



HAWAIIAN HOME LANDS

HAWAIIAN HOMES COMMISSION · DEPARTMENT OF HAWAIIAN HOME LANDS

# **D-4: Loan Services Branch**

## **USDA-RD Guaranteed Loans**

October 17, 2022

# **DHHL – USDA Rural** **Development (RD)** **Guaranteed Loans**

- **USDA – RD services:**
  - 80% and below median income
  - “Rural” areas
    - Excluded DHHL homestead areas are:
      - » Papakolea/Kewalo
      - » East Hawaii (Hilo)

# **DHHL – USDA (RD)**

## **Guaranteed Loans**

- **Two (2) Loan Guaranty programs:**
  - **DHHL guaranty of RD Direct Loans**
  - **502 Lender Guaranteed Loans**
    - **Loans of private lenders guaranteed by RD**

# DHHL – USDA (RD)

## Lender Guaranteed Loans

### **Overview - How does the Guaranty work?**

- DHHL has an “Agreement” with RD
- The Agreement outlines the processes of the program
  - Principal purpose of the loan is housing acquisition.
- The Agreement outlines the roles and responsibilities of the lender, RD, and DHHL

# DHHL –USDA (RD)

## Lender Guaranteed Loans

**What happens in cases of default?**

- Lender responsible for collection efforts
- If lender requests that guaranty be initiated, a Demand Letter is sent to DHHL
  - Letter includes lessee/borrower's name and amount to be repaid by DHHL (includes principal, interest, late charge, and other fees, if applicable)
  - Lender to perform an appraisal

# **DHHL – USDA (RD)**

## **Lender Guaranteed Loans**

### **What happens in cases of default?**

- DHHL issues check to lender for the “lesser of the appraised value or loan balance”
- Lender to assign Mortgage and Note to DHHL for loan servicing
- DHHL then services defaulted loan

# **DHHL –USDA (RD)**

## **Lender Guaranteed Loans**

**RD requesting to amend current Agreement**

**Technical Name Change: From United States Department of Agriculture Rural Housing and Community Development Service (“RHCDS”) to United States Department of Agriculture Rural Development Rural, Housing Service (“RD”)**

# **DHHL –USDA (RD)**

## **Lender Guaranteed Loans**

### **RD requesting to amend current Agreement**

#### **Substantive Change:**

- 1) Section IX A. – Appraisal method changed from “current market appraisal” to “cost approach” method.**
- 2) Section IX B. – DHHL no longer required to submit a recommendation on the recovery of a deficiency if one existed. Change is now once DHHL pays the lender, the loss claim process is complete.**



# **DHHL –USDA (RD)**

## **Lender Guaranteed Loans**

### **RD requesting to amend current Agreement**

#### **Substantive Change:**

**3) Section IX C. – Future funds if recovered by DHHL, is to be forwarded to RHCDS. Change is now once DHHL pays the lender, the loss claim process is complete.**

**4) Section X. – A requirement for RD to provide semi-annual reports has been added. Previously, there was not requirement for RD to provide any reports to DHHL.**

# DHHL –USDA (RD)

## Lender Guaranteed Loans

**As of 6/30/19:**

- **100 loans totaling ≈ \$16.6 million**
  - **11 delinquent loans totaling \$2 million**
- RD has advised DHHL that they are currently working on the report and anticipates a December or January completion date.



**QUESTIONS?**