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# A BILL FOR AN ACT

RELATING TO THE DOWNPAYMENT LOAN ASSISTANCE PROGRAM.

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

1 SECTION 1. Section 201H-161, Hawaii Revised Statutes, is  
2 amended as follows:

3 1. By amending subsection (a) to read:

4 "(a) The corporation may make downpayment loans, either  
5 directly or through a nonprofit organization as defined in  
6 section 454F-1, to eligible borrowers who qualify for loans  
7 under section 201H-162. The downpayment loan to any one  
8 borrower shall not exceed fifteen per cent of the purchase price  
9 or appraised value of the residential property or \$60,000,  
10 whichever is less. [~~In no event shall the loan amount and  
11 purchase money mortgage amount exceed one hundred per cent of  
12 combined loan to value.~~] The interest rate on the loans [~~may  
13 range from one per cent to eight per cent, depending on the  
14 buyer's income.~~] shall be established by the corporation based  
15 on federal program requirements and market conditions."

16 2. By amending subsections (c) and (d) to read:



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

15           (d) The corporation may secure the services of nonprofit  
16 organizations, as defined in section 454F-1, as well as  
17 financial institutions, mortgage lenders, or other qualified  
18 loan originators, to originate the downpayment loans on behalf  
19 of the State for an origination fee not in excess of the  
20 prevailing loan origination fee amount, as determined by the  
21 corporation."



1 SECTION 2. Section 201H-162, Hawaii Revised Statutes, is  
2 amended by amending subsection (a) to read as follows:

3 "(a) No person shall be qualified for a downpayment loan  
4 unless the person:

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

6 (2) Is at least eighteen years of age;

7 (3) Is a bona fide resident of the State;

8 (4) Will physically reside in the residential property to  
9 be purchased for the term of the loan;

10 (5) Is accepted by a mortgage lender as a person to whom  
11 it is willing to lend money for the purchase of the  
12 residential property provided the required downpayment  
13 is made;

14 (6) Provides a portion of the downpayment, which shall be  
15 equal to [~~at least five~~] three per cent of the sales  
16 price[+] and may include any downpayment loan  
17 assistance made available by the corporation under  
18 this chapter; and

19 (7) Has successfully completed a homeownership counseling  
20 program provided by a housing counseling agency



1 approved by the United States Department of Housing  
2 and Urban Development."

3 SECTION 3. Section 201H-163, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 "[+]§201H-163[+] **Restrictions on borrower.** Every loan  
6 made under this subpart shall be subject to the following  
7 conditions:

8 (1) The borrower shall expend no portion of the borrower's  
9 downpayment loan for purposes other than to ~~make~~:

10 (A) Make a downpayment for the purchase of a  
11 residential property; or

12 (B) Pay for closing costs, prepaids, and reserves  
13 pursuant to the purchase of the residential  
14 property for which the downpayment loan is  
15 provided;

16 (2) The residential property purchased with the  
17 downpayment loan and mortgaged to the State to secure  
18 the repayment of the loan shall not be sold or  
19 assigned without the prior approval in writing of the  
20 corporation and the first mortgage lender;



1           (3) The borrower shall pay when due all taxes, liens,  
2                    judgments, or assessments that may be lawfully levied  
3                    against the residential property and all costs and  
4                    expenses of any foreclosure of the mortgage made to  
5                    the State;

6           (4) The borrower shall maintain fire and casualty  
7                    insurance in amounts equal to the replacement value of  
8                    all improvements and insurable portions of the  
9                    residential property with an insurance company  
10                   authorized to do business in the State. All proceeds  
11                   of that insurance shall be made payable to the first  
12                   mortgage lender and the corporation as their  
13                   respective interests may appear at the time of any  
14                   loss or damage. Subject to the rules of the  
15                   corporation, in the event of any loss or damage to the  
16                   improvements or property covered by the insurance, the  
17                   proceeds receivable by the State shall be applied  
18                   toward the reconstruction of the improvements or  
19                   property destroyed or damaged, unless otherwise  
20                   determined by the corporation on behalf of the State;  
21                   and



1 (5) The borrower shall maintain the improvements in good  
2 repair.

3 All of the conditions in paragraphs (1) through (5) shall  
4 be a part of any downpayment mortgage executed under this  
5 subpart, regardless of whether or not they are expressly  
6 incorporated in the mortgage document."

7 SECTION 4. Statutory material to be repealed is bracketed  
8 and stricken. New statutory material is underscored.

9 SECTION 5. This Act shall take effect upon its approval.



**Report Title:**

HHFDC; Downpayment Loan Assistance Program

**Description:**

Amends the Downpayment Loan Assistance Program by: removing the prohibition on combined loan-to-value ratios; clarifying the Hawaii Housing Finance and Development Corporation's authority to establish interest rates and allow payment waivers and interest forgiveness; authorizing financial institutions, mortgage lenders, and other loan originators to originate downpayment loans; and reducing the borrower's required personal contribution toward the downpayment. Authorizes borrowers to use a portion of a downpayment loan to pay for closing costs, prepaids, and reserves for the purchase of the residential property for which the downpayment loan is provided. (CD1)

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

