
A BILL FOR AN ACT

RELATING TO TEACHERS.

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

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

4 "§302A- Classroom teacher loan program. (a) As used in
5 this section:

6 "Appraised value" means the value of a subject property as
7 determined by an appraiser licensed or certified pursuant to
8 section 466K-4.

9 "Classroom teacher loan" means a loan made to a qualified
10 classroom teacher that does not require any payment from the
11 qualified classroom teacher of any downpayment or closing costs
12 as a condition of the loan.

13 "Department" means the department of education.

14 "Qualified classroom teacher" means a borrower employed by
15 the department of education as a teacher in a classroom on a
16 full-time basis and licensed pursuant to section 302A-805.

17 "Subject property" means the property being mortgaged to
18 secure repayment of a classroom teacher loan. The subject



1 property shall be the principal residence of the qualified
2 classroom teacher for as long as the loan is guaranteed by the
3 State.

4 (b) The department may guarantee up to one hundred per
5 cent of the principal balance of a classroom teacher loan made
6 to a qualified classroom teacher. Loans guaranteed under this
7 section shall be limited to loans offered by any financial
8 institution chartered or licensed under chapter 412, or any
9 mortgage broker licensed under section 454-3 and shall not
10 exceed one hundred per cent of the appraised value of the
11 subject property.

12 (c) The loan guarantee shall terminate one hundred twenty
13 days after the borrower is no longer a qualified classroom
14 teacher or upon the payment of at least twenty per cent of the
15 principal amount of the loan.

16 (d) The aggregate amount of the State's liability,
17 contingent or otherwise, on loans guaranteed under this section
18 shall not exceed \$10,000,000 at any time based on a reserve
19 level established at twenty-five per cent of the loan guarantee
20 amount.

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



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

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

12 (g) The lender may reduce the percentage of the principal
13 balance guaranteed under this section at any time. No loan
14 shall be made and guaranteed if the lender determines or should
15 have determined that the borrower is or was likely to default on
16 the terms or conditions of the loan.

17 (h) The department shall adopt rules pursuant to chapter
18 91 to effectuate this section; provided that the rules shall
19 specify:

20 (1) The amount or percentage of ownership required of a
21 qualified classroom teacher in a subject property;



- 1 (2) The conditions under which the State may become a co-
- 2 guarantor or a subordinate guarantor to a loan
- 3 guarantee offered by a federal program;
- 4 (3) The specific types of loans that may be guaranteed
- 5 under this program; and
- 6 (4) Interest (including the annual percentage rate as that
- 7 term is defined by the federal Truth in Lending Act)
- 8 charged on a guaranteed loan made under this section."

9 SECTION 2. There is appropriated out of the general
 10 revenues of the State of Hawaii the sum of \$ or so much
 11 thereof as may be necessary for fiscal year 2008-2009 to
 12 establish the teacher loan housing program including the hiring
 13 of necessary staff to effectuate the purposes of this section.

14 The sum appropriated shall be expended by the department of
 15 education for the purposes of this Act.

16 SECTION 3. New statutory material is underscored.

17 SECTION 4. This Act shall take effect upon its approval;
 18 provided that section 2 shall take effect on July 1, 2008.

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Report Title:

Teachers; Department of Education; Loans; Housing

Description:

Establishes the classroom teacher program to guarantee home loans for qualified public school teachers.

