




HAWAIIAN HOME LANDS  
HAWAIIAN HOMES COMMISSION  
DEPARTMENT OF HAWAIIAN HOME LANDS

**INFORMATIONAL BRIEFING  
AUDIT OF THE DHHL HOMESTEAD  
SERVICES DIVISION**

COMMITTEE ON TOURISM AND HAWAIIAN AFFAIRS • MAY 23, 2013

# DHHL Portfolio – June 1980

■ Direct Loans

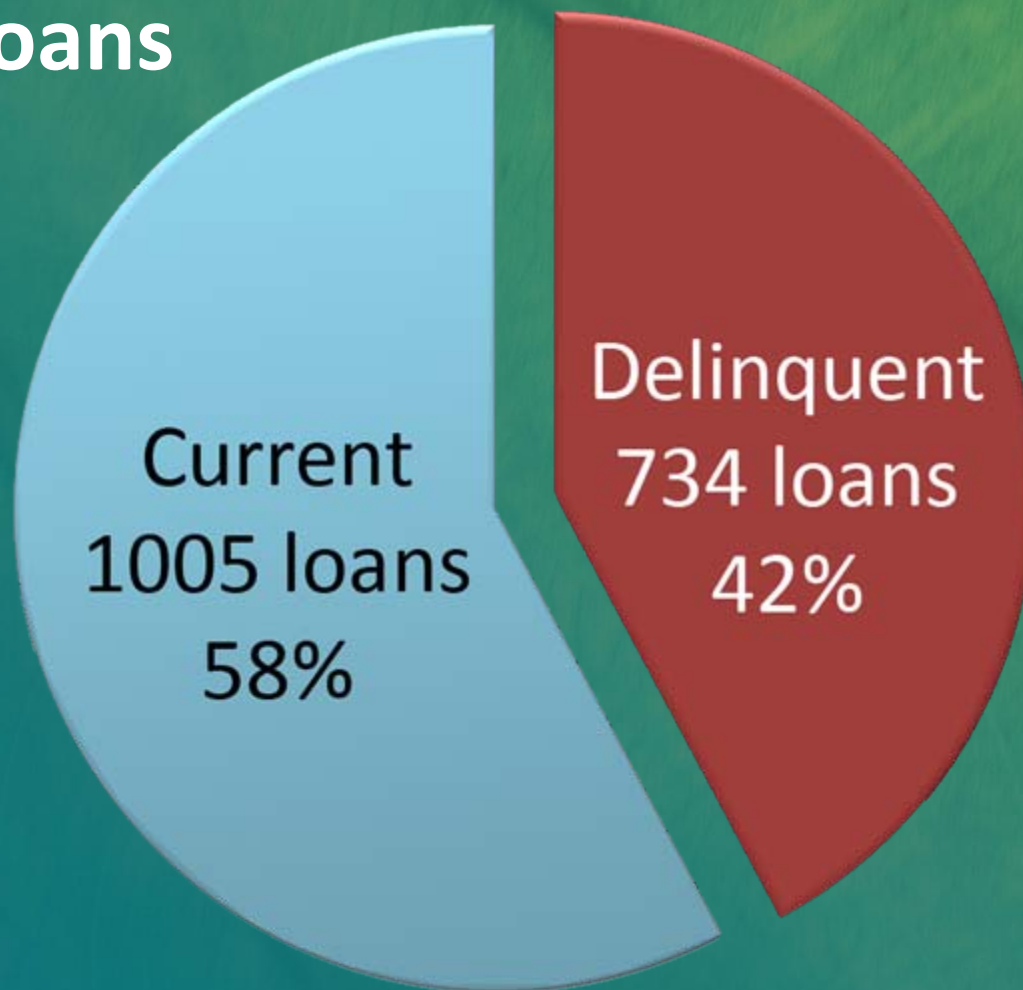


\$27,115,096  
1,739 loans  
100%

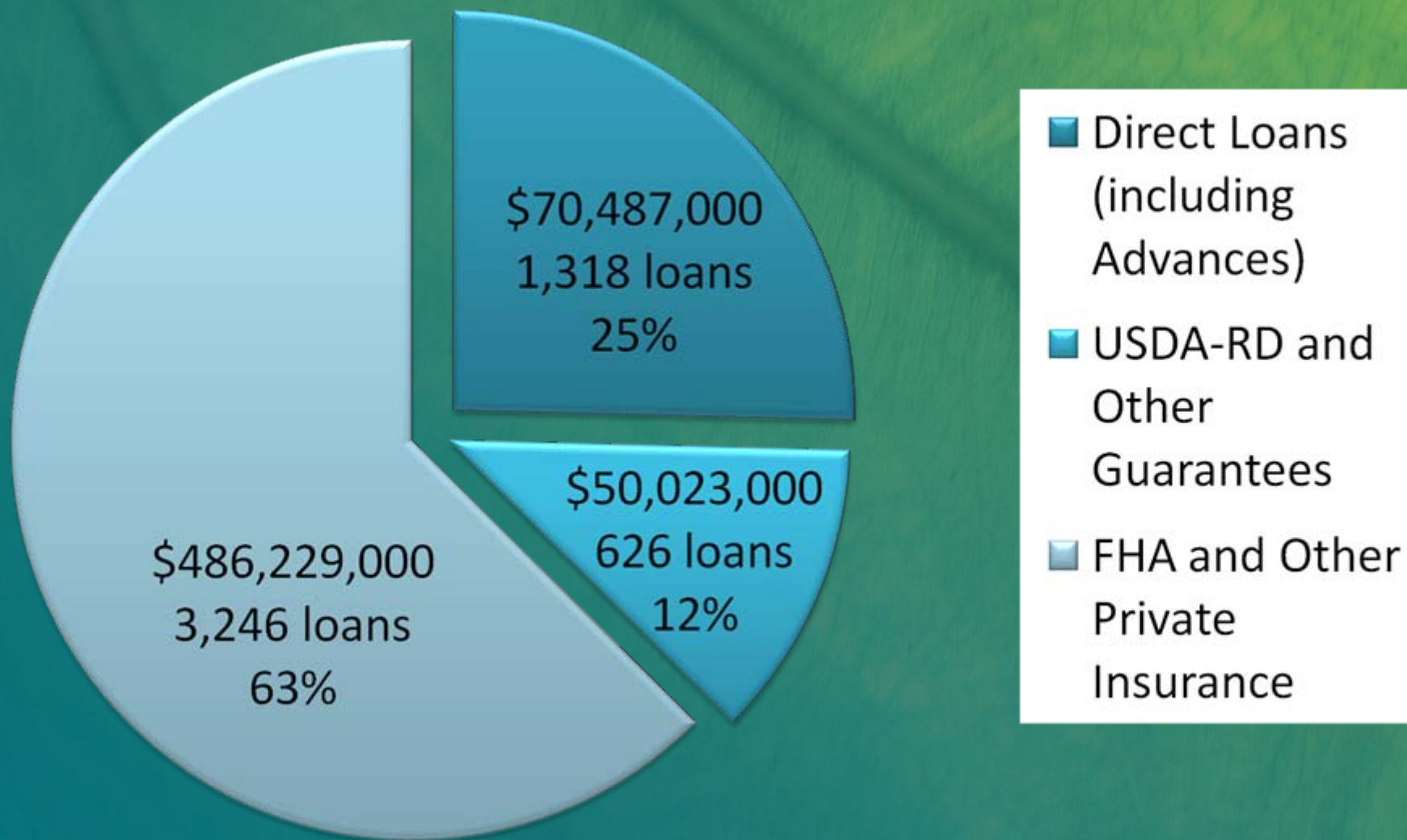
DHHL also had a small guarantee loan portfolio with Farmer's Home (former name for USDA-RD), but the portfolio was not included in the 1979-1980 Annual Report

# DHHL Portfolio – June 1980

1,739 loans



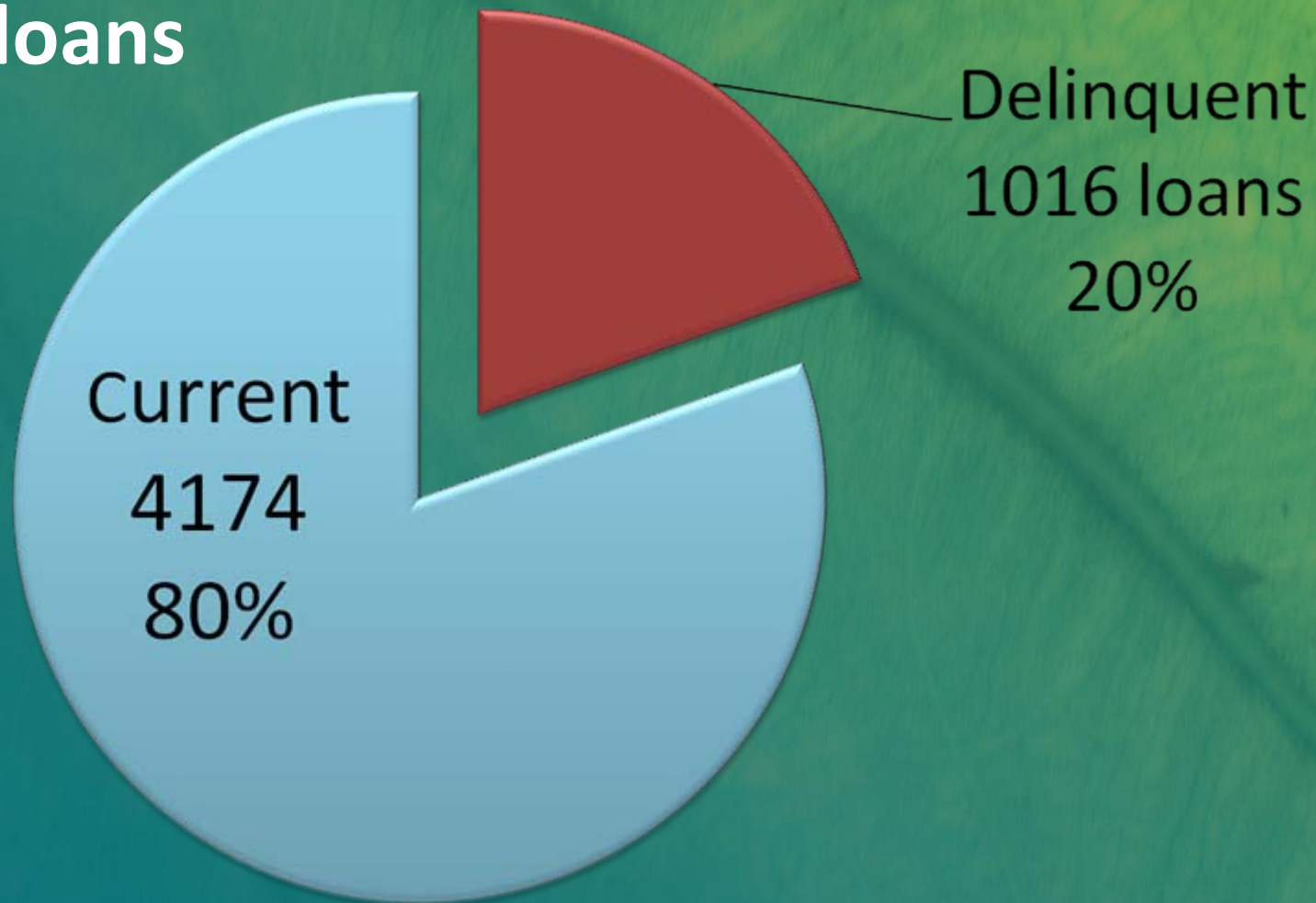
# DHHL Portfolio – May 2013





# DHHL Portfolio – May 2013

5,190 loans



# Delinquency Rate

The delinquency rate overstates the true delinquency situation.

- Many on a repayment plan and paying as required.
- Not considered current until Commission authorizes refinancing of the entire loan
  - 6 months of compliance to “work out” plan
- About 70% of those on “work out” plans have stabilized their payments and remained in their homes

# Unique Challenges for DHHL

- Balancing enforcement of loan contract and keeping native Hawaiian families on the land
- “Lender of last resort” for DHHL direct loans
- Inability for others to foreclose – DHHL involved in every delinquent loan (direct, insured, guaranteed).

# Therefore....

100% of loans coming to DHHL are either high risk or in default and seriously delinquent.



# A word about FHA 247

- **Mortgage insurance program**
- **Private loan between private lender and lessee borrower with FHA mortgage insurance**
- **At 90 days delinquent notification to HUD and DHHL**
- **At 180 days (6 months) eligible to submit a claim to HUD if completed loss mitigation efforts**
- **DHHL reserve accounts are used if premiums are insufficient**
- **Assigned to DHHL to conduct contested case (leading to workout or cancellation) – very slow process**
- **Usually a year from first default to DHHL schedule for contested case (sometimes longer)**

# Recommendations

- *Better tracking of the loan as it moves through DHHL processes*
- *Improved reporting to the Commission*
- *Develop a Risk Management Plan for Commission consideration*
- *Review of loan policies and procedures to improve clarity and consistency*
- *Greater internal controls*
- *Establish benchmarks to evaluate (may differ as to appropriate benchmark)*

# Already Completed Since 5/2012

- Briefing by Deputy AG to HHC on roles and responsibilities (June & August 2012)
- Workshops and training to staff and HHC on the FHA 247 loan program and the Contested Case hearing process (October 2012 & March 2013)
- Revisited direct loan interest rate (November 2012)
- Improved its reporting from staff to the HHC to include advances made by DHHL (March 2013)

# Underway...

- Analyzed the most severely delinquent accounts (180 days delinquent +)
- Mapping out of internal processes – e.g. contested case process
  - Ensure that nothing drops at points of handoff – e.g. Loans Branch to Enforcement Team
- Reestablish tracking system to track delinquent loans as loans move through DHHL processes



# Underway...

- Continued briefing of Commission on various loan programs
  - Guaranteed portfolio
  - Private mortgage insurance portfolio
  - Advances including real property tax
- Filling of critical vacancies
- Identify appropriate benchmarks to evaluate progress

# Going Forward....

- Procure expertise to assist in establishing Risk Management Plan for Commission's consideration
- Review loan policies and procedures and lending guidelines
  - However, stricter guidelines, harder for families to secure financing, less families in homes
- Reestablish programs and partnerships to assist in financial counseling/foreclosure prevention

# Going Forward....

- Technology solutions to improve effectiveness
  - Tracking
  - Automatic bill payment
    - May need support of Office of Information Management & resources
- Lenders
  - Ensure all private lenders are not engaging in practices that put the Trust at jeopardy

# Going Forward....

- Revisit FHA 247 MOU with HUD
  - Early DHHL notification of default
  - Work with Lenders to ensure effective loss mitigation
  - Support of Legislature appreciated
- Conduct actuarial study of FHA insurance program so premium is set appropriately
  - Likely require HUD's participation



Mahalo