

JAN 18 2013

A BILL FOR AN ACT

RELATING TO ENERGY.

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

1 SECTION 1. The Hawaii Revised Statutes is amended by
2 adding a new chapter to be appropriately designated and to read
3 as follows:

4 "CHAPTER

5 **SOLAR LOAN GUARANTEE PROGRAM**

6 -1 **Definitions.** As used in this chapter:

7 "Department" means the department of business, economic
8 development, and tourism.

9 "Director" means the director of business, economic
10 development, and tourism.

11 "Qualified homeowner" means the owner of a residential
12 property who:

13 (1) Is not currently a party to a bankruptcy proceeding;

14 (2) Has not declared bankruptcy in the past five years;

15 (3) Is current on all mortgage payments, if any;

16 (4) Does not currently have any other payments relating to

17 the residential property that are delinquent past

18 thirty days;



1 (5) Does not own any real or personal property subject to
2 a lien or encumbrance of any kind for failure to pay
3 taxes of any kind; and

4 (6) Is not personally subject to any fine, penalty, or
5 encumbrance of any kind for failure to pay taxes of
6 any kind.

7 "Solar energy device" means any identifiable facility,
8 equipment, apparatus, or the like, including a photovoltaic cell
9 application, that is applicable to a single-family residential
10 dwelling or townhouse and makes use of solar energy for heating,
11 cooling, or reducing the use of other types of energy dependent
12 upon fossil fuel for generation; provided that "solar energy
13 device" shall not include skylights or windows.

14 § -2 **Hawaii solar loan guarantee program.** There is
15 created a Hawaii solar loan guarantee program which shall be
16 administered by the director in accordance with the spirit and
17 intent of this chapter.

18 § -3 **Solar loan guarantee revolving fund.** (a) There is
19 established the solar loan guarantee revolving fund into which
20 shall be deposited all moneys received under this chapter. The
21 department may transfer moneys from any fund under this title to
22 the solar loan guarantee revolving fund, and these funds shall



1 be disbursed by the department or the director pursuant to this
2 chapter.

3 (b) The department shall report any transfer of funds made
4 under this section to the legislature within thirty days of the
5 transfer.

6 § -4 Solar energy device loans guaranteed by the

7 department. (a) The department may guarantee up to per
8 cent of the principal balance of a loan made to a qualified
9 homeowner by a private lender who is unable to otherwise lend
10 the applicant sufficient funds at reasonable rates; provided
11 that at no time shall the aggregate amount of the State's
12 liability, contingent or otherwise, on loans guaranteed under
13 this section exceed \$5,000,000 based on a reserve level
14 established at one per cent of the loan guarantee amount. The
15 reserve amount to be funded shall be calculated by determining
16 the difference between the solar loan guarantee revolving fund
17 balance at the beginning of each fiscal year and its annual
18 authorization ceiling.

19 (b) Loans guaranteed under this section shall be limited
20 by section -7; provided that loan guarantees are to be
21 limited to qualified homeowners for the following purposes:

- 1 (1) Up to \$25,000 for installation of a photovoltaic
2 system;
- 3 (2) Up to \$10,000 for the installation of a solar water
4 heater that meets the standards established pursuant
5 to section 269-44; and
- 6 (3) Up to \$10,000 for the installation of other technology
7 that meets the criteria of this chapter.
- 8 (c) Interest charged on a guaranteed loan made under this
9 section shall be determined by the department based on the
10 market rate of interest charged by the private lender for a
11 similar type of loan unless waived by the director.
- 12 (d) When the application for a guaranteed loan has been
13 approved by the department, the department shall issue to the
14 lender a guaranty for that percentage of the loan on which it
15 guarantees payment of principal and interest. The lender shall
16 collect all payments from the borrower and otherwise service the
17 loan.
- 18 (e) In return for the department's guaranty, the lender
19 shall remit a one-time fee of one per cent on the principal
20 amount of the guaranteed portion of the loan, at the time the
21 loan is booked, except for the following:



1 (1) On loans of \$ or more with a maturity
2 between and months, a reduced fee of
3 per cent; and

4 (2) On loans with a maturity of months or less, a
5 reduced fee of per cent shall be paid.

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

7 (f) When any installment of principal and interest has
8 been due for one hundred twenty days and has not been paid by
9 the borrower, the department shall issue, on request of the
10 lender, a check for the percentage of the overdue payment
11 guaranteed, and shall thereby acquire a division of interest in
12 the collateral pledged by the borrower in proportion to the
13 amount of the payment. The department shall be reimbursed for
14 any amounts so paid plus the applicable interest rate, where
15 payment is collected from the borrower.

16 (g) The lender may reduce the percentage of the principal
17 balance guaranteed under this section at any time.

18 § -5 **Functions, powers, and duties of director.** In the
19 performance of, and with respect to, the functions, powers, and
20 duties vested in the director by this chapter, the director may:

21 (1) Adopt rules pursuant to chapter 91 to carry out this
22 chapter; and



1 (2) Perform all functions necessary to effectuate the
2 purposes of this chapter.

3 § -6 **Rules and regulations.** The rules adopted pursuant
4 to section -5 shall:

- 5 (1) Prescribe the qualifications for eligibility of
6 applicants for loans guaranteed under this chapter;
7 (2) Establish preferences and priorities in determining
8 eligibility for loans guaranteed under this chapter;
9 (3) Establish the conditions, consistent with the purposes
10 of this chapter, for the granting or for the
11 continuance of a grant of a loan guaranteed by this
12 chapter; and
13 (4) Provide for inspection, at reasonable hours, of the
14 books and records of a private lender that has issued
15 a loan guaranteed under this chapter, and to require
16 the submission of reports relating to loans guaranteed
17 under this chapter, if necessary.

18 § -7 **Solar energy device loans, terms, and restrictions.**

19 (a) The department may guarantee loans made by private lenders
20 to qualified homeowners for the installation of solar energy
21 devices.



1 (b) The department may guarantee loans made by private
2 lenders to qualified homeowners; provided that the interest on
3 loans made under this subsection shall bear simple interest at
4 the rate of per cent below the prime rate or at a rate of
5 per cent a year, whichever is lower. For purposes of
6 this subsection, the prime rate shall be determined on the first
7 day of each month, and shall be the rate charged by the two
8 largest banks in the State of Hawaii identified by the
9 department of commerce and consumer affairs. Should there be a
10 difference in rate charged by the institutions, the lower of the
11 two shall be used. Payments required under loans guaranteed
12 under this subsection may be deferred, but no loans guaranteed
13 under this subsection shall be forgiven.

14 (c) Except as may be expressly provided otherwise for
15 loans guaranteed under subsection (b), the foregoing powers
16 shall be subject to the following restrictions and limitations:

- 17 (1) No loans shall be guaranteed unless financial
18 assistance is not otherwise available to the
19 applicant;
- 20 (2) The amount of the loan or loans to any one applicant
21 at any one time shall in no case exceed a total of
22 \$25,000; and



1 (3) No loan shall be made for a term exceeding seven
2 years.

3 (d) The department may contract with any financial
4 institution for administrative services related to loan
5 guarantees provided under this chapter.

6 § -8 **Reports.** The department shall make a report as of
7 December 31 of each year of operations under this chapter to the
8 governor, the president of the senate, and the speaker of the
9 house of representatives on the progress made under this
10 chapter. These reports shall be submitted no later than
11 February 1 immediately following the period covered by the
12 report."

13 SECTION 2. There is appropriated out of the general
14 revenues of the State of Hawaii the sum of \$1,000,000 or so much
15 thereof as may be necessary for fiscal year 2013-2014 and the
16 same sum or so much thereof as may be necessary for fiscal year
17 2014-2015 for deposit into the solar loan guarantee revolving
18 fund established by this Act.

19 The sums appropriated shall be expended by the department
20 of business, economic development, and tourism for the purposes
21 of this Act.



1 SECTION 3. There is appropriated out of the solar loan
 2 guarantee revolving fund the sum of \$ or so much
 3 thereof as may be necessary for fiscal year 2013-2014 and the
 4 same sum or so much thereof as may be necessary for fiscal year
 5 2014-2015 for the Hawaii solar loan guarantee program.

6 The sums appropriated shall be expended by the department
 7 of business, economic development, and tourism for the purposes
 8 of this Act.

9 SECTION 4. This Act shall take effect on July 1, 2013;
 10 provided that the Hawaii solar loan guarantee program and solar
 11 loan guarantee revolving fund shall be operational no later than
 12 January 1, 2014.

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INTRODUCED BY:

Mike Hubbard
A.C. Kuch-Gogen

Paula Paul
Joe Kuan
John
John Gish
Ronny de Paoli
Will Eyer



S.B. NO. 368

Report Title:

Hawaii Solar Loan Guarantee Program; Revolving Fund; Program Requirements; Appropriation

Description:

Creates the Hawaii solar loan guarantee program and revolving fund to be administered by the director of business, economic development, and tourism to guarantee loans for solar energy devices and photovoltaic systems. Makes an appropriation for the program subject to program requirements and restrictions.

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