

Honolulu, Hawaii

FEB 13 , 2020

RE: H.B. No. 2687  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirtieth State Legislature  
Regular Session of 2020  
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 2687 entitled:

"A BILL FOR AN ACT RELATING TO THE DOWNPAYMENT LOAN LOSS RESERVE PROGRAM,"

begs leave to report as follows:

The purpose of this measure is to facilitate the provision of downpayment loan assistance to first-time homebuyers by establishing a Downpayment Loan Loss Reserve Program (Program) to address downpayment loan defaults.

Your Committee received testimony in support of this measure from the Hawaii HomeOwnership Center. Your Committee received comments on this measure from the Hawaii Housing Finance and Development Corporation.

Your Committee finds that homeownership creates strong communities through economic growth; helps families build equity and enjoy stability; and creates a greater sense of security, continuity, belonging, and pride in communities. However, the Hawaii Housing Planning Study, 2019, prepared for the Hawaii Housing Finance and Development Corporation, found that twenty-seven percent of those interested in buying a single-family home could not afford the downpayment.



Your Committee also finds that a loan loss reserve fund is a form of credit enhancement that helps lenders control for the risk that loans will not be repaid. If a borrower defaults on a loan, the lender may access funds in the lender's loan loss reserve account to mitigate losses. Because they have access to the loan loss reserve fund, lenders can offer better rates and more attractive terms to borrowers or make financing available to borrowers having a wide range of credit scores. Your Committee believes that state funds could be leveraged at a ratio of 10:1 with private loan capital to assist more than eight hundred first-time homebuyers with downpayment loans.

Your Committee has amended this measure by:

- (1) Establishing a Downpayment Loan Loss Reserve Administrator position to administer the Program and inserting an appropriation of an unspecified sum for the position;
- (2) Changing its effective date to July 1, 2025, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2687, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2687, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Housing,

  
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TOM BROWER, Chair



