
A BILL FOR AN ACT

RELATING TO THE HAWAII HOUSING FINANCE AND DEVELOPMENT
CORPORATION.

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

1 SECTION 1. The legislature finds that making a downpayment
2 can be a major hurdle for many residents in the State when
3 purchasing a home for the first time. The hurdle is
4 particularly high for potential home buyers who fall into a gap
5 income group because their earnings are too high to qualify for
6 financial assistance from governmental programs but too low for
7 financial institutions to regard them as safe risks for mortgage
8 loans.

9 The purpose of this Act is to create a downpayment
10 guarantee program for first-time homebuyers who fall into a gap
11 income group.

12 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is
13 amended by adding a new subpart to part III to be appropriately
14 designated and to read as follows:

15 " . Downpayment Guarantee Program



1 **§201H- Downpayment guarantee.** (a) The corporation may
2 serve as guarantor for any downpayment loan made by a financial
3 institution that is chartered under chapter 412 to an eligible
4 borrower for the borrower's purchase of a residential dwelling
5 within the State to be occupied by the borrower.

6 (b) No person shall be deemed an eligible borrower unless
7 the person:

- 8 (1) Is a citizen of the United States or a resident alien;
- 9 (2) Is at least eighteen years of age;
- 10 (3) Is a bona fide resident of the State;
- 11 (4) Will physically reside, for the term of the loan, in
12 the residential property to be purchased;
- 13 (5) Is accepted by a mortgage lender as a person to whom
14 the lender is willing to lend money for the purchase
15 of the residential property, provided the required
16 downpayment is made;
- 17 (6) Provides at least five per cent of the sales price as
18 a portion of the downpayment;
- 19 (7) Has successfully completed a financial education
20 program provided by a financial education agency
21 approved by the corporation;



1 (8) Is a first-time home buyer within the State; and

2 (9) Falls into a gap income group as recognized by the
3 corporation.

4 (c) No person who owns in fee simple or in leasehold any
5 other residential property within the State shall be eligible
6 under subsection (b). A person shall be deemed to own a
7 residential property within the State if the person, the
8 person's spouse, or both (unless separated and living apart
9 under a decree of a court of competent jurisdiction) owns a
10 majority interest in a residential property within the State.

11 (d) Every loan that is secured by the corporation under
12 this section shall be subject to the following conditions:

13 (1) The borrower shall expend no portion of the borrower's
14 downpayment loan for purposes other than to make a
15 downpayment for the purchase of a residential
16 property; and

17 (2) The borrower shall agree to staggered buyback sale
18 requirements established by the corporation for owner-
19 occupants.

20 (e) The corporation may use funds in the dwelling unit
21 revolving fund established in section 201H-191 to guarantee the



1 repayment of a downpayment loan made to the eligible borrower by
2 a financial institution chartered under chapter 412.

3 (f) The corporation may also establish, revise, charge,
4 and collect fees, premiums, and charges as necessary,
5 reasonable, or convenient, to guarantee the repayment of a
6 downpayment loan. The fees, premiums, and charges shall be
7 deposited into the dwelling unit revolving fund established in
8 section 201H-191.

9 (g) If the borrower defaults in the payment of any
10 installment of principal or interest of the downpayment loan,
11 the corporation shall take all necessary action to repay the
12 delinquent amounts to the financial institution or its assigns,
13 as the case may be, that holds title to the downpayment loan.

14 (h) The powers conferred upon the corporation by this
15 section shall be in addition and supplemental to the powers
16 conferred by any other law, and nothing in this section shall be
17 construed as limiting any powers, rights, privileges, or
18 immunities so conferred."

19 SECTION 3. Chapter 201H, Hawaii Revised Statutes, is
20 amended by adding a new section to be appropriately designated
21 and to read as follows:



1 "§201H- **Loan loss reserve fund subaccount.** (a) There
2 is established the loan loss reserve fund subaccount within the
3 dwelling unit revolving fund. Moneys in the subaccount shall be
4 used to fund the downpayment guarantee program pursuant to
5 section 201H- .

6 (b) Any law to the contrary notwithstanding, the moneys in
7 the special subaccount shall be used to fund the operations of
8 the corporation to carry out its duties under this chapter. Any
9 law to the contrary notwithstanding, the corporation may use the
10 moneys in the special subaccount to employ personnel to carry
11 out the corporation's duties under this chapter. The moneys in
12 the special subaccount may be used to train personnel as the
13 corporation deems necessary and for any other activity related
14 to this chapter."

15 SECTION 4. Section 201H-191, Hawaii Revised Statutes, is
16 amended by amending subsection (a) to read as follows:

17 "(a) There is created a dwelling unit revolving fund. The
18 funds appropriated for the purpose of the dwelling unit
19 revolving fund and all moneys received or collected by the
20 corporation for the purpose of the revolving fund shall be
21 deposited in the revolving fund. The proceeds in the revolving



1 fund shall be used to reimburse the general fund to pay the
2 interest on general obligation bonds issued for the purposes of
3 the revolving fund, for the necessary expenses in administering
4 housing development programs and regional state infrastructure
5 programs, for the downpayment guarantee program pursuant to
6 section 201H- , and for carrying out the purposes of housing
7 development programs and regional state infrastructure programs,
8 including but not limited to the expansion of community
9 facilities and regional state infrastructure constructed in
10 conjunction with housing and mixed-use transit-oriented
11 development projects, permanent primary or secondary financing,
12 and supplementing building costs, federal guarantees required
13 for operational losses, and all things required by any federal
14 agency in the construction and receipt of federal funds or
15 low-income housing tax credits for housing projects."

16 SECTION 5. There is appropriated out of the general
17 revenues of the State of Hawaii the sum of \$ or so
18 much thereof as may be necessary for fiscal year 2020-2021 to be
19 deposited into the loan loss reserve fund subaccount and
20 expended for the purposes of this Act.



1 The sum appropriated shall be expended by the Hawaii
2 housing finance and development corporation for the purposes of
3 this Act.

4 SECTION 6. There is appropriated out of the loan loss
5 reserve fund subaccount the sum of \$, or so much
6 thereof as may be necessary for fiscal year 2020-2021, for two
7 full-time equivalent (2.00 FTE) positions to carry out the
8 purpose of this Act. The sum appropriated shall be expended by
9 the Hawaii housing finance and development corporation.

10 SECTION 7. New statutory material is underscored.

11 SECTION 8. This Act shall take effect on July 1, 2050.



Report Title:

Hawaii Housing Finance and Development Corporation; Homebuyer
Downpayment Guarantee Program; Appropriation

Description:

Creates a downpayment guarantee program for certain first-time
homebuyers. Creates the loan loss reserve fund subaccount to
fund the program. Creates two full time equivalent positions
(2.0 FTE) to administer the program. Appropriates funds. Takes
effect on 7/1/2050. (SD1)

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not legislation or evidence of legislative intent.*

