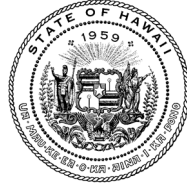


JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1540

FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1590, Relating to Vacation Rentals

BEFORE THE:

House Committee on Tourism

DATE: Tuesday, February 3, 2026

TIME: 8:30 a.m.

LOCATION: State Capitol, Room 423

Chair Tam, Vice-Chair Templo, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding the tax provisions in H.B. 1590 for your consideration.

Section 1 of H.B. 1590 adds a new chapter to the Hawaii Revised Statutes (HRS) to establish enforcement measures to address short-term vacation rentals.

In the new section ___-4, short-term vacation rental brokers will be required to file an annual statement with DOTAX by March 31 of each year that includes information for each short-term vacation rental listed on the platform, including identifying information of the operator, address and tax map key number of the short-term vacation rental, and annual gross rental proceeds. A broker's failure to comply with the filing requirement will be subject to a fine of up to \$500 per violation.

Section 4 of the bill appropriates an unspecified amount to DOTAX for fiscal year 2027 to collect taxes owed by illegal short-term vacation rental operators.

The measure will take effect on July 1, 2026.

DOTAX notes that although the annual reporting requirements in the new section ___-4 are similar to existing reporting requirements in sections 237-30.5 and 237D-8.5, HRS, this bill would require brokers to provide additional information that would be extremely useful for DOTAX's short-term rental compliance efforts. To avoid duplicative reporting requirements for brokers, DOTAX recommends amending sections 237-30.5(a) and 237D-8.5(a) by adding an exemption, as follows:

Section 237-30.5(a):

Every person authorized under an agreement by the owner of real property located within this State to collect rent on behalf of the owner shall be subject to this section~~[-]~~; provided that this section shall not apply to any short-term vacation rental broker subject to section -4.

Section 237D-8.5:

Every person authorized under an agreement by the owner of transient accommodations located within this State to collect rent on behalf of the owner shall be subject to this section~~[-]~~; provided that this section shall not apply to any short-term vacation rental broker subject to section -4.

Thank you for the opportunity to provide comments on this measure.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2026**

ON THE FOLLOWING MEASURE:

H.B. NO. 1590, RELATING TO VACATION RENTALS.

BEFORE THE:

HOUSE COMMITTEE ON TOURISM

DATE: Tuesday, February 3, 2026 **TIME:** 8:30 a.m.

LOCATION: State Capitol, Room 423

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Maya A. VanDrunen, Deputy Attorney General

Chair Tam and Members of the Committee:

The Department of the Attorney General has concerns regarding this bill and provides the following comments.

This bill proposes to add a new chapter to the Hawaii Revised Statutes (HRS), regarding short-term vacation rental enforcement. Section 1, page 2, lines 12-15, of the bill requires banks and lenders with a lien upon an "illegal short-term vacation rental" to foreclose if the lien is not settled within five years. Section 2, page 5, lines 11-15, of the bill amends chapter 201B-1, HRS, to include vacation rental enforcement in the Hawaii Tourism Authority's (HTA) plans, practices, and efforts involving destination management.

I. Definition of Illegal Short-Term Vacation Rental

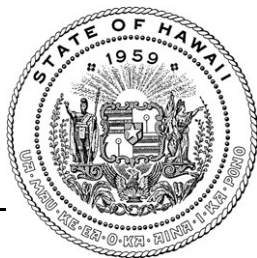
There are ambiguities in the bill's definition of "illegal short-term vacation rental". The bill defines "illegal short-term vacation rental" as "any short-term vacation rental that violates a county ordinance related to short-term vacation rentals, minimum stay requirements or zoning." Section 1, page 1, lines 9-12. The bill does not specify how to determine that a vacation rental "violates" a county ordinance. We recommend the following clarifying amendment to the definition of "illegal short-term vacation rental", section 1, page 1, lines 9-12: "any short-term vacation rental that a court has determined violates a county ordinance related to short-term vacation rentals, minimum stay requirements or zoning."

II. HTA Enforcement of Vacation Rentals

Section 2 of the bill seems to require HTA to ensure that vacation rentals are lawful and that all state and county laws and ordinances are enforced. However, HTA does not have the power or authority to enforce such laws and ordinances.

Therefore, we recommend that on page 5, line 11, the word "Ensure" be replaced with "Encourage".

Thank you for the opportunity to provide comments.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKĀ'I

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
JAMES KUNANE TOKIOKA
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON TOURISM

Tuesday, February 3, 2026
8:30 AM
State Capitol, Conference Room 423

In consideration of
HB 1590
RELATING TO VACATION RENTALS.

Chair Tam, Vice Chair Templo, and members of the Committee:

The Department of Business, Economic Development and Tourism (DBEDT) respectfully offers **comments** on HB1590, which proposes to require lenders to foreclose on unresolved liens after five years, allow counties to use time-stamped screenshots as evidence, mandate brokers to report data to the Department of Taxation on an annual basis and authorizes the department to issue fines, direct the Hawai'i Tourism Authority (HTA) to include enforcement in its destination management plans, permit counties to use Transient Accommodations Tax revenue for enforcement, and appropriate funds.

Community concerns about tourism – particularly visitor encroachment in Hawai'i's residential neighborhoods and the proliferation of vacation rentals operating illegally – remain a high priority. DBEDT is in support of a measure that strengthens state and county tools to address illegal short-term vacation rentals in Hawai'i through financial, legal and administrative mechanisms.

We also support ensuring that vacation rentals operate lawfully and that all applicable state and county laws are enforced. However, we note that the Hawai'i Tourism Authority is not an enforcement agency. The HTA is a convener, collaborator and supporter, working alongside agencies and organizations with direct enforcement authority.

DBEDT Testimony
HB1590
February 3, 2026
Page 2 of 2

DBEDT looks forward to continued collaboration to achieve destination management goals and minimize the negative economic and social impacts associated with illegal short-term vacation rentals.

Ensuring compliance and responsible tourism practices is essential to preserving Hawai'i's unique sense of place, protecting community well-being and sustaining a healthy economy that benefits residents and visitors alike.

Thank you for the opportunity to provide comments on this measure.



TESTIMONY OF
CAROLINE ANDERSON
Interim President & CEO
Hawai'i Tourism Authority
before the
HOUSE COMMITTEE ON TOURISM
Tuesday, February 3, 2026
8:30 a.m.
State Capitol, Room 423

In consideration of
HB 1590
RELATING TO VACATION RENTALS

Aloha Chair Tam, Vice Chair Templo, and Members of the Committee:

The Hawai'i Tourism Authority (HTA) offers comments on HB 1590, which includes provisions related to short-term vacation rental compliance and includes short-term vacation rental enforcement in the Hawai'i Tourism Authority's plans, practices, and efforts involving destination management.

As the bill states, destination management depends on many partners working together. Counties set and enforce most short-term vacation rental rules. The Department of Taxation enforces state tax laws and can support compliance through reporting and enforcement tools. Other state and county agencies, along with community and industry partners, also play important roles.

Because several agencies have different responsibilities, we believe the bill should clearly state HTA's role. HTA does not have enforcement authority. Our concern is that the current wording could confuse the public and create expectations that HTA will enforce short-term vacation rental laws.

While we support the Legislature's intent to strengthen oversight of short-term vacation rentals (STRs), the current language of HB1590 (i.e., "ensure that vacation rentals are lawful and that all state and county laws and ordinances pertaining to short-term vacation rentals are enforced") inadvertently assigns HTA a regulatory enforcement function without granting authority, tools, or funding to perform such work.

Under existing law, STR regulation and enforcement is carried out by counties (e.g., City & County of Honolulu Department of Planning and Permitting and similar agencies) pursuant to zoning and permitting regimes that define where STRs may operate and how violations are addressed. The phrase "ensure ... are enforced" implies that HTA must:

1. develop systems to verify compliance with county zoning, permitting, and state law;
2. identify violations (e.g., through listings data and property databases);
3. receive, track, and respond to complaints from residents and partners;

4. coordinate enforcement responses across multiple agencies; and
5. potentially adopt rules, procedures, and compliance protocols, all of which are regulatory activities typically undertaken by code enforcement or land use departments.

Required Resources and Costs

If the Legislature intends HTA to carry out these enforcement-type functions, the Authority would require significant new resources. Based on comparable regulatory compliance programs, this would include:

Personnel

- STR Compliance Program Manager — 1 FTE
- Data & Intelligence Analysts (listing/TMK matching) — 2–3 FTEs
- Interagency Enforcement Liaison — 1 FTE
- Legal/Rules & Admin Hearings Officer — 1 FTE
- Complaints & Case Coordinator — 1 FTE

Est. staffing total: 6–7 FTEs

Systems and Platforms

- STR listing scraping and analytics tools
- Integration with TMK/property tax databases
- Enforcement tracking dashboard and workflow systems
- Public complaint intake platform

Approximate Costs

- Personnel: \$900,000 – \$1.2M annually
- IT Systems: \$500,000 – \$1M startup
- Legal/Administrative support: \$150,000 – \$250,000

Total: roughly \$1.5M–\$2M startup and \$1M+ annually in ongoing costs.

These estimates are consistent with enforcement programs in other jurisdictions that have formal regulatory regimes for short-term rentals, which dedicate staff and technology to administer permits, track compliance, and impose penalties.

- New York City's Short-Term Rental Registration Law (Local Law 18 of 2022): Requires hosts to register units and prohibits listing platforms from processing bookings for

unregistered rentals. The city has established a registration portal and compliance functions to enforce this regime, demonstrating the need for dedicated administrative capacity.

- City of Columbus, Ohio: Updated STR rules include a database linking 311 service with dispatch systems to track emergency calls and enable license denials based on repeated complaints, systems that require staff and technology beyond marketing functions.
- Many local STR regulatory frameworks: Guidance from the National League of Cities emphasizes that effective STR enforcement necessitates dedicated resources, time, staff, and money, including code officers, complaint hotlines, permit denial capabilities, and compliance databases.
- Plainview, Texas: A recent STR ordinance requires operators to obtain permits, provide local contact information, and remit hotel occupancy taxes, mandate functions that require administrative and enforcement capacity within city departments.

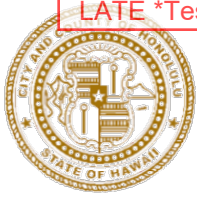
These examples show that STR enforcement is commonly conducted by agencies specifically authorized and funded to regulate land use, permitting, and compliance, not by tourism marketing authorities.

To improve clarity, HTA recommends revising the first sentence of Section 2.5 (page 5, line 11) be amended to read:

“Support efforts to ensure that vacation rentals are lawful and that all state and county laws and ordinances pertaining to short-term vacation rentals are enforced.”

Clear roles help ensure effective enforcement, reduce impacts on neighborhoods, and protect the visitor experience.

Mahalo for the opportunity to share our comments on HB 1590.



LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
530 S. KING ST. STE. 202, HONOLULU, HI 96813

TYLER DOS SANTOS-TAM
HONOLULU CITY COUNCIL
DISTRICT 6
TELEPHONE: (808) 768-5006
FAX: (808) 768-1176
EMAIL: tdossantos-tam@honolulu.gov

Tuesday, February 3, 2026

House Committee on Tourism
Tuesday, February 3, 2026 at 8:30 AM
HB 1590 Testimony in Support

Chair Tam, Vice Chair Templo, & Members of the House Committee on Tourism:

My name is Councilmember Tyler Dos Santos-Tam, and I have the privilege of representing parts of Urban Honolulu from Kalihi Valley to Kaka'ako on the Honolulu City Council. I am pleased to submit testimony in **support of HB1590**, Relating to Vacation Rentals. This measure proposes to strengthen counties' ability to enforce laws governing short-term rentals.

Illegal short-term rentals continue to be a significant issue in our communities. Vacation rentals are still being offered for stays of fewer than 30 days in non-resort-zoned areas. HB1590 strengthens collaboration between the counties and the state to address the illegal operation of short-term rentals. Counties want to work in partnership with the state to keep short-term rentals out of residential neighborhoods—where housing is already scarce—and to ensure homes remain available for residents who need long-term housing solutions.

A particularly egregious violation of the short-term rental law occurred in my district at 2154 Aulii Street, where a multi-story, nine-bedroom unit was illegally rented for stays under 30 days. For years, I received complaints regarding this property. In total, the City and County of Honolulu issued more than \$953,000 in fines, notices of violation, and liens. The owner failed to address these violations until 2025, when the City Council ultimately moved to foreclose on the property after violations had persisted since 2019.

Mahalo for hearing **HB1590**, we need to continue to identify the ways in which we can partner to address these community issues.

Aloha,

A handwritten signature in black ink that reads "Tyler Dos Santos-Tam".

Tyler Dos Santos-Tam
Councilmember, District 6
Honolulu City Council



February 3, 2026

The Honorable Adrian Tam
Chair
House Committee on Tourism
Room 402, Hawai'i State Capitol
415 South Beretania Street
Honolulu, HI 96813

The Honorable Shirley Templo
Vice Chair
House Committee on Tourism
Room 317, Hawai'i State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: HB 1590 – *Relating to Vacation Rentals*

Dear Chair Tam, Vice Chair Templo, and members of the Committee:

On behalf of Chamber of Progress, a tech industry association supporting public policies to build a society in which all people benefit from technological advances, I write to respectfully urge you to **oppose HB 1590**, which would thwart lawful homesharing opportunities for local residents and raise costs for visitors by creating a confusing statewide enforcement scheme tied to county rules and by forcing banks and lenders into mandatory foreclosure actions over certain liens on properties deemed to be illegal short-term rentals.

While we share the goal of addressing truly unlawful short-term rental activity and improving tax compliance, HB 1590 would do so in ways that risk significant harm to responsible hosts and visitors.

Hosts and visitors would face confusion, regulatory uncertainty, and higher costs

HB 1590 expands enforcement authority by layering new state-level enforcement mechanisms on top of existing county short-term rental ordinances without clearly defining their respective roles. For hosts and homeowners, this lack of clarity increases the risk of duplicative enforcement, conflicting notices, and inconsistent penalties for the same alleged violation. When multiple agencies claim overlapping authority, residents are left unsure which rules apply, who has final decision-making authority, and how to comply.

This uncertainty disproportionately affects small, local hosts and homeowners, many of whom rely on short-term rentals to help cover mortgage costs or rising living expenses, while larger operators are better positioned to absorb legal and compliance costs.

Increased compliance burdens, data reporting requirements, and enforcement actions can raise operating costs for platforms and hosts alike. These costs are often passed on to visitors through higher rental prices and fees, affecting both residents and visitors without guaranteeing improved compliance outcomes.

Rigid, mandatory foreclosure requirements would harm homeowners and visitors alike

HB 1590 requires banks and lenders to foreclose on properties associated with illegal short-term rentals if a lien is not resolved within five years. This provision places financial institutions in the role of enforcement agents, even though lenders have no control over how a property is used on a day-to-day basis.

For homeowners, this creates a significant and disproportionate risk. A zoning or permitting dispute that renders a rental 'illegal' under county ordinance – both often complex and subject to change – could ultimately trigger foreclosure, even if the homeowner is actively attempting to resolve the issue. In some cases, this could cut off the economic lifeline that enables homeowners to avoid foreclosure in the first place. This provision removes flexibility, discretion, and due process from situations that should be handled by regulatory agencies, not private lenders.

By increasing the risk of foreclosure and expanding enforcement without clear safeguards, HB 1590 may discourage responsible hosting altogether. Homeowners may choose to exit the market entirely rather than face uncertainty and severe penalties. This could reduce the availability of lawful short-term rentals, limiting options for visitors and driving up prices, while also reducing supplemental income that many residents rely on to remain in their homes.

Short-term rentals help Hawai'iian families make ends meet by letting homeowners and renters supplement their income as everyday costs rise

Hawai'i lawmakers should be making it easier – not harder – for homeowners to participate in this growing economy. Many Hawai'i residents rely on short-term rentals to supplement their income, yet HB 1590 adds unnecessary barriers that reduce earning opportunities for individual hosts.

Most hosts do not fall into the category of traditional property investors or conglomerates. Instead, they are individuals residing in their primary homes, seeking to diversify their income streams to meet financial needs in the face of inflation and Hawai'i's rising cost of living. By making space in their residences available, homeowners

can augment their earnings to cope with escalating mortgage payments. At the same time, renters can secure extra income to address the growing expenses of daily life.

HB 1590 burdens individual hosts with navigating red tape while favoring corporate investors who can maneuver complex rules. Requiring platforms to collect and report extensive personal and financial data adds barriers that risk over-enforcement and compliance errors, unfairly impacting individual homeowners' ability to earn supplemental income.

Short-term rentals are deeply woven into the local economy and serve as an important source of financial stability for Hawai'i residents.

Short-term rentals support local economies and boost tourism

Guests who choose short-term rentals boost local economies not just through host earnings, but by spending at nearby shops and restaurants: 92% of hosts shared local dining recommendations,¹ nearly half of guest spending happened in the rental's neighborhood,² and in 2024 the typical U.S. guest spent over \$775 per trip on restaurants, entertainment, shopping, and other local services.³ Compared with traditional lodging concentrated in tourist and downtown areas, STRs help visitors experience more neighborhoods and support more small businesses.

STRs not only meet visitor demand but also provide essential lodging flexibility during major events, helping Hawai'i accommodate more tourists than hotels alone can serve. By offering affordable options, STRs reduce lodging costs for visitors, allowing them to spend more money on local businesses. They also matter for neighboring Islanders who regularly come to O'ahu for essential needs, such as medical or hospital care and state services, who rely on kitchen-equipped, multi-room STRs that hotels often don't offer.

In 2024, Airbnb travel generated over \$90 billion in U.S. economic activity, supporting a record of more than 1 million jobs, and producing over \$52 billion in labor income.⁴ In Hawai'i, short-term rentals contributed \$2.1 billion to GDP, supported 20,300 jobs, and generated \$610.2 million in total tax revenue for critical services such as education, housing, and infrastructure.

Restricting short-term rentals in Hawai'i risks shifting tourism dollars to already high-profit hotels, important revenue that Hawai'i could use to invest in community priorities, such as housing, transportation, and local services.

¹ Airbnb. "Airbnb Estimated Direct Economic Impact in the U.S. Nears \$34 Billion." *Airbnb Newsroom*, July 22, 2019. <https://news.airbnb.com/airbnb-estimated-direct-economic-impact-in-the-u-s-nears-34-billion/>

² Airbnb. "Guest Spending Boosts U.S. Economy by a Record \$90 Billion in 2024." *Airbnb Newsroom*, May 29, 2025. <https://news.airbnb.com/economic-impact-2024-us/>

³ *Ibid.*

⁴ *Ibid.*

Protecting access to short-term rentals also protects consumer choice

Short-term rentals offer more flexibility for visitors with needs that hotels alone cannot meet. Large families and workers on temporary assignments can opt for short-term rentals with more space and kitchen access rather than relying on hotel rooms. Families traveling with children may prefer not to be split into multiple units so they can stay together comfortably. HB 1590 undermines this choice by restricting the short-term rental market, resulting in fewer options catering to visitors' diverse needs.

For these reasons, **I respectfully urge you to oppose HB 1590.**

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Singleton". The signature is fluid and cursive, with a large initial "R" and a stylized "S".

Robert Singleton
Senior Director of Policy and Public Affairs, California and US West

HAWAII FINANCIAL SERVICES ASSOCIATION

c/o Marvin S.C. Dang, Attorney-at-Law

P.O. Box 4109

Honolulu, Hawaii 96812-4109

Telephone No.: (808) 521-8521

February 3, 2026

Rep. Adrian K. Tam, Chair
Rep. Shirley Ann Templo, Vice Chair
and members of the House Committee on Tourism
Honolulu, Hawaii 96813

Re: **H.B. 1590 (Vacation Rentals)**
Hearing Date/Time: Tuesday, February 3, 2026, 8:30 a.m.

I am Marvin Dang, the attorney for the **Hawaii Financial Services Association** (“HFSA”). The HFSA is a trade association for Hawaii’s consumer credit industry. Its members include Hawaii financial services loan companies (which make mortgage loans and other loans, and which are regulated by the Hawaii Commissioner of Financial Institutions), mortgage lenders, and financial institutions.

The HFSA **opposes § -2 (Liens; foreclosure) of this Bill.**

This Bill: (a) requires banks and lenders with a lien upon an illegal short-term rental to foreclose if the lien is not settled within five years; (b) allows counties to use time-stamped screenshots as evidence for the enforcement of short-term vacation rentals; (c) requires short-term vacation rental brokers to provide certain data to the Department of Taxation on or before 3/31 following the close of the calendar year; (d) authorizes the Department of Taxation to issue fines; (e) includes short-term vacation rental enforcement in the Hawai’i Tourism Authority’s plans, practices, and efforts involving destination management; (f) clarifies that the counties may use revenue from the County Transient Accommodations Tax for the enforcement of short-term vacation rentals; and (g) appropriates funds.

Enforcing short-term vacation rental laws is important. However, the HFSA **opposes** compelling banks and lenders (collectively called “banks”) to foreclose on mortgaged properties based on zoning violations—rather than based on loan default—because this will create legal and other problems as described below.

1. § -2 of this Bill forces banks to act as a government enforcer.

A foreclosure action is a bank’s last option when a borrower stops paying their mortgage. § -2 (Liens; foreclosure) of this Bill (page 2, lines 12-15) makes a foreclosure action mandatory when a county lien is on a mortgaged real property for five years. This would be the mandate even though the borrower is current on all payments to the bank. Banks are in the business of lending. Under this Bill, they would now become the enforcer of county zoning rules.

2. Banks have no way to know what’s happening with the mortgaged properties.

Banks don’t monitor how their borrowers use their homes on a day-to-day basis. This Bill doesn’t require anyone to notify the banks about alleged violations, county proceedings, or when the five-year deadline starts. Banks would be forced to foreclose possibly based just on screenshots from websites.

3. This Bill, as drafted, creates untenable legal risks for banks.

§ -2 of this Bill states that banks “shall” foreclose. However, this Bill lacks guidance on how the foreclosure must proceed, how this process interacts with existing foreclosure laws, and what happens during appeals. Banks would face legal risks. They could be sued by their borrowers (a) who are current on

H.B. 1590 (Vacation Rentals)

Testimony of Hawaii Financial Services Association

Page 2 of 2

their mortgage loan payments, or (b) if those county violations are later overturned. Banks could face potential sanctions by the county for not foreclosing fast enough.

4. § -2 could restrict credit availability and increase borrowing costs statewide.

This Bill, as drafted, makes Hawaii mortgages risky for lenders and secondary market investors. Banks would now have to price in the risk that county enforcement actions—unrelated to loan performance—could force costly foreclosures on loans that are otherwise current on the payments. This Bill could cause banks to: (a) reduce financing properties in areas where there are complex rental requirements, and (b) require higher interest rates to offset the risk. Law-abiding borrowers would bear these costs through reduced credit availability and higher rates.

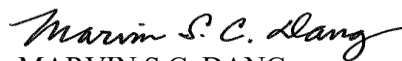
5. As a matter of policy, there are better approaches.

The State should strengthen enforcement of laws, without involving banks, by encouraging counties to: foreclose their own liens, increase fines on violators, improve cooperation with rental platforms, and use court orders to stop illegal rentals. As a matter of policy, these approaches target the actual law violators without forcing third parties (i.e. banks) to act as enforcers for the government.

Recommendation.

Accordingly, the HFSA respectfully requests that your Committee **delete § -2 of this Bill in its entirety.**

Thank you for considering our testimony.



MARVIN S.C. DANG

Attorney for Hawaii Financial Services Association

(MSCD/hfsa)



Testimony to the House Committee on Tourism
Tuesday, February 3, 2026, 8:30 am
Conference Room 423

To: The Honorable Adrian Tam, Chair
The Honorable Shirley Templo, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League (HCUL), the local trade association for 45 Hawaii credit unions, representing over 879,000 credit union members across the state.

HCUL offers the following testimony in opposition to HB 1590, Relating to Vacation Rentals. HCUL's testimony is limited to the section of this bill requiring that banks and lenders with a lien upon an illegal short-term rental to foreclose if the lien is not settled within five years.

While we understand and appreciate the intent of this measure, HB1509 raises serious concerns for credit unions and other financial institutions by creating new or expanded liability for lienholders in situations where they lack operational control over the underlying property or asset.

Credit unions and other financial institutions serve solely as lenders in this situation, not owners, managers, or operators of the property or collateral that secures a loan. HB 1509 appears to blur this distinction by exposing lienholders to liability for conditions or actions over which they have authority. The lender has no control nor legal right over the use of the property if or until foreclosure occurs.

Unlike large national lenders, Hawaii's credit unions are not-for-profit, member-owned cooperatives with limited legal and compliance resources. This type of legislation would harm our members by potentially raising costs and restricting credit opportunities.

Thank you for the opportunity to provide comments on this important issue.



Mortgage Bankers Association of Hawaii
P.O. Box 4129, Honolulu, Hawaii 96812

Date: February 2, 2026

The Honorable Adrian K. Tam, Chair
The Honorable Shirley Ann Templo, Vice Chair
Members of the House Committee on Tourism

Hearing Date: February 3, 2026
Hearing Time: 8:30 am
Hearing Place: Hawaii State Capitol, Conference Room 423

Re: HB1590 Relating to Vacation Rentals

I am Victor Brock, representing the Mortgage Bankers Association of Hawaii ("MBAH"). The MBAH is a voluntary organization of individuals involved in the real estate lending industry in Hawaii. Our membership consists of employees of banks, savings institutions, mortgage bankers, mortgage brokers, financial institutions, and companies whose business depends upon the ongoing health of the financial services industry of Hawaii. The members of the MBAH originate and service, or support the origination and servicing, of the vast majority of residential and commercial real estate mortgage loans in Hawaii. When, and if, the MBAH testifies on legislation or rules, it is related only to mortgage lending and servicing.

Whereas the MBAH understands the Legislature's desire to enforce county land usage regulations, we STRONGLY **OPPOSE** HB1590 for the following reasons:

1. HB1590 states that "any bank or lender with a lien upon an illegal short-term vacation rental shall foreclose on the illegal short-term vacation rental if the lien is not settled within five years after its placement." It is unclear as to whether the first use of "lien" in the cited section refers to a lender's Mortgage and/or if the second use of "lien" also refers to that Mortgage. If it does, this would require us to foreclose only within the first 5 years of a 15-year or 30-year Mortgage. If the intended meaning of "lien" in this Bill is other than the Mortgage, it is unclear, and there is no definition of what type of lien must trigger foreclosure.
2. At time of origination ("placement") of a new Mortgage loan, most lenders will only qualify the loan based on the rental income that is supported by the appraisal, and we do not track or receive information thereafter about the amounts or type of rental income.

- a. If the appraiser determines that short-term rental income is allowable based on current zoning, permitting, or conditional use, the appraisal will include the amount based on short-term rental. Otherwise, the appraiser will use long-term rental amounts only. Lenders do not receive information after loan origination regarding conditional use permitting or changes to county rules applicable to any particular property.
 - b. If a borrower offers a property for rent on a short-term basis after loan origination and such is not legally permitted, lenders have no idea. We do not track this. Except for some multi-family commercial loans which require periodic submission of “rent rolls”, there is no contractual obligation that borrowers disclose the type or amounts of rental income being received.
 - c. If the Mortgage was originated as a primary residence transaction and the borrower vacates the property after one year and starts to rent it, as permitted by the Mortgage document, lenders have no idea whether the rental is offered on a short-term or long-term basis.
 - d. This Bill mandates that “Every short-term vacation rental broker shall file. . . a statement with the department that includes the following information for each short-term vacation rental in the State that was offered, listed, advertised, reserved, booked, paid for, or otherwise transacted on the short-term rental broker's platform during the calendar year . . .” Although the State may receive this information, there is no provision in this Bill that would mandate that the vacation rental broker also provide this information to the lender of record. Therefore, it is impossible for a lender to know if illegal short-term rental is occurring.
3. If there is more than one “bank or lender” who has a Mortgage secured by the subject property, it is unclear in this Bill which lender would be responsible for pursuing foreclosure.
 4. The contractual document that allows a Mortgage lender to foreclosure is the “Mortgage.” The *HAWAII--Single Family--Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3012* Mortgage document, used to originate more than 95% of conventional first Mortgages, does not allow a lender to foreclose due to unpermitted use or short-term rental. Section 9 (pasted for reference at the end of this letter) allows us to satisfy a monetary lien, if one were to be placed by a county or the State, but it does not allow us to foreclose because a lien exists.

Based on this, it is recommended that the language that requires banks and lenders to foreclose on an illegal short-term rental property which they have a lien be eliminated entirely from the Bill.

If it is the intent of the Legislature to grant the authority to counties to place liens for violation of short-term rental rules and to foreclose due to these liens, we recommend that the Legislature consider combining certain provisions of this Bill with HB 1861, which proposes that “After a county records a notice of unpaid civil fines in the bureau of conveyances or land court, the county may collect any unpaid fines secured by the county lien by foreclosing on the lien in a manner similar to that provided under chapter 667.” It is better to have the counties enforce their own liens and keep the lenders out of it.

Thank you for the opportunity to present this testimony.

Victor Brock
Mortgage Bankers Association of Hawaii

9. Protection of Lender's Interest in the Property and Rights Under this Security Instrument. If (a) Borrower fails to perform the covenants and agreements contained in this Security Instrument, (b) there is a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Security Instrument or to enforce laws or regulations), or (c) Borrower has abandoned the Property, then Lender may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Security Instrument, including protecting and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Security Instrument; (b) appearing in court; and (c) paying reasonable attorneys' fees to protect its interest in the Property and/or rights under this Security Instrument, including its secured position in a bankruptcy proceeding. Securing the Property includes, but is not limited to, entering the Property to make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section 9, Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 9.

Any amounts disbursed by Lender under this Section 9 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

HB-1590

Submitted on: 1/30/2026 8:48:38 PM

Testimony for TOU on 2/3/2026 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

Support.

HB-1590

Submitted on: 2/1/2026 9:36:25 PM

Testimony for TOU on 2/3/2026 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Nicholas Zehr	Individual	Oppose	Written Testimony Only

Comments:

Chair, Vice Chair, and Members of the Committee:

We respectfully oppose HB1590.

While I share concerns about housing affordability, community impacts, and fair tax compliance, HB1590 moves Hawai‘i in a direction that is overly punitive, constitutionally troubling, and counterproductive to the goals it seeks to achieve.

First, the bill authorizes extraordinary penalties disconnected from due process, most notably by compelling lenders to foreclose on properties deemed “illegal” under local ordinances. Mandating foreclosure after five years, regardless of proportionality, intent, or remediation, risks violating basic principles of fairness, property rights, and lender autonomy. This approach does not target bad actors alone; it threatens homeowners, small operators, and families who may be navigating complex, shifting county rules.

Second, HB1590 dramatically expands state-level surveillance and data collection by requiring short-term rental platforms to submit sensitive personal and financial information, including Social Security numbers, to the Department of Taxation. This is an unprecedented data dragnet that raises serious privacy, cybersecurity, and civil liberties concerns, especially in an era of frequent data breaches. Broad data harvesting of this magnitude should not be normalized, particularly when less intrusive enforcement tools already exist.

Third, the bill centralizes enforcement power while bypassing local accountability. Counties already possess zoning authority and enforcement mechanisms. Layering state-mandated penalties and data requirements on top of county ordinances creates confusion, duplication, and

mission creep, without addressing the underlying causes of housing scarcity, such as restrictive zoning, slow permitting, and limited housing supply.

Finally, HB1590 risks reducing housing flexibility and economic resilience, especially for local residents who rely on short-term rentals to remain housed, supplement income, or weather financial shocks. A one-size-fits-all enforcement regime may unintentionally push units offline, reduce legal compliance, and concentrate tourism activity in fewer, larger corporate operators, undermining equity and local participation.

If the Legislature wishes to improve outcomes, we urge a more balanced approach: streamline legal pathways for compliance, reduce regulatory complexity, protect privacy, and focus on expanding housing supply rather than escalating punishment.

For these reasons, I respectfully oppose HB1590.

Mahalo for the opportunity to testify.

HB-1590

Submitted on: 2/2/2026 8:20:16 AM

Testimony for TOU on 2/3/2026 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Penny Lee	Individual	Oppose	Written Testimony Only

Comments:

It's time for the witch hunt on vacation rentals to stop, it's getting ridiculous. This is a horrible bill and I can't imagine this being passed. Vacation rentals are a crucial part of the local economy.

The bill ignores fundamental legal protections for thousands of property owners in Hawaii without any indication of wrongdoing by these owners or factual basis. Rather it's the wish of the Hotel industry to eliminate their small-business competition. We are watching how you will vote. It will be obvious who you really represent. More and more people are waking up to this.



DATE: February 3, 2026

TO: Representative Adrian K. Tam
Chair, Committee on Tourism

FROM: Mihoko Ito / Tiffany Yajima

RE: **H.B. 1590 – Relating to Vacation Rentals**
Hearing Date: Tuesday, February 3, 2026 at 8:30 a.m.
Conference Room: 423

Dear Chair Tam, Vice Chair Templo and Members of the Committee:

We submit this testimony on behalf of the Hawaii Bankers Association (HBA). HBA represents seven Hawai'i banks and one bank from the continent with branches in Hawai'i.

HBA submit **comments** on the section of **H.B. 1590** (at page 2, lines 12-15) that requires a bank or lender with a lien on an illegal short-term vacation rental to foreclose on the illegal short-term vacation rental if the lien is not settled within five years after its placement.

While we appreciate that this measure is intended to help with the enforcement of illegal vacation rentals, we oppose the foreclosure mandate included in the bill because it has a problematic impact on bank lending and servicing. Lenders do not control, or have visibility into, how borrowers use their property day-to-day, and would not be able to determine the illegal status of a vacation rental.

This bill would appear to make banks and lenders a de facto enforcement arm for each county's vacation rental policy. However, the bill assumes that banks and lenders have a level of direct control over the mortgaged properties that often does not exist in practice. The servicing of loans is often outsourced and handled by third party sub-servicers. Most mortgage lending on Hawaii properties is driven by non-Hawaii based lenders, making oversight and enforcement impractical. Banks generally do not police property use, and what constitutes "illegal" generally turns on shifting state and county rules. Lenders would have no way of reliably monitoring vacation rental or activity.

In addition, this bill requires foreclosure after a lien is "not settled" in five years. A mortgage is typically recorded as a lien against the property. The way the language is currently drafted, this would mean that banks and lenders would

have to “settle” mortgages within 5 years, or initiate foreclosure proceedings even though mortgage terms are usually much longer than that. The term “settle” is also ambiguous with regard to any workout options implemented on a mortgage. If implemented, this would create major safety and soundness, operational, and litigation risk for Hawaii lenders because most mortgage liens are not “settled” until the loan is paid off (often far longer than five years).

Ultimately, if lenders were required to foreclose on properties based on illegal vacation rental use, they might tighten underwriting, reduce lending in impacted segments like condos, second homes, or investor properties, or price in the risk. This would ultimately undercut housing stability as an unintended consequence.

For these reasons, if the Committee is inclined to move this measure, we would ask that the language at page 2, lines 12-15 requiring lenders to foreclose on illegal vacation rentals be removed.

Thank you for the opportunity to submit this testimony.