



SB 1202

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 80 per cent of the area median income by allowing the households to pay no debt service for the first sixty months and then pay interest on a graduated scale.
Companion:	
Package:	None
Current Referral:	HSH, WAM
Introducer(s):	CHUN OAKLAND

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON HUMAN SERVICES AND HOUSING
ON
SENATE BILL NO. 1202

February 12, 2015

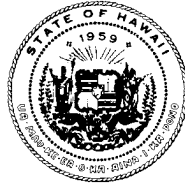
RELATING TO HOUSING

Senate Bill No. 1202 amends Chapter 201H, HRS, to establish the Homeownership revolving fund in the Hawaii Housing Finance and Development Corporation to assist households whose income does not exceed 80 percent of the area median income by allowing the households to pay no debt service for the first 60 months and then pay interest on a graduated scale.

The Department of Budget and Finance (B&F) defers to the Department of Business, Economic Development and Tourism regarding the technical issues and merits of the bill. However, as a matter of general policy, B&F does not support the creation of any special 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. 1202, it is difficult to determine whether the fund will be self-sustaining.

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

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
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IN REPLY REFER TO:

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

SENATE COMMITTEE ON HUMAN SERVICES AND HOUSING

February 12, 2015 at 2:00 p.m.
State Capitol, Room 016

In consideration of
S.B. 1202
RELATING TO HOUSING.

The HHFDC *offers the following comments* on S.B. 1202. S.B. 1202 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.

HHFDC does not have the available expertise or positions to appropriately administer this new program. We also note that nonprofit organizations, such as Habitat for Humanity, currently operate zero-interest revolving loan programs. If it is the Committee's intent to provide similar assistance, it may be better served to provide a grant-in-aid directly to the organizations with existing programs in place.

Thank you for the opportunity to testify.