

# S.B. NO. 3048

JAN 22 2008

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

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

10           (1) At any one time, the outstanding amount of loans made  
11           to any lessee, or successor or successors in interest,  
12           for the repair, maintenance, purchase, and erection of  
13           a dwelling and related permanent improvements shall  
14           not exceed fifty per cent of the maximum single  
15           residence loan amount allowed in Hawaii by the United  
16           States Department of Housing and Urban Development's  
17           Federal Housing Administration (FHA), for the  
18           development and operation of a farm, ranch, or

1           aquaculture operation shall not exceed [~~\$50,000,~~  
2           \$200,000, except that when loans are made to an  
3           agricultural or aquacultural cooperative association  
4           for the purposes stated in section 214(a)(4), the loan  
5           limit shall be determined by the department on the  
6           basis of the proposed operations and the available  
7           security of the association, and for the development  
8           and operation of a mercantile establishment shall not  
9           exceed the loan limit determined by the department on  
10          the basis of the proposed operations and the available  
11          security of the lessee or of the organization formed  
12          and controlled by lessees; provided that upon the  
13          death of a lessee leaving no relative qualified to be  
14          a lessee of Hawaiian home lands, or the cancellation  
15          of a lease by the department, or the surrender of a  
16          lease by the lessee, the department shall make the  
17          payment provided for by section 209(a), the amount of  
18          any such payment shall be considered as part or all,  
19          as the case may be, of any such loan to the successor  
20          or successors, without limitation as to the above  
21          maximum amounts; provided further that in case of the  
22          death of a lessee, or cancellation of a lease by the

1 department, or the surrender of a lease by the lessee,  
2 the successor or successors to the tract shall assume  
3 any outstanding loan or loans thereon, if any, without  
4 limitation as to the above maximum amounts but subject  
5 to paragraph (3).

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

1 as it deems advisable. Such postponed payments shall  
2 continue to bear interest on the unpaid principal at  
3 the rate established for the loan.

4 (3) In the case of the death of a lessee the department  
5 shall, in any case, permit the successor or successors  
6 to the tract to assume the contract of loan subject to  
7 paragraph (1). In case of the cancellation of a lease  
8 by the department or the surrender of a lease by the  
9 lessee, the department may, at its option declare all  
10 installments upon the loan immediately due and  
11 payable, or permit the successor or successors to the  
12 tract to assume the contract of loan subject to  
13 paragraph (1). The department may, in such cases  
14 where the successor or successors to the tract assume  
15 the contract of loan, waive the payment, wholly or in  
16 part, of interest already due and delinquent upon the  
17 loan, or postpone the payment of any installment  
18 thereon, wholly or in part, until such later dates as  
19 it deems advisable. Such postponed payments shall,  
20 however, continue to bear interest on the unpaid  
21 principal at the rate established for the loan.  
22 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 SECTION 2. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.


19 SECTION 3. This Act shall take effect upon its approval;  
20 provided that the amendments made to section 215, Hawaiian Homes  
21 Commission Act, 1920, as amended, by this Act shall not be

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1 repealed when Act 107, Session Laws of Hawaii 2000, takes effect  
2 with the consent of the United States.

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INTRODUCED BY:

  
BY REQUEST

**Report Title:**

Increase agriculture loan ceiling; Hawaiian Homes Commission Act

**Description:**

Increases the loan ceiling for farm and ranch operations on Hawaiian home lands from \$50,000 to \$200,000.



JUSTIFICATION SHEET

SB. NO. 3048

DEPARTMENT: Hawaiian Home Lands

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAIIAN HOMES COMMISSION ACT.

PURPOSE: To increase the loan ceiling for farm and ranch operations on Hawaiian home lands.

MEANS: Amend section 215 of the Hawaiian Homes Commission Act, 1920, as amended (HHCA).

JUSTIFICATION: The loan ceiling on ranch and agricultural loans is currently \$50,000 and has not been adjusted since 1982, while the costs of operating such businesses have continued to increase. Meetings with agricultural homestead lessees on Molokai and Hawaii have identified the current loan ceiling as a barrier to implementing successful farming activities. Raising the loan ceiling will help support viable farming and ranching operations among beneficiaries on Hawaiian home lands.

Impact on the public: This proposal will not have a direct impact on the general public. It will, however, encourage and promote agricultural activity in our State.

Impact on the department and other agencies: This proposal will impact the Department of Hawaiian Home Land's (DHHL) Hawaiian home general loan fund and increase the loan origination and servicing activities of the department. By providing an additional source of agricultural lending, it may relieve the demand for agricultural loan funds offered by the Department of Agriculture.

GENERAL FUND: None.

OTHER FUNDS: Funding for farm and ranch loans will be provided from the Hawaiian home general loan

fund, a Department of Hawaiian Home Lands (DHHL) revolving fund.

PPBS PROGRAM

DESIGNATION:

HHL 602, Planning, Development, Management and General Support for Hawaiian Homestead Lands.

OTHER AFFECTED

AGENCIES:

Department of Agriculture.

EFFECTIVE DATE:

Upon approval.