



**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
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IN REPLY REFER TO:

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

**SENATE COMMITTEE ON HOUSING**  
**SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION AND HEALTH**

February 11, 2019 at 9:00 a.m.  
State Capitol, Room 229

In consideration of  
**S.B. 718**  
**RELATING TO HOMEBUYER ASSISTANCE.**

The HHFDC *offers the following comments* on S.B. 718, which establishes the State Mortgage Insurance Program in Chapter 201H, HRS. The structure of this bill is similar to the State Mortgage Guarantee Program set forth in §§201H-151 and -152, HRS, in that the HHFDC is to guarantee up to a specified percentage of the top of the principal balance of a real property mortgage loans for a qualified dwelling unit. HHFDC did not implement this program due to the lack of a reserve fund needed to operate a State mortgage guaranty program.

There are other proven forms of homebuyer assistance available to the population targeted in this bill, such as Federal Home Administration loans, and Fannie Mae Standard 97% LTV loans that are already available statewide. The HHFDC also administers other mortgage programs which assist low- and moderate-income households. We have partnered with private lenders to provide first-time homebuyers with Hula Mae mortgage loans and mortgage credit certificates.

We also note that HHFDC will require a General Fund appropriation for the reserve fund needed to guarantee mortgage loans under the State Mortgage Insurance Program. HHFDC will also require an additional 2.0 full-time equivalent positions and funding to administer the State Mortgage Insurance program.

Thank you for the opportunity to testify.



DAVID Y. IGE  
GOVERNOR

JOSH GREEN  
LT. GOVERNOR

**STATE OF HAWAII  
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CATHERINE P. AWAKUNI COLÓN  
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DEPUTY DIRECTOR

**Testimony of the Department of Commerce and Consumer Affairs**

**Senate Committee on Housing  
and  
Senate Committee on Commerce, Consumer Protection, and Health  
Monday, February 11, 2019  
9:00 a.m.  
State Capitol, Conference Room 229**

**On the following measure:  
S.B. 718, RELATING TO HOMEBUYER ASSISTANCE**

Chair Chang, Chair Baker, and Members of the Committees:

My name is Iris Ikeda, and I am the Commissioner of Financial Institutions for the Department of Commerce and Consumer Affairs' (Department) Division of Financial Institutions (DFI). The Department appreciates the intent of this bill and offers comments on the practical aspects of the insurance guarantee as it affects private lenders.

The purpose of this bill is to establish the state mortgage insurance program to guarantee up to fifteen per cent of the principal balance of real property mortgage loans, under certain conditions.

The Department believes this measure bill may pose unintended consequences that affect private lenders. First, private lenders who will hold the mortgage of the residential real property will not surrender the first lien position of the loan to the State. The state mortgage insurance program would be holding only a minority interest in the residential real property.

Second, for the lender to provide accurate disclosures, it must know the amount of the state mortgage guarantee early in the application process. By law, a lender is required to disclose all fees, interest, payments, and impounds (taxes and insurance) within three days of the date of application submission.

Third, the bill limits the mitigation efforts required by law. When a borrower has financial difficulty in making timely payments, a lender, if contacted by the borrower, must offer a variety of mitigation options, some of which may extend the mortgage for more than two years.

Thank you for the opportunity to testify on this bill.

DAVID Y. IGE  
GOVERNOR



RODERICK K. BECKER  
DIRECTOR

ROBERT YU  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**  
TESTIMONY BY RODERICK K. BECKER  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEES ON HOUSING AND COMMERCE,  
CONSUMER PROTECTION AND HEALTH  
ON  
SENATE BILL NO. 718

**February 11, 2019**  
**9:00 a.m.**  
**Room 229**

RELATING TO HOMEBUYER ASSISTANCE

Senate Bill No. 718: establishes the State Mortgage Insurance Program (SMIP) to guarantee up to 15 percent of the principal balance of real property mortgage loans under certain conditions; establishes the State Mortgage Insurance Special Fund to be administered by the Hawaii Housing Finance and Development Corporation (HHFDC); and authorizes the HHFDC to issue mortgage revenue bonds for the purposes of providing funds for the SMIP.

The department would like to note that HHFDC already has statutory authority in Section 201H-151, HRS, to administer such a program and that a general fund appropriation to back the guarantee and pay any claims to allow the program to become operational would be necessary.

In regards to any operational impacts or other available homebuyer assistance programs, we defer to the HHFDC.

Thank you for your consideration of our comments.

Presentation to The  
Committees on Housing and Commerce,  
Consumer Protection, and Health  
February 11, 2019 at 9:00 A.M.  
State Capitol Conference Room 329

**Testimony on Bill 718 With Comments**

TO: The Honorable Stanley Chang, Chair of the Committee on Housing and Vice Chair Committee on Commerce, Consumer Protection and Health  
The Honorable Dru Mamo Kanuha, Vice Chair of the Committee on Housing  
The Honorable Rosalyn H. Baker, Chair, Committee on Commerce, Consumer Protection and Health  
The Honorable Stanley Chang, Vice Chair Committee on Commerce, Consumer Protection and Health

My name is Neal K. Okabayashi, the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing eleven banks, including eight with headquarters in Hawai'i.

While this bill is a well-meaning effort to assist first time homebuyers by providing mortgage insurance by the state up to the top fifteen percent of the loan principal to address the dilemma of having sufficient funds to satisfy the normal down payment requirement of twenty percent, it will not be effective. Given the realities of the private mortgage insurance market, Fannie Mae/Freddie Mac, and the Consumer Financial Protection Bureau rules, it is likely that qualified lenders will not use this program.

Private mortgage insurance is readily available at an adequate premium price in the market. If a borrower is not able to qualify for private mortgage insurance, it is likely the result of factors such as the property condition or credit issues.

It appears that any mortgage loan made under this program will not qualify for purchase by Fannie Mae or Freddie Mac under their guidelines, and thus a mortgage loan under this program will be only made by a lender willing to hold the loan in its loan portfolio (a portfolio loan) which runs the risk that the loan is not a qualified mortgage.

Loans purchased by Fannie Mae or Freddie Mac are qualified mortgages under the rules of the Consumer Financial Protection Bureau rules, which were adopted to define the requirements of the ability to repay rule adopted under the Dodd-Frank Act. The ability to repay rules were designed to deter risky loan features which contributed to the Great Recession of 2008. Loans held in a lender's portfolio are not per se a qualified mortgage, and it is likely that a mortgage that this bill seeks to guarantee will not be a qualified mortgage because, for one thing, it will not satisfy the debt to income criteria. To qualify for a qualified mortgage is important for a lender because that means by law, the lender has met the ability to repay rule.

Thank you for the opportunity to submit this testimony on SB 718. Please let us know if we can provide further information.

Neal K. Okabayashi  
(808) 524-5161

**SB-718**

Submitted on: 2/10/2019 8:34:30 AM

Testimony for HOU on 2/11/2019 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	Testifying for O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

**SB-718**

Submitted on: 2/9/2019 7:46:01 PM

Testimony for HOU on 2/11/2019 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Dylan P. Armstrong	Individual	Support	No

Comments:



**LATE**

**SB-718**

Submitted on: 2/10/2019 8:01:07 PM

Testimony for HOU on 2/11/2019 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Bianca Mintz	Individual	Oppose	No

Comments:

I work 60 to 80 hours a week to save money to eventually own my own home. Why should the money I pay in taxes go to help other people buy houses? What incentive will I have (or will anyone have) to save money if we can rely on the state to pay for our mortgages? Taxes are meant to benefit everyone (i.e. public education, road repair, etc.). I realize this is well intended, in that its purpose is to help more people purchase homes. But home ownership is something to work towards and to earn, it is not a right. Other people's tax money is not to be used by individual people to buy a home. If people want to own a home, they should save up their money and earn it themselves, as opposed to relying on other people's hard earned taxes to get them there.

**LATE**

**SB-718**

Submitted on: 2/11/2019 7:45:58 AM  
Testimony for HOU on 2/11/2019 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Dr Marion Ceruti	Individual	Oppose	No

Comments:

This is bill is unconstitutional. Tax money should not be used as a guarantee for personal mortgages regardless of conditions.