

JAN 21 2022

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# A BILL FOR AN ACT

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RELATING TO HOMEBUYER ASSISTANCE.

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

1       SECTION 1. Chapter 201H, Hawaii Revised Statutes, is  
2       amended by adding a new subpart to part III to be appropriately  
3       designated and to read as follows:

4               "       . State Mortgage Insurance Program

5       **§201H-A State mortgage insurance program; established.**

6       (a) The corporation may guarantee up to fifteen per cent of the  
7       principal balance of real property mortgage loans for the  
8       purchase of qualified single-family or multifamily dwelling  
9       units, plus the interest due thereon, made to qualified  
10      borrowers by qualified private lenders; provided that at no time  
11      shall the corporation's liability, contingent or otherwise, on  
12      these guarantees exceed \$               in total.

13      (b) The guaranteed loans shall be secured by a duly  
14      recorded first mortgage upon the fee simple or leasehold  
15      interest of the borrower in the single-family or multifamily  
16      dwelling owned and occupied by the borrower and the borrower's  
17      permitted assigns.



(c) Loans guaranteed by the corporation under this section shall be in compliance with rules adopted by the corporation.

(d) To be eligible for a loan guaranty under this section, a qualified borrower shall:

(1) Be a citizen of the United States or a resident alien;

(2) Be a bona fide resident of the State;

(3) Physically reside in the residential property in the State to be purchased for the term of the loan;

(4) Be a first-time homebuyer;

(5) Own no other real property in the State;

(6) Meet the following annual gross income requirements:

(A) For the city and county of Honolulu:

(i) \$123,600 for families of two or less; or

(ii) \$144,200 for families of three or more;

(B) For the county of Maui:

(i) \$107,160 for families of two or less; or

(ii) \$125,020 for families of three or more;

(C) For the county of Kauai:

(i) \$98,880 for families of two or less; or

(ii) \$115,360 for families of three or more; and

(D) For the county of Hawaii:



- 1                   (i)   \$88,080 for families of two or less; or  
2                   (ii)   \$102,760 for families of three or more; and

3           (7)   Meet the following purchase price limits for newly  
4           constructed or existing residences:

5                   (A)   \$732,692 in the city and county of Honolulu;

6                   (B)   \$729,230 in the county of Maui;

7                   (C)   \$714,231 in the county of Kauai; and

8                   (D)   \$571,153 for the county of Hawaii.

9           (e)   When the application for a loan guaranty has been  
10   approved by the corporation, the corporation shall issue to the  
11   lender a guarantee in an amount equal to that percentage of the  
12   loan on which it guarantees payment of principal and interest.  
13   The private lender shall collect all payments from the borrower  
14   and otherwise service the loan.

15           (f)   In return for the corporation's guarantee, the private  
16   lender shall remit out of monthly payments collected an  
17   insurance fee as established by the corporation. The funds  
18   remitted shall be deposited to the credit of the state mortgage  
19   insurance special fund.

20           (g)   When any installment of principal and interest has  
21   been due for sixty days and has not been paid by the borrower,



1 the private lender may file a claim for the guaranteed portion  
2 of the overdue payments with the corporation, which may then  
3 authorize vouchers for these payments, thereby acquiring a  
4 division of interest in the collateral pledged by the borrower  
5 in proportion to the amount of the payment. The corporation  
6 shall be reimbursed for any amounts paid pursuant to this  
7 subsection plus the applicable interest rate when payment is  
8 collected from the borrower.

9 (h) If there is any default in any payment to be made by  
10 the borrower, the lender shall notify the corporation within  
11 fifteen days. Should the lender deem that foreclosure  
12 proceedings are necessary to collect moneys due from the  
13 borrower, it shall notify the corporation. Within thirty days  
14 of either notification, the corporation may elect to request an  
15 assignment of the loan on payment in full to the lender of the  
16 principal balance and interest due; no foreclosure proceedings  
17 shall be initiated if a request for the assignment of the loan  
18 is made by the corporation.

19 (i) Every qualified borrower who is granted a loan under  
20 this section shall comply with the following conditions:



- 1           (1) Expend no portion of the qualified borrower's loan for  
2           purposes other than those authorized by the  
3           corporation;
- 4           (2) Not sell or otherwise dispose of the mortgaged  
5           property except upon the prior written consent of the  
6           corporation and except upon any conditions that may be  
7           prescribed in writing by the private lender;
- 8           (3) Pay all taxes, liens, judgments, or assessments that  
9           may be lawfully assessed against the property  
10          mortgaged, together with the costs and expenses of any  
11          foreclosure of the mortgage when due;
- 12          (4) Maintain insurance, to the satisfaction of the private  
13          lender on all improvements and other insurable  
14          property covered by the mortgage. Insurance shall be  
15          made payable to the mortgagee as its interest may  
16          appear at the time of the loss. At the option of the  
17          private lender, subject to the rules and standards of  
18          the corporation, sums so received may be used to pay  
19          for reconstruction of the improvements destroyed, or  
20          for decreasing the amount of the indebtedness;
- 21          (5) Maintain the improvements in good repair; and



1           (6) The private lender may impose any other conditions in  
2           its mortgage; provided that the form of the mortgage  
3           has received the prior approval of the corporation.

4 All of the conditions in paragraphs (1) through (6) shall be  
5 held and construed to be provisions of any mortgage executed by  
6 virtue of this section regardless of whether or not the  
7 conditions are expressly incorporated in the mortgage document.

8           (j) Loans guaranteed and made under this subpart shall be  
9 repaid in accordance with a payment schedule specified by the  
10 private lender. The mortgage shall allow for prepayment in any  
11 sums and the payment of the entire principal may be made at any  
12 time within the period of the loan. The private lender for  
13 satisfactory cause and at its discretion, may extend the time  
14 within which the installments of principal may be made for a  
15 period not to exceed two years.

16           (k) All interest and fees collected under this subpart by  
17 the corporation shall be deposited into the general fund. All  
18 moneys necessary to guarantee payment of loans made under this  
19 subpart and to carry on the operations of the corporation in  
20 administering and granting loans under this subpart shall be



1 appropriated out of the state mortgage insurance special fund  
2 established in section 201H-B.

3       §201H-B State mortgage insurance special fund. (a) There  
4 is established in the state treasury the state mortgage  
5 insurance special fund to be administered by the corporation.

6       (b) The corporation shall issue mortgage revenue bonds for  
7 the purposes of providing funds for the state mortgage insurance  
8 program pursuant to section 201H-A."

9       SECTION 2. In codifying the new sections added by  
10 section 1 of this Act, the revisor of statutes shall substitute  
11 appropriate section numbers for the letters used in designating  
12 the new sections in this Act.

13       SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY: \_\_\_\_\_

*BTLS*



# S.B. NO. 2249

**Report Title:**

State Mortgage Insurance Program; Hawaii Housing Finance and Development Corporation; Homebuyer Assistance

**Description:**

Establishes the state mortgage insurance program to guarantee up to fifteen per cent of the principal balance of real property mortgage loans, under certain conditions.

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