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# 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:

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

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

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

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



1 "Loan" includes a line of credit.

2 "Participating community development financial institution"  
3 means a community development financial institution  
4 participating in the condominium loan loss reserves 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 community development financial institution on  
10 approval of the authority in which money is deposited to serve  
11 as a reserve to reimburse a participating community development  
12 financial institution for any losses incurred on loans enrolled  
13 in the condominium loan loss reserves program.

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

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

19 (2) Adopt rules pursuant to chapter 91 to effectuate this  
20 chapter, including but not limited to rules relating  
21 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 community development  
7 financial institutions 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 community  
21 development financial institution to participate



1 in the condominium loan loss reserves program,  
2 including setting a limit on the number of  
3 eligible community development financial  
4 institutions that may participate in the  
5 condominium loan loss reserves program;

6 (G) Eligibility participation criteria for loans  
7 issued by an eligible community development  
8 financial institution to a qualified condominium  
9 association; and

10 (H) The authorization of a consortium of community  
11 development financial institutions to participate  
12 in the condominium loan loss reserves program,  
13 subject to common loan loss reserves program  
14 guidelines.

15 § -3 **Condominium loan program.** There is established  
16 within the authority the condominium loan program to provide  
17 qualified condominium associations with low-cost financing, or  
18 refinancing for loans previously obtained, for maintenance or  
19 repair projects in accordance with this part.



1       §    **-4 Condominium loan revolving fund.** (a) There is  
2 established in the state treasury the condominium loan revolving  
3 fund, into which shall be deposited:

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

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

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

10          (b) Moneys in the condominium loan revolving fund shall be  
11 expended by the authority for the purposes of providing loans in  
12 accordance with this part.

13       §    **-5 Loans; limitations and conditions.** (a) Loans  
14 provided under this chapter shall be for financing, or  
15 refinancing loans previously obtained, for the following  
16 maintenance or repairs in a condominium project:

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

19           (2) Repairing or replacing the pipes;

20           (3) Repairing or replacing the roof; or



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

3 (b) The loan agreement shall require a qualified  
4 condominium association to increase its replacement reserves  
5 fund balance over the term of the loan.

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

9 (1) Has received at least one letter from a financial  
10 institution declining its eligibility for a loan to  
11 address maintenance or insurance coverage issues; and

12 (2) Has obtained full replacement insurance coverage or  
13 intends to obtain full replacement insurance coverage  
14 as a condition of any financing received.

15 § -7 **Annual reports.** The authority shall submit a  
16 report to the legislature no later than twenty days prior to the  
17 convening of each regular session that details the progress of  
18 the condominium loan program, aggregate data on the loans issued  
19 under the condominium loan program, and the balance of the  
20 condominium loan revolving fund, beginning with the regular  
21 session of 2027.



1       §    **-8 Gifts and grants.** The authority may accept gifts,  
2 grants, and donations from any source for the purposes of this  
3 chapter.

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

5       §    **-11 Condominium loan loss reserves program.** (a)

6 There is established within the authority the condominium loan  
7 loss reserves program to incentivize community development  
8 financial institutions to provide loans at competitive rates and  
9 terms to condominium associations for the purpose of allowing  
10 condominium associations to make necessary maintenance or  
11 repairs in accordance with this part.

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

19       §    **-12 Participating community development financial**  
20 **institutions; reserve account.** (a) To participate in the  
21 condominium loan loss reserves program, an eligible community



1 development financial institution shall enter into a  
2 participation agreement with the authority that specifies the  
3 terms and conditions under which the authority shall make  
4 contributions to the community development financial  
5 institution's reserve account and establishes the criteria for a  
6 loan to qualify as a loan under this part.

7 (b) On approval by the authority and after entering into a  
8 participation agreement with the authority, the authority shall  
9 establish a reserve account at the participating community  
10 development financial institution and deposit into the account  
11 an amount equal to per cent of the original loan amount.  
12 The reserve account shall be used by the authority to cover any  
13 losses arising from a default of a loan made by the  
14 participating community development financial institution under  
15 this part or as otherwise provided by this part.

16 (c) When a participating community development financial  
17 institution makes a loan enrolled in the condominium loan loss  
18 reserves program, the participating community development  
19 financial institution shall pay to the authority a fee equal  
20 to per cent of the amount deposited into the reserve  
21 account to service the loan, and annually thereafter. The





1 participating community development financial institution may  
2 recover from the borrower all or part of the amount of fees the  
3 community development financial institution is required to pay  
4 under this subsection in any manner agreed to by the community  
5 development financial institution and the borrower.

6 (d) For each loan made by a participating community  
7 development financial institution under this part, the  
8 participating community development financial institution shall  
9 provide to the authority copies of the executed loan documents  
10 within the period prescribed by the authority, including the  
11 amount of fees received from the borrower.

12 § -13 Loans. (a) Except as otherwise provided in this  
13 chapter, the authority shall not determine the recipient,  
14 amount, or interest rate of any loan made under this part or the  
15 fees or other requirements related to the loan.

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

17 (1) Be made to a condominium association;

18 (2) Meet the limitations and conditions as provided under  
19 section -5; and

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



1 (c) For a line of credit to qualify for participation in  
2 the condominium loan loss reserves program, a line of credit  
3 shall:

4 (1) Be an account at a community development financial  
5 institution under which the community development  
6 financial institution agrees to lend money to a  
7 qualified condominium association from time to time to  
8 finance one or more condominium projects authorized  
9 under this chapter; and

10 (2) To the extent possible, contain the same restrictions  
11 that are placed on a loan that is not a line of  
12 credit.

13 (d) A loan under this part may be sold on the secondary  
14 market under conditions as may be determined by the community  
15 development financial institution with the consent of the  
16 authority.

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



1           **§   -14   Limitations on state contributions to reserve**

2   **accounts.**   The maximum aggregate amount the authority may retain  
3   on deposit in a reserve account shall not exceed           per cent  
4   of the aggregate outstanding principal balance of enrolled  
5   loans.   The authority shall, on a regular basis, but not less  
6   than annually, withdraw from a reserve account any amounts in  
7   excess and deposit the amounts into the condominium loan  
8   revolving fund.

9           **§   -15   State's rights with respect to reserve account.**

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

12       (b)   The State shall be entitled to earn interest on the  
13   amount of contributions made by the authority, borrower, and  
14   participating community development financial institution to a  
15   reserve account pursuant to this part.   The authority shall, on  
16   a regular basis, but not less than annually, withdraw from a  
17   reserve account the amount of the interest earned by the State.  
18   The authority shall deposit the amount withdrawn under this  
19   section into the condominium loan revolving fund.

20       (c)   If the amount in a reserve account exceeds an amount  
21   equal to           per cent of the balance of the participating



1 community development financial institution's outstanding loans  
2 under this part, the authority may withdraw the excess amount  
3 and deposit the amount into the condominium loan revolving fund.

4 A withdrawal of moneys authorized under this subsection shall  
5 not reduce an active reserve account to an amount that is less  
6 than the aggregate amount allowed under section -12(b).

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

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

19 (2) The participating community development financial  
20 institution has no outstanding loans under this part.



1       §    **-16 Annual reports by a participating community**  
2 **development financial institution.** A participating community  
3 development financial institution shall submit an annual report  
4 to the authority, which shall provide:

5       (1) Information regarding the outstanding principal  
6 balance of the loans provided under this part,  
7 including loan losses and any other information on the  
8 loans as the authority deems appropriate;

9       (2) A copy of the participating community development  
10 financial institution's most recent financial  
11 statement; and

12       (3) Information regarding the condominium associations  
13 with loans under this part.

14       §    **-17 Annual reports by the authority; audits.** (a) The  
15 authority shall submit to the legislature an annual status  
16 report on the activities of the condominium loan loss reserves  
17 program.

18       (b) The condominium loan revolving fund shall be audited  
19 at least annually by a firm of independent certified public  
20 accountants selected by the authority and shall provide the



1 results of the audit to the department of business, economic  
2 development, and tourism and the legislature.

3       **§ -18 State liability prohibited.** The State shall not  
4 be liable to any participating community development financial  
5 institution for payment of the principal, interest, or late  
6 charges on any loan made by a participating community  
7 development financial institution to a qualified condominium  
8 association pursuant to this part."

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

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

19       SECTION 4. This Act shall take effect on July 1, 2050.



**Report Title:**

HGIA; Condominium Loan Program; Condominium Loan Loss Reserves Program; Condominium Loan Revolving Fund; Community Development Financial Institutions; 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 community development financial institutions 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 annual reports to the Legislature. Appropriates funds into and out of the Condominium Loan Revolving Fund. Effective 7/1/2050. (SD1)

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

