
A BILL FOR AN ACT

RELATING TO TEACHERS' HOUSING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that it is in the
2 interests of the State of Hawaii to create an incentive for
3 persons to become and remain classroom teachers in the public
4 schools. A shortage of teachers compromises the quality of
5 public education, particularly in areas of the State where it is
6 difficult to attract and retain qualified personnel. Housing
7 incentives can be an effective tool in the recruitment and
8 retention of highly qualified teachers. Given the current
9 shortage of available and affordable rental housing, second
10 mortgage loan financing for down payment and closing cost
11 expenses will assist new classroom teachers in purchasing a
12 residence and remaining in Hawaii, thereby enabling the State to
13 maintain and improve the quality of public education.

14 The purpose of this Act is to authorize second mortgage
15 loans for downpayment and closing costs of teachers employed and
16 assigned by the department of education.

17 SECTION 2. Act 204, Session Laws of Hawaii 2005, is
18 amended by amending section 1 to read as follows:



1 "SECTION 1. Chapter 302A, Hawaii Revised Statutes, part
2 III, is amended by adding a new subpart to be appropriately
3 designated and to read as follows:

4 " . Teachers' Housing

5 **§302A-A Purpose.** The purpose of this subpart is to
6 transfer the administration of the teachers' housing program
7 from the housing and community development corporation of Hawaii
8 to the department of education. This subpart [~~also~~] establishes
9 a revolving fund for the accounting and control of receipts and
10 disbursements in connection with the department of education's
11 functions of planning, constructing, financing, repairing,
12 maintaining, and operating housing programs for teachers
13 employed and assigned by the department of education.

14 **§302A-B Definitions.** The following terms, wherever used
15 in this subpart, shall have the following meanings unless a
16 different meaning clearly appears from the context:

17 "Downpayment loan" means a loan for the downpayment or
18 closing costs for the purchase of residential property.

19 "Teacher" means a teacher assigned and employed by the
20 department of education.

21 **[§302A-B] §302A-C Teachers' housing program;**
22 **administration.** (a) The department shall administer the



1 teachers' housing program under this subpart. The department
2 shall:

3 (1) Administer the teachers' housing revolving fund under
4 section [~~302A-C;~~] 302A-D;

5 (2) Provide annual statements under section [~~302A-D;~~]
6 302A-E;

7 (3) Conduct annual reviews of units under section
8 [~~302A-E;~~] 302A-F; and

9 (4) Perform any other duty necessary to effectuate this
10 subpart.

11 (b) The department may adopt rules pursuant to chapter 91
12 to effectuate this subpart.

13 **~~§302A-G~~ §302A-D Teachers' housing revolving fund.** (a)

14 There is established in the state treasury a revolving fund to
15 be known as the teachers' housing revolving fund to be

16 administered by the department of education. The director of

17 finance shall transfer any moneys appropriated for the purposes

18 of teacher housing to the teachers' housing revolving fund. All

19 unexpended balances of the proceeds of general obligation bonds

20 or other appropriations, allocations, allotments, special

21 revolving funds, or other funds heretofore created and made

22 available for the purposes of developing or administering



1 teachers' housing projects shall be transferred to the teachers'
2 housing revolving fund. Notwithstanding any law to the
3 contrary, all moneys, including refunds, reimbursements, [~~and~~
4 ~~rentals,~~] rental payments for housing from teacher tenants, and
5 repayment of downpayment loans to teachers under this subpart,
6 shall be deposited in the revolving fund and shall be used to
7 carry out the purposes of this subpart.

8 (b) The revolving fund may be used by the department of
9 education for any and all of the purposes of teachers' housing,
10 including the planning, construction, financing, repair,
11 maintenance, and operation of teachers' housing, as well as for
12 the salaries of the necessary personnel in charge thereof.

13 (c) Whenever the governor determines that the amount in
14 the teachers' housing revolving fund exceeds the requirements of
15 the teacher housing program, the department shall transfer the
16 excess to the state general fund.

17 ~~§302A-D~~ §302A-E **Annual statements.** The department of
18 education shall annually prepare for the director of human
19 services and the director of finance a full, detailed
20 description and financial statement of the planning,
21 construction, financing, repair, maintenance, and operation of
22 teachers' housing.



1 ~~§302A-E~~ §302A-F **Annual review; disposal of units.** The
2 department of education shall annually review the status of and
3 necessity for subsidized teachers' housing throughout the State
4 and, upon determination that any particular housing unit is no
5 longer necessary, shall dispose of that unit by sale,
6 demolition, or otherwise. Any net proceeds from the disposal of
7 a unit shall be paid to the governmental entity vested with fee
8 title to the unit at the time of disposition, and any deficit
9 incurred in the disposal shall be paid by the State. [u]

10 §302A-G **Downpayment loans.** (a) The department may make
11 downpayment loans for the purchase of residential property to
12 teachers who qualify under section 302A-H. The interest rate on
13 the loans may range from zero per cent to eight per cent,
14 depending on the borrowers' incomes.

15 (b) To secure the downpayment loan, every borrower shall
16 execute and duly record a second mortgage to the State on the
17 property purchased with the loan proceeds.

18 (c) The principal of the downpayment loan, together with
19 accrued interest, shall be due and payable upon the sale,
20 transfer, or refinancing of the home, or upon the termination of
21 the borrower's employment with the department, or shall be
22 repaid by the borrower in installments as determined by the



1 department; provided that the department may provide a period in
2 which the payment may be waived. The period over which the
3 principal and interest shall be paid need not coincide with the
4 period during which the loan from the mortgage lender for the
5 balance of the purchase price must be repaid. At any time, the
6 borrower may repay, without penalty, the whole or any part of
7 the unpaid balance of the downpayment loan plus accrued
8 interest.

9 (d) The department may collect unpaid principal and
10 interest and otherwise service the loan itself or, for a loan
11 service fee not in excess of the market rate, through a contract
12 with any mortgage lender or real estate collection servicing
13 agent authorized to do business in the State, including the
14 holder of the first mortgage on the property.

15 **§302A-H Qualifications for downpayment loan.** (a) No
16 teacher shall be qualified for a downpayment loan under this
17 subpart unless the teacher:

18 (1) Is a citizen of the United States or a resident alien;

19 (2) Is at least eighteen years of age;

20 (3) Is a bona fide resident of the State;

21 (4) Will physically reside in the residential property to
22 be purchased for the term of the loan; and



1 (5) Is accepted by a mortgage lender as a person to whom
2 it is willing to lend money for the purchase of the
3 residential property.

4 (b) No person who owns in fee simple or in leasehold any
5 other residential property within the State shall be eligible to
6 become a borrower under this subpart. A person shall be deemed
7 to own a residential property if the person, the person's
8 spouse, or both (unless separated and living apart under a
9 decree of a court of competent jurisdiction) own a majority
10 interest in a residential property.

11 **§302A-I Restrictions on borrower.** Every downpayment loan
12 made under this subpart shall be subject to the following
13 conditions:

14 (1) The borrower shall spend no portion of the loan for
15 purposes other than to make a downpayment or pay the
16 actual closing costs associated with the purchase of a
17 residential property;

18 (2) The residential property purchased with the loan shall
19 not be sold or assigned without the prior written
20 approval of the department and the first mortgage
21 lender;



1 (3) The borrower shall pay when due all taxes, liens,
2 judgments, or assessments that may be lawfully levied
3 against the property and all costs and expenses of any
4 foreclosure of the mortgage to the State;

5 (4) The borrower shall maintain fire and casualty
6 insurance with an insurance company authorized to do
7 business in the State in amounts equal to the
8 replacement value of all improvements and insurable
9 portions of the property. All proceeds of this
10 insurance shall be made payable to the first mortgage
11 lender and the department as their respective
12 interests may appear at the time of any loss or
13 damage. Subject to the rules of the department, in
14 the event of any loss or damage to the improvements or
15 property covered by the insurance, the proceeds
16 receivable by the State shall be applied toward the
17 reconstruction of the improvements or property
18 destroyed or damaged; and

19 (5) The borrower shall maintain the improvements in good
20 repair.



1 All of the above conditions shall be a part of the
2 downpayment loan executed under this subpart, whether or not
3 they are expressly incorporated in the mortgage document.

4 §302A-J Default. If the borrower fails to pay the
5 principal or interest on the downpayment loan when due, the
6 department shall take all necessary actions permitted under
7 state law to collect the delinquent amounts. Upon the
8 borrower's material breach of the loan agreement, the State may
9 exercise all the State's remedies as a mortgagee, including its
10 right to foreclose. Upon foreclosure, the State may purchase
11 the borrower's interest in the property, assume the borrower's
12 obligations under the first mortgage, discharge other liens,
13 improve the property, and with or without discharging the first
14 mortgage or other liens, use, sell, lease, or rent the property
15 as authorized by law."

16 SECTION 3. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 4. This Act shall take effect on July 1, 2050.



Report Title:

Housing; Downpayment Loans; Teachers

Description:

Establishes a downpayment loan program in the department of education's teacher housing program. Expands uses and revenue sources for the teachers' housing revolving fund. (SD2)

