THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

S.B. NO. 1601

JAN 23 2025

A BILL FOR AN ACT

RELATING TO CONDOMINIUMS.

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

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

"CHAPTER

FINANCING FOR CONDOMINIUMS

PART I. DIRECT FINANCING

§ -1 Definitions. As used in this chapter:

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

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

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

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

"Loan" includes a line of credit.

"Participating financial institution" means a financial institution participating in the condominium loan loss reserves program.

"Qualified condominium association" means a condominium association that meets the eligibility requirements as provided in section -6 and rules adopted by the authority.

"Reserve account" means an account established in a participating financial institution on approval of the authority in which money is deposited to serve as a reserve to reimburse a participating financial institution for any losses incurred on loans enrolled in the condominium loan loss reserves program.

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

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

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

(A) Determinations of any other maintenance or repairs that qualify for financing or refinancing pursuant to this chapter;

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

(C) The establishment of restrictions on the terms, maturities, collateral, and other requirements consistent with this part;

(D) Determinations that a condominium that has unfunded maintenance or repairs totaling more than $10,000 per unit, with at least per cent but not more than one hundred per cent insurance coverage may be eligible for financing under this chapter;

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

(F) Determinations of eligibility of a financial institution to participate in the condominium

loan loss reserves program, including setting a limit on the number of eligible financial institutions that may participate in the condominium loan loss reserves program;

(G) Eligibility participation criteria for loans issued by an eligible financial institution to a qualified condominium association; and

(H) The authorization of a consortium of financial institutions to participate in the condominium loan loss reserves program, subject to common loan loss reserves program guidelines.

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

§ -4 Condominium loan revolving fund. (a) There is established in the state treasury the condominium loan revolving 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 the purposes of providing loans in accordance with this part.

§ -5 Loans; limitations and conditions. (a) Loans provided under this chapter shall be for financing, or refinancing loans previously obtained, 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

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

(b) The loan agreement shall require a qualified condominium association to increase its replacement reserves fund balance over the term of the loan.

§ -6 **Loans; eligibility.** Notwithstanding any other provisions of this part, the authority may make loans directly to a condominium association that is unable to:

(1) Secure full replacement value insurance at reasonable rates; or

(2) Obtain sufficient funds at reasonable rates and terms from private lenders independently.

§ -7 **Annual reports.** The authority shall submit a report to the legislature no later than twenty days prior to the convening of each regular session that details the progress of the condominium loan program, aggregate data on the loans issued under the condominium loan program, and the balance of the condominium loan revolving fund, beginning with the regular session of 2027.

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

PART II. CREDIT ENHANCEMENT THROUGH LOAN LOSS RESERVES

§ -11 **Condominium loan loss reserves program.** (a) There is established within the authority 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 in accordance with this part.

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

§ -12 Participating financial institutions; reserve account. (a) To participate in the condominium loan loss reserves program, an eligible financial institution shall enter into a participation agreement with the authority that specifies the terms and conditions under which the authority shall make contributions to the institution's reserve account and establishes the criteria for a loan to qualify as a loan under this part.

(b) On approval by the authority and after entering into a participation agreement with the authority, the authority shall establish a reserve account at the participating financial institution and deposit into the account an amount equal

to per cent of the original loan amount. The reserve account shall be used by the authority to cover any losses arising from a default of a loan made by the participating financial institution under this part or as otherwise provided by this part.

(c) When a participating financial institution makes a loan enrolled in the condominium loan loss reserves program, the participating financial institution shall pay to the authority a fee equal to per cent of the amount deposited into the reserve account to service the loan, and annually thereafter. The participating financial institution may recover from the borrower all or part of the amount of fees the financial institution is required to pay under this subsection in any manner agreed to by the financial institution and the borrower.

(d) For each loan made by a participating financial institution under this part, the participating financial institution shall provide to the authority copies of the executed loan documents within the period prescribed by the authority, including the amount of fees received from the borrower.

§ -13 Loans. (a) Except as otherwise provided by this chapter, the authority shall not determine the recipient, amount, or interest rate of any loan made under this part or the fees or other requirements related to the loan.

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

(1) Be made to a condominium association;

(2) Meet the limitations and conditions as provided under section -5; and

(3) Meet other criteria established by the authority by rules adopted pursuant to chapter 91.

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

(1) Be an account at a financial institution under which the financial institution agrees to lend money to a qualified condominium association from time to time to finance one or more condominium projects authorized under this chapter; and

(2) To the extent possible, contain the same restrictions that are placed on a loan that is not a line of credit.

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

(e) When enrolling a loan in the condominium loan loss reserves program, a participating 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 state contributions to reserve accounts. The maximum aggregate amount the authority may retain on deposit in a reserve account shall not exceed per cent of the aggregate outstanding principal balance of enrolled loans. The authority shall, on a regular basis, but not less than annually, withdraw from a reserve account any amounts in excess and deposit the amounts into the condominium loan revolving fund.

§ -15 State's rights with respect to reserve account. (a) All moneys in a reserve account created pursuant to this part shall be the property of the State.

(b) The State shall be entitled to earn interest on the amount of contributions made by the authority, borrower, and

participating financial institution to a reserve account pursuant to this part. The authority shall, on a regular basis, but not less than annually, withdraw from a reserve account the amount of the interest earned by the State. The authority shall deposit the amount withdrawn under this section into the condominium loan revolving fund.

(c) If the amount in a reserve account exceeds an amount equal to per cent of the balance of the participating financial institution's outstanding loans under this part, the authority may withdraw the excess amount and deposit the amount into the condominium loan revolving fund. A withdrawal of moneys authorized under this subsection shall not reduce an active reserve account to an amount that is less than the aggregate amount allowed under section -12(b).

(d) The authority shall withdraw from the participating financial institution's reserve account the total amount in the account and any interest earned on the account and deposit the amount into the condominium loan revolving fund when:

(1) A participating financial institution is no longer eligible to participate in the condominium loan loss reserves program or a participation agreement entered

into under this part expires without renewal by the authority and the participating financial institution; and

(2) The participating financial institution has no outstanding loans under this part.

§ -16 **Annual reports by a participating financial institution.** A participating financial institution shall submit an annual report to the authority, which shall provide:

(1) Information regarding the outstanding principal balance of the loans provided under this part, including loan losses and any other information on the loans as the authority deems appropriate;

(2) A copy of the participating financial institution's most recent financial statement; and

(3) Information regarding the condominium associations with loans under this part.

§ -17 **Annual reports by the authority; audits.** (a) The authority shall submit to the legislature an annual status report on the activities of the condominium loan loss reserves program.

(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 shall provide the results of the audit to the department and the legislature.

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

SECTION 2. There is appropriated out of the general revenues of the State 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 so much thereof as may be necessary for fiscal year 2026-2027 to implement the condominium loan program.

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

SECTION 4. This Act shall take effect on July 1, 2025.

INTRODUCED BY:

S.B. NO. 1601

Report Title:
Hawaii Green Infrastructure Authority; Condominium Loan Program; Condominium Loan Loss Reserves Program; Condominium Loan Revolving Fund; Reports; Appropriations

Description:
Establishes within the Hawaii Green Infrastructure Authority the Condominium Loan Program to provide qualified condominium associations with low-cost financing or refinancing on previously obtained loans for maintenance or repair projects. Establishes the Condominium Loan Loss Reserves Program to incentivize lenders into providing loans at competitive rates and terms to condominium associations for the purpose of allowing condominium associations to make necessary maintenance or repairs. Requires reports to the legislature. Appropriates funds into and out of the Condominium Loan Revolving Fund.

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