

ACT 108

H.B. NO. 713

A Bill for an Act Relating to Banks.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The purpose of this Act is to authorize banks to make loans secured by a borrower's interest in a cooperative housing corporation and to deal with such interest accordingly.

SECTION 2. Section 403-98, Hawaii Revised Statutes, is amended to read:

**“Sec. 403-98 Real estate loans; restrictions.** (a) No commercial banks shall, except for the purpose of facilitating the sale of property owned by the bank, make any loan on the security of real estate unless it is secured by a first lien on improved or unimproved real estate and shall not in any case exceed eighty per cent of the appraised market value of the real estate over and above all taxes due and bonded indebtedness for public improvements due. No commercial bank shall loan in the aggregate more than the sum of seventy-five per cent of its savings deposits, if it also transacts the business of a savings bank, and twenty-five per cent of the total of its capital, surplus, and commercial deposits on obligations secured by real estate. These provisions, however, shall not prevent any bank from taking another and immediately subsequent mortgage or deed of trust thereon when it already holds a first mortgage or deed of trust on the real estate, nor from accepting a second lien on real estate to

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secure the repayment of a debt previously contracted in good faith; nor shall it prevent subsequent liens of any kind from being taken to secure the payment of a debt previously contracted in good faith when the subsequent liens are necessary further to secure the payment of any debt and to save the bank from loss. There shall be on file at the bank in support of such real estate obligation such appraisal, evidence of merchantable title, and insurance as may be required by the director of regulatory agencies.

(b) Section 403-99 and any other law to the contrary notwithstanding, a bank may make a loan as provided in subsection (a) secured by stock or a membership certificate in a cooperative housing corporation. For the purposes of this section and as used in sections 403-96, 403-97, and 403-128(5), the term "real property" or "real estate" includes stock or a membership certificate in a cooperative housing corporation together with the proprietary lease issued by such corporation. As used in this subsection, "cooperative housing corporation" means a corporation as defined in section 216 of the federal Internal Revenue Code, as amended."

SECTION 3. New statutory material is underscored.\*

SECTION 4. This Act shall take effect upon its approval.

(Approved May 22, 1980.)

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\*The text has been edited pursuant to HRS §23G-16.5, authorizing omission of the brackets, bracketed material, and underscoring.