



SB 2543

Measure Title:	RELATING TO HOUSING.
Report Title:	Homeownership Revolving Fund; Debt Service
Description:	Establishes the homeownership revolving fund to assist households whose income does not exceed eighty per cent of the area median income by allowing the households to pay no debt service at zero per cent interest for the first sixty months and then pay interest on a graduated scale.
Companion:	
Package:	Housing and Homeless Legislative Package
Current Referral:	HMS/EGH, WAM
Introducer(s):	CHUN OAKLAND, Dela Cruz, Galuteria, L. Thielen

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON HUMAN SERVICES AND ECONOMIC
DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING
ON
SENATE BILL NO. 2543

February 6, 2014

RELATING TO HOUSING

Senate Bill No. 2543 establishes the Homeownership Revolving Fund to assist households whose income does not exceed 80% of the area median income by allowing the households to pay no debt services at no interest for the first 60 months and then pay interest on a graduated scale.

The Department of Budget and Finance does not take any position on support and services of homeownership for families whose income does not exceed 80% of the area median income. However, as a matter of general policy, the department does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.3, HRS. Special or revolving funds should:

- 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program;
- 2) provide an appropriate means of financing for the program or activity; and
- 3) demonstrate the capacity to be financially self-sustaining.

In regards to Senate Bill No. 2543, it is difficult to determine whether the proposed revolving fund will be self-sustaining.

I encourage the Legislature to scrutinize the fiscal and operational plan for this program to ensure that it does conform to the requirements of Section 37-52.3, HRS.



STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

**SENATE COMMITTEE ON HUMAN SERVICES
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT
OPERATIONS AND HOUSING**

February 6, 2014 at 1:15 p.m.
State Capitol, Room 016

In consideration of
S.B. 2543
RELATING TO HOUSING.

The HHFDC supports efforts to increase opportunities for homeownership; however, we **have concerns with** S.B. 2543. S.B. 2543 adds a new section to Chapter 201H, HRS, to establish a homeownership revolving fund to pay the monthly debt service, i.e., principal and interest payments, for the first five years of a mortgage loan of an eligible homeowner whose income does not exceed 80 percent of the area median income as determined by the U.S. Department of Housing and Urban Development.

Homeownership provides shelter and stability to families, and fosters involvement in community life. Homeownership also provides important social and economic benefits. However, individuals and families should be prepared for the responsibilities of owning and sustaining their homes. They should have the financial ability to make mortgage payments and other housing expenses (e.g., real property tax, insurance, and maintenance/association fees), as well as maintain their properties.

We believe that emphasis should be placed on preparing individuals for homeownership. Referrals could be made to the various accredited non-profit agencies which provide homebuyer education and counseling.

Thank you for the opportunity to testify.



Testimony on SB 2543

Submitted by: Sherri K. Dodson, Executive Director

Habitat for Humanity Maui is fortunate to be associated with Habitat for Humanity International and its very recognizable brand. But many people don't realize the extent of what Habitat Maui does and that it is run completely independent from Habitat for Humanity International. Along with local Homeowner Education and Home Maintenance Education, Habitat Maui also engages the community to work alongside each other to better the community. Last year, Habitat Maui engaged over a thousand volunteers who logged in over 13,000 volunteer hours. Volunteers come from all over the world to build on Habitat jobsites. They learn valuable building skills but they also learn that just because a family has a low income basis doesn't mean they aren't hard workers. When supporters come from outside of State of Hawaii, we always take the opportunity to teach them about the Hawaiian culture as many of our families are of Native Hawaiian ancestry.

Many churches, businesses and schools utilize working on a Habitat job site as a team building experience. On each job site there is always something for everyone to do. Habitat works with agencies such as Goodwill Industries, State of Hawaii Judiciary Probation Program, Drug Court, Maui Intake Service Center, Workforce Development, First to Work Program, Alu Like Job Training, and College Internship programs. These agencies look to place individuals for job training which Habitat provides on job sites, in the office and in our retail store.

Habitat Maui also acts as a mortgage company and services the 0% interest home purchase loan program. If a family is having financial difficulty Habitat Maui is uniquely able to work with the family to either restructure their mortgage or to counsel the homeowner on their debt. Currently Habitat Maui has 83% of its homeowners either current or ahead on their mortgage. Of the 20% remaining only one families is 6 months or more behind on their mortgage. All others are in counseling and catching up on their payments.

Currently Habitat services 35 mortgages and within the next year that will increase to over 60. Over the last 15 years, Habitat has serviced 85 families in homeownership. Over the last 15 years Habitat has never had to foreclose on any family. The Family Support Committee has been able to work with any family that has fallen behind on their mortgage to help them get back on their feet. In addition to our 87 families, we also have served over 200 families with our Homeowner Education classes. These classes help prepare anyone for homeownership with credit counseling, budgeting and home maintenance courses.

Why Homeownership

Homeownership has the unique potential to break the cycle of poverty for low-income families and provide for a more stable future. Homeowners of all income levels have a vested interest in the success of their neighborhoods. In addition to helping build the local tax bases, homeowners tend to be more involved in a wide range of neighborhood-based activities. Homeowners are more likely to know neighbors who can help with tasks such as minor repairs or fixing a computer. This neighborhood is an older community who has lived in their homes for years. In recent years there has been a push to “clean up” the neighborhood by neighborhood watches and the revitalization of the vacant properties. This project will work to help revitalize the neighborhood with homeowners who will be vested in the community.

According to the 2012 Homeless Service Utilization Report, there were 3,655 people in homeless shelters in Maui County in the fiscal year ending July 1. This number is up 46% from the 2009 report. The total number of homeless people is higher but not certain as they do not seek services. Many working families who earn minimum wages and who cannot afford to pay rent and utilities, and thus are compelled to live in their vehicles or in the backyards of family members, or who are forced to seek help in homeless shelters. Homelessness is a social problem throughout all of the United States. In 2013 an estimated 3 million experience homelessness including 1.3 children (National Law Center on Homelessness and Poverty).

Despite the economy and the prices of homes on Maui decreasing, residents of Maui still pay a much higher amount for housing than most people in the country. The average house price on Maui is \$512,000.00, and the average price of a condominium is \$374,500.00. (*Realtors Association of Maui – www.RAMaui.com; MLS Sale Data Sales information through December, 2013– Information deemed reliable, however not guaranteed.*) With many people losing their homes on Maui due to the down turn in the economy, there will be many more people who will be in need of housing. Although condominium prices are lower than single family homes, the availability is less with only 10 units on the market in December of 2013.

Home ownership is a dream for most of Hawaii’s residents. As such we strongly support setting up a Homeownership Revolving Fund.

Respectfully submitted,

Sherri K. Dodson
Executive Director
Habitat for Humanity Maui
970 Lower Main Street
Wailuku, HI 96793
Ph: (808) 242-1140
Fax: (808) 242-1141
sherri@habitat-maui.org
www.habitat-maui.org



Community Alliance for Mental Health

February, 6, 2014

Board of Directors

Anne Chipchase
President

Robert Scott Wall
Vice President

Brenda Kosky
Secretary

William Lennox
Treasurer

Susan King

Linda Takai

Randolph Hack

Gina Hungerford

To: Senate Committees for Health & Economic Development, Government Operations, and Housing
Re: SB 2543

Aloha Senators Chun-Oakland, Della Cruz, and the members of their committees,

On behalf of the Community Alliance for Mental Health along with United Self Help strongly support the passage of SB 2543.

We believe that the passage of SB 2543 is essential for the state in addressing our chronic housing shortage.

Scott Wall
VP/Legislative Advocate
Community Alliance for Mental Help