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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Housing
Thursday, March 12, 2020
1:15 p.m.
State Capitol, Conference Room 225**

**On the following measure:
H.B. 2066, H.D. 1, Relating to the Hawaii Housing Finance
and Development Corporation**

Chair Chang and Members of the Committee:

My name is Iris Ikeda, and I am the Commissioner of Financial Institutions of the Department of Commerce and Consumer Affairs' (Department) Division of Financial Institutions (DFI). The Department appreciates the intent of and offers comments on this bill.

The purposes of this bill are to: (1) create a downpayment guarantee program for certain first-time homebuyers; and (2) appropriate funds.

The Department notes the downpayment guarantee program, as contemplated by this bill, is only available to state-chartered banks in Hawaii. However, Hawaii has national banks that also offer residential loans.

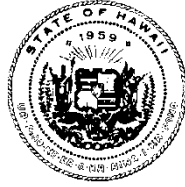
In addition, this bill may pose a safety and soundness risk concern, as banks may take on more risk if they believe the State will back up the second mortgage

instead of underwriting with the second mortgage (downpayment loan) as a possible default.

Finally, this bill does not specify when the lender must recognize the loss. The Department notes that there will be a federal regulatory change in the way credit losses are recognized in 2021, which will impact all banks.

Thank you for the opportunity to testify on this bill.

DAVID Y. IGE
GOVERNOR



DENISE ISERI-MATSUBARA
INTERIM EXECUTIVE DIRECTOR

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
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

SENATE COMMITTEE ON HOUSING

March 12, 2020 at 1:15 p.m.
State Capitol, Room 225

In consideration of
H.B. 2066, H.D. 1
RELATING TO THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION.

HHFDC *offers the following comments* on H.B. 2066, H.D. 1. This measure creates a Downpayment Guarantee Program which allows HHFDC to serve as a guarantor for downpayment loans to first-time homebuyers who qualify for a mortgage, can provide at least 5% of the sales price as a downpayment, and have completed a financial education program approved by HHFDC.

First-time homebuyers who can provide a 5% downpayment can already access homebuyer assistance, such as Federal Home Administration loans, and Fannie Mae Standard 97% LTV loans that are currently available statewide. We have partnered with private lenders to provide first-time homebuyers with mortgage credit certificates.

This bill identifies the Dwelling Unit Revolving Fund as a source of funding for this program, but it is not an allowable use of the fund. The General Fund appropriation for the reserve fund needed to guarantee downpayment loans under this program would be set aside solely for the loan guarantees. HHFDC will also require an additional 2.0 full-time equivalent positions and funding to administer the program.

Thank you for the opportunity to testify.

HB-2066-HD-1

Submitted on: 3/10/2020 11:33:06 AM

Testimony for HOU on 3/12/2020 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
R Laree McGuire	Individual	Oppose	No

Comments:

I strongly oppose.

HB-2066-HD-1

Submitted on: 3/10/2020 4:55:30 PM

Testimony for HOU on 3/12/2020 1:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Lawson Fernandes	Individual	Support	No

Comments:

I am in support of this bill. I am someone who falls in this gap income group. And with the Downpayment Guarantee Program it gives me the hope that I would one day become a home buyer.