

STAND. COM. REP. NO.

826

Honolulu, Hawaii

MAR 02 2007

RE: S.B. No. 940  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 940, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HAWAIIAN HOMES COMMISSION ACT 1920, AS AMENDED,"

begs leave to report as follows:

The purpose of this measure is to prohibit the Department of Hawaiian Home Lands from lowering allowable loan amounts to lessees unless beneficiaries of the trust have been consulted.

Your Committee received comments in support of the measure from the Council for Native Hawaiian Advancement, Hui Kakooaina Hoopulapula, the State Council of Hawaiian Homestead Associations, and one concerned individual. Comments in opposition were received from the Department of Hawaiian Home Lands.

Your Committee finds that this measure will greatly impact current and future homestead lessees by maximizing the amount of capital available to lessees of Hawaiian Home Lands. Specifically, your Committee finds that the Department of Hawaiian Home Lands recently lowered the loan-to-value ratio on mortgage loans under the Federal Housing Administration 247 program from ninety-five per cent to seventy-five per cent. In concrete terms, this means that on a home valued at \$150,000, the maximum loan amount available under the Federal Housing Administration 247 program dropped from \$142,500 to \$112,000.



Your Committee understands that the department made that decision in order to reduce potential losses to the trust in the event of a loan default. However, beneficiaries of the trust currently pay mortgage insurance fees into a reserve fund to cover such delinquent loans. It is in their best interest to have loan amounts maximized. Thus, the department's actions in lowering loan amounts available under the program without warning or discussion with the beneficiaries makes the department appear as if it is falling a little short of fully meeting its fiduciary responsibilities to these beneficiaries.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 940, S.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



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ROSALYN H. BAKER, Chair



