



HAWAIIAN HOME LANDS

HAWAIIAN HOMES COMMISSION • DEPARTMENT OF HAWAIIAN HOME LANDS

**D-13**

**DHHL LOAN PRODUCTS**

November 17, 2020



# Lending on DHHL Lands

## Hawaiian Homes Commission Act, 1920, as amended

### §208. Conditions of Lease (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 Veteran's 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.



# Lending on DHHL Lands

## **Hawaiian Homes Commission Act, 1920, as amended** **(cont'd)**

### §208. Conditions of Lease (6)

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.



# Lending on DHHL Lands

## **DHHL has a variety of different lending programs**

- DHHL Direct loans and advances
  - Per HHCA, DHHL loans restricted to  $\frac{1}{2}$  of FHA County limit
- DHHL Guaranteed loans
  - *US Dept. of Agriculture - Rural Development*
  - *US Veterans Affairs*
  - *Office of Hawaiian Affairs*
  - *City & County of Honolulu*
  - *Hawaii Habitat for Humanity*
  - *US Small Business Administration (disaster loans)*
  - *Others (FCUs, other non-profits, & local government)*
- Conventional Loans (ASB, BOH, & HNB) w/Private Mortgage Insurance
- HUD's 184A guaranteed and FHA 247 insured loans

**Total Portfolio:** 4,800+ loans totaling  $\approx$  \$611 million





# Lending on DHHL Lands

## FHA Mortgage Limits By County (as of 1/1/20):

- Hawaii - \$391,000
- Honolulu - \$721,050
- Kalawao - \$690,000
- Kauai - \$713,000
- Maui - \$690,000



# Lending on DHHL Lands

## HUD 184A Loans (created in May of 2006)

- Loans guaranteed by HUD-ONAP (Office of Native American Programs)
  - BOH, Homestreet, and Homebridge originate and service 184A loans
  - Bank2 and PennyMac only service 184A loans
- Lessee pays 1% guaranty fee



# Lending on DHHL Lands

## HUD 184A Loans (cont'd)

### Loan-to-Value ratios:

- Purchase – 97.75%
- Cash out refinance – 85% LTV and limited to \$25,000 cash out to borrower (debt consolidation allowed)
- Streamline and/or Rate Term refinance – LTV ratios not applicable



# Lending on DHHL Lands

## **HUD 184A Loans (cont'd)**

### Loans Outstanding (as of 6/30/20):

- Bank of Hawaii: 157 loans ~ \$35.5 million
- Bank2: 57 loans ~ \$11.9 million
- Homebridge: 8 loans ~ \$1.8 million
- Homestreet Bank: 106 loans ~ \$24.5 million
- PennyMac: 203 loans ~ \$42.7 million
- TOTAL: 531 loans ~ \$116.4 million



# 184A Loans

- Defaulted Loans
- If a loan is defaulted upon, servicing lender requests a “Demand for Payment” to HUD to honor the guaranty
- HUD then reassigns mortgage to DHHL for servicing/cancellation
- As of 10/31/20
- DHHL servicing 5 loans (~ \$1.4 million)



# 184A Buyback Loans

- MOU states DHHL has one (1) year from assignment of mortgage date to cancel lease.
- If the lease is cancelled, DHHL is to repay HUD the lesser of the outstanding balance or the appraised value with trust funds and DHHL is reimbursed with funds from the re-awarding of the lease (no contingent liability to DHHL)
- However, if the lease is not cancelled, DHHL is to repay HUD the entire amount paid to the lender and any additional accrued interest and fees (subsequent deficiency balance becomes a DHHL liability)



# Lending on DHHL Lands

## FHA 247 Insured Loans (created in July of 1987)

- Loans insured by HUD-FHA (Federal Housing Administration)
- Lessees pay 3.8% one-time upfront insurance premium
  - No monthly insurance premium
- Loans approved and serviced by participating lenders
  - Any FHA approved lender



# Lending on DHHL Lands

## **FHA 247 Insured Loans (cont'd)**

### Loan-to-Value ratios:

- Purchase – 96.5% (can exceed 100% with Mortgage Insurance Premium being financed)
- Cash out refinance – 75% (debt consolidation not allowed)
- Home Improvement refinance – 85% (all proceeds in excess of existing payoff amount must be used for home repairs/renovations)
- Streamline and/or Rate Term refinance – LTV ratios not applicable





# Lending on DHHL Lands

## **FHA 247 Loans (cont'd)**

HUD report as of 8/31/20:

- Total Portfolio – 2,822 loans (36 loan servicers) for \$462.3 million
- Largest Servicers:
  - PennyMac Loan Services – 672 loans; \$117.5 million
  - Homestreet Bank – 522 loans; \$89.4 million
  - Guild Mortgage – 295 loans; \$64.2 million
  - Loancare LLC – 219 loans; \$42 million



# Lending on DHHL Lands

## **FHA 247 Loans (cont'd)**

HUD report as of 8/31/20:

- Delinquency
  - 352 loans ~ \$59.6 million delinquent (12.5%)
  - PennyMac Loan Services: 88 loans ~ \$17.9 million
  - Homestreet Bank: 59 loans ~ \$11.8 million
  - Nationstar Mortgage: 28 loans ~ \$2.9 million
  - Loancare LLC: 26 loans ~ \$5.3 million



# FHA 247 Buyback Loans

- Defaulted Loans

- If a loan is defaulted upon, servicing lender files an insurance claim with HUD
- HUD then reassigns mortgage to DHHL for servicing

- As of 9/30/20

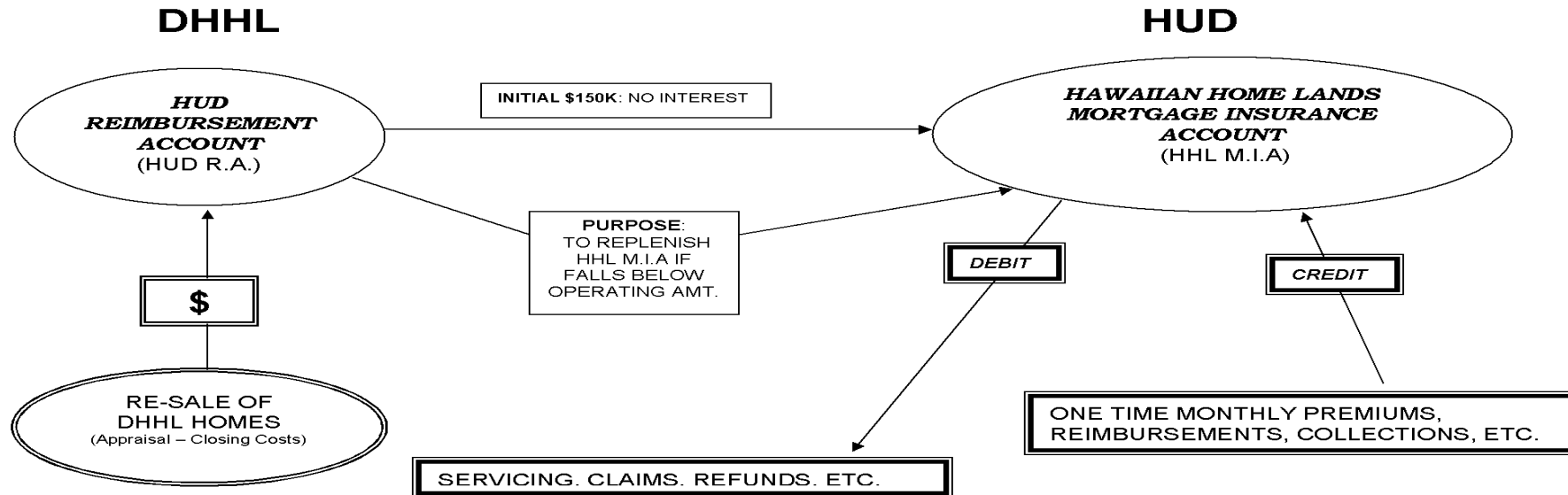
- DHHL servicing 157 loans (~ \$19 million)
  - 125 loans ~ \$16.8 million are 180 days or more delinquent



# Lending on DHHL Lands:

## FHA – How is it supposed to work?

### HAWAIIAN HOME LANDS MORTGAGE INSURANCE ACCOUNT (HHL MIA)





# Mahalo



DEPARTMENT OF HAWAIIAN HOME LANDS

[www.dhhl.hawaii.gov](http://www.dhhl.hawaii.gov)