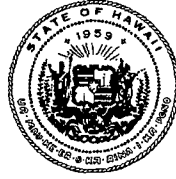


SB 862

Linda Lingle
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON WAYS AND MEANS

February 25, 2009 9:00 a.m.
Room 211, State Capitol

In consideration of
S.B. 862, S.D. 1
RELATING TO HOUSING.

The HHFDC supports S.B. 862, S.D. 1, which enables the HHFDC and county housing agencies to more easily collect the value of shared appreciation equity and other restrictions when an affordable housing property is sold and to require advance written notification of intent to foreclose on properties encumbered by such priority liens. **Passage of this bill will allow the HHFDC and county housing agencies to avoid costly litigation when enforcing its claims on affordable for-sale homes undergoing foreclosure.**

The sale of affordable housing properties sponsored or assisted by the HHFDC is subject to a buyback restriction and a shared appreciation equity (SAE) lien. The HHFDC has also provided deferred sales price liens to assist low or moderate income homebuyers in purchasing a first home. Upon the sale or transfer of an HHFDC-assisted home, the SAE is collected and deposited into the Dwelling Unit Revolving Fund, where it can be used to support the development of additional affordable housing projects.

Recently, the HHFDC has not been receiving sufficient prior notice of foreclosure proceedings on HHFDC-assisted properties. The lack of sufficient advance notice makes it difficult for HHFDC to prepare to bid at foreclosure sales. This measure would afford the HHFDC with notice of intent to foreclose forty-five days before commencement of the foreclosure. This notice period will allow HHFDC sufficient time to conduct our due diligence and, when appropriate and beneficial to do so, prepare to bid at the foreclosure sale.

Additionally, because SAE or other government entity liens are priority liens (following the purchase money mortgage), the mortgagee pursuing the foreclosure must satisfy the amount due to the HHFDC before claiming the property at the auction. However, the HHFDC has had to intervene in over 50 bankruptcy and foreclosure actions and litigate to assert our rights as a priority lien holder. Passage of this bill will protect HHFDC's lien rights in the event of foreclosure, and enable us to recover funds to support the development of additional housing.

Thank you for the opportunity to provide written comments in support of this bill.