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:

SECTION 1. Section 208 of the Hawaiian Homes Commission Act, 1920, as amended, is amended to read as follows:

"§208. Conditions of leases. Each lease made under the authority granted the department by section 207 of this Act, and the tract in respect to which the lease is made, shall be deemed subject to the following conditions, whether or not stipulated in the lease:

(1) The original lessee shall be a native Hawaiian, not less than eighteen years of age. In case two lessees either original or in succession marry, they shall choose the lease to be retained, and the remaining lease shall be transferred, quitclaimed, or canceled in accordance with the provisions of succeeding sections.

(2) The lessee shall pay a rental of $1 a year for the tract and the lease shall be for a term of ninety-nine years; except that the department may extend the term of any lease; provided that the approval of any
extension shall be subject to the condition that the
aggregate of the initial ninety-nine year term and any
extension granted shall not be for more than one
hundred ninety-nine years.

(3) The lessee may be required to occupy and commence to
use or cultivate the tract as the lessee's home or
farm or occupy and commence to use the tract for
aquaculture purposes, as the case may be, within one
year after the commencement of the term of the lease.

(4) The lessee thereafter, for at least such part of each
year as the department shall prescribe by rules, shall
occupy and use or cultivate the tract on the lessee's
own behalf.

(5) The lessee shall not in any manner transfer to, or
otherwise hold for the benefit of, any other person or
group of persons or organizations of any kind, except
a native Hawaiian or Hawaiians, and then only upon the
approval of the department, or agree so to transfer,
or otherwise hold, the lessee's interest in the tract;
except that the lessee, with the approval of the
department, also may transfer the lessee's interest in
the tract to the following qualified relatives of the
lessee who are at least one-quarter Hawaiian: husband, wife, child, or grandchild. A lessee who is at least one-quarter Hawaiian who has received an interest in the tract through succession or transfer may, with the approval of the department, transfer the lessee's leasehold interest to a brother or sister who is at least one-quarter Hawaiian. Such interest shall not, except in pursuance of such a transfer to or holding for or agreement with a native Hawaiian or Hawaiians or qualified relative who is at least one-quarter Hawaiian approved of by the department or for any indebtedness due the department or for taxes or for any other indebtedness the payment of which has been assured by the department, including loans from other agencies where such loans have been approved by the department, be subject to attachment, levy, or sale upon court process. The lessee shall not sublet the lessee's interest in the tract or improvements thereon; provided that a lessee may be permitted, with the approval of the department, to rent to a native Hawaiian or Hawaiians, lodging either within the
lessee's existing home or in a separate residential
dwelling unit constructed on the premises.

(6) Notwithstanding the provisions of paragraph (5), the
lessee, with the consent and approval of the
commission, may mortgage or pledge the lessee's
interest in the tract or improvements thereon to a
recognized lending institution authorized to do
business as a lending institution in either the State
or elsewhere in the United States; provided the loan
secured by a mortgage on the lessee's leasehold
interest is insured or guaranteed by the Federal
Housing Administration, Department of Veterans
Affairs, or any other federal agency and their
respective successors and assigns, which are
authorized to insure or guarantee such loans, or any
acceptable private mortgage insurance as approved by
the commission. The mortgagee's interest in any such
mortgage shall be freely assignable. Such mortgages,
to be effective, must be consented to and approved by
the commission and recorded with the department.

Further, notwithstanding the authorized purposes
of loan limitations imposed under section 214 of this
Act and the authorized loan amount limitations imposed
under section 215 of this Act, loans made by lending
institutions as provided in this paragraph, insured or
guaranteed by the Federal Housing Administration,
Department of Veterans Affairs, or any other federal
agency and their respective successors and assigns, or
any acceptable private mortgage insurance, may be for
such purposes and in such amounts, not to exceed the
maximum insurable limits, together with such
assistance payments and other fees, as established
under section 421 of the Housing and Urban Rural
Recovery Act of 1983 which amended Title II of the
National Housing Act of 1934 by adding section 247,
and its implementing regulations, to permit the
Secretary of Housing and Urban Development to insure
loans secured by a mortgage executed by the homestead
lessee covering a homestead lease issued under section
207(a) of this Act and upon which there is located a
one to four family single family residence.

(7) The lessee shall pay all taxes assessed upon the tract
and improvements thereon. The department may pay such
taxes and have a lien therefor as provided by section 216 of this Act.

(8) The lessee shall perform such other conditions, not in conflict with any provision of this Act, as the department may stipulate in the lease; provided that an original lessee shall be exempt from all taxes for the first seven years after commencement of the term of the lease."

SECTION 2. New statutory material is underscored.

SECTION 3. This Act shall take effect upon its approval.
Chair Hanabusa and Members of the Senate Committee On Judiciary and Hawaiian Affairs:

Thank you for the opportunity to testify on H.B. 1413, H. D. 1. The purpose of this bill is to authorize mortgage loans made on Hawaiian home lands to be insured by private mortgage insurance carriers.

Section 208(6) of the HHCA currently limits lending institutions to making loans on Hawaiian home lands that are insured or guaranteed by federal agencies or programs. As a result, lenders who offer mortgage financing that is guaranteed or insured by private mortgage insurance are not authorized to make loans on Hawaiian home lands. The proposed amendment would allow loans guaranteed by private mortgage insurance to be permitted on Hawaiian home lands. This will expand the market of lenders able to offer mortgage financing to our beneficiaries and would allow fannie mae loans to be made on Hawaiian home lands.

The House has amended section 4 of this bill by changing the effective date to 2010. We request that your Committee restore the original language, which provides that the bill take effect upon its approval. With that change, we the urge your favorable approval of this measure.

Thank you for the opportunity to testify on H.B. 1413.