

ACT 159

H.B. NO. 898

A Bill for an Act Relating to Housing.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Section 359G-20.5, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

- “(e) Repayment of allowance.
- (1) The eligible borrower shall repay to the authority all allowance funds paid to the mortgagee on the borrower’s account plus interest to the date of repayment at [the rate defined in section 359G-7.] a rate established in accordance with section 359G-30.
 - (2) Repayment shall be due at the end of the tenth year after the closing of the qualifying loan or on or before the date of conveyance if the eligible borrower conveys the dwelling unit pursuant to section 359G-9.1.
 - (3) In the event the dwelling unit is not conveyed after the tenth year, the eligible borrower may repay the loan account balance to the authority over a five-year period at an interest rate as defined

in section [359G-7.] ~~359G-30~~. The authority may approve such a loan based on the capacity of the eligible borrower at that time.

- (4) To secure the indebtedness of the allowance in the event the dwelling unit is not conveyed, the borrower shall execute a promissory note or any other instrument of indebtedness as the authority may require.”

SECTION 2. Section 359G-30, Hawaii Revised Statutes, is amended to read as follows:

“§359G-30 Arbitrage provision; interest rate. (a) Any other provision of law to the contrary notwithstanding, neither the authority nor the director of finance shall make loans or purchase mortgages from the proceeds of general obligation bonds of the State or from a revolving fund established or maintained from the proceeds of such bonds, at a rate of interest which would cause any general obligation bond of the State to be an “arbitrage bond,” as defined in [subsection (d)(2) of section 103 of] the Internal Revenue Code of [1954] 1986, of the United States of America [as now in effect, subject to treatment under subsection (d)(1) of such section 103 as an obligation not described in subsection (a)(1) of said section 103].

(b) The rates of interest on loans made under this chapter shall be established by the authority, with the approval of the director of finance, after each sale of general obligation bonds of the State, the proceeds of which are to be used for the purposes of this chapter. In the event that no such sale intervenes in a twelve-month period after the last rate fixing, the authority may review the then existing rates on loans made under this chapter and retain the existing rate or, with the approval of the director of finance, establish different rates.

(c) The director of finance shall approve such rates so as to produce up to but not in excess of the maximum yield to the State permitted under [such section 103(d)(2) of] the [United States] Internal Revenue Code of [1954,] 1986, on the assumption that the general obligation bonds, the proceeds of which are to be used for the purposes of this chapter, would otherwise be “arbitrage bonds” under that section were such maximum yield to be exceeded. The establishment of the rates of interest shall be exempt from chapter 91.”

SECTION 3. Statutory material to be repealed is bracketed. New statutory material is underscored.

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

(Approved June 5, 1987.)