

Honolulu, Hawaii

FEB 14 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 Water, Land, Agriculture, and Hawaiian  
Affairs, to which was referred S.B. No. 940 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 encourage and assist Native  
Hawaiian homestead beneficiaries to finance the purchase or  
construction of homes on Hawaiian Home Lands by amending the  
Hawaiian Homes Commission Act of 1920, as amended, to require the  
Department of Hawaiian Home Lands to consult the trust  
beneficiaries prior to implementing any policies and agreements  
that will lower the allowable loan limits for mortgage products  
designed for Hawaiian Home Lands Trust properties.

Testimony in support of this measure was submitted by the  
State Council of Hawaiian Homestead Associations, the Council for  
Native Hawaiian Advancement, Hawaiian Community Assets, Waianae  
Kai Hawaiian Homestead Association, the Wai'anae Valley Homestead  
Community Association, the Nanakuli Hawaiian Homestead Community  
Association and a private individual. Testimony in opposition to  
this measure was submitted by the Department of Hawaiian Home  
Lands.

The Department of Housing and Urban Development (HUD)  
administers Federal Housing Administration (FHA) loan guaranty  
programs to promote home ownership and increase access to capital  
to Americans. HUD administers the FHA 247 program, which is a



loan guaranty program for Native Hawaiian beneficiaries of the Hawaiian Home Lands Trust to promote home ownership on Hawaiian Home Lands properties. The FHA 247 program allows borrowers to access their equity from the value of their homes, and requires borrowers to pay mortgage insurance fees into a reserve fund, which is used by the State to cover delinquent loans. The FHA 247 program has resulted in successful home ownerships on Hawaiian Home Lands by making loans more readily available for lower and moderate income families through its mortgage insurance program. Furthermore, the program has allowed families to access their equity through refinance options.

In 2006, the State made a policy change at the administrative level to request from HUD a new FHA agreement that would lower the loan-to-value ratio from ninety-five per cent to seventy-five per cent on mortgage loans under the FHA 247 loan product program to lower the Hawaiian Home Lands Trust's loan loss risk of its FHA 247 portfolio. Your Committee finds this policy change has a direct impact on the beneficiaries of the trust and reduces the availability of capital available to the Hawaiian Home Lands residents. Requiring the Department of Hawaiian Home Lands to consult with the beneficiaries of the trust prior to agreeing to lower allowable loan amounts will allow the beneficiaries the opportunity to provide input in actions that directly impacts their ability to sustain home ownership. Your Committee believes that amending the Hawaiian Homes Commission Act of 1920, as amended, fulfills the intent of this measure, which is to encourage and assist Native Hawaiian Home Lands beneficiaries to finance the purchase or construction of homes on Hawaiian Home Lands.

Your Committee has amended this measure by:

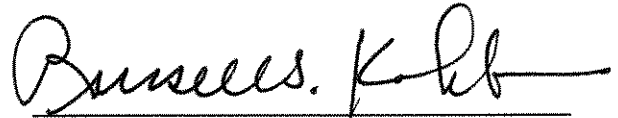
- (1) Adding language that declares any amendments made to the Hawaiian Homes Commission Act of 1920 be severable; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Water, Land, Agriculture, and Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 940, as amended herein, and recommends that it pass Second Reading in the form attached hereto



as S.B. No. 940, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Water, Land,  
Agriculture, and Hawaiian  
Affairs,



RUSSELL S. KOKUBUN, Chair



The Senate  
Twenty-Fourth Legislature  
State of Hawaii

**Record of Votes**  
**Committee on Water, Land, Agriculture and Hawaiian Affairs**  
**WAH**

Bill / Resolution No.:* <i>S.B. 940</i>	Committee Referral: <i>WAH, WAM</i>	Date: <i>2/9/07</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KOKUBUN, Russell S. (C)	X			
TOKUDA, Jill N. (VC)	X			
FUKUNAGA, Carol	X			
HEE, Clayton	X		<i>WR</i>	
SLOM, Sam			X	
<b>TOTAL</b>	<i>4</i>	<i>0</i>	<i>1</i>	<i>0</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>[Signature]</i>				
Distribution:                              Original                              Yellow                              Pink File with Committee Report             Clerk's Office                        Drafting Agency				

\*Only one measure per Record of Votes