

S.B. NO. 3089

JAN 28 2026

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 by amending subsection (a) to read as follows:

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

14 SECTION 2. Section 201H-161, Hawaii Revised Statutes, is
15 amended by amending subsections (c) and (d) to read as follows:

16 "(c) The principal of the downpayment loan, together with
17 accrued interest, shall be due and payable upon the sale,
18 transfer, or refinancing of the property, or shall be repaid by

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

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

19 SECTION 3. Section 201H-162, Hawaii Revised Statutes, is
20 amended by amending subsection (a) to read as follows:

21 "(a) No person shall be qualified for a downpayment loan
22 unless the person:

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- 1 (1) Is a citizen of the United States or a resident alien;
- 2 (2) Is at least eighteen years of age;
- 3 (3) Is a bona fide resident of the State;
- 4 (4) Will physically reside in the residential property to
5 be purchased for the term of the loan;
- 6 (5) Is accepted by a mortgage lender as a person to whom
7 it is willing to lend money for the purchase of the
8 residential property provided the required downpayment
9 is made;
- 10 (6) Provides a portion of the downpayment which shall be
11 equal to [~~at least five~~] three per cent of the sales
12 price[~~, and~~], which may include any downpayment loan
13 assistance made available by the corporation under
14 this chapter; and
- 15 (7) Has successfully completed a homeownership counseling
16 program provided by a housing counseling agency
17 approved by the United States Department of Housing
18 and Urban Development."

19 SECTION 4. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.

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

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INTRODUCED BY:

Mun. Vi.

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BY REQUEST

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Report Title:

HHFDC; Downpayment Loan Assistance Program

Description:

Amends the Downpayment Loan Program, administered by the Hawaii Housing Finance and Development Corporation, to align with federal requirements and enhance assistance for low- and moderate-income first-time homebuyers.

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

JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO THE
DOWNPAYMENT LOAN ASSISTANCE PROGRAM.

PURPOSE: To improve the Downpayment Loan Assistance Program to enhance assistance for homeownership among low- and moderate-income households statewide.

MEANS: Amend sections 201H-161(a), (c), and (d), and 201H-162(a), Hawaii Revised Statutes.

JUSTIFICATION: The bill restores flexibility and affordability to the Hawaii Housing Finance and Development Corporation's (HHFDC) Hula Mae Home Mortgage Loan Program by reversing overly restrictive requirements from Act 123, Session Laws of Hawaii 2017. Returning the downpayment minimum to three percent and removing the statutory cap that restricted the combined loan-to-value, which will allow loan-to-value ratios consistent with federal loan programs (such as the federal housing administration, United States Department of Veterans Affairs, and United States Department of Agriculture) will make homeownership and closing costs more attainable for first-time, moderate-income buyers.

The bill also allows participating lenders to originate HHFDC's downpayment loans, streamlining the process and reducing closing delays. Additionally, granting HHFDC discretion to forgive accrued interest offers flexibility to assist borrowers facing hardship or to encourage long-term owner-occupancy.

Together, these updates align the program with federal standards, expand homeownership access, and improve overall program efficiency.

Impact on the public: Greater access to homeownership for eligible borrowers.

Impact on the department and other agencies:
Aligning state law with federal bond requirements will simplify program administration, increase lender participation, and improve HHFDC's ability to issue bonds for government-backed loans. No impact is expected on other agencies.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BED-160.

OTHER AFFECTED
AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: Upon approval.