



HAWAIIAN HOME LANDS
HAWAIIAN HOMES COMMISSION
DEPARTMENT OF HAWAIIAN HOME LANDS

DHHL UPDATE

Part I: Audit Response

Part II: Vacant Homes

Part III: Post-\$600M Settlement

November 21, 2013

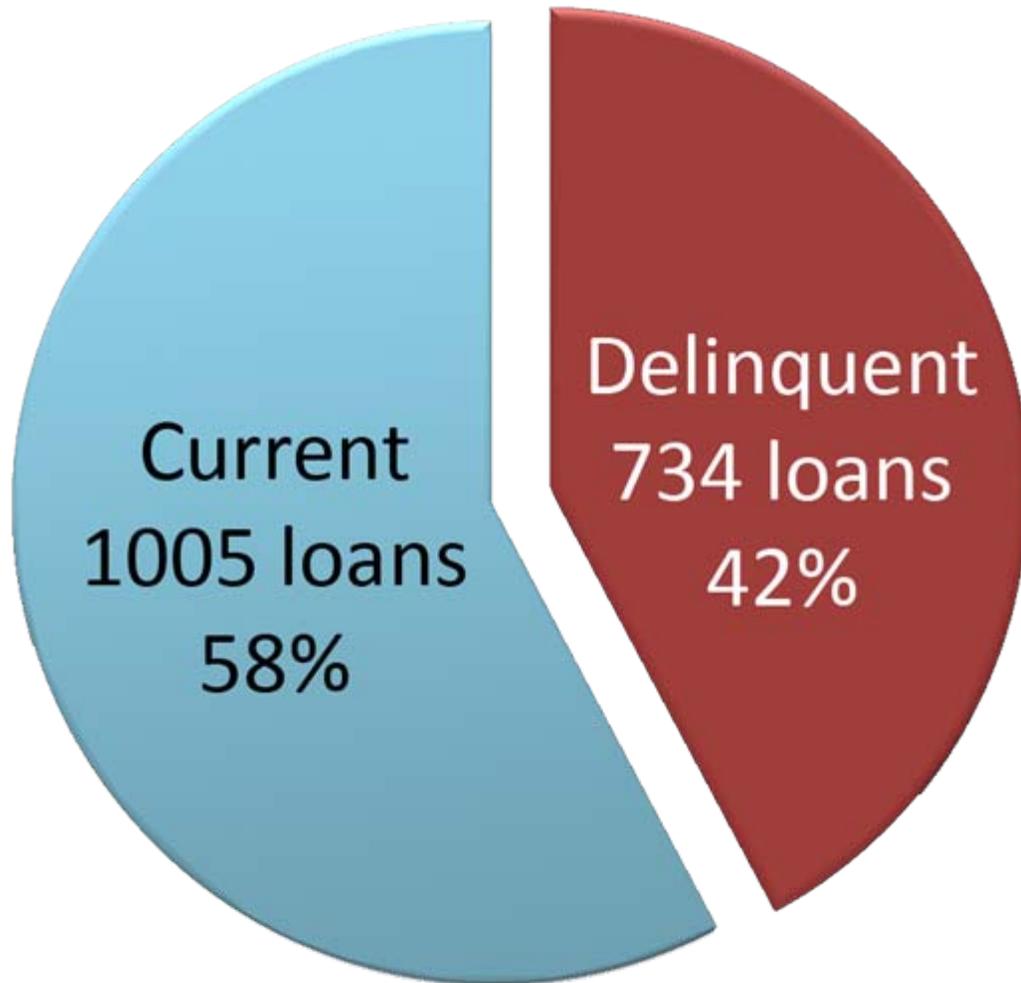
DHHL PORTFOLIO – JUNE 1980

■ Direct Loans

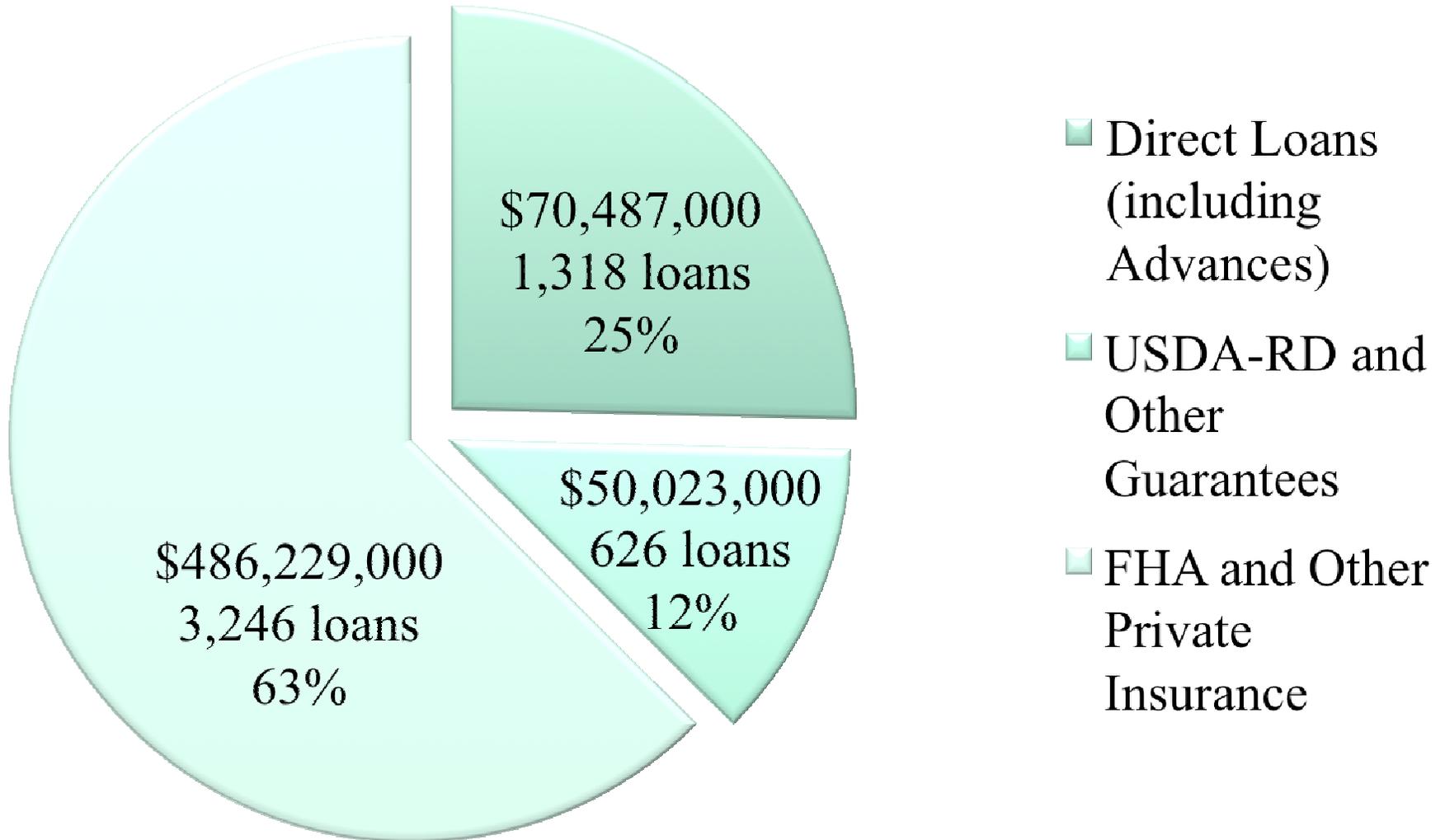


DHHL also had a small guarantee loan portfolio with Farmer's Home (former name for USDA-RD), but the portfolio was not included in the 1979-1980 Annual Report

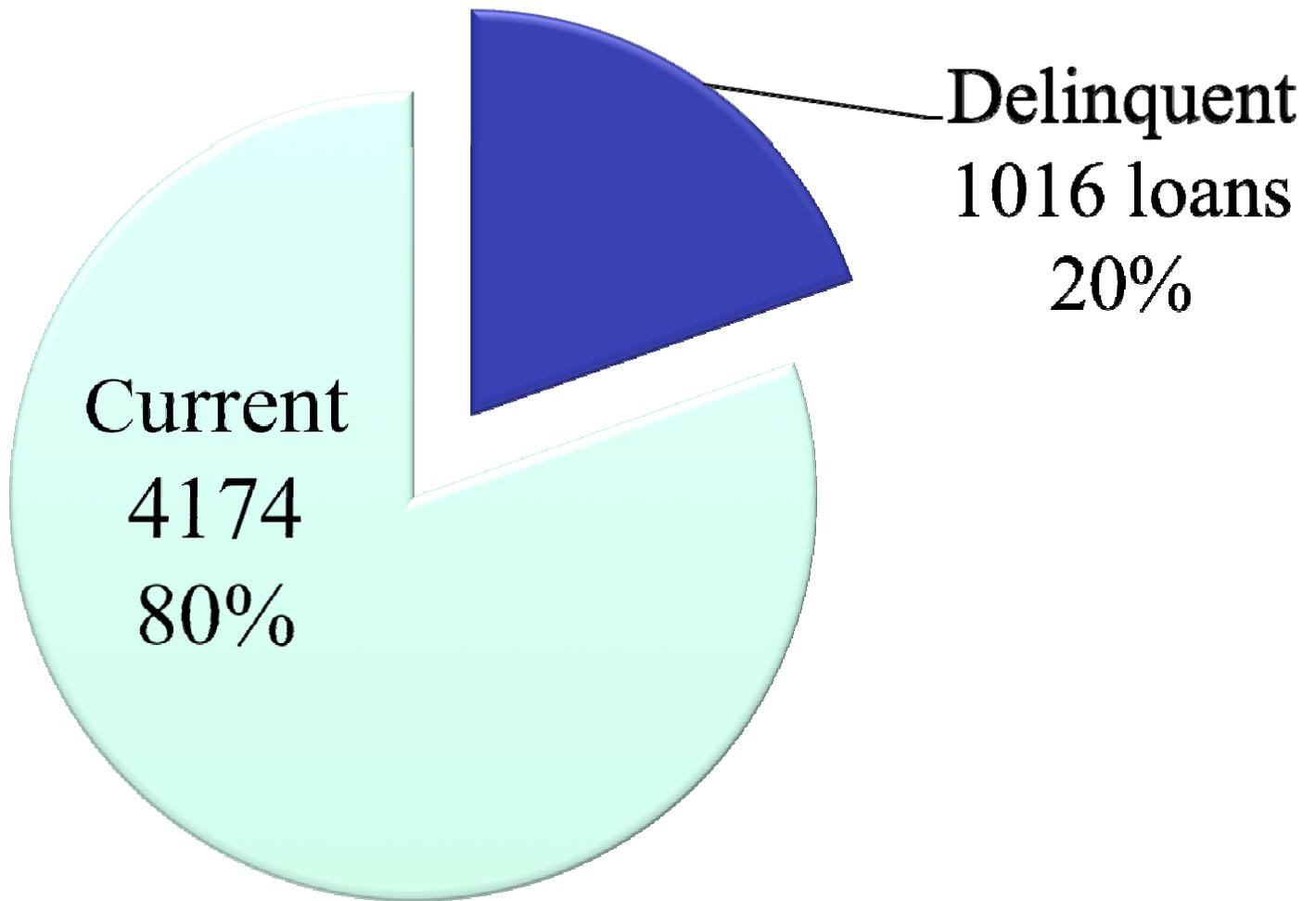
DHHL PORTFOLIO – JUNE 1980



DHHL PORTFOLIO – MAY 2013



DHHL PORTFOLIO – MAY 2013



IN THE PAST SIX MONTHS

- Established the cross-agency delinquency response team (DQ Team)
- Analyzed audit findings and recommendations – Goal to IMPROVE
- Assessed internal processes to identify systemic challenges
- Identified initial reforms; target severely delinquent part of portfolio
- Began implementation

FOCUS AREAS FOR SIX MONTHS

- Improve loan tracking system
- Improve reports to HHC
- Risk management plan
- Begin review of loan policies and procedures
- Implement greater internal controls
- Benchmarks (as needed)

IN ADDITION

- **Focus on most delinquent portion of direct loan portfolio**
 - 180+ days Tracking System
 - East Hawaii direct loan portfolio
- **Loss mitigation partnerships**
- **Relationship with FHA**
- **Added contracted services to provide one-on-one lease cancellation prevention services**

CNHA WORKING GROUP

- **Invited to present recommendations to Hawaiian Homes Commission**
 - September 2013 Meeting
- **Met with Deputy Director, Acting HSD Administrator, ICRO Officer and other staff**
 - October 21, 2013
- **Recommendations under review**



STEP 1:
GOOD INFORMATION

LOAN TRACKING SYSTEM

LOAN TRACKING SYSTEM

- Start with most delinquent section of the direct loan portfolio (180+ days delinquent)
- Stand-alone pilot system built internally by staff
 - As of December 1, 2013 integrated into other DHHL information systems (APPX Tracks all direct loans delinquent 180+ days)
- Tracks loan/lessee thru each step of the contested case hearing and cancellation process (HAR, Title 10, Chapter 5)
- Produces easy-to-understand reports

Contested Case Hearing Tracking System

Direct Loans

[Add New Record]

Direct Loans (By Number)

Direct Loans (By Name)

Direct Loans (By Docket)

Direct Loans (By District)

FHA 247

Add New Record

FHA 247 (By Number)

FHA 247 (By Name)

FHA 247 (By Docket)

FHA 247 (By District)

Lease Violations

Add New Record

Violations (By Docket)

Violations (By Name)

Completed Cases (Direct Loans and Lease Violations)

Re-awards

Case Dismissed - LSB

Case Dismissed - HHC

Completed Cases (FHA 247)

Re-awards

Case Dismissed - LSB

Case Dismissed - HHC

Exit

Contested Case Hearing Tracking System - Direct Loans

[Back](#)

	Loan No.	Last Name	First Name	Street	City, State	Zip	Status
▶	Open						210 - Lease Violation Request for CCH
	Open						210 - Lease Violation Request for CCH
	Open						214 - E-Team coordinates with HSD-LSI
	Open						214 - E-Team coordinates with HSD-LSI
	Open						231 - Completes with D&O
	Open						285 - After writ obtained, E-Team evicts
	Open						245 - Workout
	Open						214 - E-Team coordinates with HSD-LSI
	Open						214 - E-Team coordinates with HSD-LSI
	Open						231 - Completes with D&O
	Open						221 - Hearings Officer submits R.O. to H
	Open						220 - CCH Held
	Open						214 - E-Team coordinates with HSD-LSI
	Open						212 - HSD Prepares submittal to HHC
	Open						210 - Lease Violation Request for CCH
	Open						214 - E-Team coordinates with HSD-LSI
	Open						240 - Fails to comply with D&O
	Open						240 - Fails to comply with D&O
	Open						210 - Lease Violation Request for CCH
	Open						214 - E-Team coordinates with HSD-LSI
	Open						212 - HSD Prepares submittal to HHC
	Open						210 - Lease Violation Request for CCH
	Open						210 - Lease Violation Request for CCH
	Open						214 - E-Team coordinates with HSD-LSI

Contested Case Hearing Tracking System - Direct Loans

[Back](#)

Loan No.

Last Name

First Name

Street

City, State

Zip

Area

Docket

Loan Officer

District

LSB Comments: E-Team Comments

Status

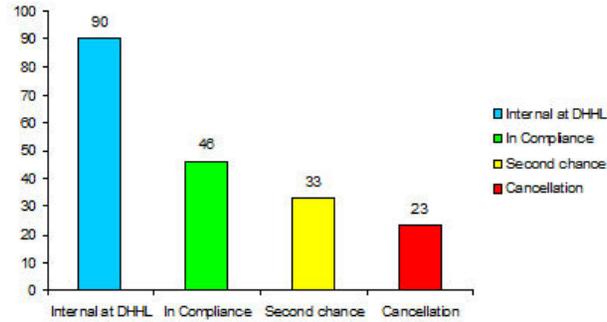
210 - Lease Violation Request for CCH

As a precaution, you must type in the Loan Number when asked.

IMPROVE DELINQUENCY REPORTS

- New reports show delinquency volume and status at-a-glance, by district
- New reports can be produced immediately, on demand
- Track exactly where loan/lessee is in the process
- New report format presented to HHC at October 2013 meeting

**Status of Seriously Delinquent Accounts
CCH Tracking System**



Status	District Office						Total
	EHDO	Keaula	Maul	Molokai	Oahu	WHDO	
180 – Delinquent 180 Days	1				3		4
210 – Lease Violation Request for CCH	21				1		22
211 – Investigation			1		4		5
212 – HSD Preparing submittal to HHC	5					1	6
213 – HHC Authorizes DHHL to conduct CCH					2		2
214 – E-team with HSD/LSB to schedule CCH	22	1	2	3	8	4	40
215 – Notice (E-team)					1		1
220 – CCH Held	5		2		2		9
221 – Hearings Officer Submits RO to HHC		1					1
230 – Workout	1		1	3	3	1	9
231 – Lessee complying with D&O		1	9	2	23	2	37
240 – Lessee fails to comply with D&O	4		6		5		15
242 – Notice (Workout)			2		10	4	16
245 – Workout					2		2
250 – Cancellation (E-team)			1	2	4	1	8
260 – Request for reconsideration					3		3
261 – Scheduling request for reconsideration					1		1
224 – Apply for writ of summary possession			2	1	2	1	7
235 – Eviction (After writ obtained)	1				2		3
750 – Nominal Closed – Adjustment Required					1		1



STEP 2:
MANAGE RISK

RISK MANAGEMENT PLAN

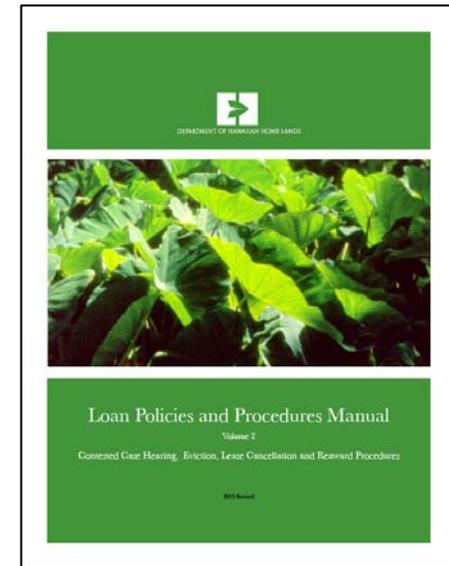
- New risk report estimates TRUE risk and exposure to the Trust
- Looks at **Assessed Value of House – Outstanding Balance = Equity/(Loss)**
- Conservative estimate based on **70%** of the assessed home value
- Assessed value for every delinquent loan
- Report presented to HHC at October 2013 Meeting
- Next steps: evaluate reserves, determine whether they are sufficient, advisory group



**STEP 3: IMPROVE LOAN
POLICIES AND PROCEDURES**

REVIEW OF LOAN POLICIES

- **Loan policies and organized in two volumes**
 - Volume 1:
 - Loan origination
 - Loan underwriting (new)
 - Loan collections
 - Volume 2:
 - Contested case hearings
 - Lease cancellation
 - Re-awards
 - Includes recommendations from the CNHA Working Group
- **On third revision**
- **Next steps: AG Review and HHC approval**



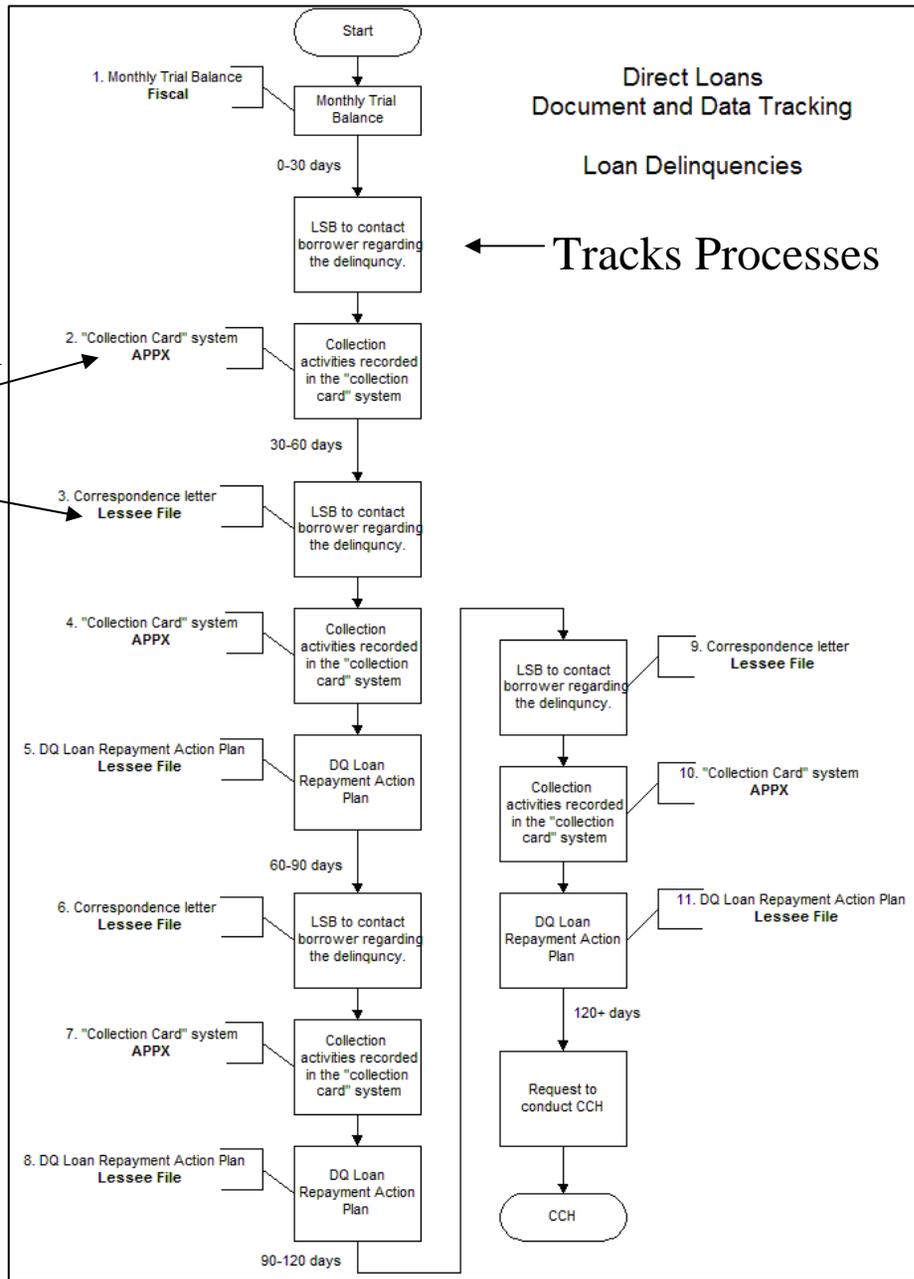
STEP 4: GREATER INTERNAL CONTROLS

GREATER INTERNAL CONTROLS

- Interest rate policy for direct loans reviewed
 - Streamline refinance/rate reduction workshop presented to HHC July 2013
 - Program implemented in August 2013
 - First rate reduction since 1996
 - Previously 6%, now 4.5%
- Increased documenting standards on delinquent loan collections
- Review of loan presentations by HHC prior to ratification

Tracks Documentation

- Electronic
- Paper



The background features a dense pattern of green leaves and stems, overlaid with a white, stylized floral or leaf pattern. The overall aesthetic is natural and organic.

ADDITIONAL EFFORTS

SERVICES TO PREVENT LEASE CANCELLATION

- Met with 5 entities receiving National Mortgage Settlement monies
 - Legal Aid Society of Hawaii
 - Hawaii Homeownership Center
 - Hawaiian Community Assets
 - Hale Mahaolu
 - Consumer Credit Counseling Services of Hawaii
- HHFDC grant from HUD for services with Hale Mahaolu
- Additional contracted services to assist – DHHL/HHC Referral

NEIGHBORWORKS TRAINING

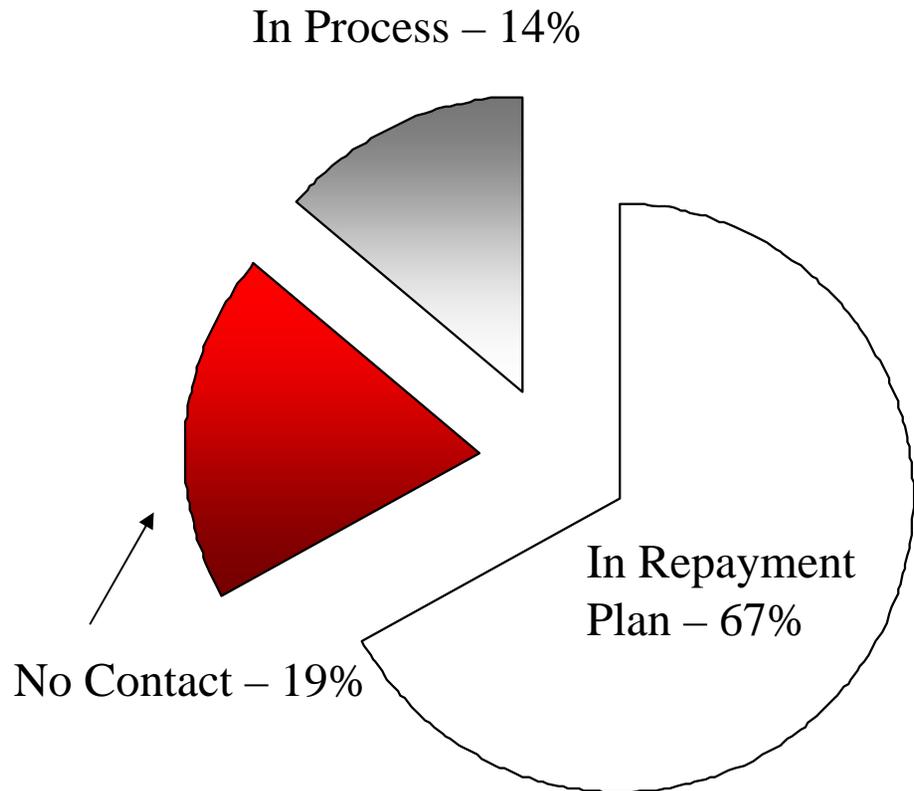
- **Premier trainer in loss mitigation/foreclosure prevention; financial literacy**
- **Training provided to DHHL staff; NAHASADA sub-recipients; Native CDFI Federal Credit Unions**
- **Future training planned**

RELATIONSHIP WITH FHA

- **Meeting with FHA in D.C. on 8/1/13**
 - Requested confirmation DHHL has note before any claim is paid by FHA
 - Inquired whether HHC may set loan limits via consents
 - Requested requirement for increased loss mitigation work for lenders
- **Meeting with HUD Hawaii Field Office on 9/6/13**

EAST HAWAII PILOT PROJECT

- Of 114 loans 180+ days delinquent in direct portfolio, 51 in East Hawaii (45%)
- Attempts made to contact all delinquent lessees (79 lessees)



EAST HAWAII PILOT PROJECT

NEW LOSS MITIGATION PRODUCTS

- Most of loan balances are smaller; Lessees have equity
- HHC Approved November 2013
- Uses NAHASDA funding
- Eligibility:
 - 80% AMI or below
 - Loan balance < home value
 - Kupuna on fixed income or disabled or experiencing hardship
- 3 new products developed:
 - NAHASDA funding pays off past due amount (sits as a silent second: captured in transfer/"sale", cash-out refinance
 - Refinance to 4.5%
 - Refinance 75% of Loan @ 4.5% and defer 25% to end of the mortgage with no interest (balloon). HHC can forgive or discount balloon.



HAWAIIAN HOME LANDS
HAWAIIAN HOMES COMMISSION
DEPARTMENT OF HAWAIIAN HOME LANDS

VACANT HOMES

STATUS

- **A number of lots that appear vacant are actually leased to a homesteader**
- **In October, DHHL received a list of “vacant” homes from the Star Advertiser**
 - Of 13, only one is available for re-award to another beneficiary



HAWAIIAN HOME LANDS
HAWAIIAN HOMES COMMISSION
DEPARTMENT OF HAWAIIAN HOME LANDS

**COMPLETION OF
\$600M SETTLEMENT
PAYMENTS**

BACKGROUND

- **Act 14 (1995) settled land claims**
- **Constitutional obligation to provide “sufficient sums” for HHCA 4 purposes still remains**
- **DHHL recognizes State has limited resources**

FUND BALANCES

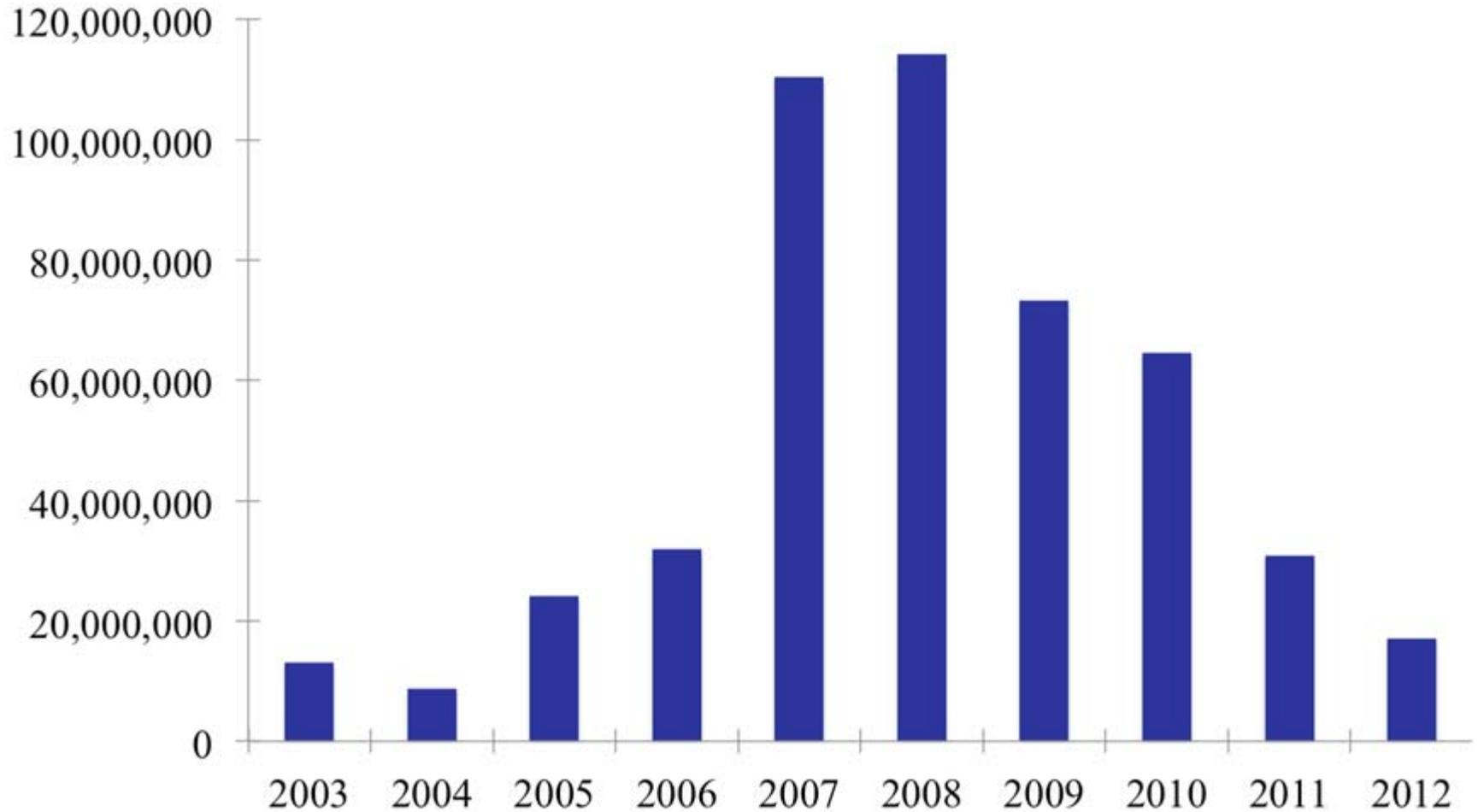
	Available Cash, FY2002	Available Cash, FY2012
Revolving Funds	\$20.3 M	\$13.7 M
Native Hawaiian Rehabilitation Fund	\$12.6 M	\$2.9 M
Hawaiian Home Lands Trust Fund	\$80.8 M	\$98.6 M
Other Trust Funds	\$22.3 M	\$19.6 M
Hawaiian Home Administration Acct.	\$7.5 M	\$18.1 M
DHHL Revenue Bond Special Fund	\$30.5 M	\$12.4 M
TOTAL BALANCES	\$174.1 M	\$165.3 M

LONG TERM OBLIGATIONS

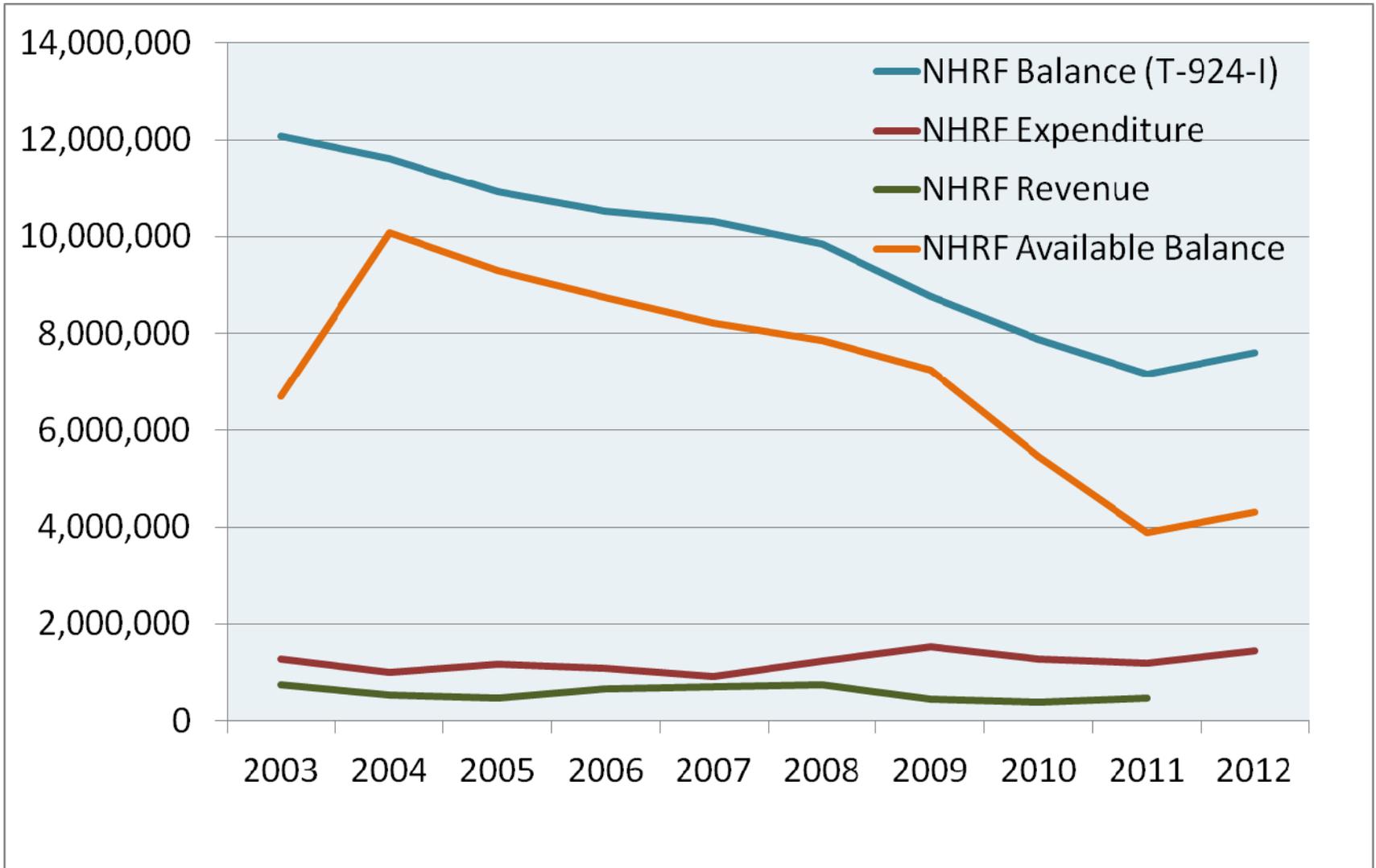
BALANCES

	FY2002	FY2012
Revenue Bonds	\$14.9 M	\$40.2 M
Notes Payable (HHFDC)	--	\$17.2 M
Capital Lease Obligation	--	\$22.5 M
TOTAL	\$14.9 M	\$79.9 M

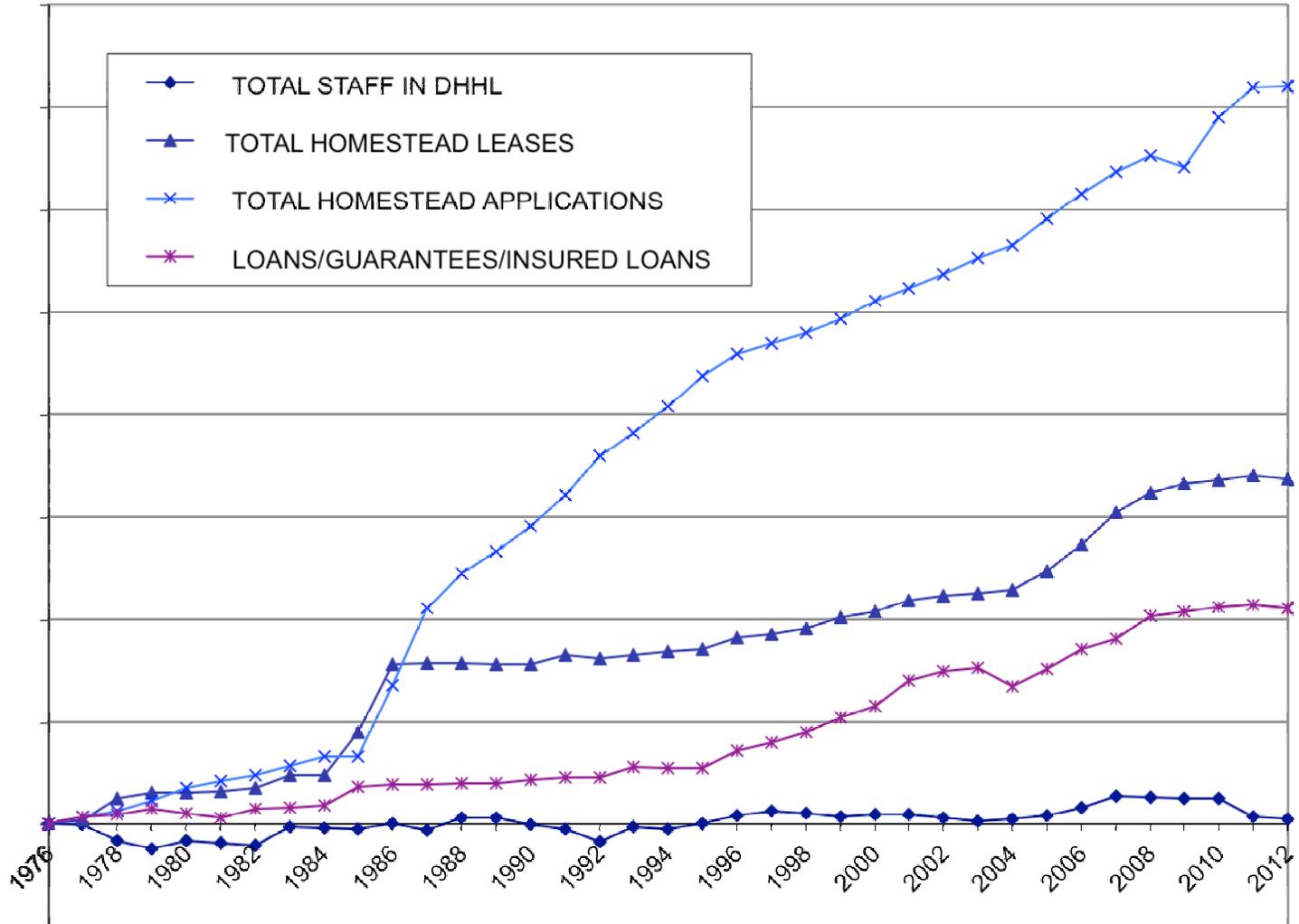
HHL TRUST FUND EXPENDITURES



NATIVE HAWAII REHABILITATION FUND



DHHL WORKLOAD



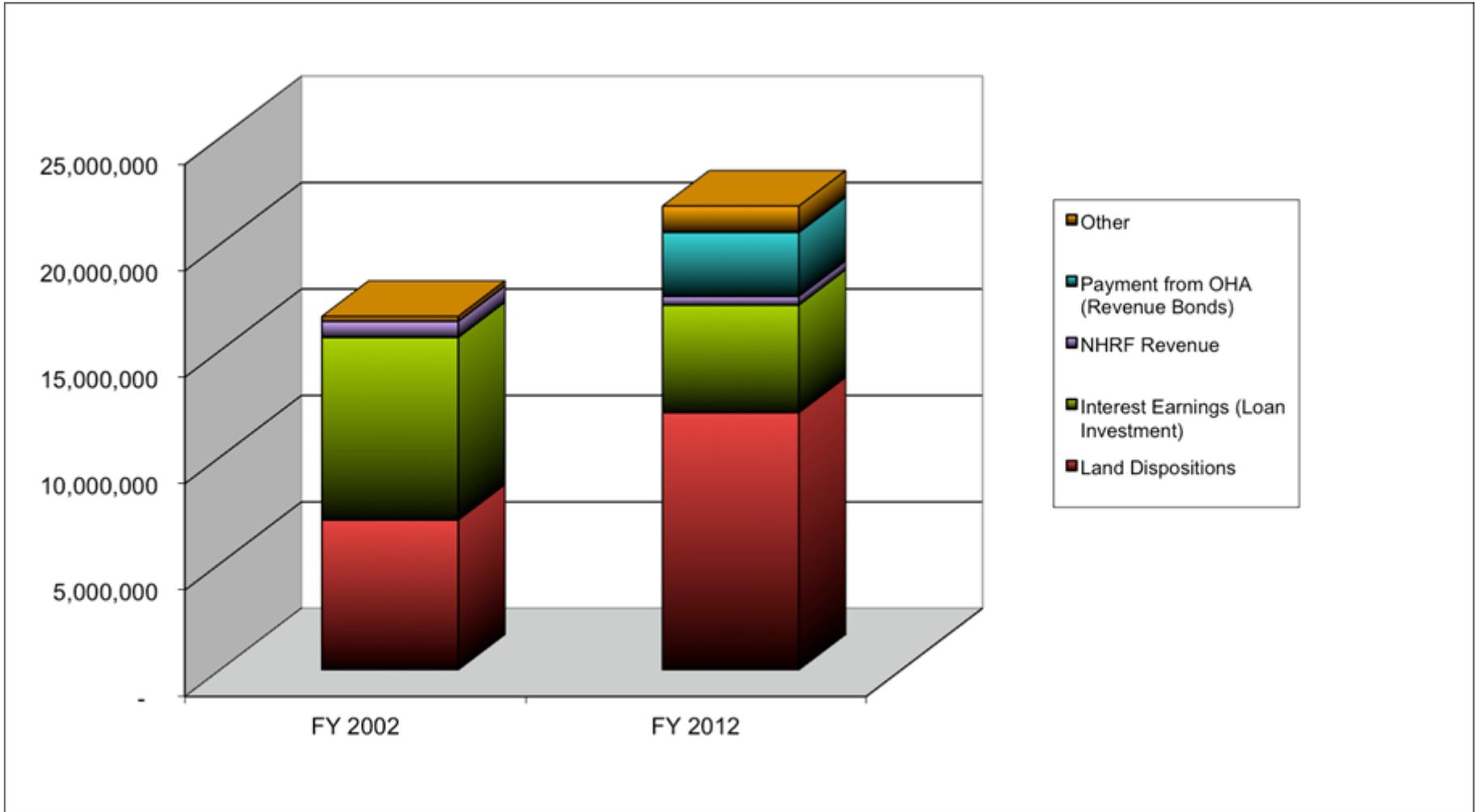
ACTUAL EXPENDITURES

	FY2002	FY2012
Hawaiian Home Operating Fund	\$4.8 M	\$7.7 M
Native Hawaiian Rehabilitation Fund	\$2.0 M	\$1.5 M
Hawaiian Home Administration Acct.	\$4.5 M	\$7.6 M
TOTAL EXPENDITURES	\$11.3 M	\$16.8 M
Annual growth rate over 10 years		4.12%

FIXED PAYMENTS

	FY2002	FY2012
Revenue Bond Payments	\$1.7 M	\$3.0 M
Capital Lease Expense	--	\$1.7 M
Notes Payable	--	\$2.2 M
TOTAL	\$1.7 M	\$6.9 M
Increase over 10 years		313.6%
Expenditures + Fixed	\$12.9 M	\$23.7 M

REVENUE

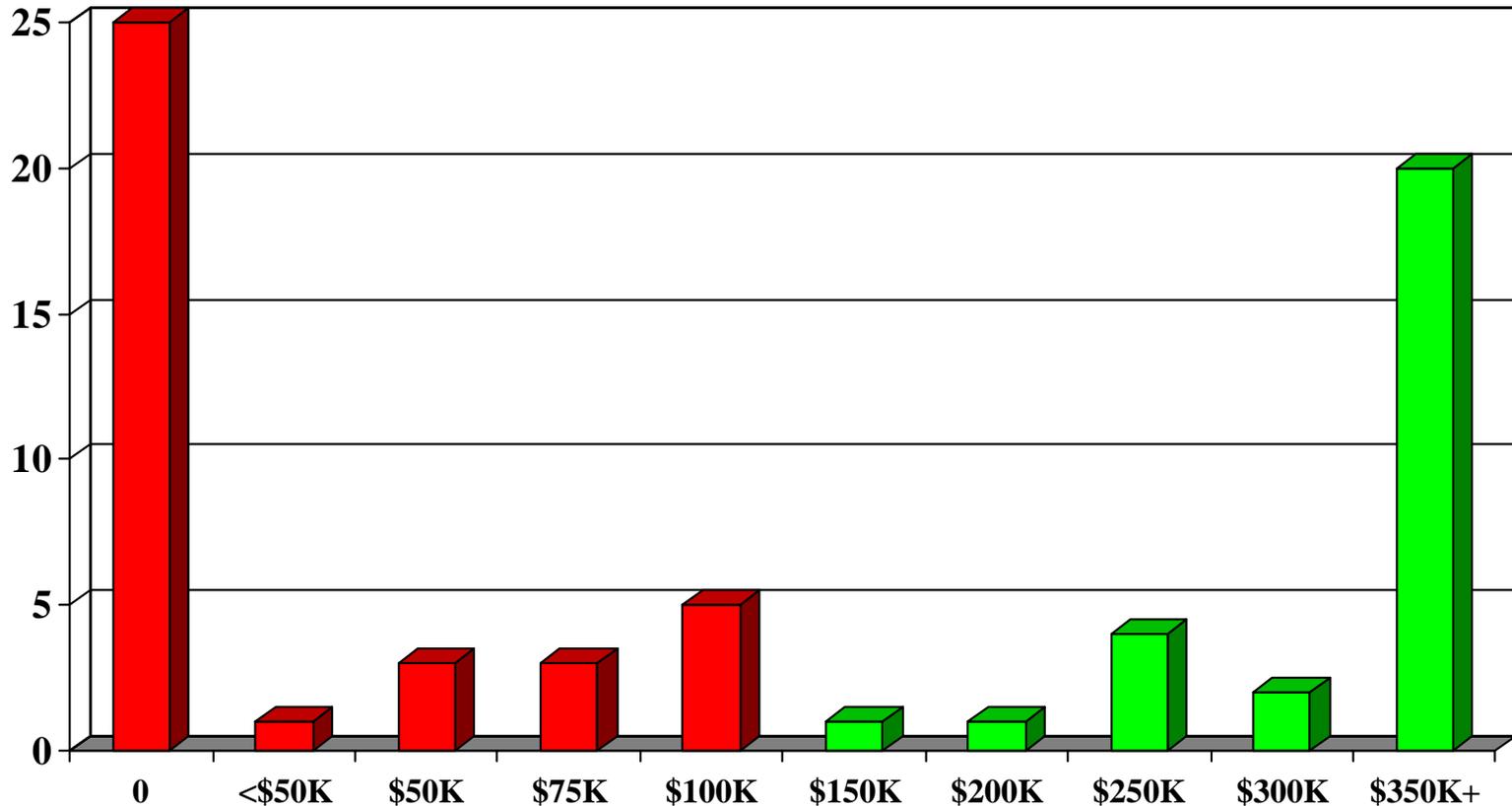




GOING FORWARD

UNDIVIDED INTEREST

LOAN QUALIFICATION



Based on Waiohuli Undivided Interest Survey on 6/2013. Percentages derived from categories of loan qualification amounts of survey respondents (\$50,000 step increase for each category) divided by total survey respondents.

GOING FORWARD

MAXIMIZING EXISTING INFRASTRUCTURE INVESTMENT

- **Absorbing the existing lots**
 - Vacant residential lots (i.e., infrastructure, no house)
 - Increase use of agricultural lots
- **NAHASDA to assist 80% AMI families**

GOING FORWARD

REVENUES

- **“Sufficient” General Funds for operations and administration**
 - FY 2014 - \$9.6M
 - FY 2015 – Ask \$27.1M operating
- **Invest cash balance of HHL Trust Fund \$98M**
 - 5% Return = \$5M (approx.)
 - 6% Return = \$6M (approx.)

GOING FORWARD

REVENUES

- **Enhancing our revenues using available lands**
 - Clarification of trust assets
 - Mineral rights
 - Expedited leasing of improvements (e.g., warehouses) on a short-term basis
- **Alternative energy expertise contracted**
 - Hydropower, Kauai
 - Wind, Maui

GOING FORWARD

REVENUES

- **General lease extensions for renovation**
 - E.g., Prince Kuhio Plaza in Hilo
 - Rulemaking in progress
- **Coordinated development with other state agencies**
 - Pulehunui, Maui (DHHL, DLNR, PSD)

GOING FORWARD

REDUCING OUR COSTS

- **Clarifying county role and DHHL role**
 - FY 2015, ask for repair and maintenance funding for Papakolea sewers (\$12M)
- **Reduce fixed cost expenses (\$867K savings annually)**
 - Refinance HHFDC Note (\$500K)
 - Lease out office space to State tenants (\$367K)