

JAN 21 2021

A BILL FOR AN ACT

RELATING TO HOMEBUYER ASSISTANCE.

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

1 SECTION 1. Chapter 201H, Hawaii Revised Statutes, is
2 amended by adding a new subpart to part III to be appropriately
3 designated and to read as follows:

4 " . State Mortgage Insurance Program

5 **§201H-A State mortgage insurance program; established.**

6 (a) The corporation may guarantee up to the top fifteen per
7 cent of the principal balance of real property mortgage loans
8 for the purchase of qualified single-family or multifamily
9 dwelling units, plus the interest due thereon, made to qualified
10 borrowers by qualified private lenders; provided that at no time
11 shall the corporation's liability, contingent or otherwise, on
12 these guarantees exceed \$.

13 (b) The loans shall be secured by a duly recorded first
14 mortgage upon the fee simple or leasehold interest of the
15 borrower in the single-family or multifamily dwelling owned and
16 occupied by the borrower and the borrower's permitted assigns.



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1 (c) Loans guaranteed by the corporation under this section
2 shall be in accordance with rules adopted by the corporation.

3 (d) To be eligible for loans under this section, a
4 qualified borrower shall:

5 (1) Be a citizen of the United States or a resident alien;

6 (2) Be a bona fide resident of the State;

7 (3) Physically reside in the residential property in the
8 State to be purchased for the term of the loan;

9 (4) Be a first-time homebuyer;

10 (5) Own no other real property in the State;

11 (6) Meet the following annual gross income requirements:

12 (A) For the city and county of Honolulu:

13 (i) \$123,600 for families of two or less; or

14 (ii) \$144,200 for families of three or more;

15 (B) For the county of Maui:

16 (i) \$107,160 for families of two or less; or

17 (ii) \$125,020 for families of three or more;

18 (C) For the county of Kauai:

19 (i) \$98,880 for families of two or less; or

20 (ii) \$115,360 for families of three or more; and

21 (D) For the county of Hawaii:



- 1 (i) \$88,080 for families of two or less; or
- 2 (ii) \$102,760 for families of three or more; and
- 3 (7) Meet the following purchase price limits for newly
- 4 constructed or existing residences:
- 5 (A) \$732,692 in the city and county of Honolulu;
- 6 (B) \$729,230 in the county of Maui;
- 7 (C) \$714,231 in the county of Kauai; and
- 8 (D) \$571,153 for the county of Hawaii.

9 (e) When the application for an insured loan has been
10 approved by the corporation, the corporation shall issue to the
11 lender a guarantee for that percentage of the loan on which it
12 guarantees payment of principal and interest. The private
13 lender shall collect all payments from the borrower and
14 otherwise service the loan.

15 (f) In return for the corporation's guarantee, the private
16 lender shall remit out of monthly payments collected an
17 insurance fee as established by the corporation. The funds
18 remitted shall be deposited to the credit of the state mortgage
19 insurance special fund.

20 (g) When any installment of principal and interest has
21 been due for sixty days and has not been paid by the borrower,



1 the private lender may file a claim for the guaranteed portion
2 of the overdue payments with the corporation, which may then
3 authorize vouchers for these payments, thereby acquiring a
4 division of interest in the collateral pledged by the borrower
5 in proportion to the amount of the payment. The corporation
6 shall be reimbursed for any amounts so paid plus the applicable
7 interest rate when payment is collected from the borrower.

8 (h) If there is any default in any payment to be made by
9 the borrower, the lender shall notify the corporation within
10 fifteen days. Should the lender deem that foreclosure
11 proceedings are necessary to collect moneys due from the
12 borrower, it shall notify the corporation. Within thirty days
13 of either notification, the corporation may elect to request an
14 assignment of the loan on payment in full to the lender of the
15 principal balance and interest due. Foreclosure proceedings
16 shall be held in abeyance in the interim.

17 (i) Every qualified borrower who is granted a loan under
18 this section shall comply with the following conditions:

19 (1) Expend no portion of the qualified borrower's loan for
20 purposes other than those sanctioned by the
21 corporation;



- 1 (2) Not sell or otherwise dispose of the mortgaged
2 property except upon the prior written consent of the
3 corporation and except upon any conditions that may be
4 prescribed in writing by the private lender;
- 5 (3) Undertake to pay when due all taxes, liens, judgments,
6 or assessments that may be lawfully assessed against
7 the property mortgaged, together with the costs and
8 expenses of any foreclosure of the mortgage;
- 9 (4) Keep insured to the satisfaction of the private lender
10 all improvements and other insurable property covered
11 by the mortgage. Insurance shall be made payable to
12 the mortgagee as its interest may appear at the time
13 of the loss. At the option of the private lender,
14 subject to the rules and standards of the corporation,
15 sums so received may be used to pay for reconstruction
16 of the improvements destroyed, or for decreasing the
17 amount of the indebtedness;
- 18 (5) Keep the improvements in good repair; and
- 19 (6) The private lender may impose any other conditions in
20 its mortgage; provided the form of the mortgage has
21 received the prior approval of the corporation.



1 All of the conditions in paragraphs (1) through (6) shall be
2 held and construed to be provisions of any mortgage executed by
3 virtue of this section regardless of whether or not the
4 conditions are expressly incorporated in the mortgage document.

5 (j) Loans guaranteed and made under this subpart shall be
6 repaid in accordance with a payment schedule specified by the
7 private lender with payments applied first to interest and then
8 to principal. Additional payments in any sums and the payment
9 of the entire principal may be made at any time within the
10 period of the loan. The private lender for satisfactory cause
11 and at its discretion, may extend the time within which the
12 installments of principal may be made for a period not to exceed
13 two years.

14 (k) All interest and fees collected under this subpart by
15 the corporation shall be deposited into the general fund. All
16 moneys necessary to guarantee payment of loans made under this
17 subpart and to carry on the operations of the corporation in
18 administering and granting loans under this subpart shall be
19 appropriated out of the state mortgage insurance special fund
20 established in section 201H-B.



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1 **§201H-B State mortgage insurance special fund.** (a) There
2 is established in the state treasury the state mortgage
3 insurance special fund to be administered by the corporation.

4 (b) The corporation shall issue mortgage revenue bonds for
5 the purposes of providing funds for the state mortgage insurance
6 program pursuant to section 201H-A."

7 SECTION 2. This Act shall take effect upon its approval.

8

INTRODUCED BY: 



S.B. NO. 27

Report Title:

State Mortgage Insurance Program; Hawaii Housing Finance and Development Corporation

Description:

Establishes the state mortgage insurance program to guarantee up to fifteen per cent of the principal balance of real property mortgage loans, under certain conditions.

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

