousand applicants on the department of Hawaiian home
7 lands waitlist. Since this historic investment, mortgage
8 interest rates have increased and continue to rise, while
9 construction costs are ever-increasing, due in large part to
10 global inflation and the 2023 Maui wildfires. These market
11 conditions have created a situation in which Hawaiian home lands
12 lessees are unable to qualify for a mortgage at the amount
13 needed to afford the home prices being offered through the
14 department's turnkey offering, nor can lessees afford contractor
15 costs for vacant lot home builds. In response, subsidy and
16 affordable mortgage programs have been developed and expanded by
17 government agencies and private institutions to assist



1 homebuyers in addressing this situation. Nevertheless, these
2 programs require collateral to ensure repayment during their
3 recapture periods or loan terms. On Hawaiian home lands, the
4 department guarantees the loan since the land is held in trust.
5 The significantly increased projected number of housing units
6 that are expected over the next several years as a result of Act
7 279 will necessitate an increase in the department's guarantee
8 limit.

9 Accordingly, the purpose of this Act is to increase the
10 limit of the State's liability from \$100,000,000 to \$500,000,000
11 for moneys borrowed by the department of Hawaiian home lands or
12 loans made to lessees that are guaranteed by the department.

13 SECTION 2. Section 214, Hawaiian Homes Commission Act,
14 1920, as amended, is amended by amending subsection (b) to read
15 as follows:

16 "(b) In addition the department may:

17 (1) Use moneys in the Hawaiian home operating fund, with
18 the prior approval of the governor, to match federal,
19 state, or county funds available for the same purposes
20 and to that end, enter into an undertaking, agree to
21 conditions, transfer funds therein available for



1 expenditure, and do and perform other acts and things,
2 as may be necessary or required, as a condition to
3 securing matching funds for the department's projects
4 or works;

5 (2) Loan or guarantee the repayment of or otherwise
6 underwrite any authorized loan or portion thereof to
7 lessees in accordance with section 215;

8 (3) Loan or guarantee the repayment of or otherwise
9 underwrite any authorized loan or portion thereof to a
10 cooperative association in accordance with section
11 215;

12 (4) Permit and approve loans made to lessees by government
13 agencies or private lending institutions, where the
14 department assures the payment of these loans;
15 provided that upon receipt of notice of default in the
16 payment of the assured loans, the department may, upon
17 failure of the lessee to cure the default within sixty
18 days, cancel the lease and pay the outstanding balance
19 in full or may permit the new lessee to assume the
20 outstanding debt; and provided further that the
21 department shall reserve the following rights:



- 1 (A) The right of succession to the lessee's interest
- 2 and assumption of the contract of loan;
- 3 (B) The right to require that written notice be given
- 4 to the department immediately upon default or
- 5 delinquency of the lessee; and
- 6 (C) Any other rights enumerated at the time of
- 7 assurance necessary to protect the monetary and
- 8 other interests of the department;
- 9 (5) Secure, pledge, or otherwise guarantee the repayment
- 10 of moneys borrowed by the department from government
- 11 agencies or private lending institutions and pay the
- 12 interim interest or advances required for loans;
- 13 provided that the State's liability, contingent or
- 14 otherwise, either on moneys borrowed by the department
- 15 or on departmental guarantees of loans made to lessees
- 16 under this paragraph and paragraphs (2), (3), and (4)
- 17 of this subsection, shall at no time exceed
- 18 [~~\$100,000,000~~] \$500,000,000; the department's
- 19 guarantee of repayment shall be adequate security for
- 20 a loan under any state law prescribing the nature,



1 amount, or form of security or requiring security upon
2 which loans may be made;

3 (6) Use available loan fund moneys or other funds
4 specifically available for guarantee purposes as cash
5 guarantees when required by lending agencies;

6 (7) Exercise the functions and reserved rights of a lender
7 of money or mortgagee of residential property in all
8 direct loans made by government agencies or by private
9 lending institutions to lessees the repayment of which
10 is assured by the department. The functions and
11 reserved rights shall include but not be limited to,
12 the purchasing, repurchasing, servicing, selling,
13 foreclosing, buying upon foreclosure, guaranteeing the
14 repayment, or otherwise underwriting, of any loan, the
15 protecting of security interest, and after
16 foreclosures, the repairing, renovating, or
17 modernization and sale of property covered by the loan
18 and mortgage;

19 (8) Pledge receivables of loan accounts outstanding as
20 collateral to secure loans made by government agencies
21 or private lending institutions to the department, the



1 proceeds of which shall be used by the department to
2 make new loans to lessees or to finance the
3 development of available lands for purposes permitted
4 by this Act; provided that any loan agreement entered
5 into under this paragraph by the department shall
6 include a provision that the money borrowed by the
7 department is not secured directly or indirectly by
8 the full faith and credit or the general credit of the
9 State or by any revenues or taxes of the State other
10 than the receivables specifically pledged to repay the
11 loan; provided further that in making loans or
12 developing available lands out of money borrowed under
13 this paragraph, the department may establish, revise,
14 charge, and collect fees, premiums, and charges as
15 necessary, reasonable, or convenient, to assure
16 repayment of the funds borrowed, and the fees,
17 premiums, and charges shall be deposited into the
18 Hawaiian home trust fund; and provided further that no
19 moneys of the Hawaiian home loan fund may be pledged
20 as security under this paragraph; and



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1 (9) Notwithstanding any other provisions of this Act to
2 the contrary, transfer into the Hawaiian home trust
3 fund any available and unpledged moneys from any loan
4 funds, the Hawaiian loan guarantee fund, or any fund
5 or account succeeding thereto, except the Hawaiian
6 home loan fund, for use as cash guarantees or reserves
7 when required by a federal agency authorized to insure
8 or guarantee loans to lessees."

9 SECTION 3. The provisions of the amendments made by this
10 Act to the Hawaiian Homes Commission Act, 1920, as amended, are
11 declared to be severable, and if any section, sentence, clause,
12 or phrase, or the application thereof to any person or
13 circumstances is held ineffective because there is a requirement
14 of having the consent of the United States to take effect, then
15 that portion only shall take effect upon the granting of consent
16 by the United States and effectiveness of the remainder of these
17 amendments or the application thereof shall not be affected.

18 SECTION 4. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

20 SECTION 5. This Act shall take effect on either the date
21 of the Secretary of the Interior's notification letter to the



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1 Congressional Committee Chairpersons that this Act meets none of
2 the criteria in title 43 Code of Federal Regulations section
3 48.20 necessitating congressional approval, or on the date that
4 the United States Congress' approval becomes law.

5

INTRODUCED BY:

A handwritten signature in black ink, appearing to read "Brent M. Reed", written over a horizontal line. The signature is stylized and includes a large flourish at the end.

S.B. NO. 1653

Report Title:

DHHL; Hawaiian Home Lands Lessees; Loans

Description:

Increases the limit of the State's liability from \$100,000,000 to \$500,000,000 for moneys borrowed by the Department of Hawaiian Home Lands or loans made to lessees that are guaranteed by the Department.

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