

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
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DTS: 202511180915CU

November 13, 2025

The Honorable Ronald D. Kouchi,
President and Members
of the Senate
Thirty-Third State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Nadine K. Nakamura,
Speaker and Members of the
House of Representatives
Thirty-Third State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Nakamura, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Report to the Legislature pursuant to Act 29, Session Laws of Hawaii 2024. Act 29 requests HHFDC to analyze the feasibility of continuing to fund the operations of the housing loan and mortgage program, otherwise known as the Hula Mae Single Family Program.

In accordance with Section 93-16, Hawai'i Revised Statutes, I am also informing you that the report may be viewed electronically at:

<http://dbedt.hawaii.gov/overview/annual-reports-reports-to-the-legislature/>

Sincerely,

James Kunane Tokioka
DBEDT Director

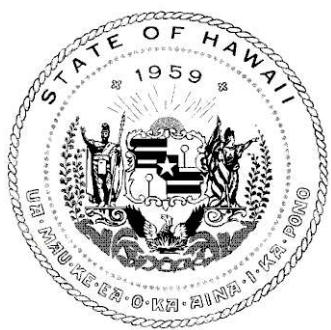
Enclosure

c: Legislative Reference Bureau

Report to the 2026 Hawai‘i State Legislature:

Pursuant to Act 29, Session Laws of Hawai‘i 2024,
Relating to Housing.

Prepared by:
Hawai‘i Housing Finance and Development Corporation
Department of Business, Economic Development & Tourism



November 2025

Act 29, Session Laws of Hawaii 2024, requires the Hawaii Housing Finance and Development Corporation (HHFDC) to submit a report analyzing the feasibility of continuing to fund the operations of the housing loan and mortgage program ("the program"). This report satisfies that requirement.

The program, commonly known as the Hula Mae Single Family Program, has not been active for over a decade, as interest rates for most of that time were not competitive with those offered by private lenders. The last bond issuance that was not a refunding issue was in 2011 and resulted in the purchase of 129 loans. In 2017, the Legislature passed [Act 123](#) to modernize the program in order to expand homeownership.

In response to the current high-interest rate environment, which is making it harder for local families to buy homes, HHFDC promulgated new administrative rules to update and restart the program, renaming it the Hula Mae Home Mortgage Loan Program, as codified in Chapter 15-314, Hawaii Administrative Rules. These new rules went into effect on May 23, 2025, replacing the previous Chapter 15-161 rules. The program has also been branded as the Hale Kamaaina Single Family Mortgage Program to reflect a broader public-facing initiative.

The program is financed through the sale of mortgage revenue bonds, a qualified form of private activity bonds (PABs). Proceeds from these sales are used to finance below-market rate mortgage loans to support the purchase of homes in Hawaii by qualified homebuyers. The loan payments and interest received are used to repay the investors who purchased the bonds. As the program must be self-sustaining, both interest and fees must also cover administrative and operating costs.

There are two delivery mechanisms: the Advance Commitments Program and the Loan Funding Program, each with clear criteria for lender participation, allocation of funds, and borrower qualifications. The program's design ensures compliance with federal tax law, limits arbitrage risk, and includes recapture provisions where applicable.

A formal launch of the program is underway. Formal training sessions for participating lenders began in October, and all program documentation and websites are scheduled to be completed in November. However, in late October 2025, during final program implementation discussions, the Department of Budget and Finance (B&F) and its legal counsels presented an alternative interpretation of Act 123 that differs from HHFDC's long-standing understanding of the statute.

To resolve this discrepancy and ensure alignment with federal requirements and standard national program practices, HHFDC is pursuing legislative clarification. This clarification is essential to support the timely launch of the Single Family Mortgage Revenue Bond and deliver urgently needed mortgage financing and downpayment assistance to Hawaii's first-time homebuyers.

Despite this challenge, HHFDC remains confident in the program's overall feasibility and strong market potential. Based on feedback from the program team and

participating lender partners, preliminary indicators demonstrate that the program continues to be financially sound and that demand among both lenders and prospective borrowers is expected to be high. HHFDC will continue to evaluate program performance and market conditions as implementation advances, ensuring that the program remains sustainable through bond issuance and that its utilization represents an efficient and impactful use of the State's Private Activity Bond volume cap allocation.

Execution of the initial bond sale remains on schedule, with pricing anticipated for November 18–19, 2025 and closing expected in early December 2025. Participating lenders are projected to begin originating loans before the end of 2025. HHFDC anticipates an initial issuance of approximately \$30 million in mortgage revenue bonds, drawn from the \$160 million in Private Activity Bond authority that received preliminary approval from the Governor in November 2024.