



EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

July 10, 2017

**GOV. MSG. NO. 1224**

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Ninth State Legislature  
State Capitol, Room 409  
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,  
Speaker and Members of the  
House of Representatives  
Twenty-Ninth State Legislature  
State Capitol, Room 431  
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on July 10, 2017, the following bill was signed into law:

HB530 HD2 SD2 CD1

**RELATING TO HOMEBUYER ASSISTANCE  
ACT 123 (17)**

Sincerely,

DAVID Y. IGE  
Governor, State of Hawai'i

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# A BILL FOR AN ACT

RELATING TO HOMEBUYER ASSISTANCE.

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

1           SECTION 1. The legislature finds that homeownership  
2 creates strong communities through economic growth. Homeowners  
3 have a greater sense of security, continuity, belonging, and  
4 pride in their communities. According to the United States  
5 Department of Housing and Urban Development, with careful loan  
6 underwriting, homeownership helps lower income households build  
7 wealth even during tough economic times.

8           In a recently released national housing survey sponsored by  
9 Fannie Mae, the most cited reasons for wanting to own a home  
10 were to have a good place to raise children, a safe place to  
11 live, more space for family, and control over one's living  
12 space. These factors have been linked to better physical and  
13 psychological health, including greater satisfaction with life,  
14 one's home, and one's neighborhood. Homeowners viewed their  
15 communities as stronger, safer, and more stable than did renters  
16 and were more likely to report that they felt connected to  
17 others, knew their neighbors, and were civically engaged.



1           The legislature further finds that one of the major  
2 barriers to homeownership is the lack of availability of  
3 downpayment assistance. Even small amounts of downpayment  
4 assistance increase the probability of moving first-time buyers  
5 into homeownership. Although about one out of five first-time  
6 homebuyers receive such help from their families, low- and  
7 moderate-income households are less likely to have this option  
8 available. The late Edward Szymanoski, former United States  
9 Department of Housing and Urban Development Associate Deputy  
10 Assistant Secretary for Economic Affairs, said, "First-time  
11 buyers often lack cash to pay the downpayment and closing costs  
12 charged by conventional lenders and would otherwise have to  
13 defer homeownership for many years."

14           The Hawaii housing finance and development corporation's  
15 downpayment loan program was established in 1995 to assist  
16 eligible first-time homebuyers earning up to 120 per cent of the  
17 area median income with downpayment loans. While there has been  
18 a continuing need for downpayment assistance, this program has  
19 not realized its full potential due to funding and outdated  
20 programmatic constraints.



1 The purpose of this Act is to modernize the downpayment  
2 loan program.

3 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is  
4 amended by adding to part III, subpart F, a new section to be  
5 appropriately designated and to read as follows:

6 "§201H- Downpayment loan assistance program; fees. The  
7 corporation may establish, revise, charge, and collect fees,  
8 premiums, and charges as necessary, reasonable, or convenient,  
9 for its downpayment loan assistance program. The fees,  
10 premiums, and charges shall be deposited into the housing  
11 finance revolving fund established in section 201H-80."

12 SECTION 3. Chapter 201H, Hawaii Revised Statutes, is  
13 amended by amending the title of part III, subpart F, to read as  
14 follows:

15 "F. Downpayment Loan Assistance Program"

16 SECTION 4. Section 201H-161, Hawaii Revised Statutes, is  
17 amended to read as follows:

18 " ~~[f]~~ §201H-161 ~~[f]~~ Downpayment loans. (a) The corporation  
19 may make ~~[direct]~~ downpayment loans, either directly or through  
20 a nonprofit organization as defined in section 454F-1, to  
21 eligible borrowers who qualify for loans under section 201H-162.



1 The downpayment loan to any one borrower shall not exceed  
2 [~~thirty~~] fifteen per cent of the purchase price or appraised  
3 value of the residential property or [~~\$15,000,~~] \$60,000,  
4 whichever is less. In no event shall the loan amount and  
5 purchase money mortgage amount exceed one hundred per cent of  
6 combined loan-to-value. The interest rate on the loans may  
7 range from [~~zero~~] one per cent to eight per cent, depending on  
8 the buyer's income.

9 (b) The repayment of every downpayment loan shall be  
10 secured by a duly recorded second mortgage executed by the  
11 borrower to the State on the residential property purchased with  
12 the downpayment loan.

13 (c) The principal of the downpayment loan, together with  
14 accrued interest, shall be due and payable upon the sale,  
15 transfer, or refinancing of the property, or shall be repaid by  
16 the borrower in installments as determined by the corporation;  
17 provided that the corporation may provide a period in which  
18 payments may be waived. The period over which the principal and  
19 interest shall be paid need not coincide with the period over  
20 which the loan from the mortgage lender for the balance of the  
21 purchase price must be repaid. The borrower may repay the whole



1 or any part of the unpaid balance of the downpayment loan, plus  
2 accrued interest, at any time without penalty.

3 (d) The corporation may secure the services of nonprofit  
4 organizations, as defined in section 454F-1, to originate the  
5 downpayment loans on behalf of the State for an origination fee  
6 not in excess of the prevailing loan origination fee amount, as  
7 determined by the corporation.

8 [~~(d)~~] (e) The corporation may secure the services of the  
9 mortgage lender who loans to the borrower the balance of the  
10 purchase price of the residential property or the services of  
11 any other mortgage lender doing business in the State to  
12 collect, on behalf of the State, the principal and interest of  
13 the downpayment loan and otherwise to service the downpayment  
14 loan, for a servicing fee not in excess of the prevailing loan  
15 servicing fees.

16 [~~(e)~~] (f) The corporation shall adopt rules pursuant to  
17 chapter 91 to carry out the purposes of this subpart."

18 SECTION 5. Section 201H-162, Hawaii Revised Statutes, is  
19 amended by amending subsection (a) to read as follows:

20 "(a) No person shall be qualified for a downpayment loan  
21 unless the person:



- 1 (1) Is a citizen of the United States or a resident alien;
- 2 (2) Is at least eighteen years of age;
- 3 (3) Is a bona fide resident of the State;
- 4 (4) Will physically reside in the residential property to  
5 be purchased for the term of the loan;
- 6 (5) Is accepted by a mortgage lender as a person to whom  
7 it is willing to lend money for the purchase of the  
8 residential property provided the required downpayment  
9 is made; ~~and~~
- 10 (6) Provides a portion of the downpayment which shall be  
11 equal to at least ~~three~~ five per cent of the sales  
12 price[-]; and
- 13 (7) Has successfully completed a homeownership counseling  
14 program provided by a housing counseling agency  
15 approved by the United States Department of Housing  
16 and Urban Development."

17 SECTION 6. Section 201H-171, Hawaii Revised Statutes, is  
18 amended by amending subsection (b) to read as follows:

19 "(b) In establishing such a program, the corporation shall  
20 adopt rules pursuant to chapter 91 relating to establishing a  
21 savings program for participants based upon individual analyses



1 of income and family expenses. The rules may also provide for  
2 integration of the homebuyers' club program with other  
3 governmental programs including but not limited to individual  
4 housing accounts under section 235-5.5, the state mortgage  
5 guarantee program under subpart E, the downpayment loan  
6 assistance program established under subpart F, and the rent-to-  
7 own program established under subpart H."

8 SECTION 7. Statutory material to be repealed is bracketed  
9 and stricken. New statutory material is underscored.

10 SECTION 8. This Act shall take effect on July 1, 2017.

APPROVED this 10 day of JUL , 2017



GOVERNOR OF THE STATE OF HAWAII





HB No. 530, HD 2, SD 2, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 2, 2017  
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2017.



Joseph M. Souki  
Speaker  
House of Representatives



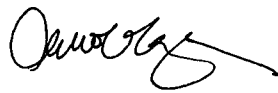
Brian L. Takeshita  
Chief Clerk  
House of Representatives

**THE SENATE OF THE STATE OF HAWAII**

Date: May 2, 2017  
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the  
Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017.

  
President of the Senate

  
Clerk of the Senate