
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
14 life, one's home, and one's neighborhood. Homeowners viewed
15 their communities as stronger, safer, and more stable than did
16 renters and were more likely to report that they felt connected
17 to 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 receives 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19 not realized its full potential due to funding and outdated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 "[+] §201H-161 [+] 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~~] _____ per cent of the purchase price or appraised value
3 of the residential property or [~~\$15,000,~~] \$ _____, whichever
4 is less. In no event shall the combined loan amount and
5 purchase money mortgage amount exceed _____ per cent of the
6 loan-to-value ratio. The interest rate on the loans may range
7 from [~~zero~~] _____ per cent to eight per cent, depending on the
8 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
6 fee not in excess of the prevailing loan origination fee amount,
7 as 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~~] ____ 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, 2030.



Report Title:

Downpayment Loan Assistance Program

Description:

Updates the Downpayment Loan Program under the Hawaii Housing Finance and Development Corporation. Effective 7/1/2030. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

