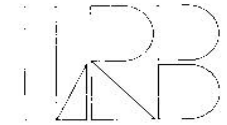


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LEGISLATIVE REFERENCE BUREAU  
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State Capitol  
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Written Comments

## HCR6

# **REQUESTING THE LEGISLATIVE REFERENCE BUREAU, WITH THE ASSISTANCE OF THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM, TO CONDUCT A STUDY ON THE NEED FOR A STATE MORTGAGE GUARANTY FUND**

Comments by the Legislative Reference Bureau  
Charlotte A. Carter-Yamauchi, Acting Director

Presented to the House Committee on Economic Development and Business

Friday, February 14, 2014, 10:15 a.m.  
Conference Room 312

Chair Tsuji and Members of the Committee:

Good morning Chair Tsuji and members of the Committee. I am Charlotte Carter-Yamauchi, Acting Director of the Legislative Reference Bureau. Thank you for providing the opportunity to submit written comments on H.C.R. No. 6, Requesting the Legislative Reference Bureau, with the Assistance of the Department of Business, Economic Development, and Tourism, to Conduct a Study on the Need for a State Mortgage Guaranty Fund.

The purpose of this measure is to request that:

- (1) The Legislative Reference Bureau consider the feasibility of:
  - (A) Creating a mortgage guaranty fund that would offer the same coverage that private mortgage insurance provides for lenders; and
  - (B) Requiring private mortgage insurance companies to expand their guidelines to include financing for condominiums in Hawaii up to ninety-five percent on a loan-to-value ratio;

- (2) The Department of Business, Economic Development, and Tourism work with industry leaders from the development, housing, and finance industries to analyze and determine the best course of action to provide and stimulate economic growth in the affordable and workforce housing market;
- (3) The Department of Business, Economic Development, and Tourism coordinate efforts between all levels of government and the private sector to fast track the construction of affordable and workforce housing projects in the State;
- (4) The Department of Business, Economic Development, and Tourism transmit a draft report of its findings and recommendations, including any proposed legislation, to the Legislative Reference Bureau no later than November 1, 2014; and
- (5) The Legislative Reference Bureau submit a final report of its findings and recommendations, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2015.

While the Legislative Reference Bureau takes no position on this measure, we submit the following comments for your consideration regarding the portions of the measure that assign tasks to the Bureau.

With regard to the request that the Bureau consider the feasibility of creating a mortgage guaranty fund and requiring private mortgage insurance companies to expand their guidelines to include financing for condominiums in Hawaii up to ninety-five percent on a loan-to-value ratio, the Bureau has the following concerns:

- (1) As drafted, the measure infers, but does not clearly indicate whether the contemplated mortgage guaranty fund would be operated by the State, and if so, which public agency would administer the fund; and
- (2) The Bureau lacks the specific expertise in mortgage financing and insurance to provide a credible recommendation on these issues. If charged with this responsibility, we would request that an appropriation be made to the Bureau in a bill so that the Bureau may possibly contract the services of a person or firm with the requisite expertise (if one exists). In addition, in order to ensure the timely completion and submission of the requested feasibility study prior to the 2015 Regular Session, we would also request that any appropriation made for this purpose include a provision that exempts the contracting of services for this project be exempt from chapter 103D, Hawaii Revised Statutes (procurement code).

With regard to the request that the Bureau finalize the draft report and legislation created by the Department of Business, Economic Development, and Tourism, the Bureau believes that these services are manageable and that the Bureau will be able to provide the services in the time allotted; provided that the draft work product is submitted to the Bureau by November 1, 2014, and the Bureau's interim workload is not adversely impacted by too many other studies or additional responsibilities such as conducting, writing, or finalizing other reports, drafting legislation, or both, for other state agencies, task forces, or working groups that may be requested or required under other legislative measures.

Thank you again for this opportunity to provide written comments.



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Statement of  
**RICHARD C. LIM**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the  
**COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS**

Friday, February 14, 2012  
10:15 a.m.  
State Capitol, Conference Room 312

in consideration of  
**HCR 6**  
**REQUESTING THE LEGISLATIVE REFERENCE BUREAU, WITH THE  
ASSISTANCE OF THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,  
AND TOURISM, TO CONDUCT A STUDY ON THE NEED FOR A STATE  
MORTGAGE GUARANTY FUND.**

Chair Tsuji, Vice Chair Ward and Members of the Committee. Thank you for the opportunity to testify on HCR6, a proposal requesting that DBEDT assist the LRB to conduct a study on the need for a state mortgage guaranty fund.

We **oppose** this bill due to the fact that the private sector already provides services in this area and we question the need for additional capacity. If the intent is to provide a guarantee fund that targets borrowers that are further down the credit spectrum, then the risks could be significant.

In addition, conducting a study on the feasibility of offering products that are not currently provided would be very costly and DBEDT lacks the funding and staffing to conduct such a study. Should the Legislature seek to outsource this study, we would suggest allocating at least \$500,000 – given the scale and complexity of the industry.

The Legislature may also need to enact confidentiality provisions for this type of study, as developers and insurance companies may not be willing to share proprietary data for analysis without confidentiality assurances.

Thank you for this opportunity to testify.