
A BILL FOR AN ACT

RELATING TO THE DOWNPAYMENT LOAN LOSS RESERVE 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.
3 Homeownership helps families build equity and enjoy stability.
4 Homeowners have a greater sense of security, continuity,
5 belonging, and pride in their communities. However, saving for
6 a downpayment is often cited as the biggest hurdle for first-
7 time homebuyers, particularly for young people grappling with
8 student loan debt. The Hawaii Housing Planning Study, 2019,
9 prepared for the Hawaii housing finance and development
10 corporation, found that twenty-seven per cent of those
11 interested in buying a single-family home could not afford the
12 downpayment.

13 The legislature further finds that a loan loss reserve fund
14 is a form of credit enhancement that helps lenders control for
15 the risk that loans will not be repaid. If a borrower defaults
16 on a loan, the lender may access funds in the lender's loan loss
17 reserve account to mitigate losses. Because they have access to



1 the loan loss reserve fund, lenders can offer better rates and
2 more attractive terms to borrowers or make financing available
3 to borrowers having a wide range of credit scores. State funds
4 could be leveraged at a ratio of 10:1 with private loan capital
5 to assist from more than eight hundred to twelve hundred first-
6 time homebuyers with downpayment loans.

7 Accordingly, the purpose of this Act is to facilitate the
8 provision of downpayment loan assistance to first-time
9 homebuyers by establishing a downpayment loan loss reserve
10 program to address downpayment loan defaults.

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

14 "§201H- Downpayment loan loss reserve program;
15 administrator. (a) The corporation may set aside and provide
16 funds to serve as a downpayment loan loss reserve for financial
17 institutions that make downpayment loans to eligible borrowers.
18 If a downpayment loan issued pursuant to this subpart is in
19 default, the downpayment loan loss reserve shall cover a
20 percentage of the second mortgage loan pool or a percentage of
21 each individual second mortgage in default, as determined by the



1 corporation. The corporation may secure the services of
2 nonprofit organizations, as defined in section 454F-1, to
3 operate the downpayment loan loss reserve program.

4 (b) There is established within the corporation a
5 downpayment loan loss reserve administrator position. The
6 downpayment loan loss reserve administrator shall be appointed
7 by the executive director and shall, at the direction of the
8 executive director, administer the downpayment loan loss reserve
9 program."

10 SECTION 3. There is appropriated out of the general
11 revenues of the State of Hawaii the sum of \$ or so
12 much thereof as may be necessary for fiscal year 2020-2021, to
13 be deposited into the housing finance revolving fund established
14 by section 201H-80, Hawaii Revised Statutes.

15 SECTION 4. There is appropriated out of the housing
16 finance revolving fund established by section 201H-80, Hawaii
17 Revised Statutes, the amount of \$ or so much thereof
18 as may be necessary for fiscal year 2020-2021, to serve as loan
19 loss capital for downpayment loans for first-time homebuyers
20 pursuant to section 201H- , Hawaii Revised Statutes.



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 5. There is appropriated out of the housing
5 finance revolving fund established by section 201H-80, Hawaii
6 Revised Statutes, the amount of \$ or so much thereof
7 as may be necessary for fiscal year 2020-2021 to establish and
8 fill one full-time equivalent (1.00 FTE) downpayment loan loss
9 reserve administrator position established pursuant to section 2
10 of this Act.

11 The sum appropriated shall be expended by the Hawaii
12 housing finance and development corporation for the purposes of
13 this Act.

14 SECTION 6. New statutory material is underscored.

15 SECTION 7. This Act shall take effect on July 1, 2025.



Report Title:

HHFDC; Downpayment Loan Loss Reserve Program; Administrator
Position; Appropriation

Description:

Establishes a downpayment loan loss reserve program to address downpayment loan defaults under the Hawaii Housing Finance and Development Corporation's downpayment loan assistance program. Establishes one downpayment loan loss reserve administrator position. Appropriates funds for the program and administrator position. Takes effect 7/1/2025. (HD1)

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

