
A BILL FOR AN ACT

RELATING TO THE DOWNPAYMENT LOAN ASSISTANCE PROGRAM.

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 the Federal National Mortgage Association, the most cited
10 reasons for wanting to own a home were to have a good place to
11 raise children, a safe place to live, more space for family, and
12 control over one's living space. These factors have been linked
13 to better physical and psychological health, including greater
14 satisfaction with life, one's home, and one's neighborhood.
15 Homeowners viewed their communities as stronger, safer, and more
16 stable than did renters and were more likely to report that they



1 felt connected to others, knew their neighbors, and were
2 civically engaged.

3 The legislature further finds that one of the major
4 barriers to homeownership is the lack of availability of down
5 payment assistance. Even small amounts of down payment
6 assistance increase the probability of moving first-time buyers
7 into homeownership. Although about one out of five first-time
8 homebuyers receives such help from the homebuyer's family, low-
9 and moderate-income households are less likely to have this
10 option available. The late Edward Szymanoski, who served as
11 associate deputy assistant secretary for economic affairs in the
12 Office of Policy Development and Research of the United States
13 Department of Housing and Urban Development, said that "First-
14 time buyers often lack cash to pay the down payment and closing
15 costs charged by conventional lenders and would otherwise have
16 to defer homeownership for many years."

17 The Hawaii housing finance and development corporation's
18 downpayment loan program was established in 1995 to assist
19 eligible first-time homebuyers earning up to one hundred twenty
20 per cent of the area median income with down payment loans.
21 While there has been a continuing need for down payment



1 assistance, this program has not realized its full potential due
2 to funding and outdated programmatic constraints.

3 The purpose of this Act is to modernize the downpayment
4 loan program to assist low- and moderate-income households by
5 providing greater assistance to eligible borrowers to become
6 first-time homebuyers.

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

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

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

19 "F. Downpayment Loan Assistance Program"

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



1 "~~[+]§201H-161[+]~~ **Downpayment loans.** (a) The corporation
 2 may make [~~direct~~] downpayment loans, either directly, or through
 3 a nonprofit organization as defined in section 454F-1, to
 4 eligible borrowers who qualify for loans under section 201H-162.
 5 The downpayment loan to any one borrower shall not exceed
 6 [~~thirty~~] fifteen per cent of the purchase price or appraised
 7 value of the residential property or [~~\$15,000~~] \$60,000,
 8 whichever is less. In no event shall the loan amount and
 9 purchase money mortgage amount exceed one hundred per cent of
 10 combined loan-to-value. The interest rate on the loans may
 11 range from [~~zero~~] one per cent to eight per cent, depending on
 12 the buyer's income.

13 (b) The repayment of every downpayment loan shall be
 14 secured by a duly recorded second mortgage executed by the
 15 borrower to the State on the residential property purchased with
 16 the downpayment loan.

17 (c) The principal of the downpayment loan, together with
 18 accrued interest, shall be due and payable upon the sale,
 19 transfer, or refinancing of the property, or shall be repaid by
 20 the borrower in installments as determined by the corporation;
 21 provided that the corporation may provide a period in which



1 payments may be waived. The period over which the principal and
2 interest shall be paid need not coincide with the period over
3 which the loan from the mortgage lender for the balance of the
4 purchase price must be repaid. The borrower may repay the whole
5 or any part of the unpaid balance of the downpayment loan, plus
6 accrued interest, at any time without penalty.

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

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

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



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

3 "(a) No person shall be qualified for a downpayment loan
4 unless the person:

5 (1) Is a citizen of the United States or a resident alien;

6 (2) Is at least eighteen years of age;

7 (3) Is a bona fide resident of the State;

8 (4) Will physically reside in the residential property to
9 be purchased for the term of the loan;

10 (5) Is accepted by a mortgage lender as a person to whom
11 it is willing to lend money for the purchase of the
12 residential property provided the required downpayment
13 is made; [~~and~~]

14 (6) Provides a portion of the downpayment which shall be
15 equal to at least [~~three~~] five per cent of the sales
16 price[~~-~~]; and

17 (7) Has successfully completed a homeownership counseling
18 program provided by a housing counseling agency
19 approved by the United States Department of Housing
20 and Urban Development."



1 SECTION 6. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 7. This Act shall take effect on July 1, 2050.



Report Title:

Downpayment Loan Program; Downpayment Loan Assistance Program;
First-time Homebuyer

Description:

Expands the Downpayment Loan Program to assist low- and moderate-income households by providing greater assistance to eligible borrowers to become first-time homebuyers. (SB912 HD1)

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