

JAN 23 2025

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:

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

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

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

14 "Financial institution" includes a bank, trust company,
15 banking association, savings and loan association, mortgage
16 company, investment bank, credit union, or nontraditional
17 financial institution.



1 "Loan" includes a line of credit.

2 "Participating financial institution" means a financial
3 institution participating in the condominium loan loss reserves
4 program.

5 "Qualified condominium association" means a condominium
6 association that meets the eligibility requirements as provided
7 in section -6 and rules adopted by the authority.

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

13 § -2 **Powers; rulemaking.** In addition to any other
14 powers authorized by law, the authority may:

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

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



- 1 (A) Determinations of any other maintenance or
- 2 repairs that qualify for financing or refinancing
- 3 pursuant to this chapter;
- 4 (B) The establishment of interest rates chargeable by
- 5 the authority for direct loans under this part
- 6 and by the participating financial institutions
- 7 for loans under part II;
- 8 (C) The establishment of restrictions on the terms,
- 9 maturities, collateral, and other requirements
- 10 consistent with this part;
- 11 (D) Determinations that a condominium that has
- 12 unfunded maintenance or repairs totaling more
- 13 than \$10,000 per unit, with at least per
- 14 cent but not more than one hundred per cent
- 15 insurance coverage may be eligible for financing
- 16 under this chapter;
- 17 (E) Procedures for validating a qualified condominium
- 18 association's compliance with the obligation to
- 19 increase its replacement reserves balance;
- 20 (F) Determinations of eligibility of a financial
- 21 institution to participate in the condominium



loan loss reserves program, including setting a limit on the number of eligible financial institutions that may participate in the condominium loan loss reserves program;

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

(H) The authorization of a consortium of financial institutions to participate in the condominium loan loss reserves program, subject to common 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 the purposes of providing loans in
accordance with this part.

§ -5 Loans; limitations and conditions. (a) Loans
provided under this chapter shall be for financing, or
refinancing loans previously obtained, 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 a qualified
condominium association to increase its replacement reserves
fund balance over the term of the loan.



1 **§ -6 Loans; eligibility.** Notwithstanding any other
2 provisions of this part, the authority may make loans directly
3 to a condominium association that is unable to:

4 (1) Secure full replacement value insurance at reasonable
5 rates; or

6 (2) Obtain sufficient funds at reasonable rates and terms
7 from private lenders independently.

8 **§ -7 Annual reports.** The authority shall submit a
9 report to the legislature no later than twenty days prior to the
10 convening of each regular session that details the progress of
11 the condominium loan program, aggregate data on the loans issued
12 under the condominium loan program, and the balance of the
13 condominium loan revolving fund, beginning with the regular
14 session of 2027.

15 **§ -8 Gifts and grants.** The authority may accept gifts,
16 grants, and donations from any source for the purposes of this
17 chapter.

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

19 **§ -11 Condominium loan loss reserves program.** (a)
20 There is established within the authority the condominium loan
21 loss reserves program to incentivize lenders to provide loans at



1 competitive rates and terms to condominium associations for the
2 purpose of allowing condominium associations to make necessary
3 maintenance or repairs in accordance with this part.

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

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

18 (b) On approval by the authority and after entering into a
19 participation agreement with the authority, the authority shall
20 establish a reserve account at the participating financial
21 institution and deposit into the account an amount equal



1 to per cent of the original loan amount. The reserve
2 account shall be used by the authority to cover any losses
3 arising from a default of a loan made by the participating
4 financial institution under this part or as otherwise provided
5 by this part.

6 (c) When a participating financial institution makes a
7 loan enrolled in the condominium loan loss reserves program, the
8 participating financial institution shall pay to the authority a
9 fee equal to per cent of the amount deposited into the
10 reserve account to service the loan, and annually thereafter.
11 The participating financial institution may recover from the
12 borrower all or part of the amount of fees the financial
13 institution is required to pay under this subsection in any
14 manner agreed to by the financial institution and the borrower.

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



1 **§ -13 Loans.** (a) Except as otherwise provided by this
2 chapter, the authority shall not determine the recipient,
3 amount, or interest rate of any loan made under this part or the
4 fees or other requirements related to the loan.

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

6 (1) Be made to a condominium association;

7 (2) Meet the limitations and conditions as provided under
8 section -5; and

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

11 (c) For a line of credit to qualify for participation in
12 the condominium loan loss reserves program, a line of credit
13 shall:

14 (1) Be an account at a financial institution under which
15 the financial institution agrees to lend money to a
16 qualified condominium association from time to time to
17 finance one or more condominium projects authorized
18 under this chapter; and

19 (2) To the extent possible, contain the same restrictions
20 that are placed on a loan that is not a line of
21 credit.



1 (d) A loan under this part may be sold on the secondary
2 market under conditions as may be determined by the financial
3 institution with the consent of the authority.

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

9 **§ -14 Limitations on state contributions to reserve**
10 **accounts.** The maximum aggregate amount the authority may retain
11 on deposit in a reserve account shall not exceed per cent
12 of the aggregate outstanding principal balance of enrolled
13 loans. The authority shall, on a regular basis, but not less
14 than annually, withdraw from a reserve account any amounts in
15 excess and deposit the amounts into the condominium loan
16 revolving fund.

17 **§ -15 State's rights with respect to reserve account.**

18 (a) All moneys in a reserve account created pursuant to this
19 part shall be the property of the State.

20 (b) The State shall be entitled to earn interest on the
21 amount of contributions made by the authority, borrower, and



1 participating financial institution to a reserve account
2 pursuant to this part. The authority shall, on a regular basis,
3 but not less than annually, withdraw from a reserve account the
4 amount of the interest earned by the State. The authority shall
5 deposit the amount withdrawn under this section into the
6 condominium loan revolving fund.

7 (c) If the amount in a reserve account exceeds an amount
8 equal to per cent of the balance of the participating
9 financial institution's outstanding loans under this part, the
10 authority may withdraw the excess amount and deposit the amount
11 into the condominium loan revolving fund. A withdrawal of
12 moneys authorized under this subsection shall not reduce an
13 active reserve account to an amount that is less than the
14 aggregate amount allowed under section -12(b).

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

19 (1) A participating financial institution is no longer
20 eligible to participate in the condominium loan loss
21 reserves program or a participation agreement entered



1 into under this part expires without renewal by the
2 authority and the participating financial institution;
3 and

4 (2) The participating financial institution has no
5 outstanding loans under this part.

6 **§ -16 Annual reports by a participating financial**
7 **institution.** A participating financial institution shall submit
8 an annual report to the authority, which shall provide:

9 (1) Information regarding the outstanding principal
10 balance of the loans provided under this part,
11 including loan losses and any other information on the
12 loans as the authority deems appropriate;

13 (2) A copy of the participating financial institution's
14 most recent financial statement; and

15 (3) Information regarding the condominium associations
16 with loans under this part.

17 **§ -17 Annual reports by the authority; audits.** (a) The
18 authority shall submit to the legislature an annual status
19 report on the activities of the condominium loan loss reserves
20 program.



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

§ -18 State liability prohibited. The State shall not be liable to any participating financial institution for payment of the principal, interest, or late charges on any loan made by a participating financial institution to a qualified condominium association pursuant to this part."

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

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

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



S.B. NO. 1601

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

2

INTRODUCED BY: _____

A handwritten signature in black ink, appearing to be "JBL", is written over a horizontal line.

S.B. NO. 1601

Report Title:

Hawaii Green Infrastructure Authority; Condominium Loan Program; Condominium Loan Loss Reserves Program; Condominium Loan Revolving Fund; Reports; Appropriations

Description:

Establishes within the Hawaii Green Infrastructure Authority the Condominium Loan Program to provide qualified condominium associations with low-cost financing or refinancing on 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. Requires reports to the legislature. Appropriates funds into and out of the Condominium Loan Revolving Fund.

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

