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# A BILL FOR AN ACT

RELATING TO HAWAIIAN HOMES COMMISSION ACT 1920, AS AMENDED.

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

1           SECTION 1. Section 215 of the Hawaiian Homes Commission  
2 Act of 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 time, the outstanding amount of loans made to  
11           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



1 development and operation of a farm, ranch, or  
2 aquaculture operation shall not exceed \$50,000, except  
3 that when loans are made to an agricultural or  
4 aquacultural cooperative association for the purposes  
5 stated in section 214(a)(4), the loan limit shall be  
6 determined by the department on the basis of the  
7 proposed operations and the available security of the  
8 association, and for the development and operation of  
9 a mercantile establishment shall not exceed the loan  
10 limit determined by the department on the basis of the  
11 proposed operations and the available security of the  
12 lessee or of the organization formed and controlled by  
13 lessees; provided that the department shall only seek  
14 or agree to lower allowable loan amounts in  
15 consultation with the beneficiaries of the trust;  
16 provided further that upon the death of a lessee  
17 leaving no relative qualified to be a lessee of  
18 Hawaiian home lands, or the cancellation of a lease by  
19 the department, or the surrender of a lease by the  
20 lessee, the department shall make the payment provided  
21 for by section 209(a), the amount of any such payment  
22 shall be considered as part or all, as the case may



1 be, of any such loan to the successor or successors,  
2 without limitation as to the above maximum amounts;  
3 provided further that in case of the death of a  
4 lessee, or cancellation of a lease by the department,  
5 or the surrender of a lease by the lessee, the  
6 successor or successors to the tract shall assume any  
7 outstanding loan or loans thereon, if any, without  
8 limitation as to the above maximum amounts but subject  
9 to paragraph (3).

10 (2) The loans shall be repaid in periodic installments,  
11 such installments to be monthly, quarterly,  
12 semiannual, or annual as may be determined by the  
13 department in each case. The term of any loan shall  
14 not exceed thirty years. Payments of any sum in  
15 addition to the required installments, or payment of  
16 the entire amount of the loan, may be made at any time  
17 within the term of the loan. All unpaid balances of  
18 principal shall bear interest at the rate of two and  
19 one-half per cent or higher as established by rule  
20 adopted by the department, payable periodically or  
21 upon demand by the department, as the department may  
22 determine. The payment of any installment due shall



1           be postponed in whole or in part by the department for  
2           such reasons as it deems good and sufficient and until  
3           such later date as it deems advisable. Such postponed  
4           payments shall continue to bear interest on the unpaid  
5           principal at the rate established for the loan.

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



1 principal at the rate established for the loan.  
2 Further, the department may, if it deems it advisable  
3 and for the best interests of the lessees, write off  
4 and cancel, wholly or in part, the contract of loan of  
5 the deceased lessee, or previous lessee, as the case  
6 may be, where such loans are delinquent and deemed  
7 uncollectible. Such write off and cancellation shall  
8 be made only after an appraisal of all improvements  
9 and growing crops or improvements and aquaculture  
10 stock, as the case may be, on the tract involved, such  
11 appraisal to be made in the manner and as provided for  
12 by section 209(a). In every case, the amount of such  
13 appraisal, or any part thereof, shall be considered as  
14 part or all, as the case may be, of any loan to such  
15 successor or successors, subject to paragraph (1).

16 (4) No part of the moneys loaned shall be devoted to any  
17 purpose other than those for which the loan is made.

18 (5) The borrower or the successor to the borrower's  
19 interest shall comply with such other conditions, not  
20 in conflict with any provision of this Act, as the  
21 department may stipulate in the contract of loan.



- 1           (6) The borrower or the successor to the borrower's  
2           interest shall comply with the conditions enumerated  
3           in section 208, and with section 209 of this Act in  
4           respect to the lease of any tract.
- 5           (7) Whenever the department shall determine that a  
6           borrower is delinquent in the payment of any  
7           indebtedness to the department, it may require such  
8           borrower to execute an assignment to it, not to  
9           exceed, however, the amount of the total indebtedness  
10          of such borrower, including the indebtedness to others  
11          the payment of which has been assured by the  
12          department of all moneys due or to become due to such  
13          borrower by reason of any agreement or contract,  
14          collective or otherwise, to which the borrower is a  
15          party. Failure to execute such an assignment when  
16          requested by the department shall be sufficient ground  
17          for cancellation of the borrower's lease or interest  
18          therein."

19           SECTION 2. The provisions of the amendments made by this  
20 Act to the Hawaiian Homes Commission Act, 1920, as amended, are  
21 declared to be severable, and if any section, sentence, clause,  
22 or phrase, or the application thereof to any person or



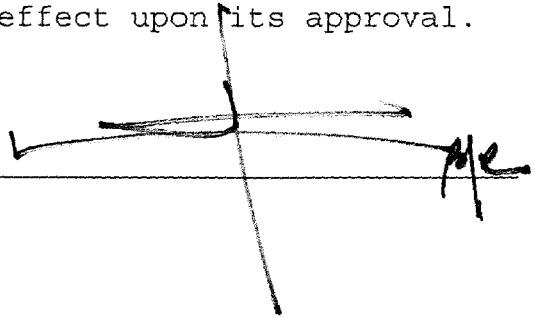
1 circumstances is held ineffective because there is a requirement  
2 of having the consent of the United States to take effect, then  
3 that portion only shall take effect upon the granting of consent  
4 by the United States and effectiveness of the remainder of these  
5 amendments or the application thereof shall not be affected.

6 SECTION 3. New statutory material is underscored.

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

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INTRODUCED BY: \_\_\_\_\_



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**Report Title:**

Hawaiian Homes Commission Act, 1920, as Amended

**Description:**

Requires the department of Hawaiian home lands to consult with the beneficiaries of the trust before agreeing to lower allowable loan amounts.

