
A BILL FOR AN ACT

RELATING TO FINANCING HOMES ON HAWAIIAN HOME LANDS.

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

1 SECTION 1. The legislature finds the Hawaiian Homes
2 Commission Act, 1920 ("the Act") was passed to enable native
3 Hawaiians to return to their lands and to fully support self-
4 sufficiency, self-determination, and the preservation of their
5 values, traditions, and culture. The intent of the Act was to
6 establish a permanent land base for the benefit of native
7 Hawaiians and place them on these lands in a "prompt and
8 efficient manner." After 100 years, there are over 28,000
9 native Hawaiians who are still waiting for land and only 8,000
10 lots have been distributed.

11 Securing adequate financing to build or purchase homes on
12 Hawaiian home lots further burdens native Hawaiians who are
13 awarded land but then find it difficult to fund building a new
14 home or making major repairs to an existing home. Those who are
15 awarded a lot need a mortgage to purchase, build, or renovate a
16 home but are limited by the structure of the Act which prevents
17 lenders and appraisers from assigning value to the lease



1 interest. Since lenders assign value to all other leases the
2 Hawaiian homes lots are not being treated equally due to
3 misinterpretation of the Act and existing administrative rules.
4 This misreading of the Act results in land recipients being
5 denied the intended benefits of a homestead to which they are
6 entitled because of restricted financial resources which is the
7 direct opposite of the intent of the Act.

8 The Act states that the lessees interest includes the tract
9 of land plus any improvements subject to the lease. Currently,
10 the Act allows lessees to obtain mortgages on their interest in
11 the lot if the mortgage is approved by Department of Hawaiian
12 Home Lands. A lot lease of \$1.00 per year for up to 199 years
13 has its own value that can be calculated as an asset for the
14 leaseholder to help with loan qualification. Allowing the value
15 of the fixed rental term of the land to be factored into a
16 mortgage evaluation could enable more leaseholders to acquire
17 home loans in sufficient amounts to repair, build, or purchase a
18 home. The outcome will not be an alienation of the land
19 interest because the lease, not the land, is being valued and
20 the mortgage would only be attached to the improvements on the
21 lot.



1 The Act and the Department of Hawaiian Home Lands have
2 safeguards and procedures in place to prevent a mortgage lender
3 from obtaining ownership of Hawaiian Homelands because only the
4 improvements on the land can be mortgaged. In the event of a
5 default by the lessee, the Department of Hawaiian Home Lands
6 becomes responsible for the loan.

7 The purpose of this Act is to clarify that the value of the
8 lease on a Hawaiian homes lot may be factored in as an asset to
9 allow a lessee to qualify for a loan to build, purchase, or
10 repair a structure on a Hawaiian Homes lot.

11 SECTION 2. The Hawaiian Homes Commission Act, 1920, as
12 amended, is amended by adding a new section to be appropriately
13 designated and to read as follows:

14 "§ Asset for loans. Notwithstanding any provision of
15 this Act to the contrary, the value of the remaining term of a
16 lease made under the authority granted by this Act may be
17 factored as an asset when qualifying for a loan to build,
18 repair, or renovate a dwelling on the tract of leased land;
19 provided that there shall be strict compliance with all
20 requirements regarding mortgages contained in this Act."

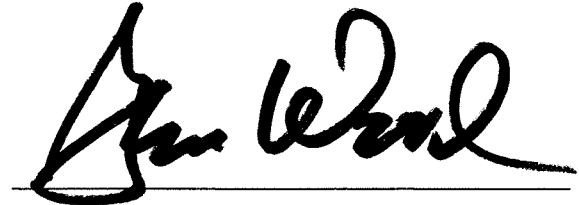
21 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect upon its approval by
2 the governor of the State of Hawaii with the consent of the
3 United States.

4

INTRODUCED BY:



JAN 23 2020



H.B. NO. 2732

Report Title:

Hawaiian Homes Commission Act, Lessees, Financing, Assets

Description:

Provides that the value of the remaining term of a Hawaiian Home Lands lease can be used as an asset to help a lessee obtain a loan to build, repair, or renovate a structure on the leased lot. Clarifies that this does not constitute alienation of the land and requires strict compliance with all mortgage conditions contained in the Act.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

