
A BILL FOR AN ACT

RELATING TO HOUSING.

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

1 SECTION 1. The legislature finds that many kupuna in
2 Hawaii with limited retirement income who may have equity in
3 their home are facing challenges in meeting increased costs
4 related to homeownership; whether it's rising maintenance fees,
5 community assessments, or insurance costs. Establishing a
6 state-administered home equity conversion mortgage program,
7 similar to the federal Department of Housing and Urban
8 Development program for eligible retirees, could provide housing
9 security and relief for some kupuna. Such a program would
10 provide a pathway to affordable rental housing for kupuna who
11 have exhausted their home equity, helping to prevent elder
12 displacement and homelessness.

13 Accordingly, the purpose of this Act is to establish the
14 kupuna home equity conversion mortgage program.

15 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is
16 amended by adding a new subpart to part III to be appropriately
17 designated and to read as follows:



" . Kupuna Home Equity Conversion Mortgage Program

§201H-A Definitions. For purposes of this subpart:

"First mortgage" means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate or a first or subordinate lien on all stock allocated to a dwelling unit in a residential cooperative housing corporation, together with the credit instruments, if any, secured thereby.

"Home equity conversion mortgage" means a first mortgage that provides for future payments to the kupuna homeowner based on accumulated equity and which a housing creditor is authorized to make:

- (1) Under any law of the United States or applicable agency regulations thereafter; or
- (2) Under any law of the State.

"Kupuna homeowner" means any homeowner who is, or whose spouse is, at least sixty-two years of age or older.

"Mortgage" means a:

- (1) First mortgage or first lien on real estate, in fee simple;



(2) First or subordinate mortgage or lien on all stock allocated to a dwelling unit in a residential cooperative housing corporation; or

(3) First mortgage or first lien on a leasehold under a lease:

(A) For no less than ninety-nine years that is renewable; or

(B) That has a term that ends no earlier than the minimum number of years, as specified by the corporation, beyond the actuarial life expectancy of the mortgagor or co-mortgagor, whichever is the later date.

§201H-B Insurance authority. The corporation may, upon application by a mortgagee, insure any home equity conversion mortgage eligible for insurance under this subpart and, upon terms and conditions as the corporation may prescribe, make commitments for the insurance of mortgages before the date of their execution or disbursement to the extent that the corporation determines that the mortgages:



- (1) Have promise for improving the financial situation or otherwise meeting the special needs of kupuna homeowners;
- (2) Will include appropriate safeguards for mortgagors to offset the special risks of the mortgage; and
- (3) Have a potential for acceptance in the mortgage market.

§201H-C Eligibility requirements. To be eligible for insurance under this subpart, a mortgage shall:

- (1) Have been originated by a mortgagee approved by the corporation;
- (2) Have been executed by a mortgagor who:
 - (A) Qualifies as a kupuna homeowner;
 - (B) Has received adequate counseling, as provided in section 201H-E by an independent third party that is not, either directly or indirectly, associated with or compensated by a party involved in:
 - (i) Originating or servicing the mortgage;
 - (ii) Funding the loan underlying the mortgage; or



(iii) The sale of annuities, investments, long-term care insurance, or any other type of financial or insurance product;

(C) Has received full disclosure, as prescribed by the corporation, of all costs charged to the mortgagor, including costs of estate planning, financial advice, and other services that are related to the mortgage but are not required to obtain the mortgage. The disclosure shall clearly state which charges are required to obtain the mortgage and which are not required to obtain the mortgage; and

(D) Meets any additional requirements prescribed by the corporation;

(3) Be secured by a dwelling in which the mortgagor occupies one of the units;

(4) Provide that prepayment, in whole or in part, may be made without penalty at any time during the period of the mortgage;

(5) Provide for a fixed or variable interest rate or future sharing between the mortgagor and the mortgagee



of the appreciation in the value of the property, as
agreed upon by the mortgagor and mortgagee;

(6) Contain provisions for satisfaction of the obligation
satisfactory to the corporation;

(7) Provide that the kupuna homeowner shall not be liable
for any difference between the net amount of the
remaining indebtedness of the kupuna homeowner under
the mortgage and the amount recovered by the mortgagee
from:

(A) The net sales proceeds from the dwelling that are
subject to the mortgage, based upon the amount of
the accumulated equity selected by the mortgagor
to be subject to the mortgage, as agreed upon by
the mortgagor and mortgagee; or

(B) The insurance benefits paid pursuant to section
201H-H(a)(3);

(8) Contain terms and provisions with respect to
insurance, repairs, alterations, payment of taxes,
default reserve, delinquency charges, foreclosure
proceedings, anticipation of maturity, additional and



1 secondary liens, and other matters as the corporation
2 may prescribe;

3 (9) Provide for future payments to the mortgagor based on
4 accumulated equity, minus any applicable fees and
5 charges, according to the method that the mortgagor
6 shall select from among the methods under this
7 paragraph, by payment of the amount:

8 (A) Based upon a line of credit;

9 (B) On a monthly basis over a term specified by the
10 mortgagor;

11 (C) On a monthly basis over a term specified by the
12 mortgage and based upon a line of credit;

13 (D) On a monthly basis over the tenure of the
14 mortgagor;

15 (E) On a monthly basis over the tenure of the
16 mortgage and based upon a line of credit; or

17 (F) On any other basis that the corporation considers
18 appropriate;

19 (10) Provide that the mortgagor may convert the method of
20 payment under paragraph (9) to any other method during
21 the term of the mortgage, except that in the case of a



1 fixed rate mortgage, the corporation may, by rules
2 adopted pursuant to chapter 91, limit such
3 convertibility; and

- 4 (11) Have been made with restrictions as the corporation
5 determines to be appropriate to ensure that the
6 mortgagor does not fund any unnecessary or excessive
7 costs for obtaining the mortgage, including any costs
8 of estate planning, financial advice, or other related
9 services.

10 **§201H-D Disclosures by mortgagee.** The corporation shall
11 require each mortgagee of a mortgage insured under this subpart
12 to make available to the kupuna homeowner:

- 13 (1) At the time of the loan application, a written list of
14 the names and addresses of third-party information
15 sources who are approved by the corporation as
16 responsible and able to provide the information
17 required by section 201H-E;

- 18 (2) At least ten days before loan closing, a statement
19 informing the kupuna homeowner that the liability of
20 the kupuna homeowner under the mortgage is limited and
21 explaining the kupuna homeowner's rights, obligations,



1 and remedies with respect to temporary absences from
2 the home, late payments, and payment default by the
3 lender, all conditions requiring satisfaction of the
4 loan obligation, and any other information that the
5 corporation may require;

6 (3) On an annual basis, but no later than January 31 of
7 each year, a statement summarizing the:

8 (A) Total principal amount paid to the kupuna
9 homeowner under the loan secured by the mortgage;

10 (B) Total amount of deferred interest added to the
11 principal; and

12 (C) Outstanding loan balance at the end of the
13 preceding year; and

14 (4) Before loan closing, a statement of the projected
15 total cost of the mortgage to the kupuna homeowner
16 based on the projected total future loan balance, such
17 cost expressed as a single average annual interest
18 rate for at least two different appreciation rates for
19 the term of the mortgage, for no less than two
20 projected loan terms, as the corporation shall
21 determine, which shall include the cost for a:



1 (A) Short-term mortgage; and

2 (B) Loan term equaling the actuarial life expectancy
3 of the mortgagor.

4 **§201H-E Counseling services and information for**

5 **mortgagors.** (a) The corporation shall provide or cause to be

6 provided adequate counseling for the mortgagor. Counseling

7 shall be provided by counselors that meet qualification

8 standards and follow uniform counseling protocols, as

9 established by the corporation. The protocols shall require, at

10 a minimum, a qualified counselor to discuss with each mortgagor

11 information that shall include:

12 (1) Options other than a home equity conversion mortgage

13 that are available to the kupuna homeowner, including

14 other housing, social service, health, and financial

15 options;

16 (2) Other home equity conversion options that are or may

17 become available to the kupuna homeowner, including

18 sale-leaseback financing, deferred payment loans, and

19 property tax deferral;

20 (3) The financial implications of entering into a home

21 equity conversion mortgage;



(4) A disclosure that a home equity conversion mortgage may have tax consequences, affect eligibility for assistance under federal and state programs, and have an impact on the estate and heirs of the kupuna homeowner; and

(5) Any other information the corporation may require.

(b) The corporation shall consult with consumer groups, industry representatives, representatives of counseling organizations, and other interested parties to identify alternative approaches to providing consumer information required by this section that may be feasible and desirable for home equity conversion mortgages insured under this subpart and other types of reverse mortgages. The corporation may, in lieu of providing the consumer education required by this section, adopt alternative approaches to consumer education that may be developed as a result of such consultations only if the alternative approaches provide all of the information required under this section.

§201H-F Limitation on insurance authority. The aggregate number of mortgages insured under this subpart shall not exceed



1 275,000. In no case shall the benefits of insurance under this
2 subpart exceed \$ for a one-family residence.

3 **§201H-G Administrative authority.** The corporation may:

4 (1) Enter into contracts and agreements with federal,
5 state, and local agencies, public and private
6 entities, and other persons as the corporation deems
7 necessary or desirable to carry out the purposes of
8 this subpart;

9 (2) Make investigations and studies of data, and publish
10 and distribute such reports, as the corporation deems
11 appropriate; and

12 (3) Establish, by notice or mortgagee letter, any
13 additional or alternative requirements that the
14 corporation determines are necessary to improve the
15 fiscal safety and soundness of the kupuna reverse
16 mortgage program.

17 **§201H-H Protection of kupuna homeowner and lender.** (a)

18 Notwithstanding any other law to the contrary, the corporation
19 may take any action necessary to:

20 (1) Provide any mortgagor under this subpart with funds to
21 which the mortgagor is entitled under the insured



1 mortgage or ancillary contracts but that the mortgagor
2 has not received because of the default of the party
3 responsible for payment;

4 (2) Obtain repayment of disbursements provided under
5 paragraph (1) from any source; and

6 (3) Provide any mortgagee under this subpart with funds
7 not to exceed the limitations in section 201H-F to
8 which the mortgagee is entitled under the terms of the
9 insured mortgage or ancillary contracts authorized in
10 this subpart.

11 (b) Actions under subsection (a) may include:

12 (1) Disbursing funds to the mortgagor or mortgagee;

13 (2) Accepting an assignment of the insured mortgage
14 notwithstanding that the mortgagor is not in default
15 under its terms, and calculating the amount and making
16 the payment of the insurance claim on such assigned
17 mortgage;

18 (3) Requiring a subordinate mortgage from the mortgagor at
19 any time in order to secure repayments of any funds
20 advanced or to be advanced to the mortgagor;



(4) Requiring a subrogation to the corporation of the rights of any parties to the transaction against any defaulting parties; and

(5) Imposing premium charges.

§201H-I Safeguard to prevent displacement of kupuna

homeowner. (a) The corporation shall not insure a home equity conversion mortgage under this subpart unless the mortgage provides that the kupuna homeowner's obligation to satisfy the loan obligation is deferred until the kupuna homeowner's death, the sale of the home, or the occurrence of other events specified in rules adopted by the corporation.

(b) When equity in the dwelling unit owned by the kupuna homeowner is exhausted, the corporation shall coordinate with and assist the kupuna homeowner to relocate into an affordable rental housing unit under the corporation and commence the sale of the dwelling unit. The kupuna homeowner shall not have any debt after sale of the dwelling. The rent of an affordable rental housing unit shall be similar to rent rates under tenant-based housing choice voucher program under section 8 of the United States Housing Act of 1973, as amended.



1 **§201H-J Insurance authority for refinancing.** (a) The
2 corporation may, upon application by a mortgagee, insure under
3 this subpart any mortgage given to refinance an existing home
4 equity conversion mortgage insured under this subpart.

5 (b) The corporation shall require, by rules adopted
6 pursuant to chapter 91, that the mortgagee of a mortgage insured
7 under this subpart provide to the mortgagor, within an
8 appropriate time period and in a manner prescribed by the
9 corporation, a good faith estimate of the:

10 (1) Total cost of refinancing; and

11 (2) Increase in the mortgagor's principal limit as
12 measured by the estimated initial principal limit on
13 the mortgage to be insured under this subpart less the
14 current principal limit on the home equity conversion
15 mortgage that is being refinanced and insured under
16 this subpart.

17 (c) The mortgagor under a mortgage insured pursuant to
18 this subpart may waive the applicability with respect to such
19 mortgage, of the counseling requirements under section 201H-
20 C(2)(B) if the:



1 (1) Mortgagor has received the disclosure required under
2 subsection (b);

3 (2) Increase in the principal limit described in
4 subsection (b) exceeds the amount of the total cost of
5 refinancing by an amount to be determined by the
6 corporation; and

7 (3) Time between closing of the original home equity
8 conversion mortgage that is refinanced through the
9 mortgage insured under this subpart and the
10 application for a refinancing mortgage insured under
11 this section does not exceed five years.

12 (d) Notwithstanding any other law to the contrary, the
13 corporation may reduce the amount of the single premium payment
14 otherwise collected at the time of the insurance of a mortgage
15 refinanced under this section. The amount of the single premium
16 for mortgages refinanced under this section shall be determined
17 by the corporation based on the actuarial study required under
18 subsection (e).

19 (e) No later than one hundred eighty days after the
20 effective date of this Act, the corporation shall conduct an
21 actuarial analysis to determine the adequacy of the insurance



1 premiums collected under the program under this subpart with
2 respect to:

3 (1) A reduction in the single premium payment collected at
4 the time of the insurance of a mortgage refinanced and
5 insured under this section;

6 (2) The establishment of a single limit on the benefits of
7 insurance under section 201H-F; and

8 (3) The combined effect of reduced insurance premiums and
9 a single limitation on insurance authority.

10 (f) The corporation may establish a limit on the
11 origination fee that may be charged to a mortgagor under a
12 mortgage insured under this subpart, except that such limitation
13 shall provide that the origination fee may be fully financed
14 with the mortgage and shall include any fees paid to
15 correspondent mortgagees approved by the corporation.

16 **§201H-K Funding for counseling.** The corporation may use a
17 portion of the mortgage insurance premiums collected under this
18 subpart to adequately fund the counseling and disclosure
19 activities required under section 201H-E, including counseling
20 for those kupuna homeowners who elect not to take out a home



1 equity conversion mortgage; provided that the use of the funds
2 is based upon accepted actuarial principles.

3 **§201H-L Requirements on mortgage originators.** (a) The
4 mortgagee and any other party that participates in the
5 origination of a mortgage to be insured under this subpart
6 shall:

7 (1) Not participate in, be associated with, or employ any
8 party that participates in or is associated with any
9 other financial or insurance activity; or

10 (2) Demonstrates to the corporation that the mortgagee or
11 other party maintains, or will maintain, firewalls and
12 other safeguards designed to ensure that:

13 (A) Individuals participating in the origination of
14 the mortgage shall have no involvement with, or
15 incentive to provide the mortgagor with, any
16 other financial or insurance product; and

17 (B) The mortgagor shall not be required, directly or
18 indirectly, as a condition of obtaining a
19 mortgage under this subpart, to purchase any
20 other financial or insurance product.



1 (b) All parties that participate in the origination of a
2 mortgage to be insured under this subpart shall be approved by
3 the corporation.

4 **§201H-M Prohibition against requirements to purchase**
5 **additional products.** The mortgagor or any other party shall not
6 be required by the mortgagee or any other party to purchase an
7 insurance, annuity, or other similar product as a requirement or
8 condition of eligibility for insurance under section 201H-B,
9 except for title insurance, hazard, flood, or other peril
10 insurance, or other such products that are customary and normal
11 under section 201H-B, as determined by the corporation.

12 **§201H-N Study to determine consumer protections and**
13 **underwriting standards.** The corporation shall conduct a study
14 to examine and determine appropriate consumer protections and
15 underwriting standards to ensure that the purchase of products
16 in section 201H-M is appropriate for the consumer. In
17 conducting the study, the corporation shall consult with
18 consumer advocates, including recognized experts in consumer
19 protection, industry representatives, representatives of
20 counseling organizations, and other interested parties.



1 **§201H-O Limitation on origination fees.** The corporation
2 shall establish limits on the origination fee that may be
3 charged to a mortgagor under a mortgage insured under this
4 subpart, which limitations shall:

5 (1) Be equal to two per cent of the maximum claim amount
6 of the mortgage, up to a maximum claim amount of
7 \$200,000 plus one per cent of any portion of the
8 maximum claim amount that is greater than \$200,000,
9 unless adjusted thereafter on the basis of an analysis
10 of:

11 (A) The cost to mortgagors; and

12 (B) The impact on the reverse mortgage market;

13 (2) Be subject to a minimum allowable amount;

14 (3) Provide that the origination fee may be fully financed
15 with the mortgage;

16 (4) Include any fees paid to correspondent mortgagees
17 approved by the corporation; and

18 (5) Be subject to a maximum origination fee of \$6,000,
19 except that the maximum limit shall be adjusted in
20 accordance with the annual percentage increase in the
21 Consumer Price Index of the Bureau of Labor Statistics

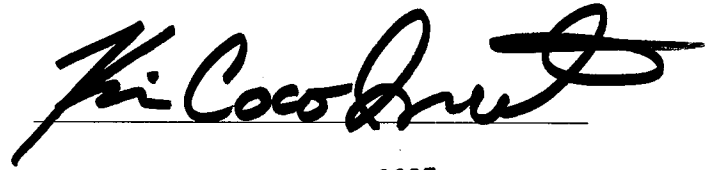


1 of the United States Department of Labor in increments
2 of \$500 only when the percentage increase in the
3 index, when applied to the maximum origination fee,
4 produces dollar increases that exceed \$500."

5 SECTION 3. In codifying the new sections added by section
6 1 of this Act, the revisor of statutes shall substitute
7 appropriate section numbers for the letters used in designating
8 the new sections in this Act.

9 SECTION 4. This Act shall take effect upon its approval.

10 INTRODUCED BY:

A handwritten signature in black ink, appearing to read "Ki Coo Bru", written over a horizontal line.

JAN 22 2025



H.B. NO. 1306

Report Title:

HHFDC; Kupuna Home Equity Conversion Mortgage Program

Description:

Establishes the Kupuna Home Equity Conversion Mortgage Program under the Hawaii Housing Finance and Development Corporation.

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

