
A BILL FOR AN ACT

RELATING TO CONDOMINIUMS.

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

1 SECTION 1. The Hawaii Revised Statutes is amended by
2 adding a new chapter to be appropriately designated and to read
3 as follows:

4 **"CHAPTER**

5 **FINANCING FOR CONDOMINIUMS**

6 **PART I. DIRECT FINANCING**

7 § -1 **Definitions.** As used in this chapter, unless the
8 context clearly requires otherwise:

9 "Authority" means the Hawaii green infrastructure authority
10 as established under section 196-63.

11 "Community development financial institution" means an
12 entity certified as a community development financial
13 institution by the United States Department of the Treasury's
14 Community Development Financial Institutions Fund.

15 "Condominium association" has the same meaning as
16 association as defined in section 514B-3.



1 "Condominium project" has the same meaning as project as
2 defined in section 514B-3.

3 "Financial institution" includes a bank, trust company,
4 banking association, savings and loan association, mortgage
5 company, investment bank, credit union, or nontraditional
6 financial institution.

7 "Loan" includes a line of credit.

8 "Participating community development financial institution"
9 means a community development financial institution
10 participating in the condominium loan loss reserves program.

11 "Qualified condominium association" means a condominium
12 association that meets the eligibility requirements under
13 section -6 and rules adopted by the authority.

14 "Reserve account" means an account established in a
15 participating community development financial institution on
16 approval of the authority in which money is deposited to serve
17 as a reserve to reimburse a participating community development
18 financial institution for losses on loans enrolled in the
19 condominium loan loss reserves program.

20 § -2 **Powers; rulemaking.** In addition to any other
21 powers authorized by law, the authority may:



1 (1) Contract with any community development financial
2 institution for services, including servicing or
3 administering loans pursuant to this part; and

4 (2) Adopt rules pursuant to chapter 91 to effectuate this
5 chapter, including but not limited to rules relating
6 to:

7 (A) Determinations of any other maintenance or
8 repairs that qualify for financing or refinancing
9 under this chapter;

10 (B) The establishment of interest rates chargeable by
11 the authority for direct loans under this part
12 and by the participating community development
13 financial institutions for loans under part II;

14 (C) The establishment of restrictions on the terms,
15 maturities, collateral, and other requirements
16 not inconsistent with this part;

17 (D) Procedures for validating a qualified condominium
18 association's compliance with the obligation to
19 increase its replacement reserves balance;



1 (E) Determinations of eligibility of a community
2 development financial institution to participate
3 in the condominium loan loss reserves program;

4 (F) Eligibility participation criteria for loans
5 issued by an eligible community development
6 financial institution to a qualified condominium
7 association; and

8 (G) The authorization of a single community
9 development financial institution or a consortium
10 of community development financial institutions
11 to participate in the condominium loan loss
12 reserves program subject to condominium loan loss
13 reserves program guidelines.

14 § -3 **Condominium loan program.** There is established
15 within the authority the condominium loan program to provide
16 qualified condominium associations with low-cost financing, or
17 refinancing for loans previously obtained, for maintenance or
18 repair projects in accordance with this part.

19 § -4 **Condominium loan revolving fund.** (a) There is
20 established in the state treasury the condominium loan revolving
21 fund, into which shall be deposited:



(1) Moneys received as repayment of loans and interest payments as provided in this chapter;

(2) Appropriations made by the legislature to the condominium loan revolving fund; and

(3) All interest and investment earnings credited to the assets of the fund.

(b) Moneys in the condominium loan revolving fund shall be expended by the authority for:

(1) The purposes of providing loans and credit enhancements in accordance with this chapter; and

(2) Paying administrative costs of the condominium loan program.

§ -5 Loans; limitations and conditions. (a) Loans under this chapter shall be for financing, or refinancing previous loans that were used for, the following maintenance or repairs in a condominium project:

(1) Installing, repairing, or replacing fire sprinklers or other fire safety measures;

(2) Repairing or replacing the pipes;

(3) Repairing or replacing the roof; or



1 (4) Any other maintenance or repairs the authority deems
2 qualified for the loans.

3 (b) The loan agreement shall require that the qualified
4 condominium association increase its replacement reserves fund
5 balance over the term of the loan.

6 § -6 **Loans; eligibility.** The authority may make loans
7 directly to a condominium association that has:

- 8 (1) Received at least one letter from a financial
9 institution declining its eligibility for a loan to
10 address maintenance or insurance coverage issues; and
11 (2) Obtained full replacement property and hurricane
12 insurance coverage or intends to do so as a condition
13 of any financing received.

14 § -7 **Annual reports.** The authority shall submit a
15 report to the legislature no later than twenty days prior to the
16 convening of each regular session that details the progress of
17 the condominium loan program, aggregate data on the loans issued
18 under this part, and the balance of the condominium loan
19 revolving fund.



1 § -8 **Gifts and grants.** The authority may accept gifts,
2 grants, and donations from any source for the purposes of this
3 chapter.

4 **PART II. CREDIT ENHANCEMENT THROUGH LOAN LOSS RESERVES**

5 § -11 **Condominium loan loss reserves program.** (a)

6 There is established within the authority the condominium loan
7 loss reserves program to incentivize community development
8 financial institutions, in accordance with this part, to provide
9 loans at competitive rates and terms to condominium associations
10 for the purpose of allowing condominium associations to make
11 necessary maintenance or repairs.

12 (b) The authority shall use moneys in the condominium loan
13 revolving fund to make deposits into a participating community
14 development financial institution's reserve account in an amount
15 specified by this part to be a source of moneys the
16 participating community development financial institution may
17 receive as reimbursement for losses attributable to loans in the
18 condominium loan loss reserves program.

19 § -12 **Participating community development financial**
20 **institutions; reserve account.** (a) To participate in the
21 condominium loan loss reserves program, an eligible community



1 development financial institution shall enter into a
2 participation agreement with the authority that sets out the
3 terms and conditions under which the authority will make
4 contributions to the community development financial
5 institution's reserve account and specifies the criteria for a
6 loan to qualify as a loan under this part.

7 (b) On approval by the authority and after a community
8 development financial institution enters into a participation
9 agreement with the authority, the authority shall establish a
10 reserve account at a participating community development
11 financial institution making a loan under this part and deposit
12 an amount equal to five per cent of the original loan amount.
13 The reserve account shall be used by the authority to cover any
14 losses arising from a default of the loan made by the
15 participating community development financial institution under
16 this part or as otherwise provided by this part.

17 (c) When a participating community development financial
18 institution makes a loan enrolled in the condominium loan loss
19 reserves program, the participating community development
20 financial institution shall pay to the authority a fee equal to
21 fifty basis points of the amount deposited into the condominium



1 loan revolving fund to support the loan, which the authority
2 shall deposit into the reserve account, and annually thereafter.
3 The participating community development financial institution
4 may recover from the borrower all or part of the amount the
5 participating community development financial institution is
6 required to pay under this subsection in any manner agreed to by
7 the financial institution and borrower.

8 (d) For each loan under this part, the participating
9 community development financial institution shall provide
10 executed loan documents to the authority, within the period
11 prescribed by the authority, including the amount of fees
12 received from the borrower.

13 § -13 Loans. (a) Except as otherwise provided by this
14 chapter, the authority shall determine the recipient, amount, or
15 interest rate of a loan under this part or the fees or other
16 requirements related to the loan.

17 (b) To qualify as a loan under this part, a loan shall:

18 (1) Be made to a condominium association that has:

19 (A) Received at least one letter from a financial
20 institution declining the condominium



1 association's eligibility for a loan to address

2 maintenance or insurance coverage issues; and

3 (B) Obtained full replacement property and hurricane

4 insurance coverage or intends to do so as a

5 condition of any financing received;

6 (2) Meet the limitations and conditions under

7 section -5; and

8 (3) Meet other criteria established by the authority by

9 rules adopted pursuant to chapter 91.

10 (c) For a line of credit to qualify for participation in
11 the condominium loan loss reserves program, a line of credit
12 shall:

13 (1) Be an account at a participating community development
14 financial institution under which the community
15 development financial institution agrees to lend money
16 to a qualified condominium association from time to
17 time to finance one or more projects that are
18 authorized by this chapter; and

19 (2) Contain the same restrictions, to the extent possible,
20 that are placed on a loan that is not a line of
21 credit.



(d) A loan under this part may be sold on the secondary market under conditions as may be determined by the participating community development financial institution with the consent of the authority.

(e) When enrolling a loan in the condominium loan loss reserves program, a participating community development financial institution may specify an amount to be covered under the condominium loan loss reserves program that is less than the amount allowed under section -12(b).

§ -14 Limitations on amounts retained in reserve accounts. The maximum aggregate amount the authority may retain on deposit in a reserve account shall not exceed five per cent of the aggregate outstanding principal balance of enrolled loans. On a regular basis, no less than annually, the authority shall withdraw from a reserve account the amounts in excess of the limit and deposit that amount into the condominium loan revolving fund. A withdrawal of money authorized under this section shall not reduce an active reserve account to an amount that is less than the aggregate amount allowed under this section.



1 § -15 **State's rights with respect to reserve account.**

2 (a) All of the money in a reserve account established under
3 this part shall be the property of the State.

4 (b) The State shall be entitled to earn interest on the
5 amount of contributions made by the authority, borrower, and
6 participating community development financial institution to a
7 reserve account under this part. On a regular basis, no less
8 than annually, the authority shall withdraw from a reserve
9 account the amount of the interest earned by the State. The
10 authority shall deposit the amount withdrawn under this section
11 into the condominium loan revolving fund.

12 (c) The authority shall withdraw from the participating
13 community development financial institution's reserve account
14 the total amount in the account and any interest earned on the
15 account and deposit the amount into the condominium loan
16 revolving fund when:

- 17 (1) A participating community development financial
18 institution is no longer eligible to participate in
19 the condominium loan loss reserves program or a
20 participation agreement entered into under this part



1 expires without renewal by the authority or
2 institution; and

3 (2) The participating community development financial
4 institution has no outstanding loans under this part.

5 § -16 **Participating community development financial**
6 **institution's annual reports.** A participating community
7 development financial institution shall submit an annual report
8 to the authority. The report shall:

9 (1) Provide information regarding outstanding principal
10 balances of the loans under this part, loan losses,
11 and any other information on loans under this part the
12 authority considers appropriate;

13 (2) Include a copy of the participating community
14 development financial institution's most recent
15 financial statement; and

16 (3) Include information regarding the condominium
17 associations with loans under this part.

18 § -17 **Authority's annual report; audits.** (a) The
19 authority shall submit to the legislature an annual status
20 report on the condominium loan loss reserves program's
21 activities.



(b) The condominium loan revolving fund shall be audited at least annually by a firm of independent certified public accountants selected by the authority and provide the results of the audit to the department of business, economic development, and tourism and the legislature.

§ -18 **State liability prohibited.** The State shall not be liable to a participating community development financial institution for payment of the principal, interest, or any late charges on a loan made by a participating community development financial institution to a qualified condominium association under this part."

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2025-2026 and the same sum or so much thereof as may be necessary for fiscal year 2026-2027 to be deposited into the condominium loan revolving fund.

SECTION 3. There is appropriated out of the condominium loan revolving fund the sum of \$ or so much thereof as may be necessary for fiscal year 2025-2026 and the same sum or



1 so much thereof as may be necessary for fiscal year 2026-2027 to
2 implement the condominium loan program.

3 The sums appropriated shall be expended by the Hawaii green
4 infrastructure authority for the purposes of this Act.

5 SECTION 4. This Act shall take effect on July 1, 3000.



Report Title:

Hawaii Green Infrastructure Authority; Condominiums; Condominium Loan Program; Condominium Loan Loss Reserves Program; Reports; Appropriations

Description:

Establishes the Condominium Loan Program to provide condominium associations with low-cost financing, or refinancing for previously obtained loans, for maintenance or repair projects. Establishes the Condominium Loan Loss Reserves Program to incentivize lenders to provide loans at competitive rates and terms to condominium associations for the purpose of allowing condominium associations to make necessary maintenance or repairs. Requires annual reports to the Legislature. Appropriates funds. Effective 7/1/3000. (SD1)

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