
A BILL FOR AN ACT

RELATING TO CONDOMINIUMS.

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

SECTION 1. The Hawaii Revised Statutes is amended by adding a new chapter to be appropriately designated and to read as follows:

"CHAPTER

FINANCING FOR CONDOMINIUMS

PART I. DIRECT FINANCING

§ -1 **Definitions.** As used in this chapter, unless the context clearly requires otherwise:

"Authority" means the Hawaii green infrastructure authority as established under section 196-63.

"Condominium association" has the same meaning as association as defined under section 514B-3.

"Condominium project" has the same meaning as project as defined under section 514B-3.

"Financial institution" includes a bank, trust company, banking association, savings and loan association, mortgage



1 company, investment bank, credit union, or nontraditional
2 financial institution.

3 "Loan" includes a line of credit.

4 "Qualified condominium association" means a condominium
5 association that meets the eligibility requirements under
6 section -6 and the rules adopted by the authority.

7 "Participating financial institution" means a financial
8 institution participating in the condominium loan loss reserves
9 program.

10 "Reserve account" means an account established in a
11 participating financial institution on approval of the authority
12 in which money is deposited to serve as a reserve to reimburse
13 the financial institution for losses on loans enrolled in the
14 condominium loan loss reserves program.

15 § -2 Powers; rulemaking. In addition to any other
16 powers authorized by law, the authority may:

17 (1) Contract with any financial institution for services,
18 including servicing or administering loans pursuant to
19 this part;



(2) Adopt rules pursuant to chapter 91 to effectuate this chapter, including but not limited to rules relating to:

(A) Determinations of any other maintenance or repairs that qualify for financing or refinancing under this chapter;

(B) The establishment of interest rates chargeable by the authority for direct loans under this part and by the participating financial institutions for loans under part II;

(C) The establishment of restrictions on the terms, maturities, collateral, and other requirements not inconsistent with this part;

(D) Procedures for validating a qualified condominium association's compliance with the obligation to increase its replacement reserves balance;

(E) Determinations of eligibility of a financial institution to participate in the condominium loan loss reserves program;



(F) Eligibility participation criteria for loans issued by an eligible financial institution to a qualified condominium association; and

(G) The authorization of a consortium of financial institutions to participate in the condominium loan loss reserves program subject to condominium loan loss reserves program guidelines.

§ -3 Condominium loan program. There is established within the authority the condominium loan program to provide qualified condominium associations with low-cost financing, or refinancing for loans previously obtained, for maintenance or repair projects in accordance with this part.

§ -4 Condominium loan revolving fund. (a) There is established in the state treasury the condominium loan revolving fund, into which shall be deposited:

(1) Moneys received as repayment of loans and interest payments as provided in this chapter;

(2) Appropriations made by the legislature to the condominium loan revolving fund; and

(3) All interest and investment earnings credited to the assets of the fund.



(b) Moneys in the condominium loan revolving fund shall be expended by the authority for:

(1) The purposes of providing loans and credit enhancements in accordance with this part; and

(2) Paying administrative costs of the condominium loan program.

§ -5 Loans; limitations and conditions. (a) Loans under this chapter shall be for financing, or refinancing previous loans that were used for, the following maintenance or repairs in a condominium project:

(1) Installing, repairing, or replacing fire sprinklers or other fire safety measures;

(2) Repairing or replacing the pipes;

(3) Repairing or replacing the roof; or

(4) Any other maintenance or repairs the authority deems qualified for the loans.

(b) The loan agreement shall require that the qualified condominium association increase its replacement reserves fund balance over the term of the loan and terms.

§ -6 Loans; eligibility. The authority may make loans directly to condominium associations that:



- 1 (1) Are unable to secure full replacement value insurance
2 at reasonable rates; or
3 (2) Cannot obtain sufficient funds at reasonable rates
4 from private lenders independently.

5 § -7 **Annual reports.** The authority shall submit a
6 report to the legislature no later than twenty days prior to the
7 convening of each regular session that details the progress of
8 the condominium loan program, aggregate data on the loans issued
9 under this part, and the balance of the condominium loan
10 revolving fund.

11 § -8 **Gifts and grants.** The authority may accept gifts,
12 grants, and donations from any source for the purposes of this
13 chapter.

14 **PART II. CREDIT ENHANCEMENT THROUGH LOAN LOSS RESERVES**

15 § -11 **Condominium loan loss reserves program.** (a)
16 There is established within the authority the condominium loan
17 loss reserves program to incentivize lenders, in accordance with
18 this part, to provide loans at competitive rates and terms to
19 condominium associations for the purpose of allowing condominium
20 associations to make necessary maintenance or repairs.



(b) The authority shall use moneys in the condominium loan revolving fund to make deposits into a participating financial institution's reserve account in an amount specified by this part to be a source of moneys the participating financial institution may receive as reimbursement for losses attributable to loans in the condominium loan loss reserves program.

§ -12 Participating financial institutions; reserve account. (a) To participate in the condominium loan loss reserves program, an eligible financial institution shall enter into a participation agreement with the authority that sets out the terms and conditions under which the authority will make contributions to the institution's reserve account and specifies the criteria for a loan to qualify as a loan under this part.

(b) On approval by the authority and after a financial institution enters into a participation agreement with the authority, the authority shall establish a reserve account at a participating financial institution making a loan under this part and deposit an amount equal to five per cent of the original loan amount. The reserve account shall be used by the authority to cover any losses arising from a default of the loan



1 made by the institution under this part or as otherwise provided
2 by this part.

3 (c) When a participating financial institution makes a
4 loan enrolled in the condominium loan loss reserves program, the
5 institution shall pay to the authority a fee equal to fifty
6 basis points of the amount deposited into the reserve account to
7 support the loan, which the authority shall deposit into the
8 reserve account, and annually thereafter. The participating
9 financial may recover from the borrower all or part of the
10 amount the institution is required to pay under this subsection
11 in any manner agreed to by the institution and borrower.

12 (d) For each loan under this part made by a participating
13 financial institution, the institution shall provide executed
14 loan documents to the authority, within the period prescribed by
15 the authority, including the amount of fees received from the
16 borrower.

17 § -13 Loans. (a) Except as otherwise provided by this
18 chapter, the authority shall not determine the recipient,
19 amount, or interest rate of a loan under this part or the fees
20 or other requirements related to the loan.

21 (b) To qualify as a loan under this part, a loan shall:



1 (1) Be made to a condominium association;

2 (2) Meet the limitations and conditions under
3 section -5; and

4 (3) Meet other criteria established by the authority by
5 rules adopted pursuant to chapter 91.

6 (c) For a line of credit to qualify for participation in
7 the condominium loan loss reserves program, a line of credit
8 shall:

9 (1) Be an account at a financial institution under which
10 the financial institution agrees to lend money to a
11 qualified condominium association from time to time to
12 finance one or more projects that are authorized by
13 this chapter; and

14 (2) Contain the same restrictions, to the extent possible,
15 that are placed on a loan that is not a line of
16 credit.

17 (d) A loan under this part may be sold on the secondary
18 market under conditions as may be determined by the
19 participating financial institution with the consent of the
20 authority.



(e) When enrolling a loan in the condominium loan loss reserves program, a participating financial institution may specify an amount to be covered under the condominium loan loss reserves program that is less than the amount allowed under section -12(b).

§ -14 Limitations on state contribution to reserve account. The maximum aggregate amount the authority may retain on deposit in a reserve account shall not exceed per cent of the aggregate outstanding principal balance of enrolled loans. On a regular basis, no less than annually, the authority shall withdraw from a reserve account the amounts in excess and deposit that amount into the condominium loan revolving fund. A withdrawal of money authorized under this section shall not reduce an active reserve account to an amount that is less than the aggregate amount allowed under this section.

§ -15 State's rights with respect to reserve account.

(a) All of the money in a reserve account established under this part is property of the State.

(b) The State is entitled to earn interest on the amount of contributions made by the authority, borrower, and participating financial institution to a reserve account under



1 this part. On a regular basis, no less than annually, the
2 authority shall withdraw from a reserve account the amount of
3 the interest earned by the State. The authority shall deposit
4 the amount withdrawn under this section into the condominium
5 loan revolving fund.

6 (c) The authority shall withdraw from the participating
7 financial institution's reserve account the total amount in the
8 account and any interest earned on the account and deposit the
9 amount into the condominium loan revolving fund when:

10 (1) A financial institution is no longer eligible to
11 participate in the condominium loan loss reserves
12 program or a participation agreement entered into
13 under this part expires without renewal by the
14 authority or institution; and

15 (2) The financial institution has no outstanding loans
16 under this part.

17 **§ -16 Participating financial institution's annual**
18 **reports.** A participating financial institution shall submit an
19 annual report to the authority. The report shall:

20 (1) Provide information regarding outstanding principal
21 balance of the loans under this part, loan losses, and



1 any other information on loans under this part the
2 authority considers appropriate;

3 (2) Include a copy of the institution's most recent
4 financial statement; and

5 (3) Include information regarding the condominium
6 associations with loans under this part.

7 **§ -17 Authority's annual report; audits.** (a) The
8 authority shall submit to the legislature an annual status
9 report on the condominium loan loss reserves program's
10 activities.

11 (b) The condominium loan revolving fund shall be audited
12 at least annually by a firm of independent certified public
13 accountants selected by the authority and provide the results of
14 the audit to the department and legislature.

15 **§ -18 State liability prohibited.** The State shall not
16 be liable to a participating financial institution for payment
17 of the principal, the interest, or any late charges on a loan
18 made under this part."

19 SECTION 2. There is appropriated out of the general
20 revenues of the State of Hawaii the sum of \$ or so
21 much thereof as may be necessary for fiscal year 2025-2026 and



1 the same sum or so much thereof as may be necessary for fiscal
2 year 2026-2027 to be deposited into the condominium loan
3 revolving fund.

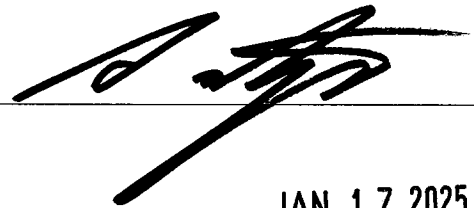
4 SECTION 3. There is appropriated out of the condominium
5 loan revolving fund the sum of \$ or so much thereof as
6 may be necessary for fiscal year 2025-2026 and the same sum or
7 so much thereof as may be necessary for fiscal year 2026-2027 to
8 implement the condominium loan program.

9 The sums appropriated shall be expended by the Hawaii green
10 infrastructure authority for the purposes of this Act.

11 SECTION 4. This Act shall take effect on July 1, 2025.

12

INTRODUCED BY:

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JAN 17 2025



H.B. NO. 807

Report Title:

Hawaii Green Infrastructure Authority; Condominiums; Condominium Loan Program; Condominium Loan Loss Reserves Program; Appropriation

Description:

Establishes the Condominium Loan Program to provide condominium associations with low-cost financing, or refinance previously obtained loans, for maintenance or repair projects. Establishes the Condominium Loan Loss Reserves Program to incentivize lenders into providing loans at competitive rates and terms to condominium associations for the purpose of allowing condominium associations to make necessary maintenance or repairs. Appropriates funds.

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

