
A BILL FOR AN ACT

RELATING TO HOMEBUYER ASSISTANCE.

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

1 SECTION 1. The legislature finds that homeownership
2 creates strong communities through economic growth. Homeowners
3 have a greater sense of security, continuity, belonging and
4 pride in their communities. According to the United States
5 Department of Housing and Urban Development, with careful loan
6 underwriting, homeownership helps lower income households build
7 wealth even during tough economic times.

8 In a recently released national housing survey sponsored by
9 Fannie Mae, the most cited reasons for wanting to own a home
10 were to have a good place to raise children, a safe place to
11 live, more space for family, and control over one's living
12 space. These factors have been linked to better physical and
13 psychological health, including greater satisfaction: with
14 life, one's home, and one's neighborhood. Homeowners viewed
15 their communities as stronger, safer, and more stable than did
16 renters and were more likely to report that they felt connected
17 to others, knew their neighbors, and were civically engaged.



1 The legislature further finds that one of the major
2 barriers to homeownership is the lack of availability of
3 downpayment assistance. Even small amounts of downpayment
4 assistance increase the probability of moving first-time buyers
5 into homeownership. Although about one out of five first-time
6 homebuyers receives such help from their families, low- and
7 moderate-income households are less likely to have this option
8 available. The late Edward Szymanoski, former United States
9 Department of Housing and Urban Development Associate Deputy
10 Assistant Secretary for Economic Affairs, said that "First-time
11 buyers often lack cash to pay the downpayment and closing costs
12 charged by conventional lenders and would otherwise have to
13 defer homeownership for many years."

14 The Hawaii housing finance and development corporation's
15 downpayment loan program was established in 1995 to assist
16 eligible first-time homebuyers earning up to 120 per cent of the
17 area median income with downpayment loans. While there has been
18 a continuing need for downpayment assistance, this program has
19 not realized its full potential due to funding and outdated
20 programmatic constraints.



1 The purpose of this Act is to modernize the downpayment
2 loan program and to establish a downpayment loan loss reserve
3 program to assist low- and moderate-income households to become
4 first-time homebuyers.

5 SECTION 2. Chapter 201H, Hawaii Revised Statutes, is
6 amended by adding to part III, subpart F, two new sections to be
7 appropriately designated and to read as follows:

8 "§201H- Downpayment loan program, fees. The corporation
9 may establish, revise, charge, and collect fees, premiums, and
10 charges as necessary, reasonable, or convenient, for its
11 downpayment loan program. The fees, premiums, and charges shall
12 be deposited into the housing finance revolving fund established
13 in section 201H-80.

14 §201H- Downpayment loan loss reserve program. The
15 corporation may set aside and provide funds to serve as a loan
16 loss reserve for financial institutions that make downpayment
17 loans to eligible borrowers. If a downpayment loan defaults,
18 the loan loss reserve shall cover a percentage of the second
19 mortgage loan pool or a percentage of each individual second
20 mortgage in default, as determined by the corporation. The
21 corporation may secure the services of nonprofit organizations,



1 as defined in section 454F-1, to operate the loan loss reserve
2 program."

3 SECTION 3. Chapter 201H, Hawaii Revised Statutes, is
4 amended by amending the title of part III, subpart F, to read as
5 follows:

6 "F. DOWNPAYMENT LOAN ASSISTANCE PROGRAM"

7 SECTION 4. Section 201H-161, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "[+] §201H-161[+] Downpayment loans. (a) The corporation
10 may make [~~direct~~] downpayment loans, either directly, or through
11 a nonprofit organization as defined in section 454F-1, to
12 eligible borrowers who qualify for loans under section 201H-162.
13 The downpayment loan to any one borrower shall not exceed
14 [~~thirty~~] _____ per cent of the purchase price or appraised value
15 of the residential property or [~~\$15,000,~~] \$ _____, whichever
16 is less. In no event shall the loan amount and purchase money
17 mortgage amount exceed _____ per cent of combined loan-to-value
18 ratio. The interest rate on the loans may range from [~~zero~~]
19 _____ per cent to eight per cent, depending on the buyer's
20 income.



1 (b) The repayment of every downpayment loan shall be
2 secured by a duly recorded second mortgage executed by the
3 borrower to the State on the residential property purchased with
4 the downpayment loan.

5 (c) The principal of the downpayment loan, together with
6 accrued interest, shall be due and payable upon the sale,
7 transfer, or refinancing of the property, or shall be repaid by
8 the borrower in installments as determined by the corporation;
9 provided that the corporation may provide a period in which
10 payments may be waived. The period over which the principal and
11 interest shall be paid need not coincide with the period over
12 which the loan from the mortgage lender for the balance of the
13 purchase price must be repaid. The borrower may repay the whole
14 or any part of the unpaid balance of the downpayment loan, plus
15 accrued interest, at any time without penalty.

16 (d) The corporation may secure the services of nonprofit
17 organizations, as defined in section 454F-1, to originate the
18 downpayment loans, on behalf of the State, for an origination
19 fee not in excess of the prevailing loan origination fee amount.

20 [~~d~~] (e) The corporation may secure the services of the
21 mortgage lender who loans to the borrower the balance of the



1 purchase price of the residential property or the services of
2 any other mortgage lender doing business in the State to
3 collect, on behalf of the State, the principal and interest of
4 the downpayment loan and otherwise to service the downpayment
5 loan, for a servicing fee not in excess of the prevailing loan
6 servicing fees.

7 [~~e~~] (f) The corporation shall adopt rules pursuant to
8 chapter 91 to carry out the purposes of this subpart."

9 SECTION 5. Section 201H-162, Hawaii Revised Statutes, is
10 amended by amending subsection (a) to read as follows:

11 "(a) No person shall be qualified for a downpayment loan
12 unless the person:

- 13 (1) Is a citizen of the United States or a resident alien;
- 14 (2) Is at least eighteen years of age;
- 15 (3) Is a bona fide resident of the State;
- 16 (4) Will physically reside in the residential property to
17 be purchased for the term of the loan;
- 18 (5) Is accepted by a mortgage lender as a person to whom
19 it is willing to lend money for the purchase of the
20 residential property provided the required downpayment
21 is made; [~~and~~]



1 (6) Provides a portion of the downpayment which shall be
2 equal to at least [~~three~~] _____ per cent of the sales
3 price[~~-~~]; and

4 (7) Has successfully completed a homeownership counseling
5 program provided by a housing counseling agency
6 approved by the United States Department of Housing
7 and Urban Development."

8 SECTION 6. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

10 SECTION 7. This Act shall take effect on July 1, 2030.



Report Title:

Downpayment Loan Assistance Program

Description:

Update the Downpayment Loan Program under the Hawaii Housing Finance and Development Corporation (HHFDC). Establish a Downpayment Loan Loss Reserve Program to assist low- and moderate-income households to become first-time homebuyers.
(HB530 HD2)

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