HAWSAIIAN HOMES COMMISSION
Minutes of December 20, 2011
Meeting Held in Kapolei, O`ahu

Pursuant to proper call, a special Meeting of the Hawaiian Homes Commission was held at the Department of Hawaiian Home Lands, 91-5420 Kapolei Parkway, Kapolei, Hawai`i, beginning at 1:30 p.m.

PRESENT
Mr. Albert "Alapaki" Nahale-a, Chairman
Ms. Leimana DaMate, Commissioner, West Hawai`i
Mr. J. Kama Hopkins, Commissioner, O`ahu
Mr. Michael P. Kahikina, Commissioner, O`ahu
Mr. Renwick V.I. Tassill, Commissioner, O`ahu

EXCUSED
Mr. Perry O. Artates, Commissioner, Maui
Mr. Imaikalani Aiu, Commissioner, Kaua`i
Mr. Ian B. Lee Loy, Commissioner, East Hawai`i
Mr. Henry K. Tancayo, Commissioner, Moloka`i

COUNSEL
Deputy Attorney General Matthew Dvonch

STAFF
Michelle Ka`uhane Deputy to the Chairman
Kip Akana, Compliance Officer
Paul Ah Yat, Enforcement Officer
Gerald Lau, Collections Loans Specialist
Elaine Searle Secretary to the Commission

PULE
Commissioner Kama Hopkins

AGENDA
Commissioner M. Kahikina moved, seconded by Commissioner R. Tassill to approve the agenda. Motion carried unanimously.
STATE OF HAWAI'I
DEPARTMENT OF HAWAIIAN HOME LANDS
HAWAIIAN HOMES COMMISSION SPECIAL MEETING
91-5420 Kapolei Parkway, Kapolei, O'ahu
Tuesday, December 20, 2011
1:30 P.M.

ORDER OF BUSINESS

Roll Call

D - HOMESTEAD SERVICES DIVISION

D-1 Request for Authorization to Initiate Contested Case Hearings Due To Loan Delinquencies for Department of Hawaiian Home Lands Lease No. 12254, Lease No. 12193, Lease No. 12232, Lease No. 12235, Lease No. 12191 and Lease No. 12215 all located at Waiehu-Kou IV, Maui, Hawai‘i, and Lease No. 11454 located at Lei ali‘i, Maui, Hawai‘i.

ANNOUNCEMENTS AND ADJOURNMENT

2. Other Announcements
3. Adjournment

Albert "Alapaki" Nahale-a, Chairman
Hawaiian Homes Commission

COMMISSIONERS

ImaiKalani P. Ai, Kaua‘i,
Perry O. Artates, Maui
Leimana DaMate, West Hawai‘i
J. Kama Hopkins, O‘ahu

Michael P. Kahikina, O‘ahu
Ian B. Lee Loy, East Hawai‘i
Henry K. Tancayo, Moloka‘i
Renwick V.I. Tassill, O‘ahu

Special Accommodations (such as Sign Language interpreter, large print, taped materials) can be provided, if requested at least five (5) working days before the scheduled meeting on the respective island by calling (808) 620-9590.
D - HOMESTEAD SERVICES DIVISION

ITEM NO: D-1

SUBJECT: Request for Authorization to Initiate Contested Case Hearings Due to Loan Delinquencies for Department of Hawaiian Home Lands Lease No. 12254, Lease No. 12193, Lease No. 12232, Lease No. 12235, Lease No. 12191 and Lease No. 12215 at Waiehu-Kou IV, Maui and Lease No. 11454, Lei aliʻi

MOTION/ACTION

Moved by Commissioner M. Kahikina, seconded by Commissioner R. Tassill.

DISCUSSION

The department is requesting the commission to authorize a contested case hearing for lessees listed in this submission due to loan delinquencies stated Deputy Michelle Kaʻuhane. Delinquent amounts include interest and penalties which the department is required to remunerate to American Savings Bank (ASB) before a contested case hearing can be initiated. Lessees will be given net proceeds should the sale of the home exceed the appraised value of the home thus giving the department an opportunity to re-coup the amounts paid out on these delinquent loans. This motivates the department to accelerate this process in order to protect our interest, added Chairman Nahale-a

There are challenges in the conventional loan product noted Deputy M. Kaʻuhane. One of the issues is due to a lender paid mortgage insurance where no reserve pool was established for the department to pay these losses. Example: A $200,000 loan with interest rate at 4.5%, the borrower was charged 5.5% because it was a mortgage paid lender insurance. No monies were set aside to pay for losses. Most, if not all of these lessees, were provided loans with no down payment. Some lessees included closing costs in their loans, allowing them to borrow up to 103% of the loan.

Generally, a hearings officer represents the commission on the initial contested case hearing; however, to advance the process, the commission plans to initiate these hearings. Hearing notices will be sent to these lessees once the request is approved. Deputy Attorney General M. Dvonch is assured the department is compliant with all requirements in this matter.

Commissioner M. Kahikina inquired as to why the lessee should be entitled to net proceeds if the lessee is in violation of the lease. Deputy Chairman M. Kaʻuhane articulated that an appraised value of $220,000 with a payoff of $211,000 and enforcement costs that exceed the appraised value would likely negate the payoff to cover incurred costs. The department would likely not be able to recover its losses as it has been the practice of the department to not reclaim those damages. Chairman Nahale-a specified that practice may change.
The length of time it takes the department to process as the trust does not support the beneficiary. If action is taken sooner, there is a possibility we can preserve the lessee's credit. If not, the lessee is doomed to fail even to a point of securing a rental. These families will then wind up moving in with family, overcrowding and eventual homelessness. The option would be to support enforcement causing us to intervene sooner, claimed Deputy Chairman M. Ka‘uhane. When it takes this length of time to address the issue, the department loses.

Chairman Nahale-a confirmed these contested cases can be brought before the commission on January 17, 2012 on Maui to allow these lessees an opportunity to make a presentation before the commission.

**ACTION**

Motion carried unanimously.

**ANNOUNCEMENTS**

**ADJOURNMENT:** 1:45 P.M.
ANNOUNCEMENTS AND ADJOURNMENT

NEXT MEETING

January 23 - 24, 2012, Kapolei, O`ahu

ANNOUNCEMENTS

The next regular monthly meeting will be held on January 23, 2012 in Kapolei. Information on the Corboy v Louie will be shared with other trust entities in a closed meeting next week.

ADJOURNMENT

1:45 P.M.

Respectfully submitted:

Albert P. Nahale-a, Chairman
Hawaiian Homes Commission

Prepared by:

Elaine G. Searle
Secretary to the Commission

APPROVED BY:
The Hawaiian Homes Commission
At Its Regular Monthly Meeting Of
February 21, 2012

Albert "Alapaki" Nahale-a, Chairman
Hawaiian Homes Commission