SUMMARY REPORT

Office of Hawaiian Affairs

Native Hawaiian Revolving Loan Fund Program Outcome Evaluation 2020

OFFICE OF HAWAIIAN AFFAIRS

This report describes the results of the Office of Hawaiian Affairs' 2020 outcome evaluation of the Native Hawaiian Revolving Loan Fund program (NHRLF).

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ABSTRACT

This report describes the results of the Office of Hawaiian Affairs' (OHA) 2020 outcome evaluation of the Native Hawaiian Revolving Loan Fund program (NHRLF). OHA's loan program annually surveys its borrowers to evaluate the impact of consumer and business loans on the lives of Native Hawaiian borrowers, and the success of Native Hawaiian-owned businesses. As outlined in the NHRLF Fiscal Year 2020 Business Plan, loan impact measures include borrower economic wellbeing and preconditions to financial stability, such as credit scores, debt to income ratios, homeownership, educational attainment; income; and wealth/net worth.

This evaluation focused on the NHRLF program's consumer loans for education, debt consolidation, home improvement, and business loans. Findings provided in this report reflect the change in financial conditions and economic wellbeing of NHRLF borrowers prior to receiving the loan (Time 1), to 2019 (Time 2), while also studying the effects of the COVID-19 pandemic on current conditions (Time 3).

INTRODUCTION

OHA's Native Hawaiian Revolving Loan Program

The Native Hawaiian Revolving Loan Fund (NHRLF) was established in 1987, as part of the amended Native Programs Act of 1974. This act was endorsed by President Lyndon B. Johnson to help fight the war on poverty. It was later signed into law by President Richard Nixon and authorized the Administration for Native Americans (ANA) to provide funding and oversight to promote self-sufficiency for Native Americans (Administration for Native Americans, 2021).

The mission of the NHRLF program is "To support and enhance the economic self-sufficiency of Native Hawaiians while ensuring the availability of resources for future generations." The NHRLF program, not only offers loans to Native Hawaiians who may not qualify in a traditional financial institution, but also provides financial education, technical assistance, and outreach to underserved communities. Thus, the NHRLF program aims to fulfill its purpose of expanding Native Hawaiian economic opportunities through business ownership, job creation and increased net profit, as well as increased economic wellbeing, wealth/net worth, and income. As of November 20, 2020, OHA's NHRLF program serviced over 2,750 loans, totaling more than $66 million to Native Hawaiian borrowers. In 2020 alone, NHRLF distributed over $1.4 million to 52 consumer loan borrowers (The Office of Hawaiian Affairs (OHA), 2021).

OHA's NHRLF program offers two business loan and four consumer loan products. Mālama Business Loans and Hua Kanu Business Loans, with amounts starting at $2,500 and up to $1 million, are aimed at helping Native Hawaiian small businesses establish, build upon, or expand their business. The four consumer loan products include the Mālama Education Loan, the Mālama Debt Consolidation Loan, and the Mālama Home improvement loan. Each consumer loan focuses on improving various aspects of Native Hawaiian wellbeing. The education loan seeks to ease school-related expenses, from preschool through post-secondary education. Debt consolidation loans help create a structured repayment plan to better manage finances. Home improvement loans concentrate on improving the living condition of Native Hawaiians, through renovation of existing homes.

Annual OHA Loan Borrower Survey Background

As a requirement of the NHRLF program, an annual survey was conducted in November 2020. The 2020 Annual OHA Loan Borrower Survey invited all 244 current OHA loan borrowers, with a total of 273 open loans from 2008 to 2020, to participate. The survey was emailed to borrowers on November 13, 2020, and was open for nine days, with Sunday, Nov. 22, 2020, at 11:59pm the deadline for completion. During that time, group reminders were sent, along with numerous individual reminders, and follow-up to encourage participation. Those borrowers with open loans in education, debt consolidation, home improvement, and/or business were asked to provide information to help determine the impact of the loan.

Altogether, the 273 open loans totaled over $8.5 million in advanced funds with 27 loans for education ($331,206), 83 for debt consolidation ($1,002,761), 88 for home improvement ($1,712,655), and 75 for businesses ($5,537,132). Figure 1 represents the dollar amount for all open loans by loan type. As depicted, business loans received the most funding, approximately 64.5% of open loan funds.

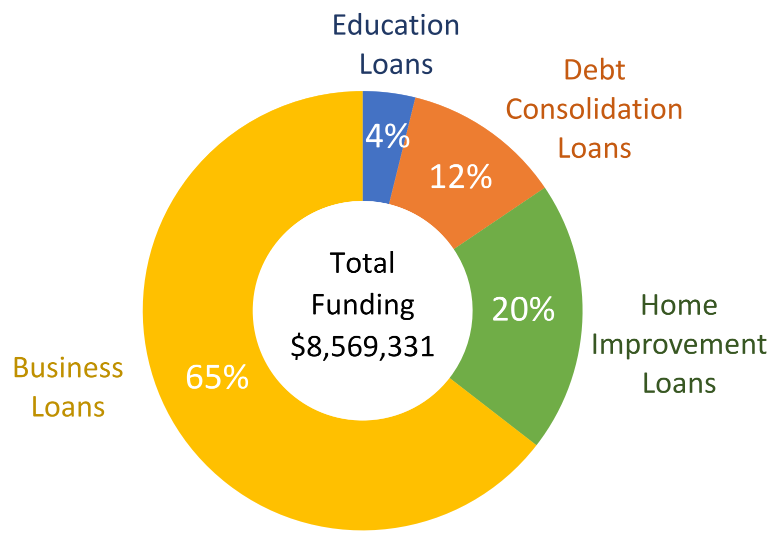

Figure 1. Dollar amount of open loans by loan type

As shown in Table 1, borrowers from Hawaiʻi Island, Kauaʻi, Maui and Oʻahu received business loan funding, with the majority (84.3%) going to Oʻahu business borrowers. Although this distribution is still somewhat disproportionate, 58% of Native Hawaiian businesses were on Oʻahu, generating 72% in business revenue (Tian, 2019).

Table 1.
Distribution of NHRLF Loan Funding by Location and Loan Type

Loan by Location	Business	Education	Home Improvement	Debt Consolidation	Grand Total
Arizona	$0	$12,473	$0	$0	$12,473
Hawaiʻi	$231,998	$57,763	$354,235	$259,639	$903,636
Kauaʻi	$219,998	$25,400	$85,861	$78,852	$410,111
Maui	$410,999	$7,000	$304,292	$74,143	$796,434
Molokaʻi	$0	$43,455	$93,898	$78,634	$215,987
Oʻahu	$4,625,412	$185,115	$897,902	$513,116	$6,221,546
Lānaʻi	$0		$0	$9,143	$9,143
Total	$5,488,407	$331,206.26	$1,736,188	$1,013,528	$8,569,331

Although Oʻahu borrowers received the most funding with 72.6% of the total funding, the number of loans disseminated throughout the islands represented a relatively equitable distribution. In comparison to the Native Hawaiian population throughout the islands, Hawaiʻi Island, Kauaʻi, and Molokaʻi had slightly higher percentages of loans received than Native Hawaiians representation. Oʻahu received 5.3 percentage point fewer loans when compared to the island's Native Hawaiian population, the largest gap among all loans, as shown in Figure 3.

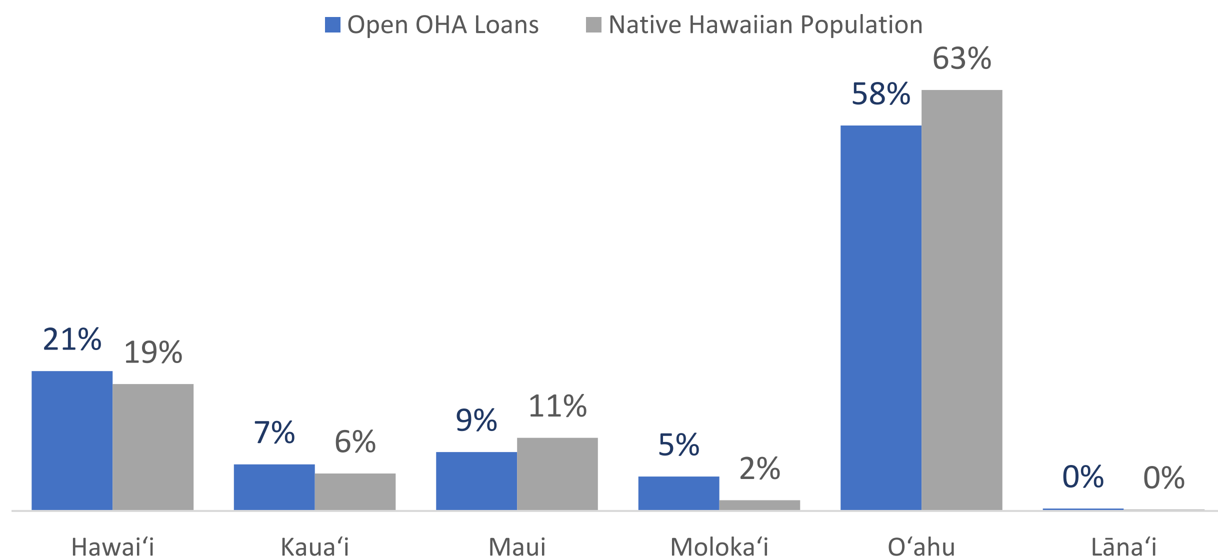

Figure 2. Comparison of open OHA loan distribution by island and Native Hawaiian population distribution by island.

Open loan borrowers with recorded debt to income ratio (DTI) (n=265) and credit scores (n=246) averaged a DTI of 35% and a credit score of 699. For comparison, in 2020, the national average DTI was 9% (Albright, 2020), with the average credit score in the U.S. at 711 (Stolba, 2020), indicating that OHA borrowers would have been deemed less creditworthy by traditional financial institutions.

As part of the NHRLF's fiscal year 2020 Business Plan, loan impact measures included borrower economic wellbeing, and preconditions to financial stability, such as credit scores; debt to income ratios;

homeownership; educational attainment; income; and wealth/net worth. To determine the impact the loans had in the lives of Native Hawaiian borrowers, data was requested on financial conditions and economic wellbeing for two separate points in time; Time 1, prior to the loan, and Time 2, in 2019. Data collected and analyzed between the two periods help illustrate the change over time in the lives of Native Hawaiian borrowers. In addition, due to the devastating effects of COVID-19 on Hawaiʻi's economy in 2020, the survey also requested information reflecting the current data as of November 2020 (Time 3) to determine how NHRLF borrowers were managing financially during the pandemic.

METHODOLOGY

Data Collection

The 2020 Annual Office of Hawaiian Affairs (OHA) Loan Borrower Survey was created and distributed using SurveyMonkey with responses collected using the online platform. An invitation to participate in the annual survey was emailed to a total of 244 open loan borrowers.

The survey had two major components. The first section asked general questions pertaining to the borrower's overall economic wellbeing, income, debt, wealth, housing, and employment. These questions asked borrowers to provide data for the three separate time periods: Time 1, the year before receiving the loan; Time 2, 2019; and Time 3, November 2020, during the COVID-19 pandemic. The second half of the survey focused on questions relating to the specific loan type the borrower received. Quantitative data and qualitative data were requested in each of the loan type specific sections.

Of the 244 borrowers that were sent the survey, a total of 157 responded, representing a response rate of 64.3%. Seventy-five percent of the borrowers that responded completed the entire survey (n=114). Despite the 74.5% completion rate, responses for loan specific questions were limited due to the expected breakout of borrowers who received those individual loan types. Consequently, nine responses were received for education loans, 49 for debt consolidation loans, 36 for home improvement loans, and 32 for business loans. Five of the 157 respondents had a combination of two different loan types received (e.g., education and debt consolidation). Four business loan borrowers received two separate business loans and provided information for each of their businesses separately. Throughout the report, data for all borrowers reflects unduplicated, unique individuals, and data for each loan type reflects all borrowers with that specific loan. Therefore, five borrower responses are considered under two different loan types.

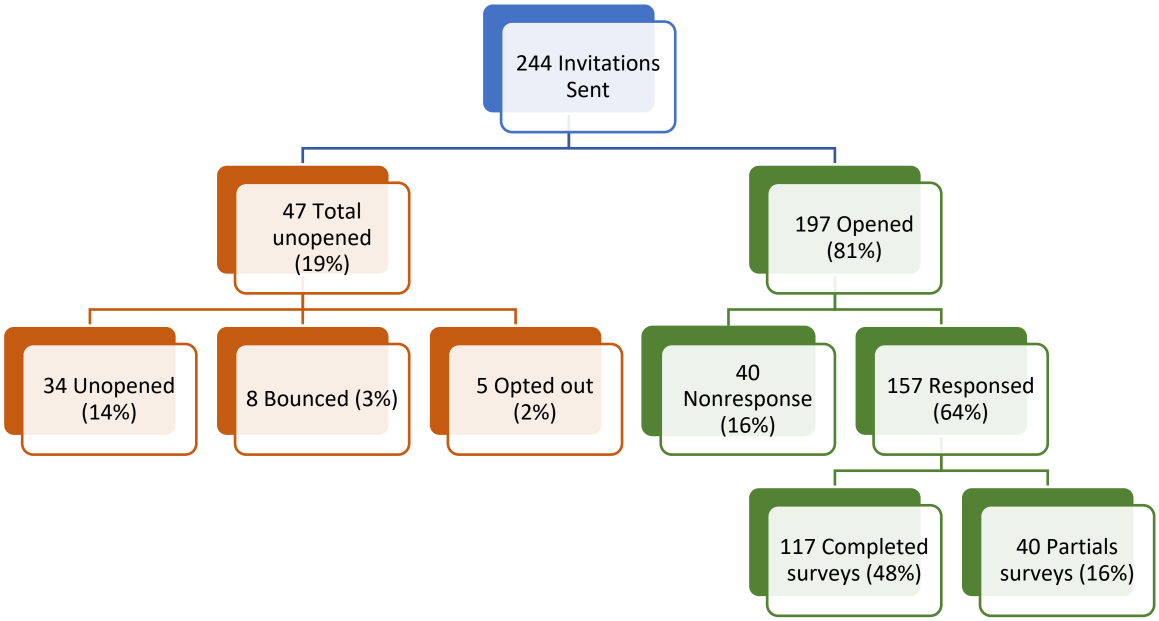

Figure 3. Annual OHA Loan Borrower Survey invitations and responses.

Quantitative Data Analysis

Quantitative data was pulled from SurveyMonkey and exported into Microsoft Excel (2010). The data was sorted, cleaned, and analyzed. Calculated data and analyses were then vetted by OHA's Research Department.

Key Findings

Economic Wellbeing

Economic wellbeing is generated through an individual's present and future financial security (Council on Social Work Education (CSWE), n.d.). CSWE further describes present financial security as the ability to manage day-to-day finances to meet basic needs such as housing, utility, food, and health care. Future financial security includes the ability to set aside emergency funds to reduce financial fragility.

Financial Management

The 2020 Annual Office of Hawaiian Affairs (OHA) Loan Borrower Survey asked borrowers about their own perception of their financial management status, as one indicator of change within their overall economic wellbeing.

Loan Impact - All Borrowers

When asked how they were managing financially prior to receiving the OHA loan, over half, 58.6%, of responding borrowers indicated that they were "doing okay" or "living comfortably" (n=85). Forty-one percent noted that they were "just getting by" or "finding it difficult to get by" (n=60). To determine what impact the loan may have had on the financial management of its borrowers, responses were collected for two time periods: Time 1) Before Loan and; Time 2) 2019.

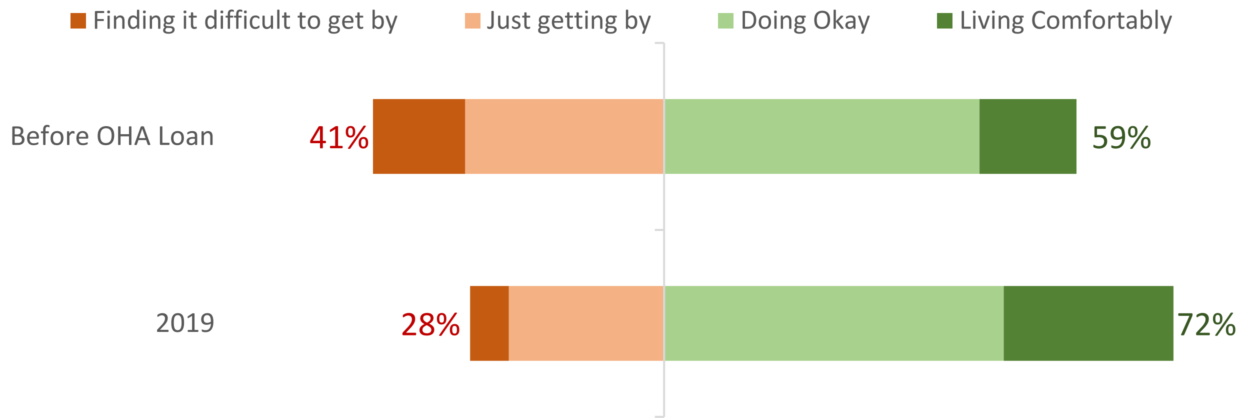

Figure 4. OHA borrower perception of their financial management before the loan and in 2019.
Note. Denominator reflects the total respondents who provided an answer for both time periods (n=145).

As shown in Figure 4, 2019 saw a noteworthy increase, from 58.6% (n=85) to 72.4% (n=105), of borrowers who reported positively that they were "doing okay" or "living comfortably." There was also a corresponding decrease in borrowers who reported to be struggling. The increase in borrowers reporting positive financial management in 2019 represents a 23.5% change.

Loan Impact - Loan Types

OHA borrowers of each loan product type improved upon their financial management from before receiving an OHA loan to 2019.

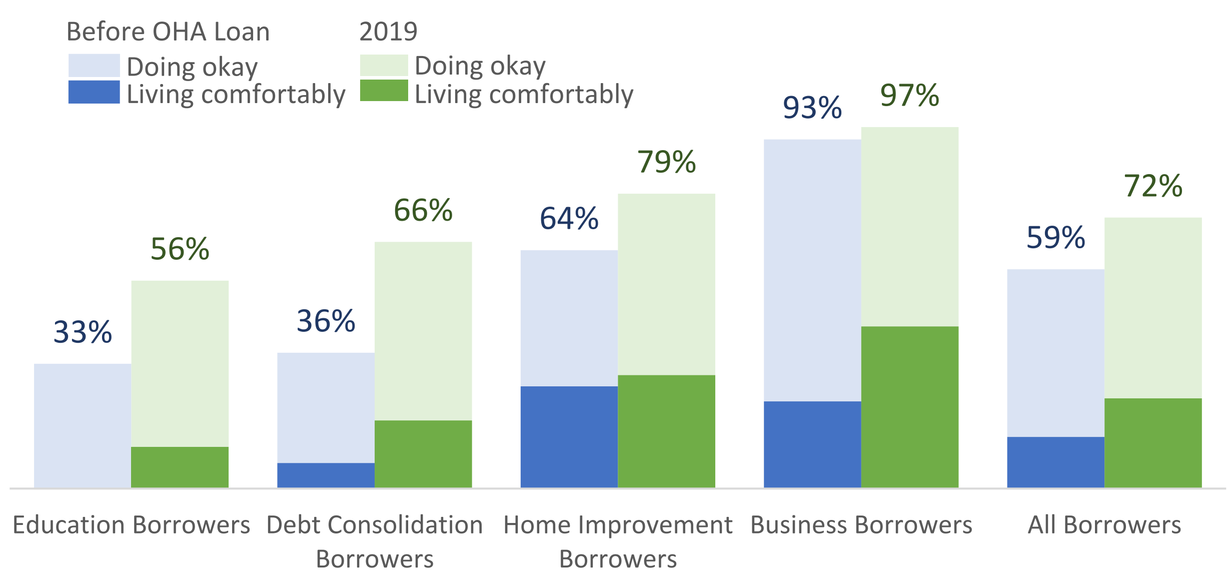

Figure 5. OHA borrower perception of their financial management before the loan and in 2019, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=145).

Larger percentages of home improvement and business borrowers reported positive financial management before the loan and, thus, demonstrated smaller increases by 2019. As shown in Figure 5, however, the number off business borrowers who indicated they were "living comfortably" before the loan (n=7) nearly doubled by 2019 (n=13), perhaps reflecting improving business prosperity.

Smaller percentages of education and debt consolidation borrowers reported positive financial management before the loan. By 2019, these percentages represented the largest increases of 66.7% (n=2) and 81.3% (n=13), respectively.

COVID-19 Impact

Due to the COVID-19 pandemic and the resulting disruption in economic activity in the State of Hawaiʻi, starting in March 2020 and continuing through the period of the evaluation, data was also collected to understand the finanical impact of the COVID-19 pandemic in Native Hawaiian borrowers' lives. As depicted in Figure 6, the pandemic largely derailed any notable gains in borrower financial management made over the course of the loan period (before the loan to 2019).

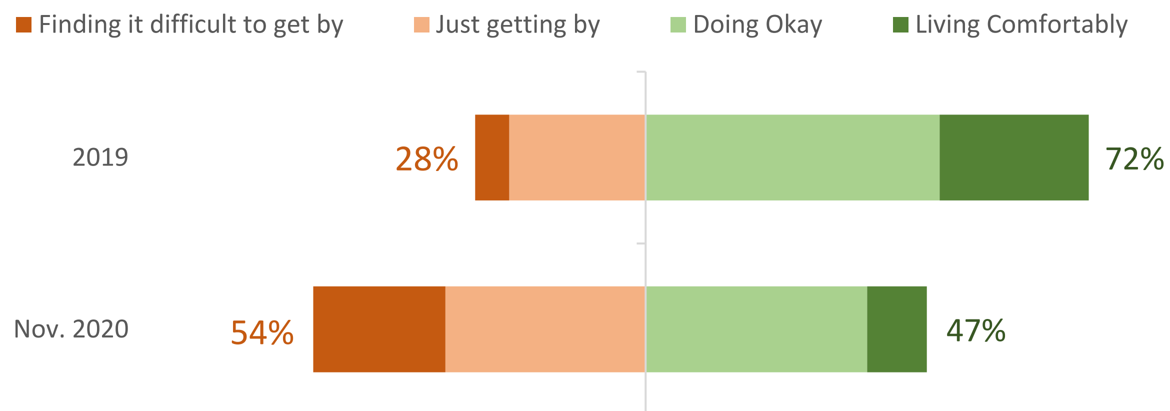

Figure 6. OHA borrower perception of their financial management in 2019 and as of November 2020.
Note. Denominator reflects the total respondents who provided an answer for both time periods (n=144).

Data shows a 287.5% increase the number of borrowers who found it "difficult to get by" financially during the pandemic (n=31) compared with 2019 (n=8). There was also a 60.0% decline in those who were "living comfortably" from 2019 (n=35) to November 2020 (n=14), indicating increased financial hardship because of the pandemic.

Economic Fragility

According to the Report on the Economic Well-Being of U.S. Households "A key consideration regarding household finances and overall economic well-being is the ability to withstand financial disruptions" (Federal Reserve Board, 2017, p. 1). Being prepared for both large and small emergencies enable households to ease or avoid hardship. It is typically recommended that three to six months of expenses are saved in the event of a financial emergency.

Loan Impact - All Borrowers

The Annual OHA Loan Borrower Survey asked borrowers if they set aside emergency or rainy day funds to cover expenses for three months in case of sickness, job loss, economic downturn, or other emergencies.

Prior to obtaining an OHA loan, a total of 33.6% (n=51) of all responding borrowers indicated they had funds set aside for emergencies, covering three months of expenses. In 2019, 46.7% (n=71) of borrowers stated they had saved money for rainy day expenses.

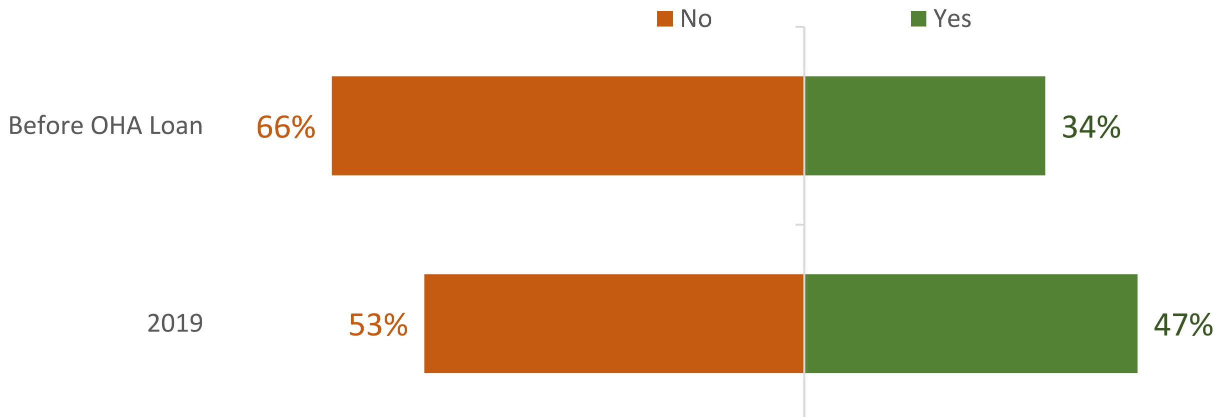

Figure 7. OHA borrower with emergency funds set aside before the OHA loan and in 2019.
Note. Denominator reflects the total respondents who provided an answer for both time periods (n=152).

Therefore, over the period of the loan, there was a 13.1 percentage point increase in borrowers who saved for rainy day expenses. Correspondingly, the number of borrowers who indicated they did not have emergency funding set aside decreased by the same amount.

Loan Impact - Loan Types

Within each loan type the number of borrowers who were able to save for an emergency increased from before the OHA loan to 2019.

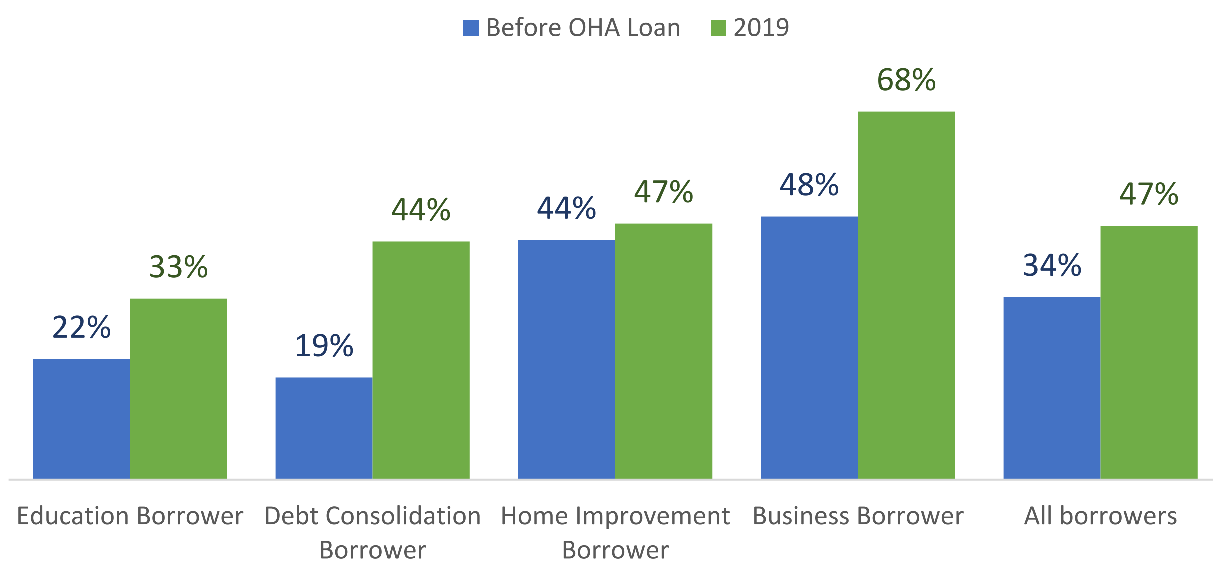

Figure 8. OHA borrower with emergency funds set aside before the loan and in 2019, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=152).

Debt consolidation borrowers saw the largest increase in ability to set aside emergency funds over any other loan type. As depicted in Figure 8, 25.0% of debt consolidation borrowers (n=12), and 11.1% of education borrowers (n=1) were able to improve their ability to save . Again, a larger percent of home improvement and business borrowers had savings prior to the loan. In this case, however, 19.4% of business borrowers were able to improve their savings (n=6), while only 2.9% of home improvement borrowers were able to do the same (n=1). Due to the purpose of the loan, it can be assumed that the savings of the home improvement borrowers would have been spent on the home improvement itself during this period.

COVID Impact - All Borrowers

As was the case in the financial management findings, the COVID-19 pandemic reversed the improvements to financial fragility made by borrowers over the duration of the loan. Figure 9 illustrates the 2019 responses (Time 2) verses current situation as of November 2020 (Time 3).

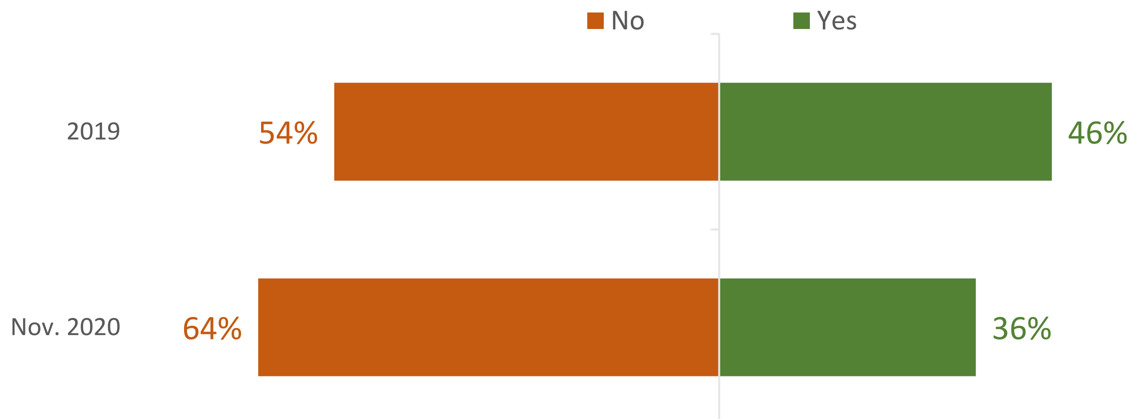

Figure 9. OHA borrower with emergency funds set aside in 2019 and as of November 2020.
Note. Denominator reflects the total respondents who provided an answer for both time periods (n=151).

As shown in Figure 9, there was a 10.6 percentage point decrease in borrowers who stated they had emergency funds saved from Time 2 (n=70) to Time 3 (n=54). This decline suggests that borrowers who were able to save during the loan impact had to utilize those savings due to the COVID-19 crisis.

Preconditions to Financial Stability

Debt to Income Ratio

Lenders determine a borrower's credit worthiness by calculating the individual's monthly debt payments and dividing it by the gross monthly income, resulting in the debt-to-income ratio (DTI) (Consumer Finance Protection Bureau (CFPB), 2019). The higher the DTI, the more likely that a borrower will be unable to make payments and is, therefore, a risk to lenders. According to CFPB, a "43 percent debt-to-income ratio is important because, in most cases, that is the highest ratio a borrower can have and still get a qualified mortgage."

Loan Impact - All Borrowers

Using data provided in the survey, borrower's individual monthly income, and individual monthly debt payments due, the DTI was calculated. Prior to receiving an OHA loan, the median DTI for OHA borrowers was 53.5%. In 2019, the median decreased to 46.0%, representing a change of 14.0%. While this decrease demonstrated positive movement, the median DTI of OHA borrowers remained above the recommended 43%.

Loan Impact - Loan Types

In reviewing the DTI across the various loan types, all but one group improved their average.

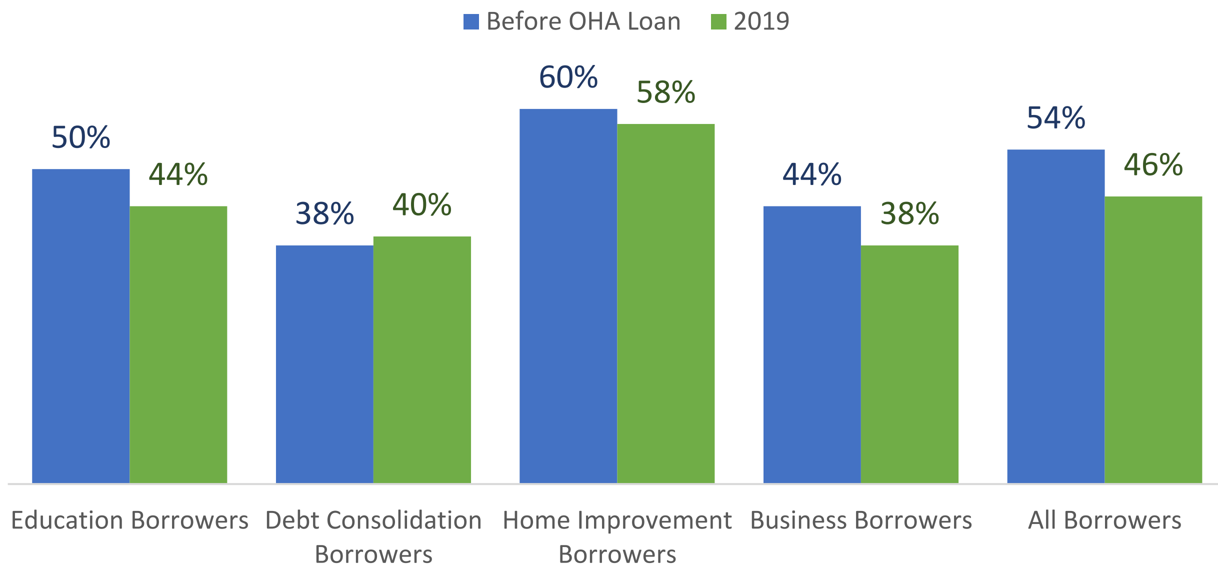

Figure 10. Median OHA borrower Debt-to-Income ratio before the loan and in 2019, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=152).

Figure 10 shows that, although business borrowers had a lower median DTI than education and home improvement borrowers before the loan (44.4%), this group still demonstrated the greatest improvement, decreasing the median by 14.1%. Education borrowers also show a marked 11.8% decrease in median from Time 1 to Time 2. Home improvement borrowers started with the highest median DTI, and showed a more minimal decrease of 4.0%, perhaps reflecting that homeowners would have seen few changes in their housing-related monthly payments. Debt consolidation borrowers actually increased their median DTI by 3.7% over the period of the loan, even though they started with the lowest DTI of all loan types.

COVID-19 Impact

The COVID-19 global pandemic also seems to have impacted borrowers' average DTI. Thus, the gains made during loan period were reversed.

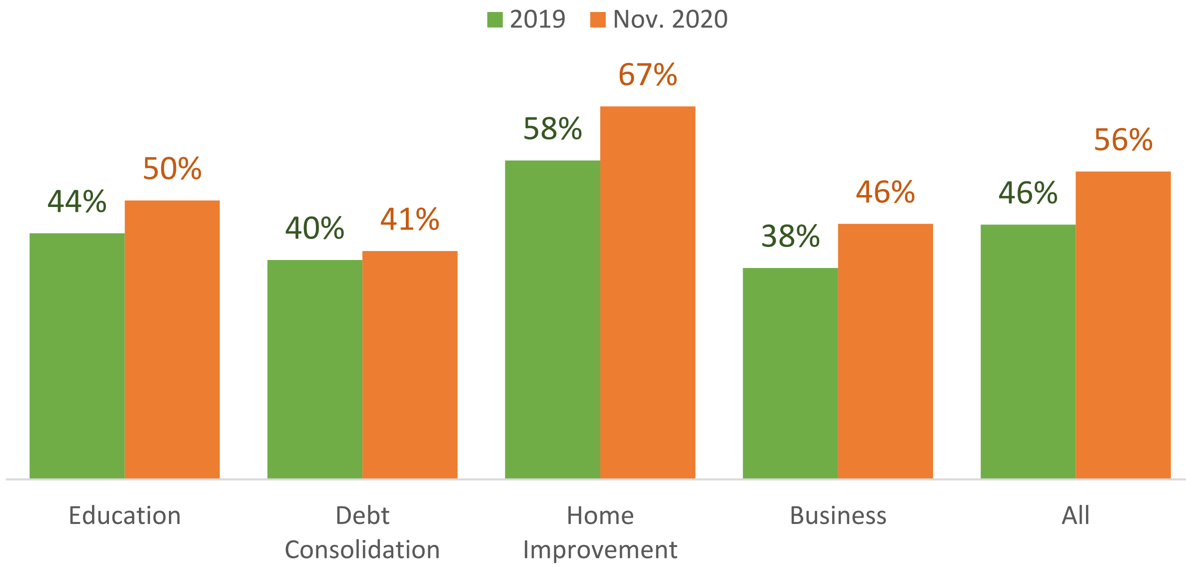

Figure 11. Median OHA borrower Debt-to-Income ratio in 2019 and as of November 2020, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=94).

As shown in Figure 11, OHA borrowers' median DTI during the COVID-19 crisis increased to 55.6% resulting in a 20.9% change from 2019. Increases were seen across borrowers of all loan types, reflecting borrowers of all loan types are experiencing either a decrease in monthly income, are being forced to increase their debt, or both.

Credit Score

An individual's credit score is calculated by incorporating factors such as payment history, unresolved balances, length of credit history, types of credit accounts, and applications for new credit. A person's credit score rates their overall credit risk as seen by lenders. The higher the credit score, the more likely a borrower is to obtain future loans and increase access to better loan products and rates (USA.Gov, n.d.).

Loan Impact - All Borrowers

Borrowers were asked to provide their credit score from before obtaining a loan, in 2019, and as of November 2020. If borrowers did not know their credit score, three websites (AnnualCreditReport.com, CreditKarma.com, and Creditsesame.com) were suggested to obtain a free, current credit report.

For the purpose of this evaluation, fair was ranked between 551-650, good ranged from 651-750, very good from 751-799, with 800 and up considered excellent.

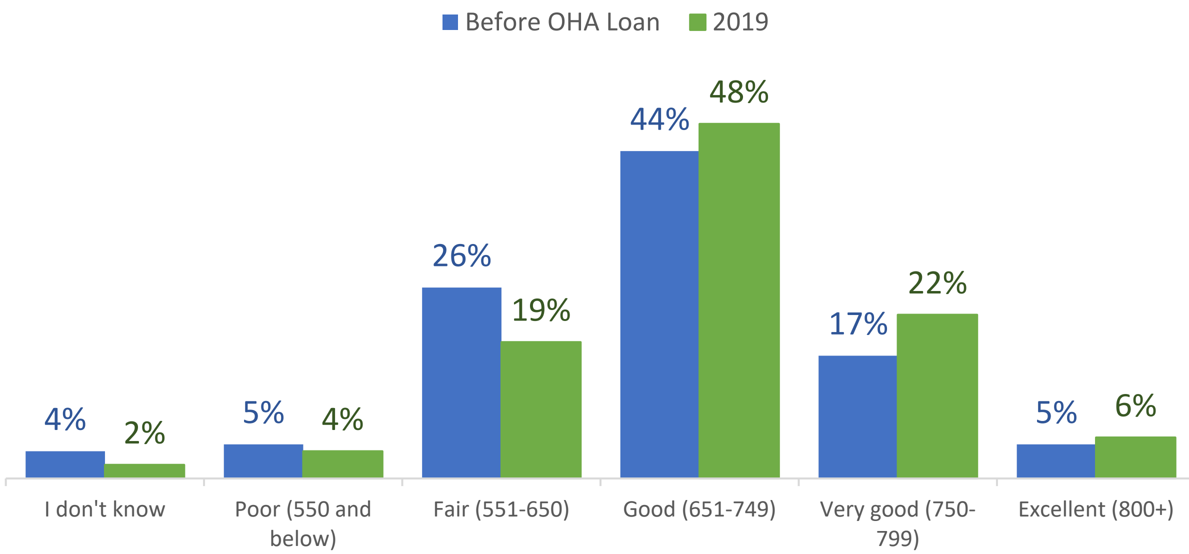

Figure 12. OHA borrowers' credit scores, before the OHA loan and in 2019.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=108).

Before receiving an OHA loan, the largest portion of borrowers had a "good" credit score rating between 651-749 (n=48). A credit score between 601-650, qualifying as "fair," comprised the second largest group of borrowers. Figure 12 shows that borrowers were able to improve their credit scores in 2019, with a 7.4 percentage point decrease in the fair category, while borrowers with good credit scores increased by 3.7 percentage points, very good credit scores increased by 5.6 percentage points, and excellent credit scores by 1.0 percentage point.

Loan Impact - Loan Types

During the loan period there was an overall positive effect on borrowers' credit ratings with borrowers increasing their credit scores and, therefore, increasing their access to capital and credit.

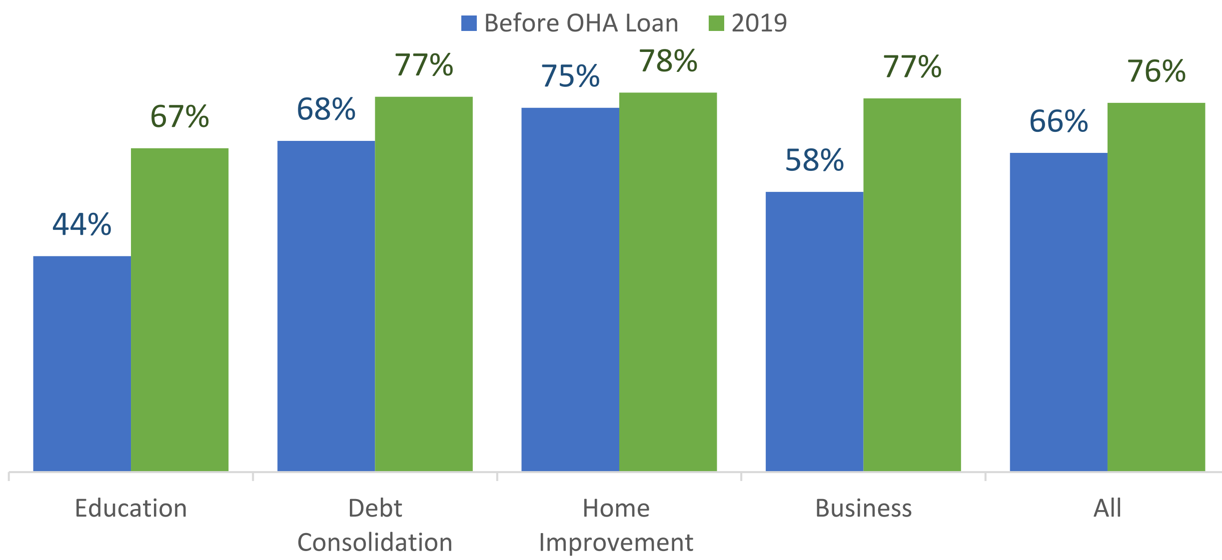

Figure 13. OHA borrowers with good (651-750), very good (751-799), and excellent (800 and up) credit scores before the OHA loan and in 2019, by loan type.

Note. Denominators reflect the total respondents who provided an answer for both time periods (n=108).

Education borrowers made the greatest improvement in the percentage of borrowers with a credit score above 650, increasing by 22.2 percentage points (n=3). The greatest percentage of borrowers with good to excellent credit scores before the loan were home improvement borrowers. These borrowers also showed the smallest improvement of 3.0 percentage point (n=1).

COVID-19 Impact

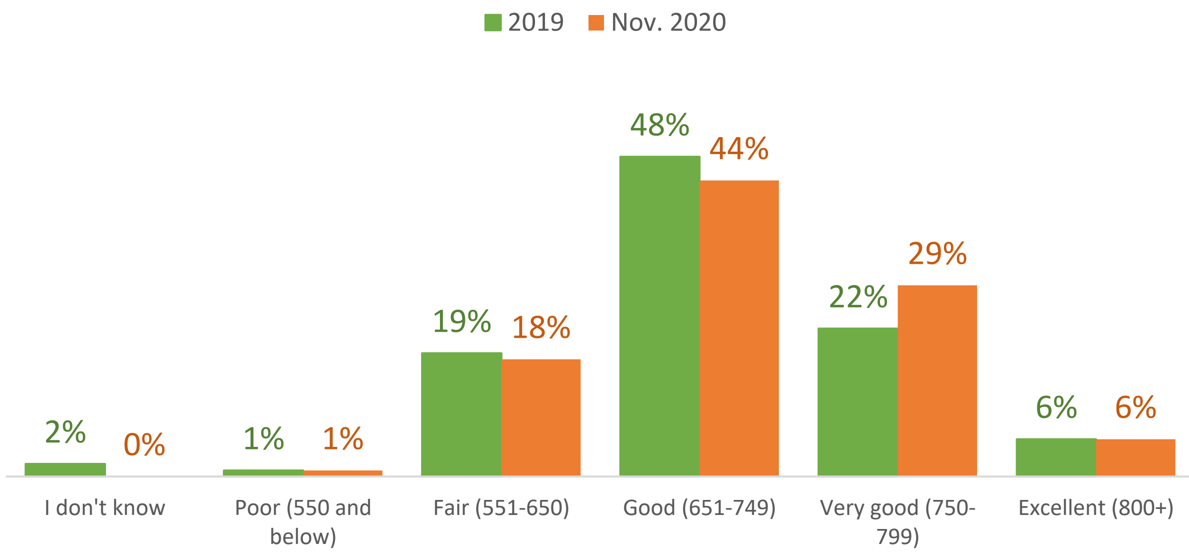

Figure 14. OHA borrowers' credit scores in 2019 and as of November 2020.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=108).

Despite the pandemic, there was a 6.9 percentage point increase in borrowers with very good credit ratings (n=7) and a 3.7 percentage point decrease in those reporting a fair credit score (n=4), as shown in Figure 14.

Income

Income represents the funds a person, family, or household receives. These funds can be accrued through a multitude of sources including employment earnings (wages, salaries, and self-employment income), Social Security, unemployment compensation, pensions, rent, royalties, estate, etc. Income, according to the Federal Reserve Board (n.d.) allows "the ability to meet current expenses and save for the future typically depends on income being sufficient and reliable."

Employment

According to the U.S. Census (n.d.), employment is comprised of full and part-time paid workers who remain on the payroll. Being employed is an important aspect in obtaining economic wellbeing as well as contributing to economic growth. (Capozzi, 2019).

Loan Impact - All Borrowers

To understand changes in employment of OHA loan recipients, borrowers were asked to categorize their employment status.

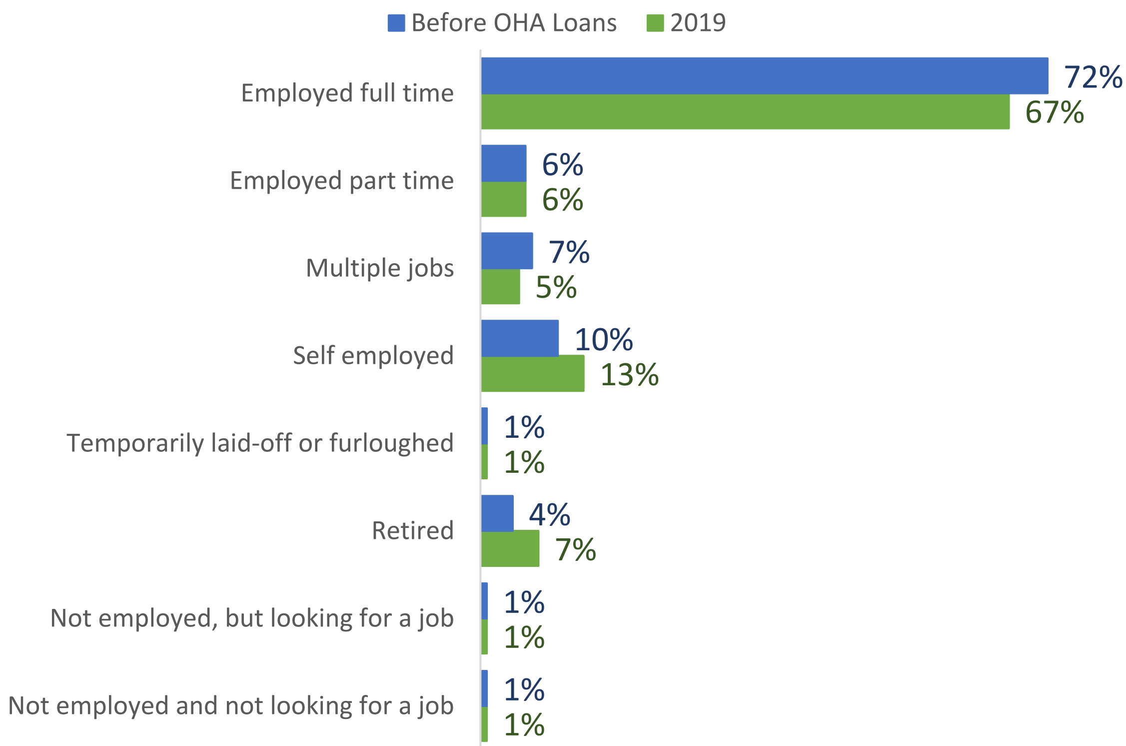

Figure 15. OHA borrowers' employment status before the OHA loan and in 2019.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=123).

Before the loan, 71.5% of OHA borrowers held full-time employment (n=88), which decrease to 66.7% in 2019 (n=82). Part-time employment, those who were temporarily laid-off or furloughed, and those not employed (looking for a job and not looking for a job), remained the same during the loan period. Ten percent (n=12) of borrowers were self-employment before the loan which increased (n=4) to 13.0% (n=16) in 2019. Borrowers in retirement also increased from Time 1 (n=5) to Time 2 (n=9) by 80.0%.

Loan Impact - Loan Types

Analysis of employment status showed steady employment within each loan type though the period prior to receiving an OHA loan and 2019.

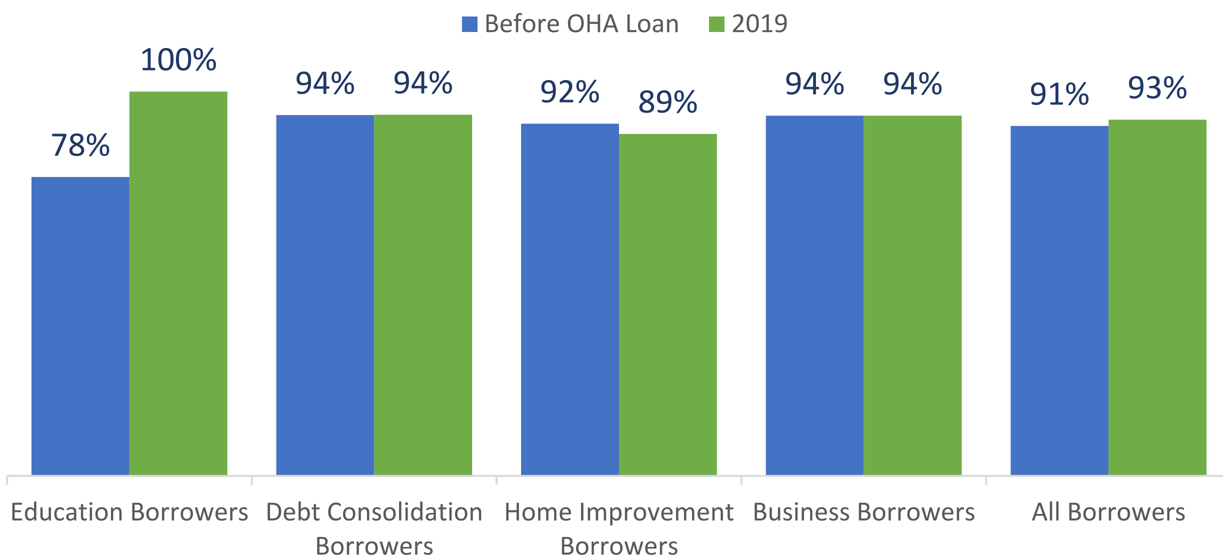

Figure 16. OHA borrowers employed full-time, part-time, self-employed, or retired, before the OHA loan and in 2019, by loan type.

Note. Denominators reflect the total respondents who provided an answer for both time periods (n=108).

When employment was assessed across loan types, only slight changes from Time 1 to Time 2 could be detected. Education borrowers experienced a slight improvement with one borrower moving into employment by 2019. Home improvement borrowers indicated a minor setback with one borrower being temporarily laid-off by 2019. Debt consolidation and business borrowers maintained steady employment throughout Time 1 and Time 2.

COVID-19 Impact

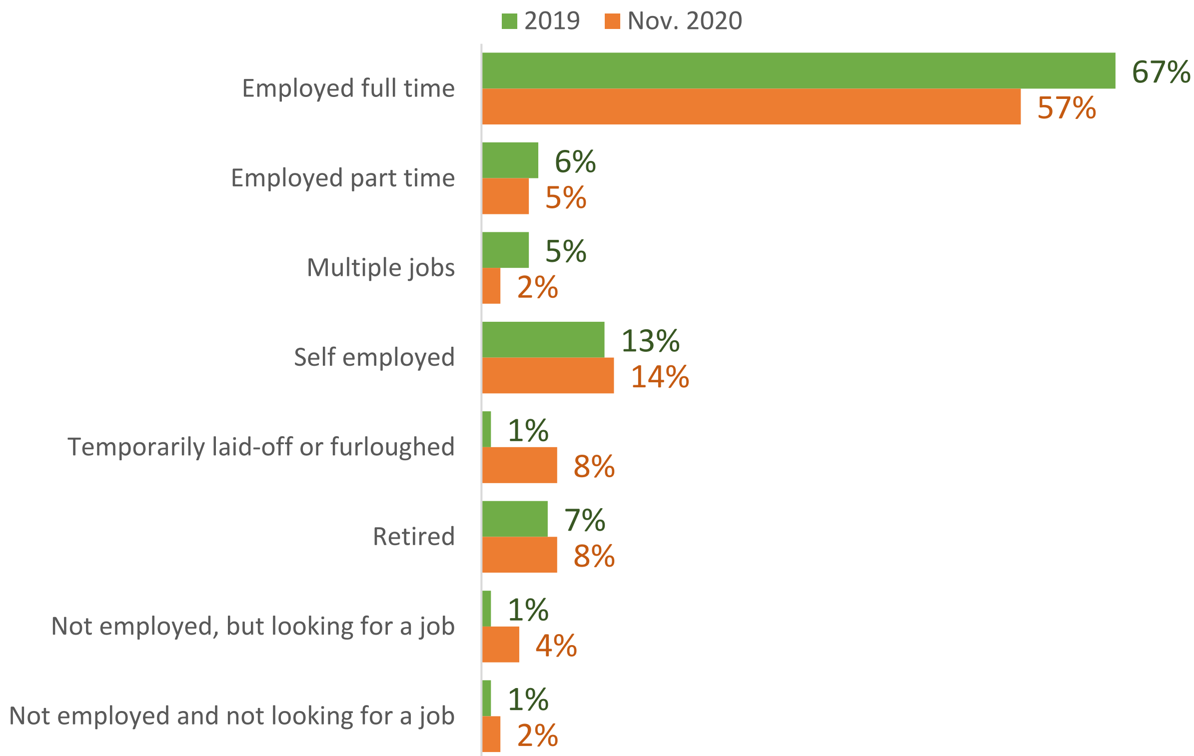

Figure 17. OHA borrowers' employment status in 2019 and as of November 2020.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=123).

The results from the COVID-19 pandemic period indicated a sizeable impact on the employment status of Native Hawaiian borrowers. Borrowers who were temporarily laid-off in 2019 (n=1) increased by 7 percentage points by November 2020 (n=9). In 2019, 2% of borrowers were not employed (one looking and one not looking). By November 2020, unemployment increased to 5.7% in as a result of the COVID-19 pandemic (n=5).

Individual Income (monthly)

Loan Impact - All Borrowers

Borrowers were also asked to provide their individual gross monthly income. Income examples provided in the survey included wage or salary income, self-employment income, interest, rental income, social security, or public assistance payments, retirement, etc. that they received monthly.

Prior to receiving an OHA loan, the mean monthly gross income for borrowers was $5,271 By 2019, this average increased by 11.2% ($591) to $5,862. Additionally, 46.7% of all borrowers increased their individual monthly income during this time period (n=49).

Loan Impact - Loan Types

Borrowers of all loan types improved upon their average individual monthly income.

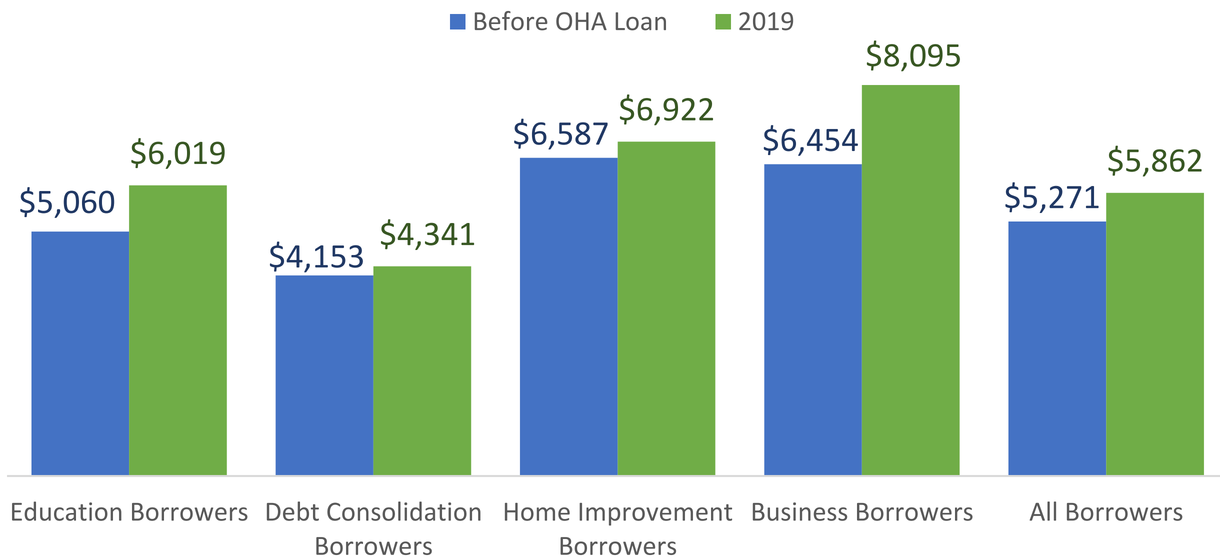

Figure 18. OHA borrowers' average individual monthly income before the OHA loan and in 2019, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=105).

Business loan borrowers showed the greatest increase in average individual income moving from $6,454 before receiving the loan to $8,095 in 2019, representing a 25.4% change. Education loan borrowers saw a sizable 11.2% increase in their average individual monthly income (n=$960). Debt consolidation and home improvement loan borrowers saw only slight improvements in their income of 4.5% and 2.1% respectively. This distribution of change was consistent with purpose of the loans, as business and education loans are specifically tailored to increase the earning potential of the borrower, while home improvement and debt consolidation loans target other elements of financial stability and wellbeing.

COVID-19 Impact

COVID-19 dramatically affected the average individual monthly income of OHA borrowers.

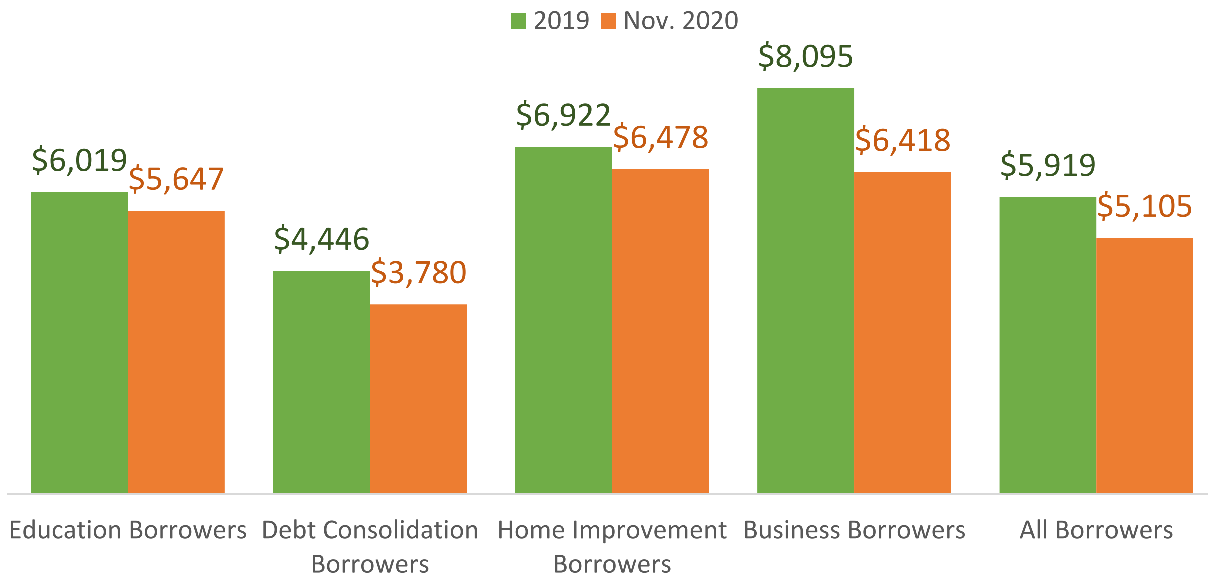

Figure 19. OHA borrowers' average individual monthly income in 2019 and as of November 2020, by loan type.

Note. Denominators reflect the total respondents who provided an answer for both time periods (n=104).

Figure 19 shows that borrowers' mean individual income decreased an average of $814 per month or 13.7%. Thus, dropping the average individual monthly income of borrowers to $5,105; below the recorded pre-loan amount of $5,271. Although, decreases were seen across borrowers of all loan types, the largest losses were among business (20.7%) and debt consolidation borrowers (15.0%).

Household Income (annual)

The U.S. Census Bureau (n.d.) defines income as "income received on a regular basis (exclusive of certain money receipts such as capital gains and lump-sum payments) before payments for personal income taxes, social security, union dues, Medicare deductions, etc.". They further clarify that household income is the combined income of all individuals who share a housing unit above the age of 15.

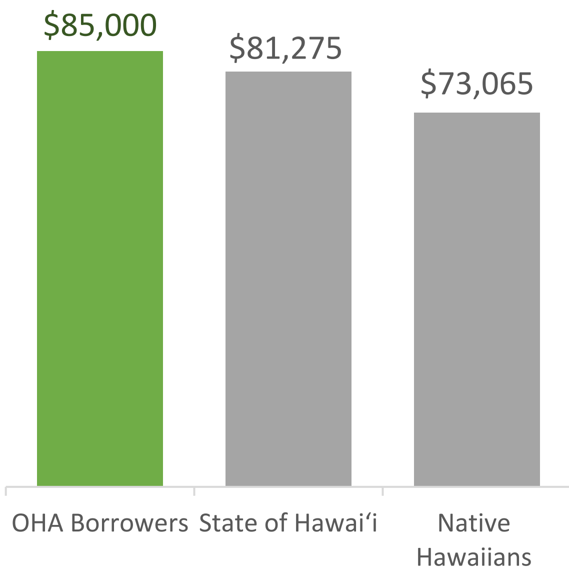

Figure 20. 2019 median household annual income comparison of OHA borrowers to State of Hawaiʻi, and Native Hawaiians in Hawaiʻi.

Note. State of Hawaiʻi income data obtained from the U.S. Census Bureau, 2019: ACS 5-Year Estimates Data Profiles. Native Hawaiian household income obtained from the Office of Hawaiian Affairs' Native Hawaiian Data Book: Native Hawaiian Household Income by Selected Characteristics in the United States, and Hawaiʻi: 2010-2019 (table. INC-01)

Responding OHA borrowers had a median household gross annual income of $85,000 in 2019. As detailed in Figure 20, median household income of OHA borrowers exceeded the median household income of the State of Hawaiʻi and Native Hawaiians in Hawaiʻi. Median household income of OHA borrowers surpassed the state norms by more than 4.3%, and surpassed other Native Hawaiians in the state by 14.0%.

Loan Impact - All Borrowers

As with individual monthly income, the mean household annual income of borrowers also increased. On average, OHA borrowers' household gross annual income grew by 8.3% ($8,334) from $100,271 in Time 1 to $108,605 in Time 2. Additionally, 46.8% of all borrowers increased their household annual income during this period (n=52).

Loan Impact - Loan Types

Borrowers across all loan types bettered their mean household gross annual income during the loan period.

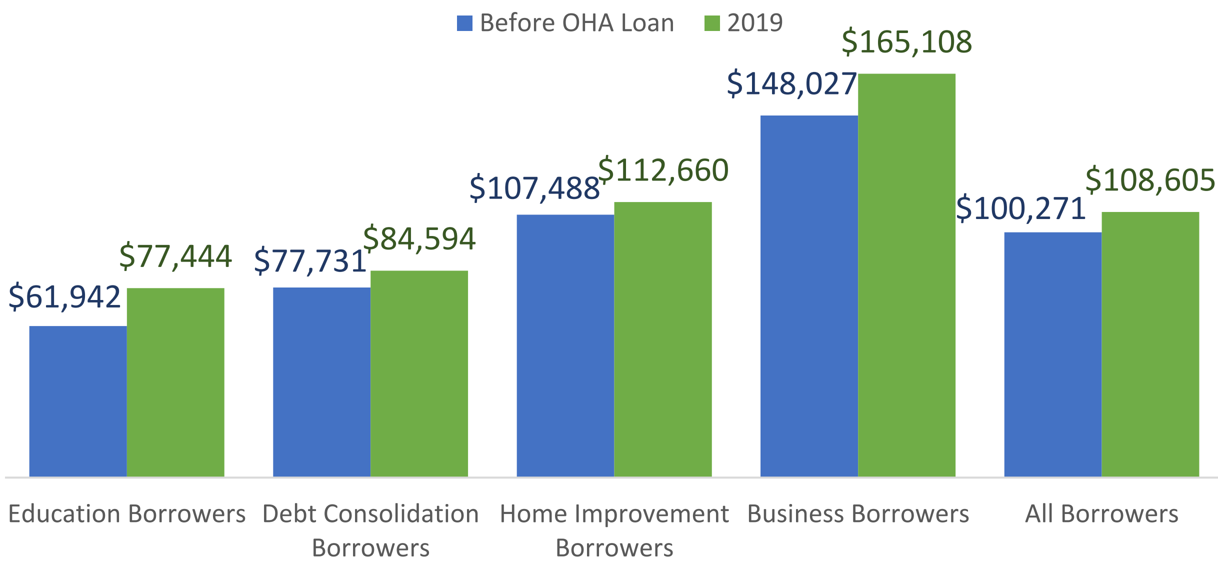

Figure 21. OHA borrowers' mean household gross annual income before the loan and in 2019, by loan type.

Note. Denominators reflect the total respondents who provided an answer for both time periods (n=111).

Education loan borrowers made vast gains with an average household annual increase of $15,502, representing the highest percentage (25.0%) among all loan types. And business borrowers had the greatest financial increase to the mean household annual gross income with a $17,081 annual increase, representing a 11.5% change. Again, these differences were anticipated due to the specific focus of education and business loans on increasing Native Hawaiian earning potential. Home improvement borrowers had the smallest growth with a $5,172 annual household increase, representing a 4.8% change. Debt consolidation borrowers grew their household income by an average of $6,863 annually, representing an 8.8% change.

COVID-19 Impact

OHA borrowers' household income was drastically affected by the COVID-19 pandemic.

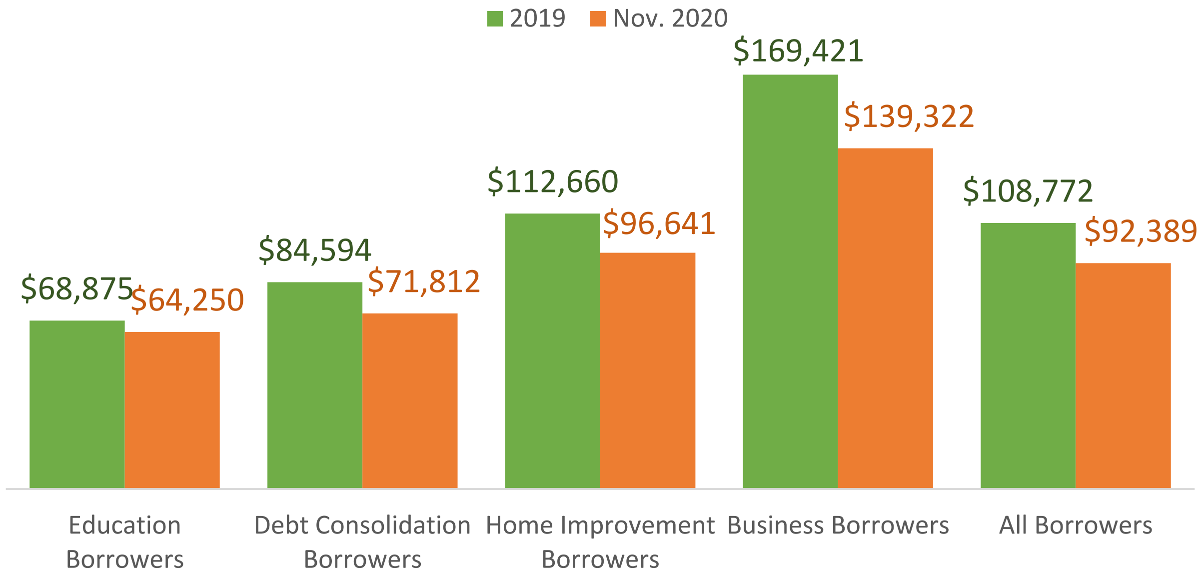

Figure 22. OHA borrowers' mean household gross annual income, in 2019 and as of November 2020, by loan type.

Note. Denominators reflect the total respondents who provided an answer for both time periods (n=109).

Data shown in Figure 22 reveals a 15.1% decline in borrowers' mean household gross annual income, dropping from $108,772 in 2019 to $92,389 as of November 2020. The pandemic reduced the average household annual income of borrowers to $92,389, below the pre-loan average. Again, decreases were seen across borrowers of all loan types, but the largest losses were among business loan (17.8%) and debt consolidation borrowers (15.1%).

Housing

According to the U.S. Census, although money can provide access to a variety of goods and services common to modern life, financial resources alone cannot provide an overall picture of economic wellbeing (U.S. Census Bureau, 2013). As a result, the U.S. Census Bureau collects information on other measures asking householders questions from broad domains of wellbeing. The 2020 Annual OHA Loan Borrower Survey applied the domain of housing conditions as an indicator of borrowers' economic wellbeing.

Housing Conditions

The survey included questions to determine housing tenure (own, lease, rent, etc.), housing size, housing quality, and the percentage of monthly household income spent on housing costs. These questions asked borrowers to provide their housing information for the three separate time periods before the loan (Time 1), 2019 (Time 2), and as of November 2020 (Time 3). By providing information at these time intervals, analyses were conducted to determine the likely impact of the loan and of the COVID-19 pandemic.

Of those who responded to the housing size item, 15 were living alone (9.0%), 68 had a household size of four or less (41.0%), 24 were living in a household size of between 5-7 (20.6%), and 10 had eight or more in their households (8.7%). Of the 10 living with eight or more family members, three had a household size of 10 people and one had a household size of 12.

Loan Impact - All Borrowers

To measure changes in the housing tenure of borrowers, six options were provided: 1. own – fee simple, 2. own – leasehold, 3. own – leasehold Hawaiian Home Lands, 4. rent, 5. live with friends or family, or 6. other.

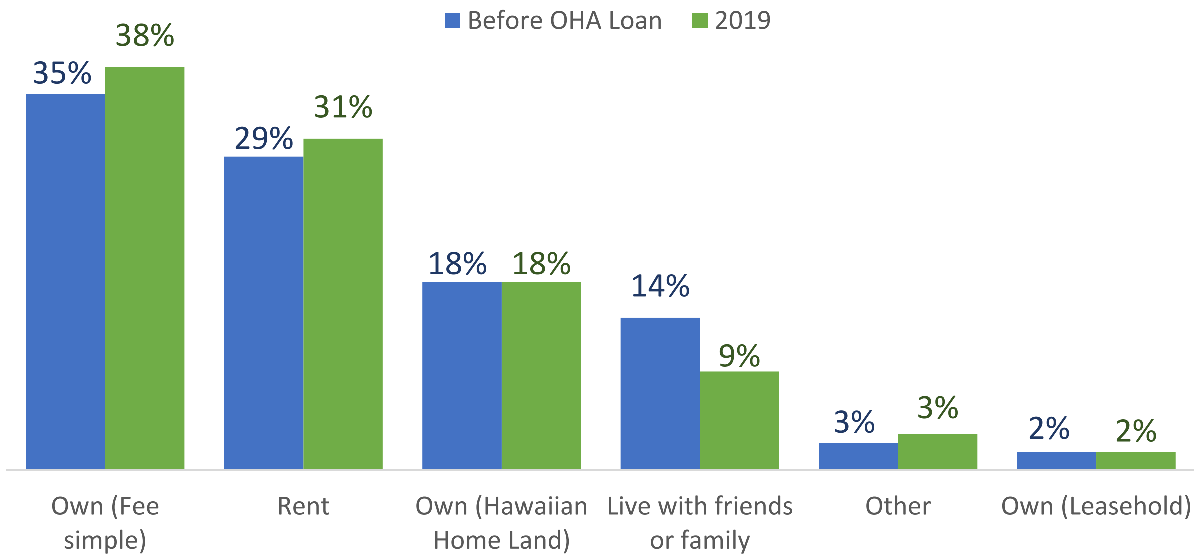

Figure 23 OHA borrowers' housing tenure before OHA loan and in 2019.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=120).

Prior to obtaining the loan, over half (54.2%) owned a home, either as fee simple or leasehold on or off Hawaiian Home Lands (n=65). That percentage increased slightly by 2019 to 56.7% (n=68). Figure 23 illustrates the 2.5 percentage point increase in homeownership and a 1.7 percentage point increase in rentals. During the same period, the percentage of borrowers who reported living with friends or family decreased by 5.0 percentage points. The percent of borrowers who selected "other" remained consistent.

Loan Impact - Loan Types

Housing conditions for the borrowers of various loan types saw a mixture of results between Time 1 and Time 2.

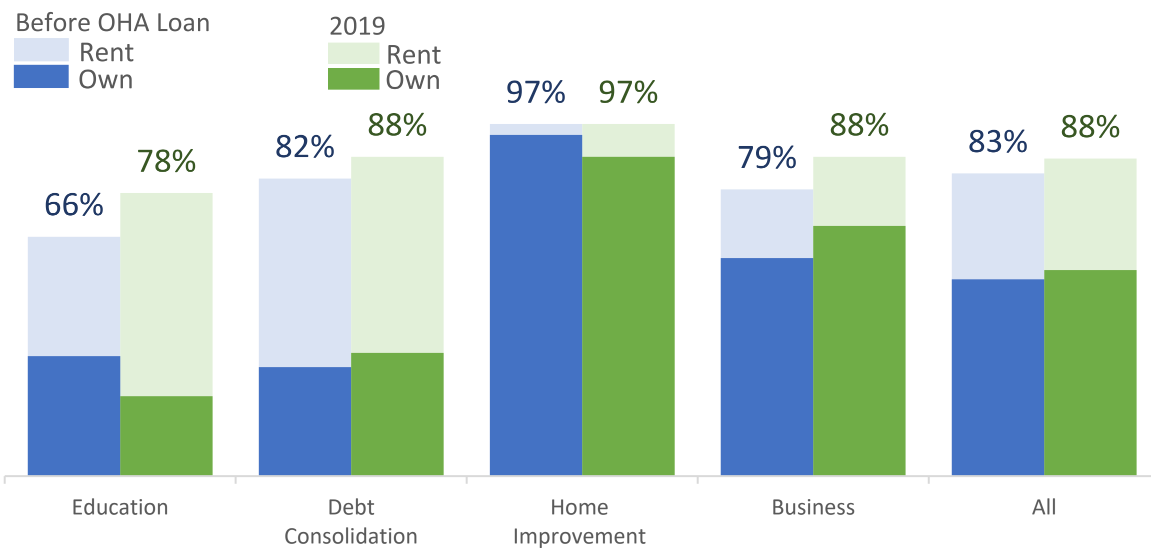

Figure 24 OHA borrowers' homeownership and rental status, before the loan and in 2019, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=120).

Debt consolidation and business borrowers had slight positive shifts in housing conditions. Debt consolidation borrowers saw a 4.2 percentage point (n=2) increase in the number of borrowers moving into a home, while business borrowers had 9.4 percentage point (n=3) of its borrowers gaining homeownership. Conversely, two home improvement borrowers reported moving from fee-simple home ownership to renting, while one education borrower moved out of fee-simple home ownership.

COVID-19 Impact

Despite COVID-19, some borrowers were able to improve their housing condition and even obtain homeownership.

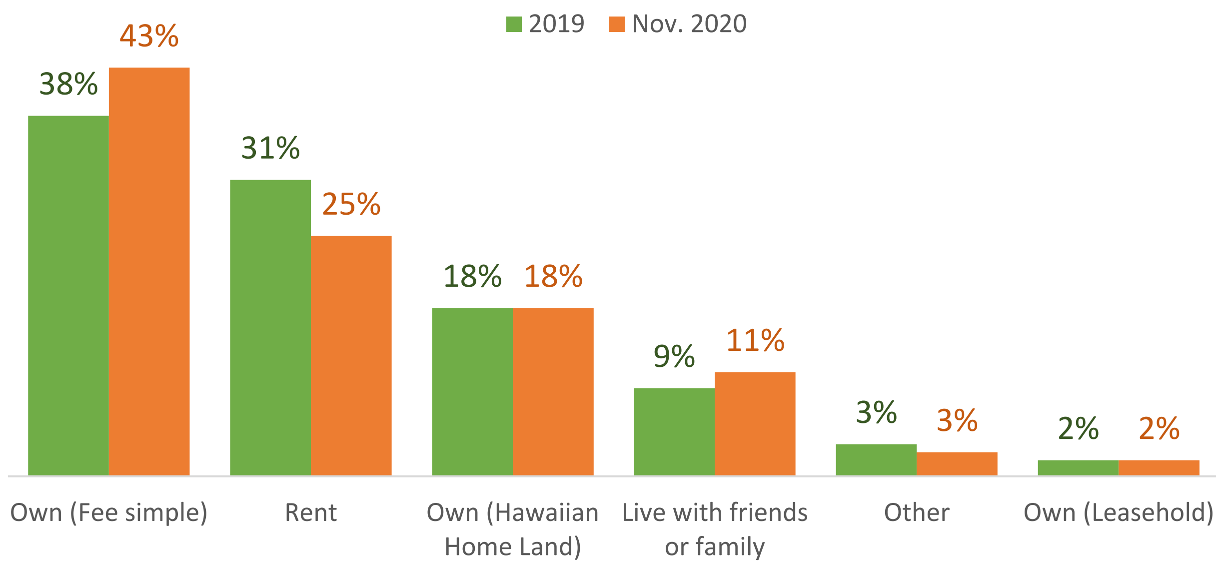

Figure 25. OHA borrowers' housing tenure in 2019 and as of November 2020.
Note: Denominators reflect the total respondents who provided an answer for both time periods (n=120).

Surprisingly, Figure 25 shows a 5.0 percentage point increase in homeownership from 2019 to November 2020 (n=6). The percent of borrowers living with family and friends, however, also increased by 1.7 percentage point (n=2) as a result of one borrower moving out of "renting" and one moving out of "other." These results indicate that some borrowers may have been able to take advantage of low-interest rates to purchase a home, while other may have lost housing as a result of reduced income due to the COVID-19 crisis.

Housing Quality

According to Healthy People 2020 (n.d., p.1) "Housing quality refers to the physical condition of a person's home as well as the quality of the social and physical environment in which the home is located." Housing quality and home safety can be determined by the age, design and maintenance of the home, and includes such things as space per individual, and the presence of lead or mold. Borrowers were asked to rate their overall housing quality by considering elements such as adequate space for family/household, condition of the house, cost, and location.

Loan Impact - All Borrowers

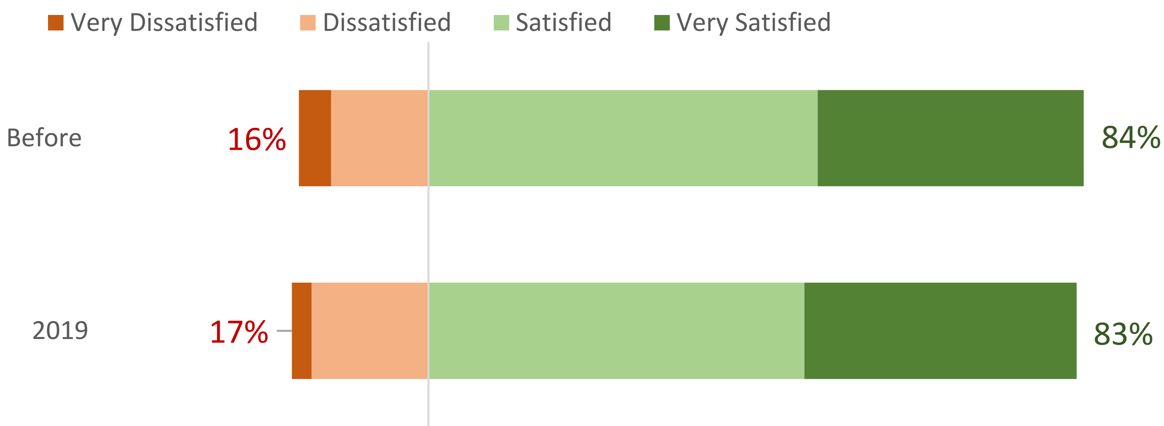

Figure 26. OHA borrowers' housing quality satisfaction rating before OHA loan and in 2019.
Note. Denominator reflects the total respondents who provided an answer for both time periods (n=121).

Between Time 1 and Time 2, there was no notable change in the percent of borrowers indicating satisfaction or dissatisfaction with their housing quality, with 83.5% of borrowers indicating being satisfied or very satisfied before the loan (n=101) and 82.6% in 2019 (n=100). Figure 26 shows the consistent housing quality ranking amongst loan borrowers with minimal difference during the loan period.

Loan Impact - Loan Types

When looking across loan types, minimal changes were seen in the overall quality of borrowers' housing during the loan period.

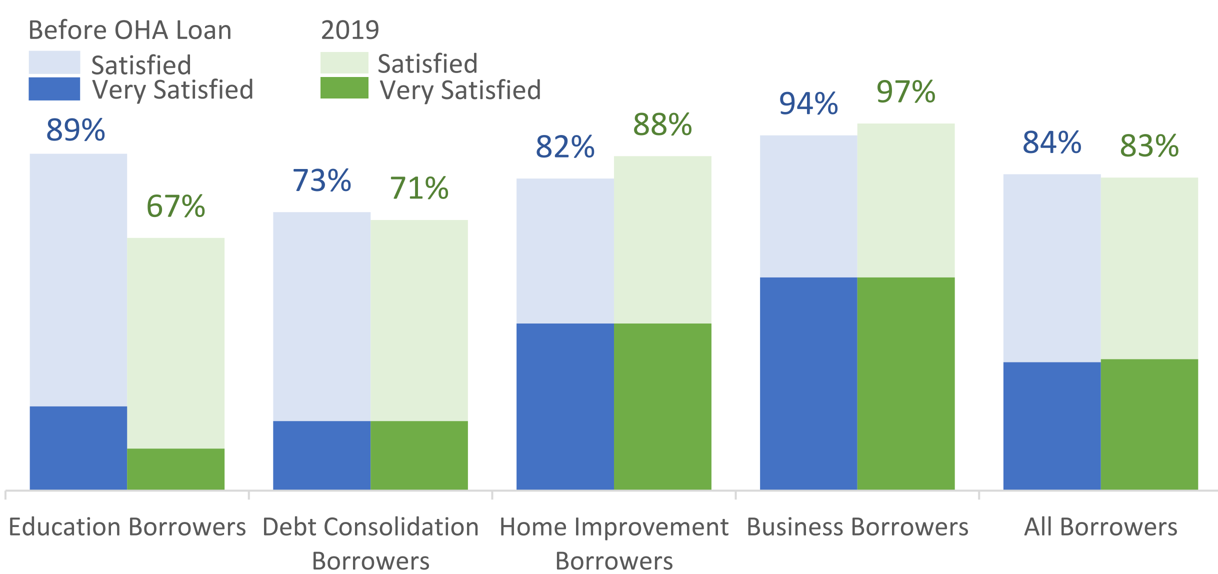

Figure 27. OHA borrowers' housing quality satisfaction rating before OHA loan and in 2019, by loan type.
Note. Denominator reflects the total respondents who provided an answer for both time periods (n=121).

Education and debt consolidation borrowers reported decreases in satisfaction, while home improvement and business borrowers report small increases. While housing quality may be a longer-term outcome than could be detected over the course of the loan, the minimal changes in the home improvement borrowers' satisfaction from 82.4% before the loan (n=28) to 88.2% in 2019 (n=30), was unexpected as the purpose of the loan was to improve the quality of the housing.

COVID Impact - All Borrowers

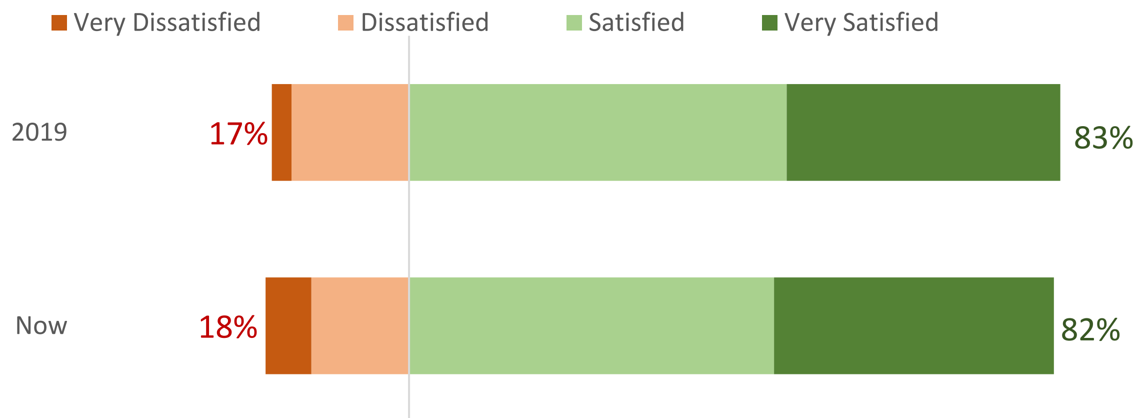

Figure 27. OHA loan borrowers' housing quality satisfaction rating before OHA loan and in 2019 by loan type.
Note. Denominator reflects the total respondents who provided an answer for both time periods (n=121).

Additionally, throughout the COVID-19 impact period borrower satisfaction with the quality of their housing did not appear to change markedly.

Housing Affordability

The U.S. Department of Housing and Urban Development defines cost-burdened families as those "who pay more than 30 percent of their income for housing" and "may have difficulty affording necessities such as food, clothing, transportation, and medical care." By this definition, housing costs include all housing-related expenses such as mortgage/rent, utilities, interest, property taxes, and maintenance (Elkins, 2018).

Loan Impact - All Borrowers

To understand how OHA borrowers compared in relation to this standard, they were asked to indicate if their housing costs represented 30% or less than their household monthly income, or more than 30% of their household monthly income.

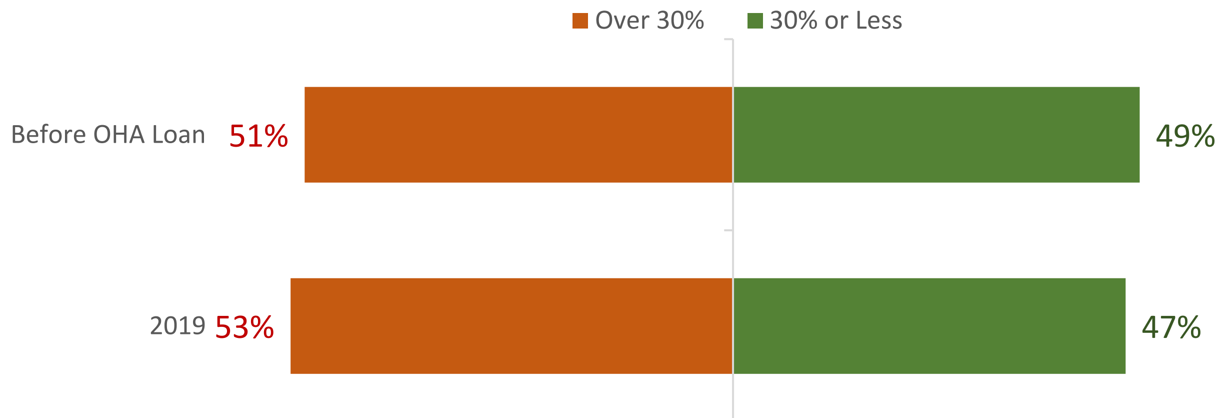

Figure 28. OHA borrowers' percentage of household income spent on housing costs before the loan and in 2019.
Note. Denominator reflects the total respondents who provided an answer for both time periods (n=117).

As with the other measure of housing, there were no considerable changes in the percent of borrowers to pay 30% or less of their income in housing costs. Before the loan 48.7% of the borrower paid less than 30% (n=57), while in 2019, 47.0% were still in this category (n=55).

Loan Impact - Loan Types

Again, as the number of borrowers to experience a change in housing affordable during the period of the loan is so small, loan impact is difficult to determine.

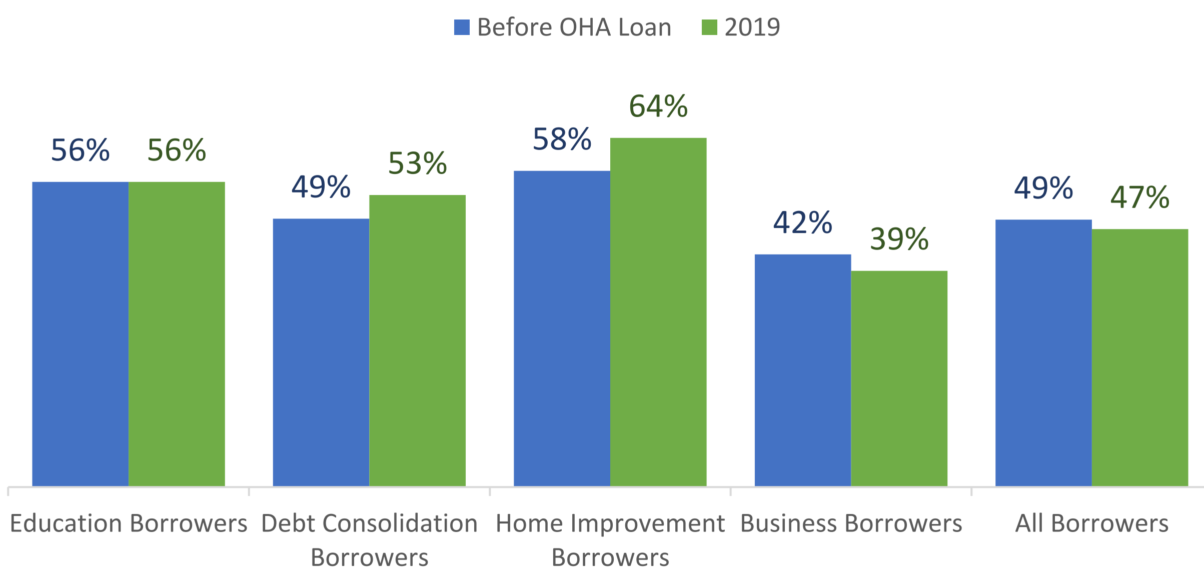

Figure 29. OHA borrowers' percentage of household income spent on housing costs before the loan and in 2019, by loan type.
Note. Denominator reflects the total respondents who provided an answer for both time periods (n=117).

Two debt consolidation and two home improvement borrowers were able to improve their housing affordability, paying less than 30% of their income to housing costs in 2019. One business borrower moved from paying less than 30% before the loan to more than 30% in 2019.

COVID Impact - All Borrowers

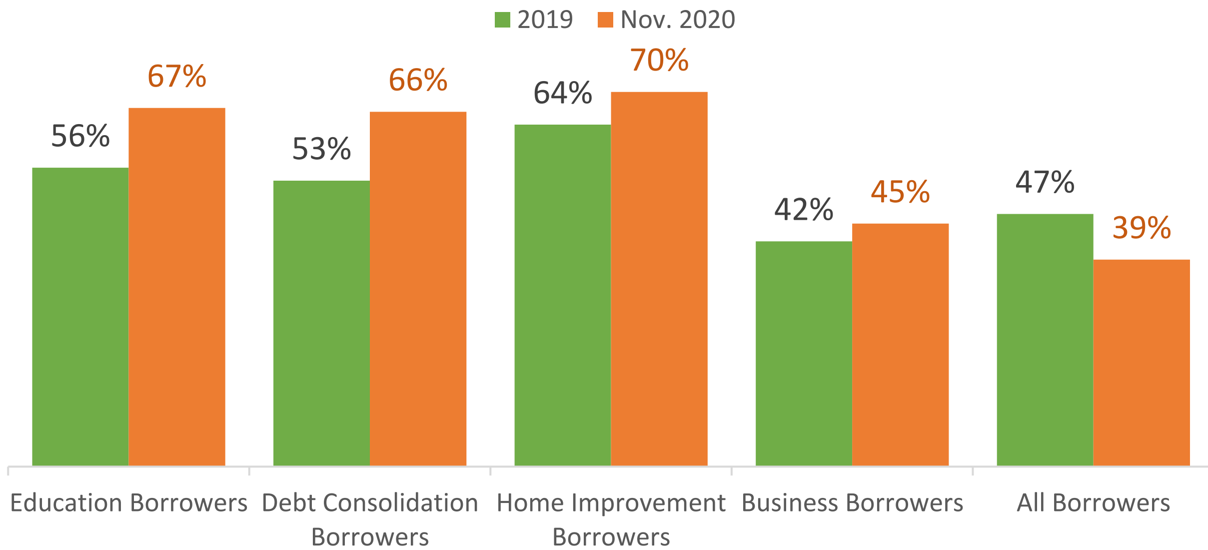

Figure 30. OHA borrowers' percentage of household income spent on housing costs in 2019 and as of November 2020, by loan type.
Note. Denominator reflects the total respondents who provided an answer for both time periods (n=117).

During the pandemic, borrowers saw a 9.0 percentage point increase in borrowers with housing costs over 30% of their monthly income (n=10). This change could either be a result of the decrease in housing income, or the increase in housing costs, as some borrowers continued to move into homeownership even during the pandemic period.

Wealth

Financial Assets

Assets can include both financial and non-financial resources. The U.S. Security and Exchange Commission (SEC) (n.d.) describes assets as "any tangible or intangible item that has value in an exchange." Financial assets include cash (saving and checking accounts), certificates of deposit, savings bonds, stocks, and pooled investment funds accounts, among other things. Non-financial assets include vehicles, primary residence, other residential property, equity in nonresidential property, business equity, etc.

Loan Impact - All Borrowers

OHA borrowers were asked to provide information on their family's financial and non-financial assets. On average, borrowers saw an increase in financial assets.

Before receiving an OHA loan, borrowers had a mean value of $74,985 in financial assets. In 2019, financial assets increased to an average of over $83,492. Therefore, OHA borrowers increased their financial assets by an average of $8,507 or 11.3%. In total, 34 (33.0% of all borrowers) increased their financial assets during the loan period.

Loan Impact - Loan Types

Increases in mean financial assets were seen in all loan types, except for home improvement loans.

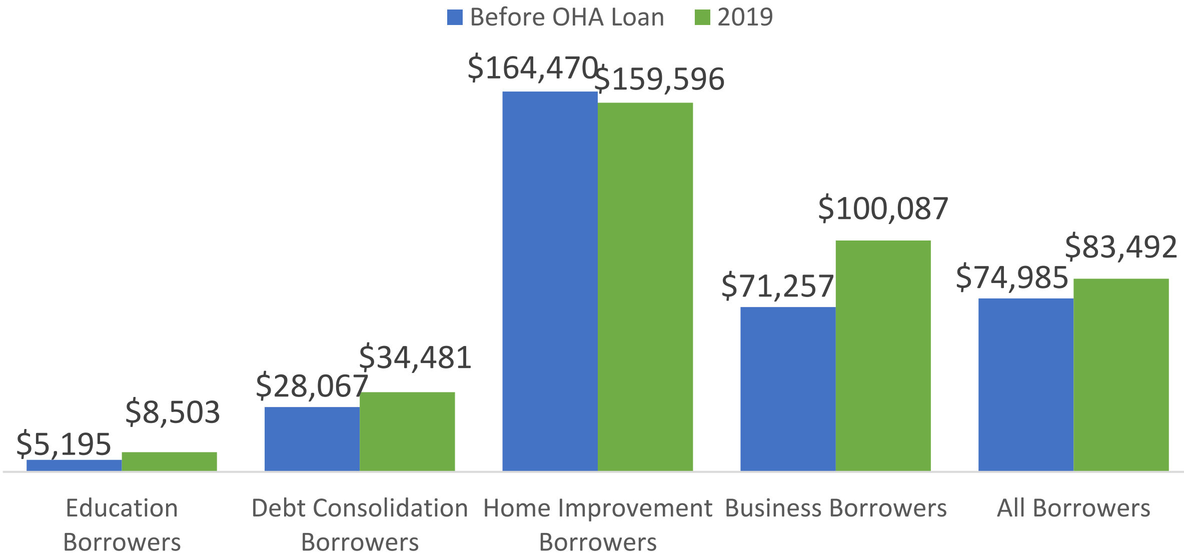

Figure 31. OHA borrowers' mean financial assets before the loan and in 2019, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=103).

The largest percentage change was found in education borrowers with a 63.7% increase (n=$3,308) in mean financial asset value. While the largest average increase in dollars was found among business borrowers who experienced an increase of $43,053 or 40.5% in financial assets. Home improvement borrowers' average financial assets decreased by $4,875 or 3.0%. Again, these differences appropriately reflect the differences in the loan purposes, as education and business loans are intended to increase income, thus increasing the borrower's ability to generate liquid assets, while home improvement borrowers are likely to utilize their cash assets on home improvement projects.

COVID-19 Impact

The average financial assets of all borrowers dropped during the period of the COVID-19 pandemic.

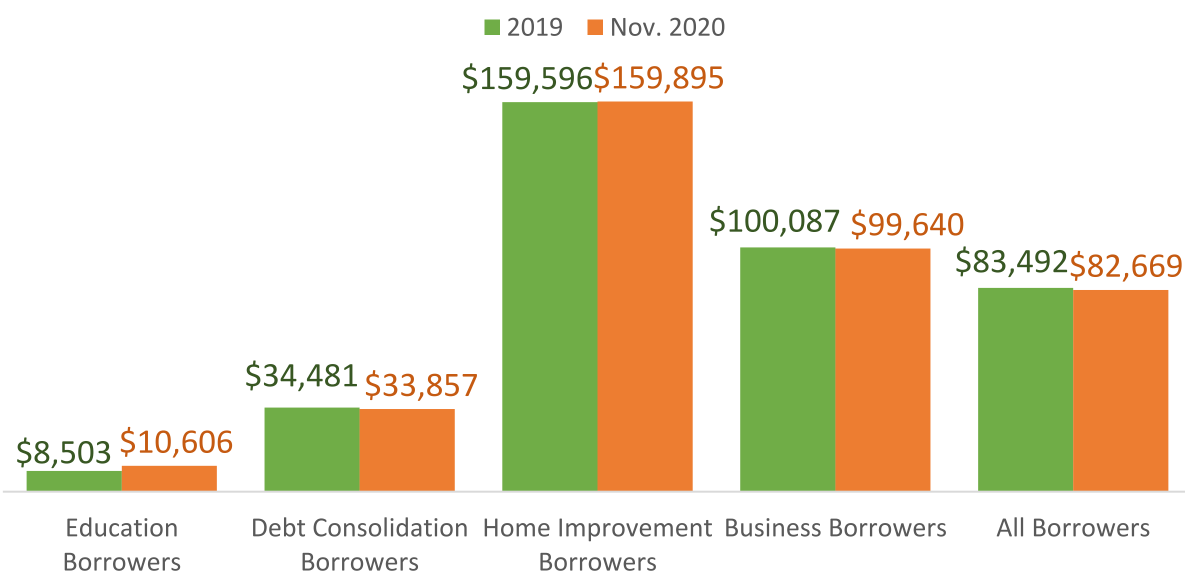

Figure 32. OHA borrowers' average financial assets in 2019 and as of November 2020, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=102).

In 2019, loan borrowers averaged $83,492 in financial assets. Due to the impacts of COVID-19, loan borrowers saw a slight decrease of $823 or 1.0% to an average of $82,669 as of November 2020. The largest decreases were experienced by debt consolidation and business borrowers, with the education and home improvement borrowers' average financial assets continuing to increase slightly.

Non-Financial Assets

Loan Impact - All Borrowers

OHA borrower families averaged $240,122 in non-financial assets preceding the OHA loan. By 2019, borrowers' average non-financial assets increased by $54,553 (22.7%) to $294,676. In total, 28 OHA borrowers (27.5%) increased their non-financial assets.

Loan Impact - Loan Types

Borrowers of all loan types except for education borrowers, saw an increase in average non-financial assets from Time 1 to Time 2.

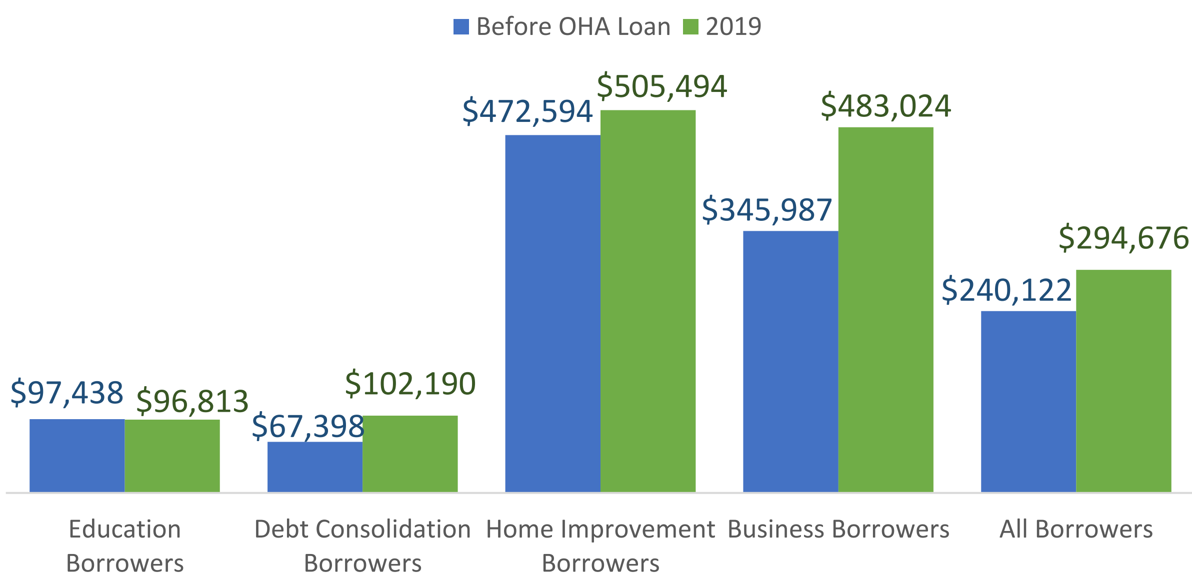

Figure 33. OHA borrowers' average non-financial assets before the loan and in 2019, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=102).

Although home improvement and business borrowers had substantially higher average non-financial assets prior to the loan, the largest percentage change was found among debt consolidation borrowers with a 51.6% increase (n=$34,739). While the largest average increase in dollars was found among business borrowers who saw an improvement of $137,037 (39.6%) in non-financial assets. Home improvement borrowers' average non-financial assets increased slightly (7.0%). And education borrowers' average decreased slightly by 0.6%.

COVID-19 Impact

No negative impact on borrowers' non-financial assets was indicated during the COVID-19 crisis. In fact, despite the pandemic, on average, borrowers' non-financial assets continued to show small improvements.

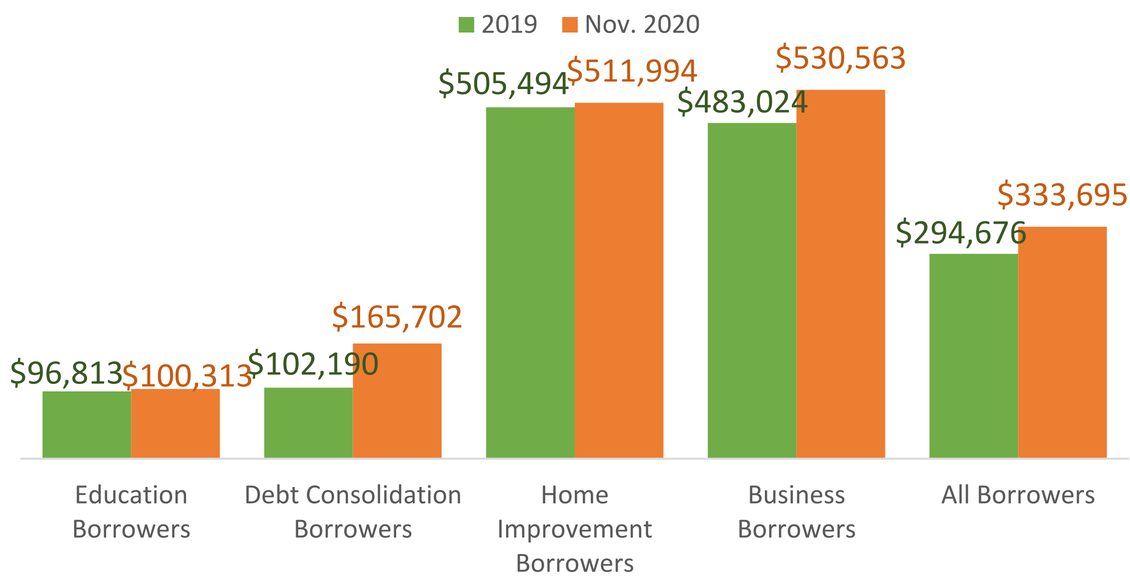

Figure 34. OHA borrowers' average non-financial assets, in 2019 and as of November 2020, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=102).

OHA borrowers reported an average of $294,676 in non-financial assets in 2019. As demonstrated in Figure 34, the average of borrowers' non-financial assets increased by $39,019 (13.2%) as of November 2020. Again, the largest percent change (62.2%) was among debt consolidation borrowers.

Total Assets

Loan Impact - All Borrowers

To determine total assets, borrowers' financial assets and non-financial assets were combined. OHA borrowers had an average of $312,776 in total assets prior to obtaining the OHA loan. By 2019, OHA borrowers increased their total assets by 20.0% ($62,530) on average, from $312,776 to $375,307 during the loan period. In total, 43.7% of borrowers increased their total assets (n=45).

Loan Impact - Loan Types

Borrowers of all loan types saw an increase in average total assets during the loan period to varying degrees.

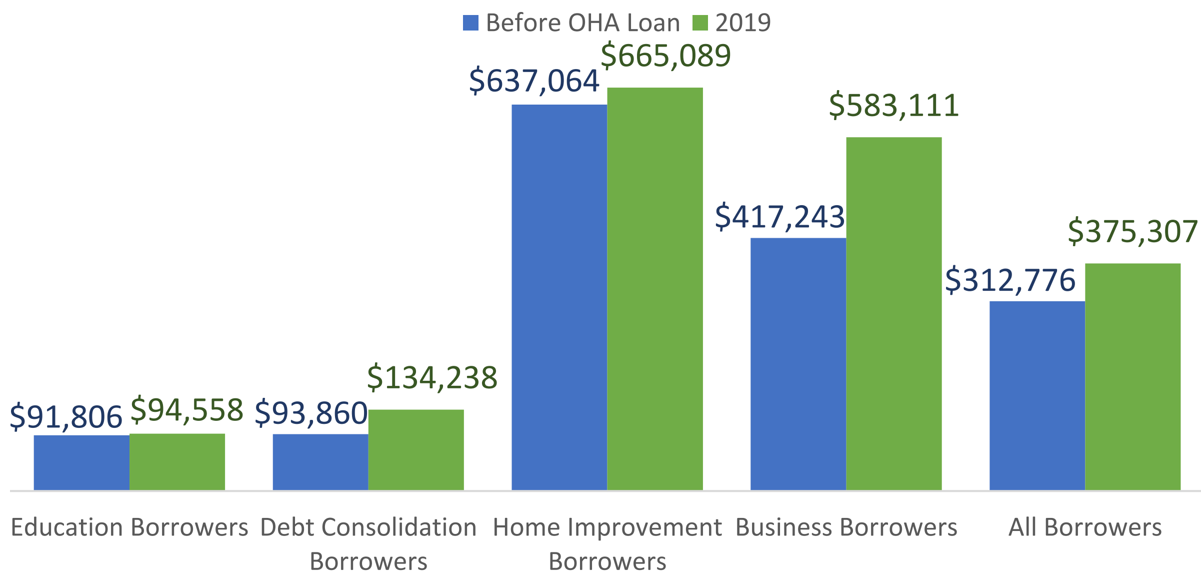

Figure 35. OHA borrowers' mean total assets before loan and in 2019, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=103).

Debt consolidation loan borrowers had the largest percentage increase 43.0% ($40,379) in average total assets from Time 1 to Time 2. Business loan borrowers saw the greatest increase in average total assets by dollar amount ($165,868). Education and home improvement borrowers saw minimal average increases of 3.0% and 4.4%, respectively.

COVID-19 Impact

Despite borrowers' average financial assets decreasing slightly during the COVID-19 pandemic, the average of their total financial assets increased due to the continued increase in the value of non-financial assets.

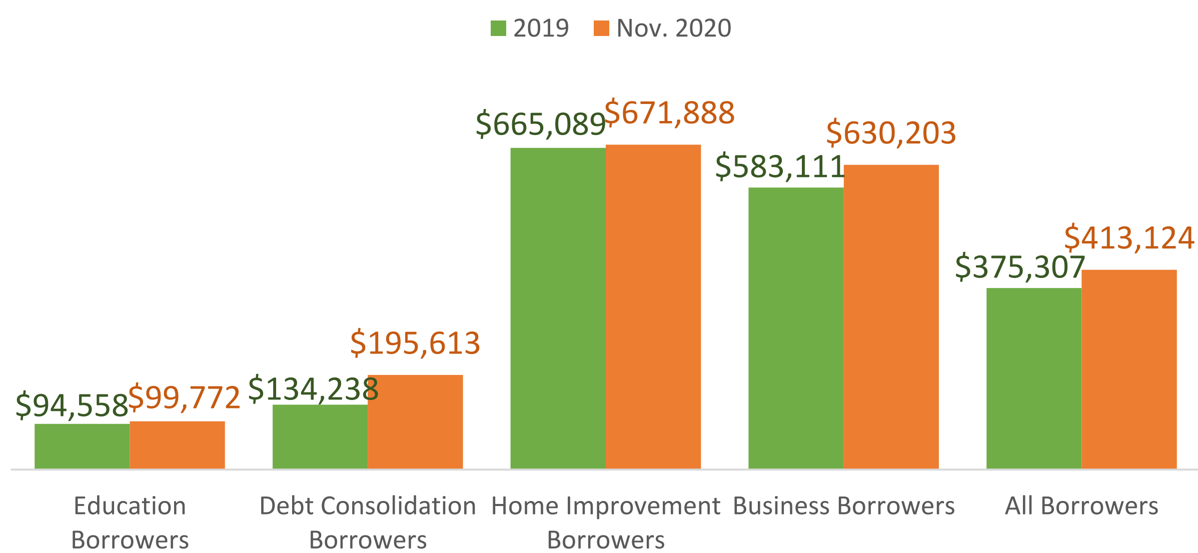

Figure 36. OHA borrowers' mean total assets in 2019 and as of Nov. 2020, by loan type.

Note. Denominators reflect the total respondents who provided an answer for both time periods (n=103).

As a result, borrowers saw a 10.1% increase in average total assets, with an average of $375,307 in 2019 which increased to $413,124 during the time of the pandemic. The largest percent change (45.7%) was seen among debt consolidation borrowers.

Debt

According to the U.S. Census Bureau (n.d.) debt includes all interest-bearing short-term credit obligations as well as long-term credit obligations that are either backed by the government or nonguaranteed. Debt includes mortgages, judgements, and revenue bonds. The average American household debt in 2019 was recorded at $140,420, which includes varied debts such as mortgages, personal loans, credit cards, and more (Federal Reserve System, n.d.). The 2019 average household debt among OHA borrowers was $249,735, 78% higher than the national average.

Loan Impact - All Borrowers

Prior to receiving an OHA loan, borrowers indicated a total average family debt of $201,817 which, including the remaining balance of their OHA loan, increased to $249,735 in 2019. This increase represented a 23.7% change during the loan period (n=$47,918). In total, 35.9% of loan borrowers increased their debt over the period (n=37).

Loan Impact - Loan Types

When analyzed by loan type, results indicate variation in changes in debt over the loan period.

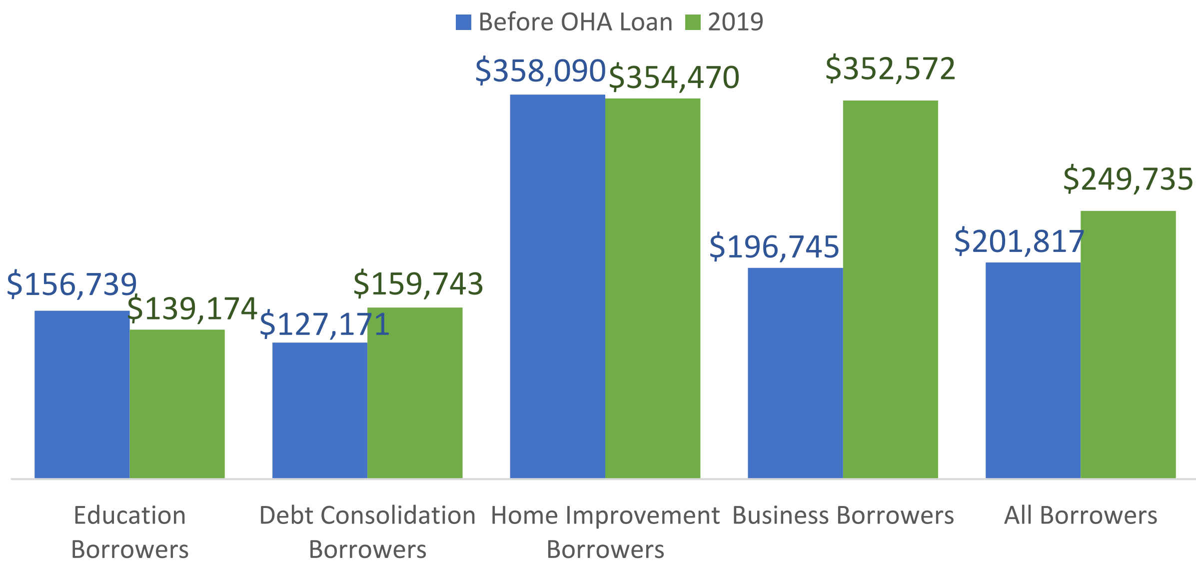

Figure 37. OHA borrowers' average total debt before the loan and in 2019, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=103).

The greatest decrease in average family debt was among education borrowers, who reduced their average debt by 11.2% ($17,565). Home improvement borrowers also slightly decreased their average family debt by 1.0% ($3,620). Business borrowers had the largest increase in family debt during the loan period of 79.2% ($155,827), perhaps reflecting greater investment in their businesses. Surprisingly, given the purpose of the loan, debt consolidation borrowers also increased their average debt during the loan period by 25.6% ($32,571). Some of these increases reflect the fact that two debt consolidation borrowers purchased homes during this time. If these two borrowers are removed from the calculation, as home purchase can be viewed as a positive debt, there remains an average increase of $3,225 in negative debt. Again, removing homebuyers, 30.0% of debt consolidation borrowers increased their total debt (n=12) and 25.0% maintained a consistent debt amount (n= 10) through the loan period.

COVID-19 Impact - All Borrowers

To determine the impact COVID-19 had on the debt of OHA borrowers, responses between Time 2 (2019) and Time 3 (as of November 2020) were analyzed.

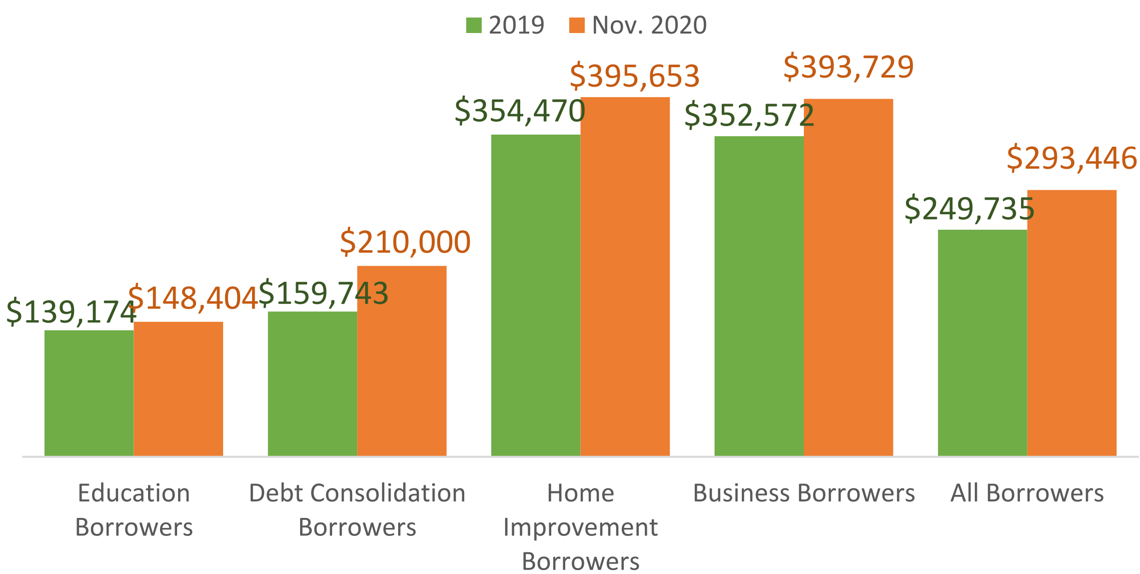

Figure 38. OHA borrowers' average debt in 2019 and as of Nov. 2020, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=103).

Results of the analysis indicate a 17.5% increase ($41,156) in OHA borrowers' average debt during the COVID-19 pandemic. The largest average percent change (31.5%) and the largest dollar amount ($50,527) was among debt consolidation borrowers.

Net Worth

Loan Impact - All Borrowers

Generally, wealth is defined as a person's net worth, the value of total assets minus all liabilities. Net worth can be positive or negative depending on the assets to liabilities calculation. To increase net worth, there must be either: 1) a decrease in liabilities while assets remain the same, or 2) an increase in assets when liabilities remain stagnant.

Utilizing asset and debt data provided by borrowers, their net worth was calculated. Prior to receiving the OHA loan, borrowers had an average net worth of $149,462. By 2019, this average increased to $165,594, representing a change of 10.8% ($16,133). These changes are a result of a positive increase in financial and non-financial assets, rather than a decrease in debt. Although, a positive change was indicated during the loan period, OHA borrowers' average net worth remained well below the national average of $746,820; a difference of $581,2256 (U.S. Federal Reserve System, n.d.). Overall, 48.3% of all borrowers increased their net worth during the loan period (n=43).

Loan Impact - Loan Types

Borrowers of all loan types improved their average net worth during the loan impact period.

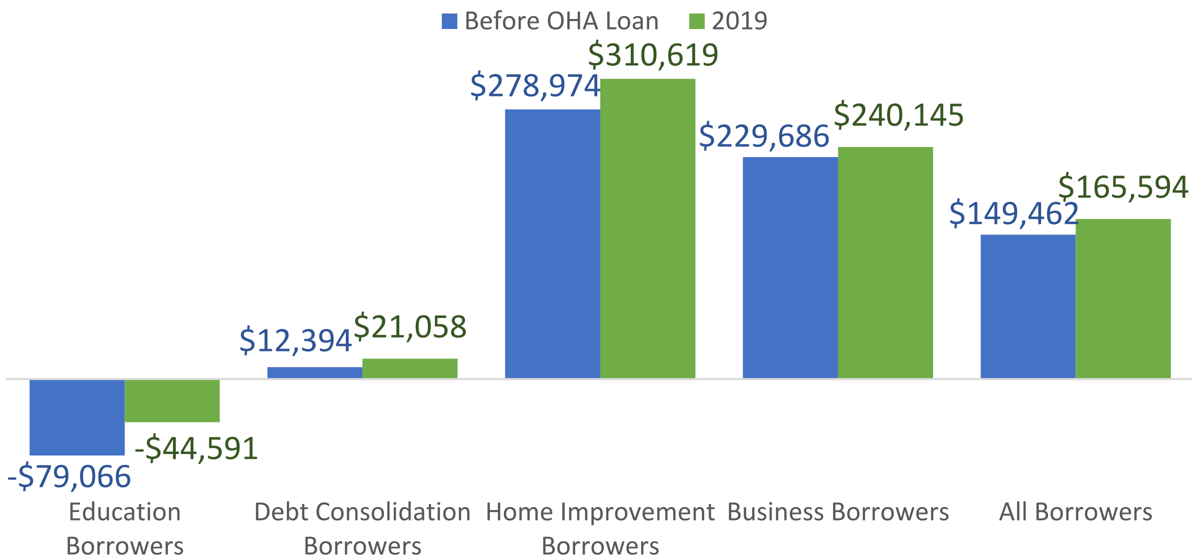

Figure 39. OHA borrowers' average net worth before the loan and in 2019, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=89).

Although both education and debt consolidation borrowers had substantially lower net worth prior to receiving the OHA loan, they also made the most improvement during the loan period. Debt consolidation borrowers increased their average net worth by the largest percentage (69.9%), representing an increase of $8,665. Education borrowers, despite continuing to have a negative net worth, had the largest increase in terms of dollars with an average increase of $34,769 (43.6%). Note that business and home improvement borrowers started with a much higher net worth and increased slightly between the two time periods.

COVID-19 Impact

To determine the impact COVID-19 had on the net worth of OHA borrowers, responses to asset and debt items between Time 2 (2019) and Time 3 (as of November 2020) were analyzed.

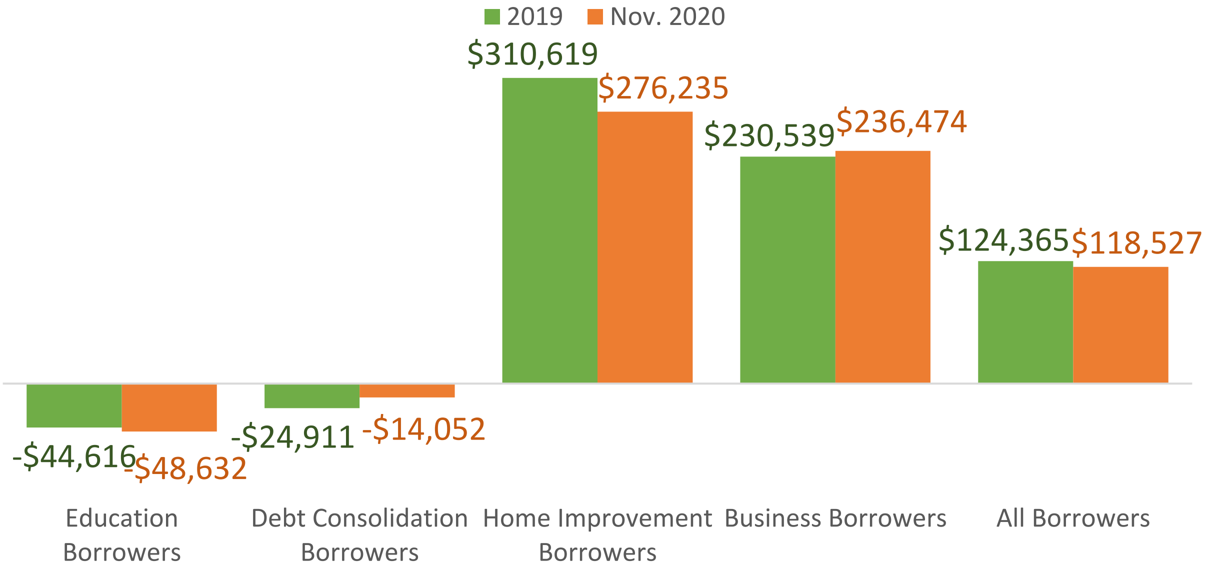

Figure 40. OHA borrowers' average net worth, in 2019 and as of November 2020, by loan type.
Note. Denominators reflect the total respondents who provided an answer for both time periods (n=104).

Results of the analysis indicated a 4.7% decrease ($5,838) in OHA borrowers' average net worth during the COVID-19 pandemic. The impact varied by loan type, with decreases in the average net worth of borrowers of education and home improvement loans, while debt consolidation and business borrowers showed consistent or slight increases in net worth during the COVID-19 period.

Education Loans

OHA's Mālama Education Loans aim to help with school-related expenses such as tuition, book fees, campus charges, etc. for Native Hawaiian students from preschool through post-secondary education, including vocational training. Education loans range from $2,500 to $20,000.

Education Loan Borrower Response Rate

Of the 27 open education loans, the Annual OHA Loan Borrowers Survey had a 55.6% response rate (n=15) with nine education borrowers completing the education loan section. Half of the education loans were used for the borrowers themselves and the other half used the funds for their child's education. One borrower used the loan for both themself and their child, generating 10 responses within the education loan segment.

Questions in this section of the survey focused on who the loan was used for, what level of education the loan supported, and what, if any, diploma/certificates/degree was earned. Supplementary questions pertaining to student preparedness and Hawaiian culture-based learning were incorporated for additional information.

Education Loan Results

The borrowers' intended use of the education loan was evenly distributed between K-12 education, associate's degrees, and bachelor's degrees, with two of each level of education. Three of the respondents used the loan to pursue a graduate degree.

One impact of the education loan is reflected in the number of degrees earned utilizing the loan. A total of four degrees were acquired at the time of the survey; one associate degree, two bachelor's degrees, and a master's degree.

The survey also collected qualitative data on education loan borrowers' use of funds to help the students increase their ability to provide financial or other resources for themselves and/or their families. Four borrowers indicated that the student gained skills needed to provide (57.1%), one borrower indicated that the student was able to increase their income or other financial resources (14.3%) and three borrowers indicated that the student was still in school (14.9%). Feedback provided insights on the impact of the loans, with one borrower stating that a Registered Nurse license was obtained. Another respondent shared that they were able to work several jobs because of the degree earned. The OHA education loan also helped one borrower allow "family to afford a lot of financial responsibilities" by sending the student to Pacific Lutheran University.

Debt Consolidation Loans

In 2019, Hawaiʻi had the second highest debt in the nation, per capita ($74,230), just behind the District of Columbia ("Center for Microeconomic Data," n.d.). To help support financial stability in the Native Hawaiian community, OHA began offering Mālama Debt Consolidation loans in 2012. Debt consolidation loans enable borrowers to pay off or decrease multiple financial obligations more easily through a fixed-rate, unsecured personal loan ("Best debt consolidation loans for January 2021," n.d.). OHA's Mālama Debt Consolidation loans range from $2,500 to $10,000 and help Native Hawaiian borrowers consolidate existing debts.

Debt Consolidation Loan Borrower Response Rate

Eighty-three debt consolidation loan borrowers with open loans were invited to participate in the Annual OHA Loan Borrowers Survey with a response rate of 67.5% (n=56). Of the 56 debt consolidation borrowers participating in the survey, 49 engaged in the debt consolidation section. Eighty percent of these borrowers (n=39) indicated they were able to consolidate all debts with the OHA loan. Debt consolidation survey questions inquired about the borrower's ability to access other sources of capital, the purpose of the loan, and the borrower's financial condition as a result of obtaining the loan.

Debt Consolidation Loan Results

With a total of 36 borrowers responding, 66.6% of debt consolidation loan borrowers (n=24) indicated that they did not access other sources of capital or credit due to receiving the OHA loan, while 52.7% (n=19) opened a new credit card or received an increase on credit card limits. All other categories saw nominal responses.

Debt Consolidation loan borrowers were asked to indicate the specific purpose of their loan with options that included lowering monthly payments, paying debt off sooner, reducing the number of payments, and saving on interest. Borrowers were able to select all that applied.

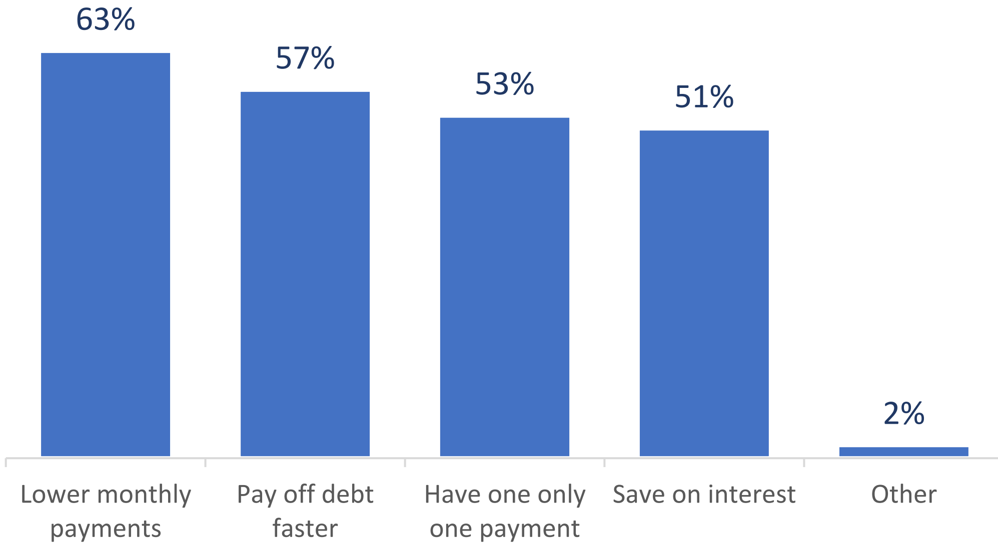

Figure 41. Debt consolidation loan purpose for obtaining loan.
Note. Denominator reflects the total respondents who provided an answer to this item (n=49).

As demonstrated in Figure 41, lowering monthly payments was the most common reason for obtaining a debt consolidation loan, receiving 27.9% (n=31) of the 111 total responses. Additionally, there were 28 responses for paying off debt faster (25.2%), 26 for having only one payment (23.4%), and 25 for saving on interest (22.5%). Only one borrower responded to “other” but provided only a dollar amount and therefore no further determination could be made.

To determine the impact the debt consolidation loan had on the borrower’s financial condition, respondents were asked to rate the effect of the loan from “Very negative to “Very positive” with the ability to also select “Not applicable”.

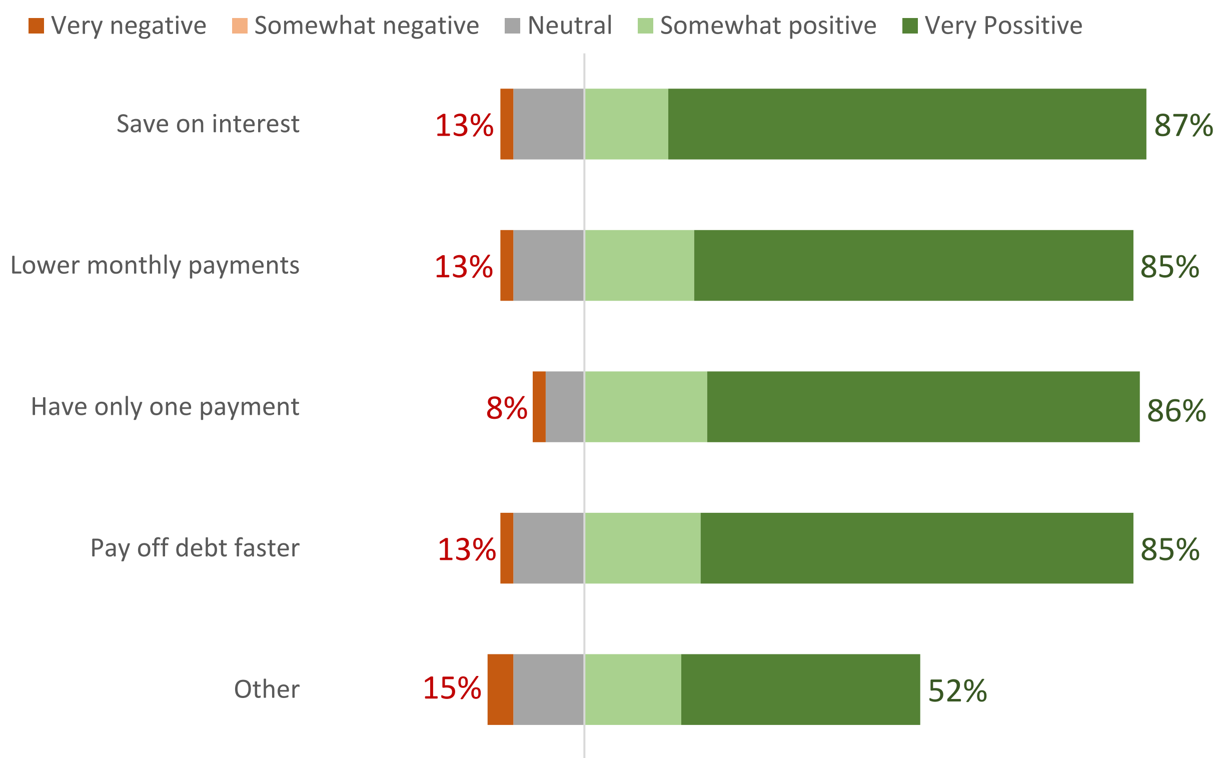

Figure 42. Debt consolidation loan and its impact on borrowers' financial condition.
Note. Denominator reflects the total respondents who provided an answer to this item (n=47).

Figure 42 reveals the positive feedback from debt consolidation borrowers. Borrowers reported that the ability to save on interest was the most impactful, with 87.2% indicating a somewhat positive or very positive effect (n=41). Lowering monthly payments, having only one payment, and paying off debt were also helpful aspects of the loan. Fifty-two percent of borrowers selected somewhat positive or very positive in the "Other" category but did not provide additional information.

Home Improvement Loans

OHA's Mālama Home Improvement Loans are offered to help improve the living conditions of Native Hawaiian beneficiaries, through renovations of existing homes. Improvements include, but are not limited to, adding an extension to a home, building a retaining wall, paving a driveway, putting up a fence, and purchasing new appliances. Home improvement loans range from $2,500 to $100,000.

Home Improvement Loan Response Rate

The Annual OHA Loan Borrowers Survey was sent to the 88 open home improvement loan borrowers. Home improvement borrowers had a 40.9% response rate, with 36 borrowers responding to the survey. This section of the survey focused on the type of home improvements made, what those improvements helped with, if the loan was spent as originally planned, and what percentage of the improvement was completed.

Home Improvement Loan Results

Home improvement borrowers were asked “What type of improvement was this loan intended for and how was it actually used?” with the ability to select all that applied. This segment focuses on how borrowers actually used the loan.

Table 2.
Home improvement loan uses

Home improvement type	Number of home improvement loan recipients	% of home improvement loan recipients
Structural improvements	13	36%
Purchase appliances or furniture	10	28%
Home expansion	8	22%
Landscape/yard improvements	6	17%
Energy efficiency	5	14%
Ventilation improvements	3	8%
Health & Safety	2	6%
Total	36	100%

As shown in Table 2, structural home improvements were the most common use of the home improvement loan, with 13 borrowers indicating this use. Structural improvements could include foundation repairs, electric work, plumbing, etc. Purchasing appliances or furniture had the second highest selection (n=10), with home expansion (n=8) and landscaping close behind (n=6). Five responded that funds were used for energy efficiency, such as photovoltaic solar. Ventilation improvements, such as heating and cooling systems (n=3), and health and safety (disability access, home alarm system, etc.) (n=2) were the least selected home improvement areas.

Home Improvement borrowers were also provided eight options on how the loan may have helped, in which they could check all that applied. Increasing property value, increasing living space, improving the functionality of the home, improving the structural safety of the home, increasing home security, improving energy efficiency, and customization projects were provided as options with “Other, please specify” as another option.

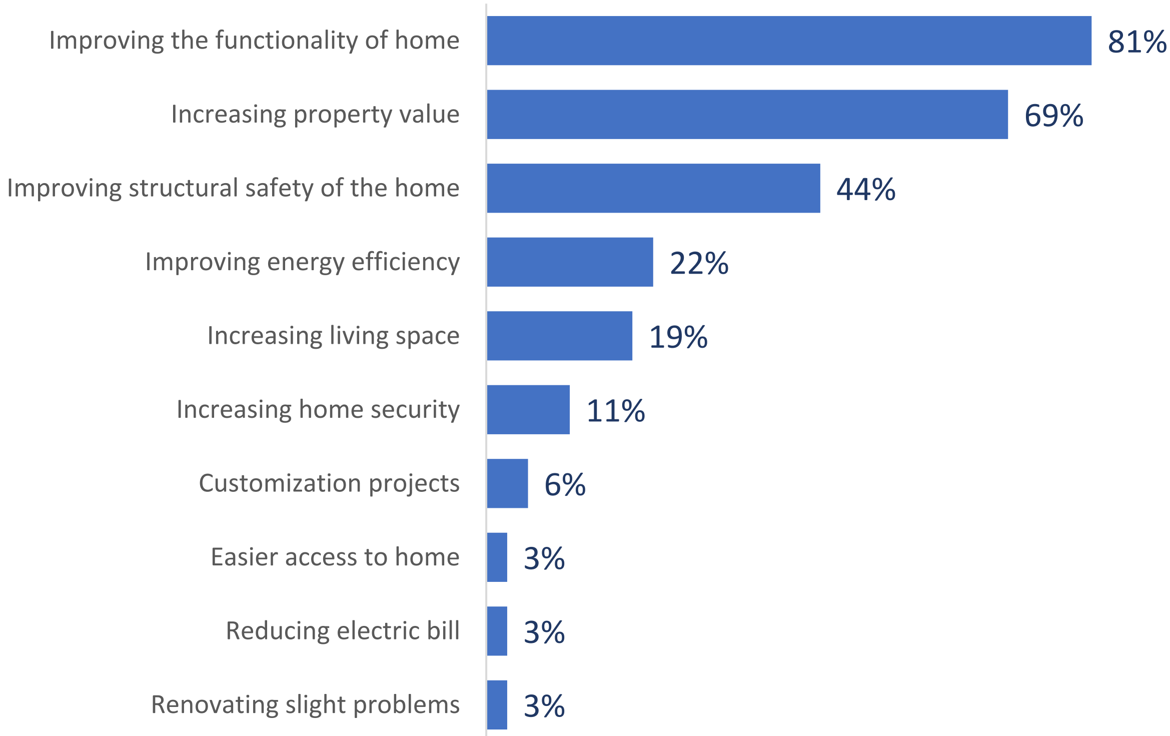

Figure 43. Home improvement impact on areas of the home.
Note. Denominator reflects the total respondents who provided an answer to this item (n=36).

The home improvement loan helped increase the functionality of the home for 29 borrowers (30.9%), aided in increasing the property value for 25 recipients (26.6%), and improved structural safety of the home for 16 of the borrowers (17.0%).

The survey also asked borrowers to indicate what percentage of their home improvement was complete.

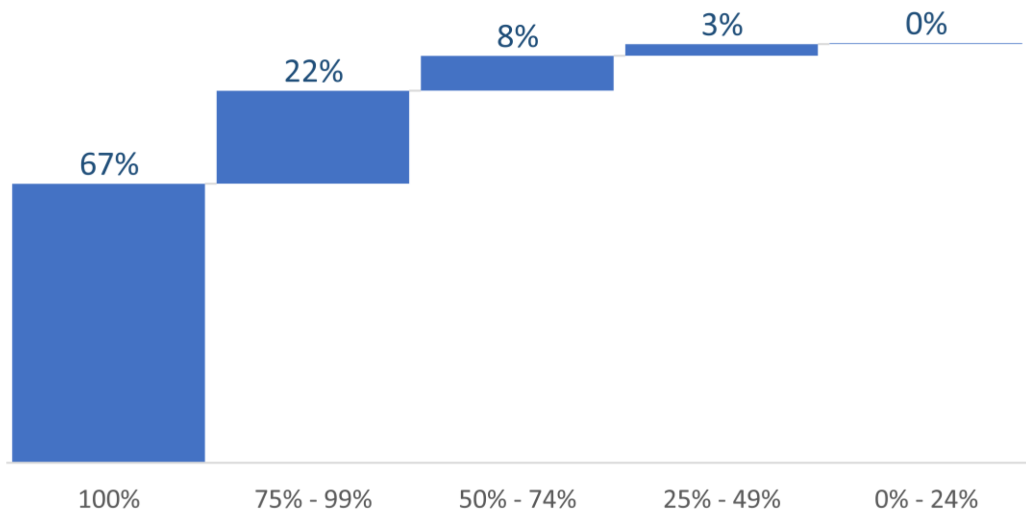

Figure 44. Percentage of home improvements completed.

A majority, 66.7% (n=24) of the 36 who responded to the questions were 100% complete with their home improvements. Thirty-one percent (n=11) were 50%-99% complete with their renovations and only one (2.8%) was between 25%-49% complete.

Qualitative data was gathered to obtained more in-depth information as to how the home improvement loan was used and the total impact of the loan on the wellbeing of the borrower. Through this data, borrowers indicated that funds were used to “replace all home windows,” “installing a new roof,” adding a “driveway down to hale, hale below street level,” and “redo kitchen cabinets,” among other things. Borrowers also shared that the loan helped in “reducing electric bill,” providing “easier access to home,” and “renovating slight problems and overall improvement.”

Borrowers were also asked if their Mālama Home Improvement Loan helped them and/or their family meet financial needs and/or improved their wellbeing. Some responses included:

- “YES! Most definitely. The loan paid for the need to replace a 25-year roof that was almost 5 [sic] years overdue, as well as the replacement of a 20-year-old solar water heater, which will sustain an energy-efficient home for at least the next 20 years into our retirement.”
- “Yes, we were able to reroof for PV system which reduced electricity bill.”
- “Yes, without it we would have had to look for pricier alternatives to financing.”
- “It was used to fix the floor in the house and purchase appliances to make it livable.”
- “It allowed me to at least repair my roof and eligible for home and fire insurance.”

Business Loans

OHA features two types of business loans to support Native Hawaiian-owned businesses: the Mālama Business Loan and the Hua Kanu Business Loan. Each loan’s objective is to help fund the establishment of a new Native Hawaiian business or build upon an existing Native Hawaiian business. Loan amounts vary, from $2,500 to one million dollars. The larger Hua Kanu business loans ($200,000 – $1,000,000) were added to the loan program in 2011, with the intention of providing established Native Hawaiian businesses greater access to credit and capital, allowing for expansion of the business while remaining financially viable.

Business Loan Borrower Response Rate

OHA invited 75 business owners with open loans to participate in the Annual OHA Loan Borrowers Survey. The survey yielded a 42.7% (n=32) response rate from open loan business borrowers, four of whom had two separate business loans. This section requested information pertaining to the business structure, industry of business, the purpose of the loan, business financials, and staffing, along with supplementary questions on the business' relationship with the Native Hawaiian community, markets, and practices.

Business Loan Borrower Results

OHA business borrowers' business structures included limited liability corporations (LLC) (n=15), sole proprietorships (n=8), and corporations (n=6). The industry classification for these businesses varied. Of the 32 business borrowers, 87.5% (n=28) participated in classifying the industry of their business.

Table 3.
Industries of OHA business loan borrowers' businesses

	Number of business loan recipients	**% of business loan recipients**
Retail Trade	7	22%
Professional, Scientific, or Technical Services	6	19%
Other Services (except Public Administration)	5	16%
Construction	3	9%
Accommodation or Food Services	2	6%
Agriculture, Forestry, Fishing or Hunting	1	3%
Health Care or Social Assistance	1	3%
Manufacturing	1	3%
Transportation and Warehousing	1	3%
Wholesale Trade	1	3%
Total	32	100%

The retail trade industry had the largest number of businesses with 25.0% (n=7) of the 32 responding. Professional, scientific, or technical services followed closely with 21.4% (n=6) and "Other Services" rounded out the top three with five (17.9%) businesses in the industry. Construction, accommodation or food services, agriculture, forestry, fishing or hunting, health care or social assistance, manufacturing, transportation and warehousing, and wholesale trade were the remaining industries, with one business in each category or 3.6%.

Borrowers were asked questions regarding the intent of the loan and how it was actually used. Business loan borrowers were provided multiple options with the ability to select all that applied. Options included: start up (1st or 2nd year of business), equipment (including phone or computer), inventory, expand staff (time, people or both), staff training, research and development, working capital, pay off or consolidate business debt, and marketing with the option to select "Other."

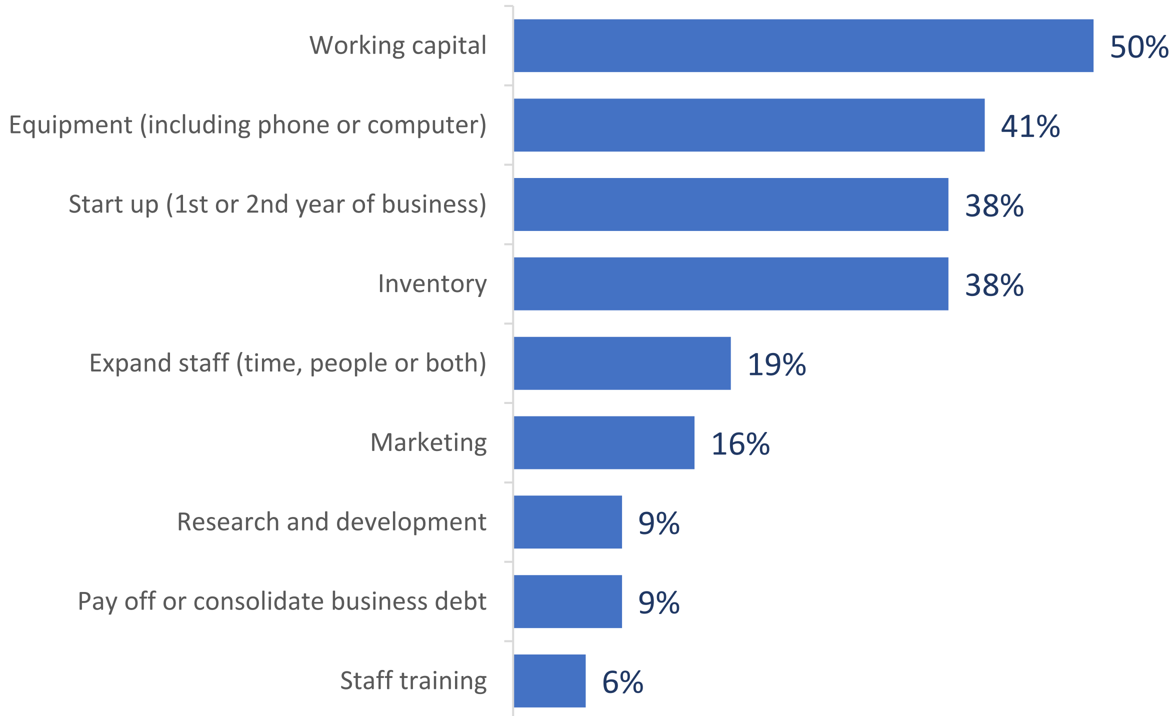

Figure 45. Uses of the OHA business loan funds.
Note. Denominator reflects the total respondents who provided an answer to this item (n=32).

Focusing on how the loan was actually used, Figure 45 indicates that working capital was the number one use of the business loan, followed by the purchase of business equipment, startup costs, and inventory.

Business loan borrowers were asked to provide financial information pertaining to their business revenue, net profit, net cash flow, and outstanding debt. These amounts were requested for three points in time: before the loan (Time 1), in 2019 (Time 2), and November 2020 (Time 3) in order to analyze the impact of loan and what effect, if any, the COVID-19 pandemic had on their business.

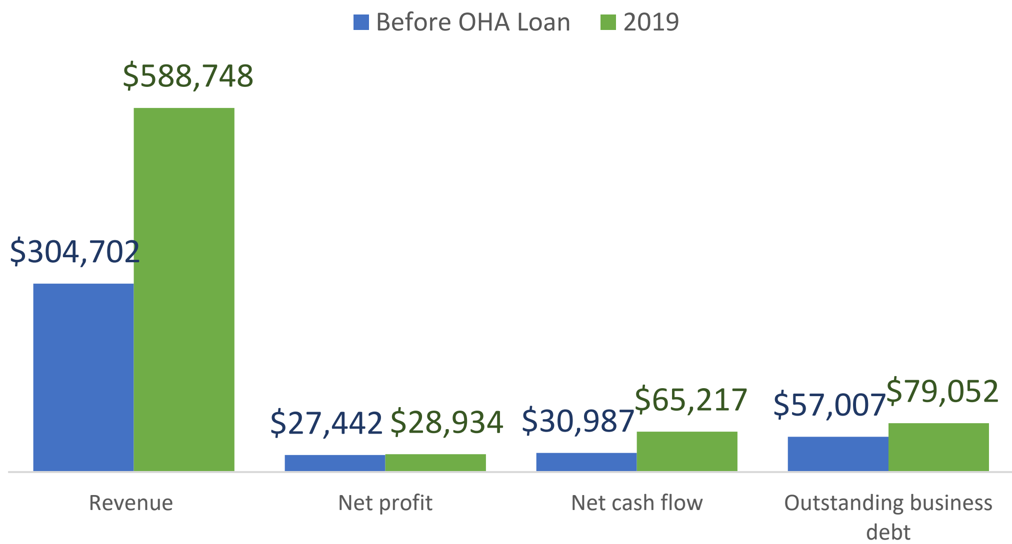

Figure 46. OHA business borrowers' average business financials before the loan and in 2019.
Note. Denominator reflects the total respondents who provided an answer to these items (n=20).

Prior to receiving an OHA business loan, borrowers reported an average of $304,702 in annual revenue. In 2019, this average increased by 93.2% to $284,046. Net profits had a 5.4% increase over the two time periods ($1,492). There was also a 110.5% increase in net cash flow from an average of $30,987 before the loan to $65,217 in 2019, a difference of $34,230. Unsurprisingly, businesses who received a loan also saw a 38.7% increase to their business debt with an average debt of $79,052 in 2019.

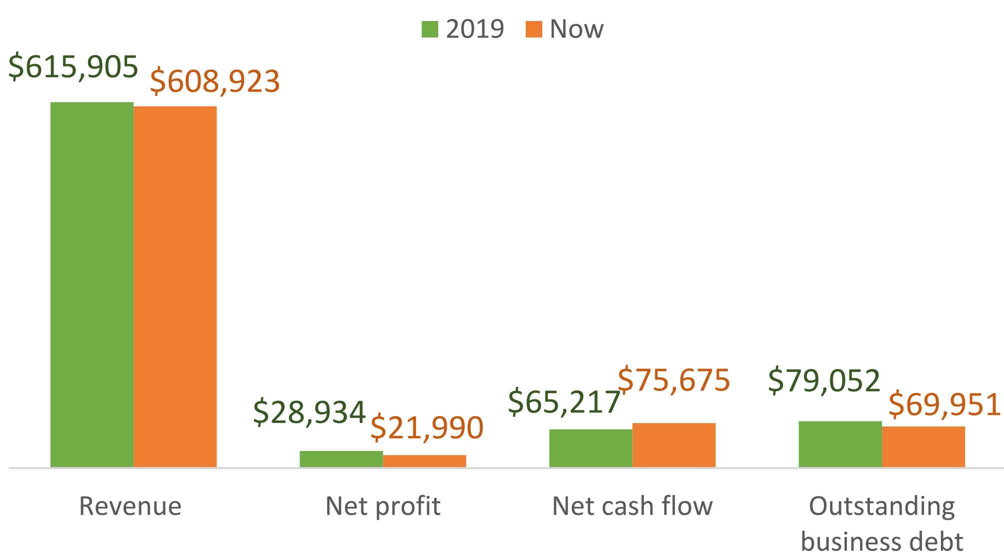

Figure 47. OHA business borrowers' average business financials in 2019 and as of November 2020.
Note. Denominator reflects the total respondents who provided an answer to these items (n=19).

As shown in Figure 47, the financial wellbeing of OHA business loan borrowers was somewhat impacted by the COVID-19 pandemic as indicated by a comparison of financial data from 2019 and November 2020. Businesses saw a $6,982 (1.1%) drop in average revenue and a 24.0% drop in net profits ($6,944).

Their net cash flow, however, increased by 16.0% ($10,458). There was also an 11.1% decrease in outstanding business debt.

Data was also collected on the number of full-time (FTE) and part-time (PTE) staff employed by businesses receiving OHA business loans, as well as the number of contractors their businesses utilized. In addition to the number and types of employees, data was also collected to determine whether employees were Native Hawaiian.

Although the number of businesses with 1-4 full-time employees (FTE) was slightly higher prior to receiving an OHA loan, that number is offset with the three additional businesses that noted they had 5-9 FTE in 2019. The number of Native Hawaiian FTEs and those hired part-time (PTE) also increased in 2019. Altogether, the loan period saw marginal improvements in the number of staff that OHA business loan recipients employed.

There was no clear indicator that the COVID-19 pandemic impacted the number of staff employed by business loan borrowers from 2019 to November 2020.

Qualitative Results

Data was also collected from OHA business borrowers about the barriers their businesses face and what assistance would be most beneficial. Twenty business borrowers responded to this open-ended question. The COVID-19 pandemic was mentioned, or alluded, to by 8 respondents (40.0%) as being a barrier for their business. Comments included:

- "Disruptions to supply chain. Trying to anticipate demand with unknown covid effects going into beginning 2021."
- "Currently, due to the COVID-19 pandemic - all of the events that we would do business at/with unfortunately has shut down which has severely affected our business with the exception of 1 event - the Maui Sunday Market."
- "Because of Covid I am not able safely to get around to a lot of people to promote my business."

Other than the pandemic, borrowers also identified the following barriers:

- "Competition from local businesses and mainland large co."
- "Overhead, Overhead, Overhead! Paying someone else's mortgage lowers the ceiling and kneecaps economic sovereignty. re-distribution."
- "Cash flow."

Nine borrowers offered answers as to what assistance would most benefit their business:

- "Cash Flow and the State needing to fully open up."
- "Continue granting/allowing/providing deferment assistance for business loan support until such time business/events will pick up to allow us/other business owners to generate revenue as we once did."
- "Cash flow assistance."
- "More financial help would be beneficial, whether it be housing assistance or some other type of financial assistance for small businesses."

- "Productive communication between Hawaiian communities and government leadership to facilitate pono [righteous] approach to foster innovation while being mindful of sacred living and lands."
- "Good marketing."
- "A return to normal business practices in a free market economy without restrictions."
- "Getting more funds to purchase more fabric and product, as well as higher [sic] 2 employees to help create product."
- "Affordable ingredients and rentals."

Discussion

Results of the OHA Native Hawaiian Revolving Loan Fund program evaluation point to positive outcomes in Native Hawaiian borrower financial stability during the loan period. Levels of improvement, however, varied between loan types and were, in the end, mitigated by the 2020 statewide economic crisis resulting from the COVID-19 pandemic.

Before the OHA loan, education and debt consolidation borrowers reported lower indicators of overall economic wellbeing, such as financial management and economic fragility, and lower total net worth. On these same measures, however, education and debt consolidation borrowers made the greatest improvement over time. This finding may indicate that if the loan program targets borrowers of less financial stability, greater improvement over time may be achieved.

Additional findings suggest that the loan program is effective in supporting Native Hawaiians to achieve more immediate or shorter-term outcomes, such as increasing earning potential and preconditions to financial stability including improvements in debt-to-income ratio (DTI) and credit scores. Longer-term outcomes, such as improving housing conditions and employment, are not detectable in the short timeframe of the loan-term. Analysis of current data could not assess whether these outcomes are lagging indicators for which improvement may be found 10 to 15 years after the loan-term, or if the loan is not effectively impacting these outcomes. To make this determination, additional data would have to be collected from OHA borrowers even after they pay off their loans.

This evaluation also found that although the loans did not help to lower Native Hawaiian debt, increases in both financial and non-financial assets increased sufficiently to offset the addition of new debt, creating gains in Native Hawaiian wealth and net worth. Therefore, the overall purpose of the loan programs was achieved. When looking at specific loan types, however, debt consolidation borrowers also increased their average debt during the loan period by 25.6%. Additionally, debt consolidation borrowers increased their DTI and increased credit card usage. Both findings may indicate that these borrowers are continuing to rely on credit and are not achieving financial stability. For debt consolidation loans to be more effective in achieving these outcomes, additional financial counseling or coaching could be provided.

Home improvement borrowers also stood out as a unique population. By most measures, home improvement borrowers demonstrate high levels of financial stability before receiving the OHA loan. As most of these borrowers are already homeowners, a high level of economic wellbeing would be expected. Over the course of the loan, however, home improvement borrowers showed more moderate gains in outcomes, even in the areas of non-financial assets and housing quality where these results would be anticipated. Again, these outcomes may be longer-term or lagging indicators of loan impact.

Alternatively, the home improvement loans may be impacting other, non-financial measures of wellbeing. Qualitative data suggests that home improvement loans are both improving the livability and safety of Native Hawaiian homes and are enabling greater savings and access to additional lines of credit.

Native Hawaiian business owners appear to benefit greatly from the OHA loan program and demonstrated the highest levels of improvement among most outcomes evaluated. Additionally, the businesses themselves experienced improvements over the course of the loan, increasing local economic development. Feedback on the barriers experienced by Native Hawaiian business owners was mixed, with many focusing on the immediate concerns of the COVID-19 economic crisis.

Although the financial data collected during the COVID-19 pandemic does indicate adverse impacts in areas of economic wellbeing, preconditions to financial stability, and income, it is encouraging that smaller impacts are indicated in housing, asset wealth, debt, and net worth. Again, additional data collection is needed in future years to determine the true economic impact of this global crisis.

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