



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
THIRTY-FIRST LEGISLATURE, 2022**

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**ON THE FOLLOWING MEASURE:**

S.B. NO. 2249, RELATING TO HOMEBUYER ASSISTANCE.

**BEFORE THE:**

SENATE COMMITTEES ON HOUSING AND ON COMMERCE AND CONSUMER PROTECTION

**DATE:** Thursday, February 10, 2022      **TIME:** 1:45 p.m.

**LOCATION:** State Capitol, Room 225, Via Videoconference

**TESTIFIER(S):** Holly T. Shikada, Attorney General, or  
Sandra A. Ching, Deputy Attorney General

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Chairs Chang and Baker and Members of the Committees:

The Department of the Attorney General provides the following comments.

This bill adds a new subpart to part III of chapter 201H, Hawaii Revised Statutes, to create a State mortgage insurance program. Under this program, the Hawaii Housing Finance and Development Corporation (HHFDC) may guarantee up to fifteen percent of the principal balance of real property mortgage loans for the purchase of qualified single-family or multifamily dwelling units, plus interest due on the loans, to qualified borrowers by qualified private lenders.

In section 2, on page 7, lines 6-8, the bill provides that HHFDC may issue mortgage revenue bonds for the purposes of providing funds for the state mortgage insurance program. Article VII, section 13, of the Hawai'i State Constitution provides in part that bonds constituting instruments of indebtedness under which the State or any political subdivision incurs a contingent liability as a guarantor, is excluded from the State's debt limit "provided that the State or political subdivision shall establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the State or political subdivision as provided by law." We suggest amending this bill to add such a proviso if exclusion from the State's debt limit is desired.

Thank you for the opportunity to provide these comments.

DAVID Y. IGE  
GOVERNOR



DENISE ISERI-MATSUBARA  
EXECUTIVE DIRECTOR

## STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
HONOLULU, HAWAII 96813  
FAX: (808) 587-0600

IN REPLY REFER TO:

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

### SENATE COMMITTEE ON HOUSING

February 10, 2022 at 1:45 p.m.  
State Capitol, Room 225

In consideration of  
**S.B. 2249**  
**RELATING TO HOMEBUYER ASSISTANCE.**

HHFDC opposes S.B. 2249, which establishes the State Mortgage Insurance Program to guarantee up to 15% of the principal balance of real property mortgage loans, under certain conditions.

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

HHFDC would like to note that the language on page 2, line 9, referencing "Be a first-time homebuyer" may need clarification. If it means first-time homebuyer in the State, we recommend that be explicitly stated.

Such a program would require a diversion of resources away from HHFDC's core affordable housing financing and development assistance functions. Currently, HHFDC does not have the capacity to administer this new program. If the committee chooses to pass this measure, we estimate the resources needed to implement the program to be two (2) FTE positions at a total annual cost of \$250,000.

Thank you for the opportunity to testify.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR

GLORIA CHANG  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE**

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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**

TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEES ON HOUSING  
AND  
COMMERCE AND CONSUMER PROTECTION  
ON  
SENATE BILL NO. 2249

**FEBRUARY 10, 2022**

**1:45 P.M.**

**Via Videoconference**

RELATING TO HOMEBUYER ASSISTANCE.

The Department of Budget and Finance (the "Department") offers the following comments on Senate Bill No. 2249 which amends Chapter 201H, Hawaii Revised Statutes by adding a new subpart to Part III to establish the state mortgage insurance program for the Hawaii Housing Finance and Development Corporation (HHFDC) to guarantee up to fifteen per cent of the principal balance of real property mortgage loans for the purchase of qualified single-family or multifamily dwelling units, plus interest due thereon, made to qualified borrowers by qualified private lenders and establishes a State mortgage insurance special fund to be funded by the issuance of mortgage revenue bonds issued by (HHFDC). The maximum amount of the guarantee is not specified.

The Department would like to inform the Legislature that Article VII, Section 13 of the State Constitution, requires the State or political subdivision to establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans

guaranteed by the State or political subdivision as provided by law, in order for the bonds constituting instruments of indebtedness under which the State or any political subdivision incurs a contingent liability as a guarantor to be excluded (subject to limitations) when determining the power of the State to issue general obligation bonds or the funded debt of any political subdivision under Section 12 of the State Constitution.

As a matter of general policy, the Department does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding Senate Bill No. 2249, it is difficult to determine whether the proposed special fund would be self-sustaining.

Thank you for your consideration of our comments.

**SB-2249**

Submitted on: 2/8/2022 1:20:41 AM

Testimony for HOU on 2/10/2022 1:45:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Brett Kulbis	Testifying for Honolulu County Republican Party	Oppose	No

Comments:

Honolulu County Republican Party OPPOSES SB-2249.

The State should not be using tax payer money to make loan guarantees for the purchase of any homes. Additionally, this will create another unaccountable bureacracy, like HART.