

JAN 24 2024

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. The legislature finds that the United States
2 Department of Agriculture's Section 502 Direct Loan Program for
3 very-low-income households provides a loan term of thirty-eight
4 years. In contrast, loans administered by the department of
5 Hawaiian home lands for the beneficiaries of the Hawaiian Homes
6 Commission Act, 1920, as amended, have maximum terms of thirty
7 years. The purpose of this Act is to increase the allowable
8 loan term for direct loans provided by the department of
9 Hawaiian home lands to be forty years, instead of thirty years,
10 as currently outlined in section 215 of the Hawaiian Homes
11 Commission Act, 1920, as amended.

12 SECTION 2. Section 215, Hawaiian Homes Commission Act,
13 1920, as amended, is amended to read as follows:

14 "§215. **Conditions of loans.** Except as otherwise provided
15 in section 213(c), each contract of loan with the lessee or any
16 successor or successors to the lessee's interest in the tract or
17 with any agricultural, mercantile, or aquacultural cooperative
18 association composed entirely of lessees shall be held subject

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1 to the following conditions whether or not stipulated in the
2 contract loan:

3 (1) At any one time, the outstanding amount of loans made
4 to any lessee, or successor or successors in interest,
5 for the repair, maintenance, purchase, and erection of
6 a dwelling and related permanent improvements shall
7 not exceed fifty per cent of the maximum single
8 residence loan amount allowed in Hawaii by the United
9 States Department of Housing and Urban Development's
10 Federal Housing Administration (FHA), for the
11 development and operation of a farm, ranch, or
12 aquaculture operation shall not exceed \$200,000,
13 except that when loans are made to an agricultural or
14 aquacultural cooperative association for the purposes
15 stated in section 214(a)(4), the loan limit shall be
16 determined by the department on the basis of the
17 proposed operations and the available security of the
18 association, and for the development and operation of
19 a mercantile establishment shall not exceed the loan
20 limit determined by the department on the basis of the
21 proposed operations and the available security of the
22 lessee or of the organization formed and controlled by

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1 lessees; provided that upon the death of a lessee
2 leaving no relative qualified to be a lessee of
3 Hawaiian home lands, or the cancellation of a lease by
4 the department, or the surrender of a lease by the
5 lessee, the department shall make the payment provided
6 for by section 209(a), the amount of any such payment
7 shall be considered as part or all, as the case may
8 be, of any such loan to the successor or successors,
9 without limitation as to the above maximum amounts;
10 provided further that in case of the death of a
11 lessee, or cancellation of a lease by the department,
12 or the surrender of a lease by the lessee, the
13 successor or successors to the tract shall assume any
14 outstanding loan or loans thereon, if any, without
15 limitation as to the above maximum amounts but subject
16 to paragraph (3).

17 (2) The loans shall be repaid in periodic installments,
18 such installments to be monthly, quarterly,
19 semiannual, or annual as may be determined by the
20 department in each case. The term of any loan shall
21 not exceed [~~thirty~~] forty years. Payments of any sum
22 in addition to the required installments, or payment

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1 of the entire amount of the loan, may be made at any
2 time within the term of the loan. All unpaid balances
3 of principal shall bear interest at the rate of two
4 and one-half per cent a year for loans made directly
5 from the Hawaiian home loan fund, or at the rate of
6 two and one-half per cent or higher as established by
7 law for other loans payable periodically or upon
8 demand by the department, as the department may
9 determine. The payment of any installment due shall
10 be postponed in whole or in part by the department for
11 such reasons as it deems good and sufficient and until
12 such later date as it deems advisable. Such postponed
13 payments shall continue to bear interest on the unpaid
14 principal at the rate established for the loan.

15 (3) In the case of the death of a lessee the department
16 shall, in any case, permit the successor or successors
17 to the tract to assume the contract of loan subject to
18 paragraph (1). In case of the cancellation of a lease
19 by the department or the surrender of a lease by the
20 lessee, the department may, at its option declare all
21 installments upon the loan immediately due and
22 payable, or permit the successor or successors to the

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1 tract to assume the contract of loan subject to
2 paragraph (1). The department may, in such cases
3 where the successor or successors to the tract assume
4 the contract of loan, waive the payment, wholly or in
5 part, of interest already due and delinquent upon the
6 loan, or postpone the payment of any installment
7 thereon, wholly or in part, until such later dates as
8 it deems advisable. Such postponed payments shall,
9 however, continue to bear interest on the unpaid
10 principal at the rate established for the loan.
11 Further, the department may, if it deems it advisable
12 and for the best interests of the lessees, write off
13 and cancel, wholly or in part, the contract of loan of
14 the deceased lessee, or previous lessee, as the case
15 may be, where such loans are delinquent and deemed
16 uncollectible. Such write off and cancellation shall
17 be made only after an appraisal of all improvements
18 and growing crops or improvements and aquaculture
19 stock, as the case may be, on the tract involved, such
20 appraisal to be made in the manner and as provided for
21 by section 209(a). In every case, the amount of such
22 appraisal, or any part thereof, shall be considered as

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1 part or all, as the case may be, of any loan to such
2 successor or successors, subject to paragraph (1).

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

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

10 (6) The borrower or the successor to the borrower's
11 interest shall comply with the conditions enumerated
12 in section 208, and with section 209 of this Act in
13 respect to the lease of any tract.

14 (7) Whenever the department shall determine that a
15 borrower is delinquent in the payment of any
16 indebtedness to the department, it may require such
17 borrower to execute an assignment to it, not to
18 exceed, however, the amount of the total indebtedness
19 of such borrower, including the indebtedness to others
20 the payment of which has been assured by the
21 department of all moneys due or to become due to such
22 borrower by reason of any agreement or contract,

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1 collective or otherwise, to which the borrower is a
 2 party. Failure to execute such an assignment when
 3 requested by the department shall be sufficient ground
 4 for cancellation of the borrower's lease or interest
 5 therein."

6 SECTION 3. Statutory material to be repealed is bracketed
 7 and stricken. New statutory material is underscored.

8 SECTION 4. This Act shall take effect on either the date
 9 of the Secretary of the Interior's notification letter to the
 10 Congressional Committee Chairmen that this Act meets none of the
 11 criteria in 43 CFR section 48.20, or on the date that the United
 12 States Congress approval becomes law. The amendments made to
 13 section 215, Hawaiian Homes Commission Act, 1920, as amended, by
 14 this Act shall not be repealed when Act 107, Session Laws of
 15 Hawaii 2000, or Act 85, Session Laws of Hawaii 2008, take effect
 16 with the consent of the United States Congress.

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INTRODUCED BY: 

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BY REQUEST

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Report Title:

DHHL; Hawaiian Homes Commission Act; Loan Terms

Description:

Increases the allowable loan term for direct loans provided by DHHL to be forty years, instead of thirty years, as currently outlined in section 215 of the Hawaiian Homes Commission Act, 1920, as amended.

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

JUSTIFICATION SHEET

DEPARTMENT: Hawaiian Home Lands

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

PURPOSE: To increase the allowable loan term for direct loans provided by the Department of Hawaiian Home Lands to be forty years, instead of thirty years, as currently outlined in section 215 of the Hawaiian Homes Commission Act, 1920, as amended (HHCA).

MEANS: Amend section 215 of the HHCA.

JUSTIFICATION: Allowing for an increase in the allowable loan term for direct loans provided by the Department of Hawaiian Home Lands from thirty years to forty years, will allow for the loan term to be closer to the loan term of the United States Department of Agriculture's Section 502 Direct Loan Program, which is thirty-eight years, and will also allow for lower monthly payment amounts.

Impact on the public: This bill protects the interest of beneficiaries of the HHCA by increasing the allowable loan term for direct loans provided by the Department of Hawaiian Home Lands from thirty years to forty years.

Impact on the department and other agencies:
None.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: HHL 625.

OTHER AFFECTED

AGENCIES: None.

EFFECTIVE DATE: This Act shall take effect on either the date of the Secretary of the Interior's notification letter to the Congressional Committee Chairmen that this Act meets none of the criteria in 43 CFR section 48.20, or on the date that the United States Congress approval becomes law. The amendments made to section 215, Hawaiian Homes Commission Act, 1920, as amended, by this Act shall not be repealed when Act 107, Session Laws of Hawaii 2000, or Act 85, Session Laws of Hawaii 2008, take effect with the consent of the United States Congress.