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# 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:



1           "     .   Kupuna Home Equity Conversion Mortgage Program

2           **§201H-A Definitions.** For purposes of this subpart:

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

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

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

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

18           "Mortgage" means a:

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



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

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

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

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

13          **§201H-B Insurance authority.** The corporation may, upon  
14 application by a mortgagee, insure any home equity conversion  
15 mortgage eligible for insurance under this subpart and, upon  
16 terms and conditions as the corporation may prescribe, make  
17 commitments for the insurance of mortgages before the date of  
18 their execution or disbursement to the extent that the  
19 corporation determines that the mortgages:



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

8           **§201H-C Eligibility requirements.** To be eligible for  
9 insurance under this subpart, a mortgage shall:

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





- 1 of the appreciation in the value of the property, as  
2 agreed upon by the mortgagor and mortgagee;
- 3 (6) Contain provisions for satisfaction of the obligation  
4 satisfactory to the corporation;
- 5 (7) Provide that the kupuna homeowner shall not be liable  
6 for any difference between the net amount of the  
7 remaining indebtedness of the kupuna homeowner under  
8 the mortgage and the amount recovered by the mortgagee  
9 from:
- 10 (A) The net sales proceeds from the dwelling that are  
11 subject to the mortgage, based upon the amount of  
12 the accumulated equity selected by the mortgagor  
13 to be subject to the mortgage, as agreed upon by  
14 the mortgagor and mortgagee; or
- 15 (B) The insurance benefits paid pursuant to section  
16 201H-H(a) (3);
- 17 (8) Contain terms and provisions with respect to  
18 insurance, repairs, alterations, payment of taxes,  
19 default reserve, delinquency charges, foreclosure  
20 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;



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

6           (5) Any other information the corporation may require.

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

19          **§201H-F Limitation on insurance authority.** The aggregate  
20          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;



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

4           (5) Imposing premium charges.

5           **§201H-I Safeguard to prevent displacement of kupuna**

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

12           (b) When equity in the dwelling unit owned by the kupuna  
13 homeowner is exhausted, the corporation shall coordinate with  
14 and assist the kupuna homeowner to relocate into an affordable  
15 rental housing unit under the corporation and commence the sale  
16 of the dwelling unit. The kupuna homeowner shall not have any  
17 debt after sale of the dwelling. The rent of an affordable  
18 rental housing unit shall be similar to rent rates under tenant-  
19 based housing choice voucher program under section 8 of the  
20 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



# H.B. NO. 1306

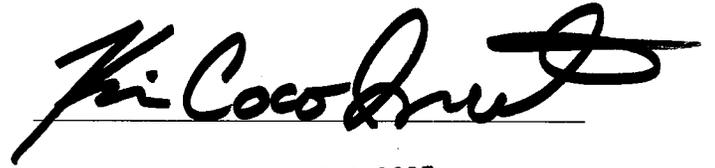
1 of the United States Department of Labor in increments  
2 of \$500 only when the percentage increase in the  
3 index, when applied to the maximum origination fee,  
4 produces dollar increases that exceed \$500."

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:



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.*

