

Honolulu, Hawaii

FEB 10 2021

RE: S.B. No. 884
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Hawaiian Affairs, to which was referred
S.B. No. 884 entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAIIAN HOMES COMMISSION
ACT,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the
Hawaiian Homes Commission Act to:

- (1) Require appraisals of mortgages and improvements to identify the replacement cost or the leasehold market value;
- (2) Grant authority to the Department of Hawaiian Home Lands to authorize second position loans on homestead leases by approved lenders;
- (3) Clarify that the Department of Hawaiian Home Lands shall not cancel a lease solely based on a loan default or delinquency unless all loan loss mitigation procedures are exhausted pursuant to the loan servicing manual; and
- (4) Require the Department of Hawaiian Home Lands to develop and implement a loan servicing manual, subject to Commission approval, to standardize loan loss mitigation policies, procedures, and methods.



Your Committee received comments on this measure from the Department of Hawaiian Home Lands.

Your Committee notes that title 43 Code of Federal Regulations part 48, as amended, outlines the process for amendments to the Hawaiian Homes Commission Act and whether Congressional approval is necessary. Your Committee is of the opinion that this measure does not require Congressional approval.

Your Committee finds that in the Hawaiian Homes Commission Act, 1920, as amended, the United States Congress established the Hawaiian home lands trust, intending that it would enable its native Hawaiian beneficiaries to return to their land to improve and perpetuate their self-sufficiency and cultural preservation. Additionally, your Committee finds that the Department of Hawaiian Home Lands does not receive sufficient funding to develop house lots for all applicants on the waiting list. The Department of Hawaiian Home Lands does not currently receive sufficient funding to reduce the waiting list by ninety percent over the next decade, leading to a lack of access resources for beneficiaries.

Your Committee finds that reforms have the potential of providing access to private capital to beneficiaries of the Department of Hawaiian Home Lands, revolve interest earnings to deploy capital to farms, ranches, and businesses on homesteads, and make significant strides to alleviate the waitlist. This measure will make changes to improve the governance and accountability entrusted to the Department of Hawaiian Home Lands and Hawaiian Homes Commission to fulfill their duty toward the preservation of values, traditions, culture, and self-sufficiency for native Hawaiians.

Your Committee has heard the concerns of the Department of Hawaiian Home Lands that:

- (1) The Department of Hawaiian Home Lands homestead leases refer to the lessee's right to exclusive use and possession of a tract of Department of Hawaiian Home Lands land for a term of years and can only be owned by qualified beneficiaries, thereby, limiting the market for leaseholds; therefore, requiring appraisals of the



Department of Hawaiian Home Lands leaseholds may put private lenders and federal agencies at odds with the requirements of the Hawaiian Homes Commission Act and their underwriting requirements and may lead to financial burdens to successors of Hawaiian Home leases;

- (2) The proposed amendments to section 210 of the Hawaiian Homes Commission Act to prohibit lease cancellation based solely on a loan delinquency or default, unless all loan servicing procedures identified in the loan servicing manual have been exhausted, fails to take into account the extensive lease cancellation process established with the Hawaiian Homes Commission; and
- (3) Authorizing second position loans could require additional sources of loan financing to existing lessees while nearly three times that number are awaiting a lease and financing for their homestead award.

Your Committee has amended this measure by 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 Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 884, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 884, S.D. 1, and be referred to your Committee on Judiciary.

Respectfully submitted on
behalf of the members of the
Committee on Hawaiian Affairs,



MAILE S.L. SHIMABUKURO, Chair



The Senate
Thirty-First Legislature
State of Hawai'i

Record of Votes
Committee on Hawaiian Affairs
HWN

Bill / Resolution No.:* SB 884	Committee Referral: HWN, JDC	Date: 2/4/21		
<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
SHIMABUKURO, Maile S.L. (C)	X			
KEOHOKALOLE, Jarrett (VC)	X			
ACASIO, Laura	X			
IHARA, Jr., Les	X			
FEVELLA, Kurt	X			
TOTAL	5			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes