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# A BILL FOR AN ACT

RELATING TO CONDOMINIUMS.

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

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

4                               **"CHAPTER**

5                               **FINANCING FOR CONDOMINIUMS**

6                               **PART I. DIRECT FINANCING**

7       §   -1 **Definitions.** As used in this chapter, unless the  
8 context clearly requires otherwise:

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

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

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

15       "Financial institution" includes a bank, trust company,  
16 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 community development financial institution"  
8 means a community development financial institution  
9 participating in the condominium loan loss reserves program.

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

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

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



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

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

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

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

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

17          (E) Determinations of eligibility of a community  
18          development financial institution to participate  
19          in the condominium loan loss reserves program;

20          (F) Eligibility participation criteria for loans  
21          issued by an eligible community development



1 financial institution to a qualified condominium  
2 association; and

3 (G) The authorization of a consortium of community  
4 development financial institutions to participate  
5 in the condominium loan loss reserves program  
6 subject to condominium loan loss reserves program  
7 guidelines.

8 § -3 **Condominium loan program.** There is established  
9 within the authority the condominium loan program to provide  
10 qualified condominium associations with low-cost financing, or  
11 refinancing for loans previously obtained, for maintenance or  
12 repair projects in accordance with this part.

13 § -4 **Condominium loan revolving fund.** (a) There is  
14 established in the state treasury the condominium loan revolving  
15 fund, into which shall be deposited:

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

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

20 (3) All interest and investment earnings credited to the  
21 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 chapter; 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) Has received at least one letter from a financial institution declining its eligibility for a loan to address maintenance or insurance coverage issues; and

(2) Has obtained full replacement insurance coverage or intends to do so as a condition of any financing received.

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

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

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

**§ -11 Condominium loan loss reserves program.** (a)  
There is established within the authority the condominium loan loss reserves program to incentivize community development financial institutions, in accordance with this part, to provide loans at competitive rates and terms to condominium associations



1 for the purpose of allowing condominium associations to make  
2 necessary maintenance or repairs.

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

10 § -12 **Participating community development financial**  
11 **institutions; reserve account.** (a) To participate in the  
12 condominium loan loss reserves program, an eligible community  
13 development financial institution shall enter into a  
14 participation agreement with the authority that sets out the  
15 terms and conditions under which the authority will make  
16 contributions to the community development financial  
17 institution's reserve account and specifies the criteria for a  
18 loan to qualify as a loan under this part.

19 (b) On approval by the authority and after a community  
20 development financial institution enters into a participation  
21 agreement with the authority, the authority shall establish a



1 reserve account at a participating community development  
2 financial institution making a loan under this part and deposit  
3 an amount equal to five per cent of the original loan amount.

4 The reserve account shall be used by the authority to cover any  
5 losses arising from a default of the loan made by the  
6 participating community development financial institution under  
7 this part or as otherwise provided by this part.

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

20 (d) For each loan under this part made by a participating  
21 community development financial institution, the financial





1 institution shall provide executed loan documents to the  
2 authority, within the period prescribed by the authority,  
3 including the amount of fees received from the borrower.

4       **§ -13 Loans.** (a) Except as otherwise provided by this  
5 chapter, the authority shall not determine the recipient,  
6 amount, or interest rate of a loan under this part or the fees  
7 or other requirements related to the loan.

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

9       (1) Be made to a condominium association;

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

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

14       (c) For a line of credit to qualify for participation in  
15 the condominium loan loss reserves program, a line of credit  
16 shall:

17       (1) Be an account at a participating community development  
18       financial institution under which the community  
19       development financial institution agrees to lend money  
20       to a qualified condominium association from time to



1 time to finance one or more projects that are  
2 authorized by this chapter; and

3 (2) Contain the same restrictions, to the extent possible,  
4 that are placed on a loan that is not a line of  
5 credit.

6 (d) A loan under this part may be sold on the secondary  
7 market under conditions as may be determined by the  
8 participating community development financial institution with  
9 the consent of the authority.

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

15 **§ -14 Limitations on state contribution to reserve**  
16 **account.** The maximum aggregate amount the authority may retain  
17 on deposit in a reserve account shall not exceed per cent  
18 of the aggregate outstanding principal balance of enrolled  
19 loans. On a regular basis, no less than annually, the authority  
20 shall withdraw from a reserve account the amounts in excess and  
21 deposit that amount into the condominium loan revolving fund. A



1 withdrawal of money authorized under this section shall not  
2 reduce an active reserve account to an amount that is less than  
3 the aggregate amount allowed under this section.

4       **§ -15 State's rights with respect to reserve account.**

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

7       (b) The State is entitled to earn interest on the amount  
8 of contributions made by the authority, borrower, and  
9 participating community development financial institution to a  
10 reserve account under this part. On a regular basis, no less  
11 than annually, the authority shall withdraw from a reserve  
12 account the amount of the interest earned by the State. The  
13 authority shall deposit the amount withdrawn under this section  
14 into the condominium loan revolving fund.

15       (c) The authority shall withdraw from the participating  
16 community development financial institution's reserve account  
17 the total amount in the account and any interest earned on the  
18 account and deposit the amount into the condominium loan  
19 revolving fund when:

20       (1) A participating community development financial  
21 institution is no longer eligible to participate in



1 the condominium loan loss reserves program or a  
2 participation agreement entered into under this part  
3 expires without renewal by the authority or  
4 institution; and

- 5 (2) The participating community development financial  
6 institution has no outstanding loans under this part.

7 **§ -16 Participating community development financial**  
8 **institution's annual reports.** A participating community  
9 development financial institution shall submit an annual report  
10 to the authority. The report shall:

- 11 (1) Provide information regarding outstanding principal  
12 balance of the loans under this part, loan losses, and  
13 any other information on loans under this part the  
14 authority considers appropriate;

- 15 (2) Include a copy of the participating community  
16 development financial institution's most recent  
17 financial statement; and

- 18 (3) Include information regarding the condominium  
19 associations with loans under this part.

20 **§ -17 Authority's annual report; audits.** (a) The  
21 authority shall submit to the legislature an annual status



1 report on the condominium loan loss reserves program's  
2 activities.

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

7 § -18 **State liability prohibited.** The State shall not  
8 be liable to a participating community development financial  
9 institution for payment of the principal, the interest, or any  
10 late charges on a loan made by a participating community  
11 development financial institution to a qualified condominium  
12 association under this part."

13 SECTION 2. There is appropriated out of the general  
14 revenues of the State of Hawaii the sum of \$ or so  
15 much thereof as may be necessary for fiscal year 2025-2026 and  
16 the same sum or so much thereof as may be necessary for fiscal  
17 year 2026-2027 to be deposited into the condominium loan  
18 revolving fund.

19 SECTION 3. There is appropriated out of the condominium  
20 loan revolving fund the sum of \$ or so much thereof as  
21 may be necessary for fiscal year 2025-2026 and the same sum or



1 so much thereof as may be necessary for fiscal year 2026-2027 to  
2 implement the condominium loan program.

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

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



**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. (HD1)

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