

---

---

## A BILL FOR AN ACT

RELATING TO CARE HOME REPAIR AND RENOVATION LOAN GUARANTEE.

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

1           SECTION 1. Chapter 201H, Hawaii Revised Statutes, is  
2 amended by adding a new part to be appropriately designated and  
3 to read as follows:

4                   **"PART       .   ADULT RESIDENTIAL CARE HOME AND**  
5                   **LONG-TERM CARE FACILITY REPAIR AND RENOVATION**  
6                   **LOAN GUARANTEE PROGRAM**

7           **§201H-A Adult residential care home and long-term care**  
8 **facility repair and renovation loan guarantee program; office;**  
9 **loan guarantee; limitations; rules.** (a) There is established  
10 the adult residential care home and long-term care facility  
11 repair and renovation loan guarantee office, which shall be  
12 placed within the Hawaii housing finance and development  
13 administration for administrative purposes only. The office  
14 shall administer the adult residential care home and long-term  
15 care facility repair and renovation loan guarantee program.

16           (b) Subject to availability of funds, the office shall  
17 guarantee loans to assist eligible applicants, as determined in  
18 section 201H-B, who are owners and intend to repair or renovate



1 their homes or facilities. The office shall guarantee loans up  
2 to ninety per cent of the principal balance of a loan made to an  
3 eligible applicant by a private lender who is unable to  
4 otherwise lend the eligible applicant sufficient funds at  
5 reasonable rates; provided that at no time shall the aggregate  
6 amount of the State's liability, contingent or otherwise, on  
7 loans guaranteed under this section exceed \$                based on a  
8 reserve level established at twenty-five per cent of the loan  
9 guarantee amount.

10        (c) The office shall limit the loans guaranteed under this  
11 section by specifying:

12        (1) The conditions under which the State may become a co-  
13 guarantor or a subordinate guarantor to a loan  
14 guarantee offered by a federal government program; and

15        (2) The specific types of loans that may be guaranteed  
16 under this program, consistent with paragraph (1).

17        (d) Interest charged on a guaranteed loan made under this  
18 section shall be determined by the office based upon the market  
19 rate of interest charged by the private lender for a similar  
20 type of loan unless waived by the office.

21        (e) When the application for a guaranteed loan has been  
22 approved by the office, the office shall issue to the lender a



1 guaranty for that percentage of the loan on which it guarantees  
2 payment of principal and interest. The lender shall collect all  
3 payments from the borrower and otherwise service the loan.

4 (f) In return for the office's guarantee, the lender shall  
5 remit a one-time fee of two per cent on the principal amount of  
6 the guaranteed portion of the loan, at the time the loan is  
7 booked, except for the following:

8 (1) On loans of \$ or less with a maturity exceeding  
9 twelve months, a reduced fee of one per cent; and

10 (2) On loans with a maturity of twelve months or less, a  
11 reduced fee of one per cent shall be paid.

12 This fee may be paid by the borrower as a cost for the loan.

13 (g) When any installment of principal and interest has  
14 been due for sixty days and has not been paid by the borrower,  
15 the office shall issue, on request of the lender, a check for  
16 the percentage of the overdue payment guaranteed, thereby  
17 acquiring a division of interest in the collateral pledged by  
18 the borrower in proportion to the amount of the payment. The  
19 office shall be reimbursed for any amounts so paid plus the  
20 applicable interest rate, where payment is collected from the  
21 borrower.



1           (h) Under conditions specified in rules adopted by the  
2 office, the lender may request that a portion or all of the  
3 guaranteed percentage of the principal balance of the loan be  
4 converted to a participating share held by the office.

5           (i) If the lender deems that foreclosure proceedings are  
6 necessary to collect moneys due from the borrower, it shall  
7 notify the office. Within thirty days of the notification, the  
8 office may elect to request an assignment of the loan on payment  
9 in full to the lender of the principal balance and interest due.  
10 Foreclosure proceedings shall be held in abeyance in the  
11 interim.

12           (j) The lender may reduce the percentage of the principal  
13 balance guaranteed under this section at any time.

14           (k) The office shall adopt rules in accordance with  
15 chapter 91 to implement the adult residential care home and  
16 long-term care facility repair and renovation loan guarantee  
17 program, including calculation of the reserve amount.

18           **201H-B Eligibility; application.** (a) Any owner of an  
19 adult residential care home or long-term care facility who  
20 intends to repair or renovate the home or facility and whose  
21 construction plans for repair and renovation have been approved  
22 by the director of health pursuant to section 321- shall be



1 deemed an eligible applicant who may apply for a loan guarantee  
2 to carry out the home repair and renovation.

3 (b) An applicant for a loan guarantee shall submit an  
4 application to the office on a form to be provided by the  
5 office.

6 **§201H-C Adult residential care home and long-term care**  
7 **facility repair and renovation loan guarantee revolving fund;**

8 **restrictions; lien.** (a) There is created in the state treasury  
9 the adult residential care home and long-term care facility  
10 repair and renovation loan guarantee revolving fund to be  
11 administered by the office. The fund shall accept for deposit  
12 payments on loans, appropriations, and other moneys to implement  
13 the purposes of this part.

14 (b) Moneys from the fund shall be expended for loan  
15 guarantees for adult residential care home and long-term care  
16 facility repair and renovations subject to the following  
17 restrictions:

18 (1) The office may fix necessary charges or fees that may  
19 be related to each loan guarantee; and

20 (2) All loan guarantees shall be periodically reviewed to  
21 ensure compliance with this subsection.



1 (c) If the loan recipient defaults, the office may place a  
2 lien on the owner's property being repaired or renovated that is  
3 the subject of the loan guarantee.

4 **§201H-D Definitions.** For the purposes of this part only,  
5 unless the context clearly requires otherwise:

6 "Adult residential care home" includes:

- 7 (1) Type I and type II adult residential care homes
- 8 licensed under section 321-15.6;
- 9 (2) Licensed developmental disabilities domiciliary homes
- 10 as defined under section 321-15.9;
- 11 (3) Community care foster family homes as defined under
- 12 section 346-331; and
- 13 (4) Certified adult foster homes as defined under section
- 14 321-11.2.

15 "Long-term care facility" has the meaning as that term is  
16 defined in section 349-21(f)."

17 SECTION 2. Chapter 321, Hawaii Revised Statutes, is  
18 amended by adding a new section to be appropriately designated  
19 and to read as follows:

20 **§321- Adult residential care home and long-term care**  
21 **facility repair and renovation loan guarantee certification.**

22 Upon request by an applicant for an adult residential care home



1 and long-term care facility repair and renovation loan guarantee  
 2 under part of chapter 201H, the director shall review an  
 3 applicant's construction plans to repair or renovate the  
 4 applicant's adult residential care home or long-term care  
 5 facility. If the director determines that the plans meet the  
 6 department's licensing standards, the director shall provide a  
 7 simple one-page certification to the applicant for submittal to  
 8 the adult residential care home and long-term care facility  
 9 repair and renovation loan guarantee office."

10 SECTION 3. There is appropriated out of the general  
 11 revenues of the State of Hawaii the sum of \$ or so  
 12 much thereof as may be necessary for fiscal year 2008-2009 for  
 13 deposit into the adult residential care home and long-term care  
 14 facility repair and renovation loan guarantee revolving fund.

15 SECTION 4. There is appropriated out of the adult  
 16 residential care home and long-term care facility repair and  
 17 renovation loan guarantee revolving fund the sum of \$ or  
 18 so much thereof as may be necessary for fiscal year 2009 to be  
 19 expended by the adult residential care home and long-term care  
 20 facility repair and renovation loan guarantee office for the  
 21 purposes of this Act.



1 SECTION 5. In codifying the new sections added by section  
 2 1 of this Act, the revisor of statutes shall substitute  
 3 appropriate section numbers for the letters used in designating  
 4 the new sections in this Act.

5 SECTION 6. New statutory material is underscored.

6 SECTION 7. This Act shall take effect upon its approval,  
 7 except that sections 3 and 4 shall take effect on July 1, 2008.  
 8

INTRODUCED BY: Mele Carroll

Marilyn J. Mayroway

Arthur Mann

John De  
 Campbell

Jim  
 [Signature]

Jim  
 [Signature]





**Report Title:**

ARCH; Long-Term Care Facilities; Repair Loan Guarantee

**Description:**

Creates an adult residential care home and long-term care facility repair and renovation loan guarantee office to administer a program to guarantee loans to owners of homes or facilities to be repaired or renovated. Appropriates \$ .

