

JAN 24 2007

A BILL FOR AN ACT

RELATING TO HOMEOWNERSHIP.

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

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PART I

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SECTION 1. The legislature finds that economic stability does not arise solely from income. Financial assets, such as cash savings and home equity, are a critical component of economic security. Financial assets offer individuals a viable and hopeful future, stimulate development of human and other capital, and enhance the welfare of children.

For many low- and moderate-income earners in Hawaii, the cost of homeownership is increasing. The prospect of making mortgage payments is not nearly as formidable as saving enough money for the down payment and closing costs needed to buy a home. Even higher income families must often seek help from relatives to overcome this obstacle.

Providing financial assistance to qualified low-income families who are first-time homebuyers can help them overcome some of the challenges to homeownership. Changes to the current individual development accounts law could help more individuals



1 take advantage of this asset building tool. An individual
2 investment account enables a participant to receive a match for
3 every dollar that the participant saves. Moneys in the account
4 can then be used for qualified expenditures such as the costs
5 associated with first homeownership.

6 The federal section 8 homeownership option program and the
7 federal housing choice voucher family self-sufficiency program
8 provide unique opportunities for low- and moderate-income
9 earners to save and pay for homeownership. The section 8
10 homeownership option program provides continued monthly
11 homeownership assistance payments to qualified section 8 housing
12 choice voucher program participants to help reduce their monthly
13 mortgage payments, as well as, pay for other monthly
14 homeownership expenses in lieu of rental payments.

15 The housing choice voucher family self-sufficiency program
16 provides funds to public housing agencies to hire coordinators
17 to help participating families set a plan for employment,
18 education, and possibly homeownership. A baseline rent is
19 established in the first year. As a family's income increases,
20 the family continues to pay a percentage of its income toward
21 rent, and the difference between its new rental payment and its



1 baseline rent is deposited into an escrow account that can be
2 applied towards the goals in the plan.

3 The purpose of this Act is to increase low- and moderate-
4 income families' homeownership by:

5 (1) Providing financial assistance for home purchases
6 under the individual development accounts program;

7 (2) Repealing the five year limitation on direct state
8 funding to fiduciary organizations under the
9 individual development accounts program;

10 (3) Appropriating funds to:

11 (A) Make forgivable loans to cover closing costs in
12 conjunction with the individual development
13 accounts program;

14 (B) Increase outreach to increase enrollment in the
15 section 8 homeownership option and the housing
16 choice voucher family self-sufficiency programs;

17 (C) Increase administrative support for both of the
18 programs;

19 (D) Provide matching grants or loan forgiveness to
20 section 8 homeownership option program
21 participants to help with down payments; and



- 1 (E) Provide additional state matches to housing
2 choice voucher family self-sufficiency program
3 participants to help participants build
4 homeownership savings; and
- 5 (4) Exempting family self-sufficiency escrow accounts from
6 the asset test for public assistance.

7 **PART II**

8 SECTION 2. Chapter 257, Hawaii Revised Statutes, is
9 amended by adding a new section to be appropriately designated
10 and to read as follows:

11 **"§257- First homeownership; American dream down payment;**
12 **forgivable loans.** (a) A qualified expenditure for first
13 homeownership may be made in conjunction with and supplemental
14 to the federal Housing and Urban Development's HOME Investment
15 Partnership Program, as administered by a county, to provide
16 assistance towards the purchase of single family housing by
17 low-income families who are first-time homebuyers. Persons who
18 are awarded grant assistance under the HOME Investment
19 Partnership Program may be eligible for a qualified expenditure
20 for first homeownership.

21 (b) In lieu of subsection (a), a matching amount under
22 section 257-8 may be made in the form of a forgivable loan at



1 the rate of twenty per cent of the loan value per year, up to a
2 maximum amount of \$50,000."

3 SECTION 3. Section 257-3, Hawaii Revised Statutes, is
4 amended by amending subsections (c) and (d) to read as follows:

5 "(c) If the State approves an application to fund an
6 individual development account project under this section, the
7 State [~~shall~~], not later than one month after June 28, 1999,
8 shall authorize the applicant to conduct the project with state
9 funds [~~for five project years~~] in accordance with the approved
10 application and this section; provided that an applicant may
11 apply for funding during future fiscal years [~~for five project~~
12 ~~years~~] if the State lacks the resources to fund an individual
13 development account project pursuant to this subsection.

14 (d) For each individual development account program
15 approved under this section, the State shall make a grant to the
16 qualified entity or collaboration of entities authorized to
17 conduct the project on the first day of the project year in an
18 amount not to exceed \$100,000 per year [~~for five years~~]."

19 SECTION 4. There is appropriated out of the general
20 revenues of the State of Hawaii the sum of \$1,000,000, or so
21 much thereof as may be necessary for fiscal year 2007-2008, and
22 the same sum, or so much thereof as may be necessary for fiscal



1 year 2008-2009, as a grant to the counties to provide forgivable
 2 loans, in conjunction with the federal Housing and Urban
 3 Development's HOME Investment Program, of up to \$10,000 each to
 4 qualified individuals at the lowest mortgage interest rate in
 5 Hawaii, to cover closing costs of a home purchase. Each county
 6 shall receive the following sums:

- 7 (1) Honolulu \$
- 8 (2) Kauai \$
- 9 (3) Maui \$
- 10 (4) Hawaii \$

11 The sums appropriated shall be expended by the respective
 12 county for the purposes of this subpart.

13 **PART III**

14 SECTION 5. Section 346-29, Hawaii Revised Statutes, is
 15 amended as follows:

16 1. By amending subsection (b) to read:

17 "(b) No applicant or recipient who is found guilty of
 18 fraudulently misrepresenting residence to obtain assistance in
 19 two or more states shall be entitled to public assistance under
 20 this chapter for ten years from date of conviction. No
 21 applicant or recipient shall be entitled to public assistance
 22 under this chapter who is a fugitive felon or who is in



1 violation of a condition of probation or parole or has
2 sufficient income or other resources to provide a standard above
3 that provided in this chapter, or who is an inmate of any public
4 institution, except that any inmate of a public institution who
5 is otherwise eligible for medical assistance and who has been
6 determined by the medical director of the institution as having
7 a major illness or medical condition requiring the provision of
8 medical care outside of the institution may receive assistance
9 under this chapter. An inmate of a public institution or
10 resident of a medical institution may apply for assistance to
11 begin after the inmate's discharge from the institution. In
12 determining the needs of an applicant or recipient for public
13 assistance by the department, the department shall:

14 (1) Disregard the amounts of earned or unearned income as
15 required or allowed by federal acts and other
16 regulations, to receive federal funds and disregard
17 from gross earned income twenty per cent plus \$200 and
18 a percentage of the remaining balance of earned income
19 consistent with federal regulations and other
20 requirements;

21 (2) Consider as net income in all cases the income as
22 federal acts and other regulations require the



1 department to consider for receipt of federal funds
2 and may consider the additional income and resources
3 as these acts and regulations permit [~~now or in the~~
4 ~~future,~~] to be considered;

- 5 (3) For households with minor dependents, disregard a
6 total of \$5,000 in assets and the value of one motor
7 vehicle in determining the needs of persons for
8 financial assistance; provided that the amount to be
9 disregarded shall not exceed standards under [~~the~~
10 ~~department's~~] federally funded financial assistance
11 programs. This paragraph shall not apply to persons
12 eligible for federal [~~Supplemental Security Income~~]
13 supplemental security income benefits, aid to the
14 aged, blind or disabled, or general assistance to
15 households without minor dependents. In determining
16 the needs of [~~such~~] persons[~~7~~] eligible for federal
17 supplemental security income benefits aid to the aged,
18 blind or disabled, or general assistance to households
19 without minor dependents, the department shall apply
20 all the resource retention and exclusion requirements
21 under the federal [~~Supplemental Security Income~~
22 ~~Program,~~] supplemental security income program;



- 1 (4) Apply the resource retention requirements under the
2 federal [~~Supplemental Security Income Program~~]
3 supplemental security income program in determining
4 the needs of a single person for medical assistance
5 only;
- 6 (5) Apply the resource retention requirements under the
7 federal [~~Supplemental Security Income Program~~]
8 supplemental security income program in determining
9 the needs of a family of two persons for medical
10 assistance only and an additional \$250 for each
11 additional person included in an application for
12 medical assistance only;
- 13 (6) Disregard amounts of emergency assistance granted
14 under section 346-65;
- 15 (7) Not consider as income or resources any payment for
16 services to or on behalf of, or any benefit received
17 by, a participant under the first to work program of
18 part XI, other than wages. Wages earned by a
19 participant while participating in the first to work
20 program shall be considered income of the participant,
21 unless the wages are excluded or disregarded under any
22 other law;



- 1 (8) Not consider as income or resources payment made to
2 eligible individuals, eligible surviving spouses,
3 surviving children or surviving parents as specified
4 under Title I of the Civil Liberties Act of 1988,
5 Public Law 100-383, which made restitution to
6 individuals of Japanese ancestry who were interned
7 during World War II;
- 8 (9) Allow the community spouse of an individual residing
9 in a medical institution to maintain countable
10 resources to the maximum allowed by federal statutes
11 or regulations with provisions for increases, as
12 allowed by the Secretary of Health and Human Services
13 by means of indexing, court order, or fair hearing
14 decree, without jeopardizing the eligibility of the
15 institutionalized spouse for medical assistance;
- 16 (10) Allow an individual residing in a medical institution
17 to contribute toward the support of the individual's
18 community spouse, thereby enabling the community
19 spouse to maintain the monthly maximum income allowed
20 by federal statutes or regulations, with provisions
21 for increases as allowed by the Secretary of Health



1 and Human Services by means of indexing, court order,
2 or fair hearing decree; [~~and~~]

3 (11) Consider the transfer of assets from the applicant's
4 name to another name within the specified time period
5 as required by federal regulations, known as the
6 "lookback" period, prior to the application for
7 medical assistance for care in a nursing home or other
8 long-term care facility. Pursuant to rules adopted
9 under chapter 91, the director may attribute any
10 assets that have been transferred within the required
11 federal "lookback" period from the applicant if the
12 director determines that transfer of certain assets
13 was made solely to make the applicant eligible for
14 assistance under this chapter[-]; and

15 (12) Not consider as income or resources any funds
16 deposited into a family self-sufficiency escrow
17 account on behalf of a participant under a federal
18 housing choice voucher family self-sufficiency program
19 as required or allowed under federal law."

20 2. By amending subsection (d) to read:



1 "(d) The director shall adopt rules pursuant to chapter 91
2 defining assets and to determine eligibility for medical
3 assistance; provided that [~~the~~]:

4 (1) The department shall not consider as income or
5 resources any funds deposited into a family self-
6 sufficiency escrow account on behalf of a participant
7 under a federal housing choice voucher family self-
8 sufficiency program as required or allowed under
9 federal law; and

10 (2) The cash surrender value of life insurance policies
11 owned by persons included in an application shall be
12 treated as assets."

13 SECTION 6. There is appropriated out of the general
14 revenues of the State of Hawaii the sum of \$, or so
15 much thereof as may be necessary for fiscal year 2007-2008, and
16 the same sum, or so much thereof as may be necessary for fiscal
17 year 2008-2009, for the Hawaii public housing authority to:

18 (1) Increase outreach to increase enrollment in the
19 section 8 homeownership option and the housing choice
20 voucher family self-sufficiency programs;

21 (2) Increase administrative support for both of the
22 programs;



1 (3) Provide matching grants or loan forgiveness to section
2 8 homeownership option program participants to help
3 with down payments; and

4 (4) Provide additional state matches to housing choice
5 voucher family self-sufficiency program participants
6 to help participants build homeownership savings.

7 The sums appropriated shall be expended by the Hawaii
8 public housing authority for the purposes of this subpart.

9 **PART IV**

10 SECTION 7. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 8. This Act shall take effect upon its approval;
13 provided that sections 2, 4, and 6 shall take effect on July 1,
14 2007.

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INTRODUCED BY:

Ray L. Hoan
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Report Title:

Asset Building; Homeownership

Description:

Provides asset building opportunities to help increase low- and moderate-income families' homeownership by: expanding the individual development accounts law to include the provision of financial assistance to qualified first time home buyers; expanding the federal section 8 homeownership option program and the federal housing choice voucher family self-sufficiency program; exempting family self-sufficiency escrow accounts from the asset test for public assistance; and appropriating funds.

