

ACT 178

H.B. NO. 2335-76

A Bill for an Act Relating to Housing.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Chapter 359G, Hawaii Revised Statutes, is amended by ad-

ding a new section to be appropriately designated and to read as follows:

“Sec. 359G- Rehabilitation and renovation of existing housing. (a) The authority may make loans to qualified residents for the purpose of rehabilitating or renovating an existing housing unit. Loans under this section shall not be in excess of \$10,000 to any resident or for any housing unit and shall be issued upon execution of a written contract for the performance of the rehabilitation or renovation.

(b) Loans participated under this section shall be limited to rehabilitating or renovating housing units to meet minimum provisions of applicable county or state codes or laws; or to meet recognized standards of residential liveability. Loans under this section shall be available for rehabilitation or renovation of owner-occupied, single-family and duplex housing.

Applications for loans under this section shall be made on such form as is prescribed by the authority. The application shall specify the property to be improved, the amount to be loaned, the downpayment to be made by the qualified resident, the schedule of repayment, and such other conditions as are established by the authority by rule. If the loan is assigned to and serviced by a mortgage lender, the application shall be processed by the mortgage lender and forwarded to the authority. The authority shall review all applications and determine the amount of the loan; provided that it shall approve loans only to qualified residents as defined by this section. When an application is approved by the authority, the amount of the loan shall be paid to the mortgage lender for disbursement to the qualified resident, if the loan is assigned to or serviced by a mortgage lender. The mortgage lender shall collect all payments from the qualified resident and otherwise service the loan.

The authority shall establish a means whereby counseling is provided to owners to assist them in determining whether they qualify under this section; and, if they qualify, to assist them in complying with the requirements of this section. The authority may establish such other minimum requirements which shall be met by owners to qualify for loans, as are conducive to carrying out this section. The authority shall establish a system to determine preferences by lot in the event that it receives more qualified applications than it has funds available.

(c) A qualified resident under this section means a person who:

- (1) Is a citizen of the United States or a declarant alien;
- (2) Is at least eighteen years of age;
- (3) Is the owner and occupant of existing housing otherwise qualified under this section;
- (4) Is a bona fide resident of the State and has a bona fide intent to reside in the dwelling unit for which a loan is requested under this section;
- (5) Does not own individually or, when husband and wife are living together, does not own jointly with spouse, and whose spouse does not own any other property in the State which are suitable for dwelling purposes, whether such properties are held in fee simple or leasehold;
- (6) Has applied for and has been refused a home improvement loan by at least one bank or other financial institution in the State;
- (7) Is not eligible for a loan, or a combination of grant and loan, in the sum requested from any other program or programs sponsored by the state,

the county, or the federal government for which funds are then available;

- (8) Has adjusted family income below the maximum limit established by the authority; and
- (9) Is, in determination of the authority, able to repay the loan on terms satisfactory to the authority.

(d) Applicants shall submit to the authority plans and specifications for each rehabilitation or renovation project, which, as a condition to the granting of an application, shall be found by the authority to be in conformity with applicable county codes or ordinances; or approved by the appropriate county authority by permit, exception, variance, waiver or other means.

(e) Loans received by the qualified resident under this section shall be used exclusively and entirely for the planning and financing of rehabilitation and renovation of qualified housing, which shall be completed within two years of the contract date. Any written contract executed pursuant to this section shall expressly contain the provisions of this subsection, the form of which shall be established by rules adopted by the authority.

(f) All rehabilitation or renovation undertaken pursuant to this section shall be performed under the supervision of a contractor licensed pursuant to chapter 444; provided that this shall not prevent a project from being completed substantially with donated labor under licensed supervision. The owner shall indemnify the authority for any loss suffered by the authority as a result of any claim or action arising from a mechanic's or materialman's lien relating to a rehabilitation or renovation project of such owner under this section.

(g) Every loan made under this section shall be subject to the following terms and conditions:

- (1) Loans made under this section shall be repaid within ten years, in accordance with a payment schedule and at a rate of interest to be specified by the authority; provided that the rate of interest shall be in conformance with section 359G-30.
- (2) In the event that an owner transfers title to a housing unit rehabilitated or renovated under this section, the outstanding balance of the loan shall be paid at the maximum rate of interest allowed under subsection (g) (1); provided that there shall be no prepayment penalty.
- (3) The loan may, at the direction of the authority, be assigned to and serviced by mortgage lenders doing business in the State at a service fee established by contract between the authority and the mortgage lender, but in no event will the service fee be greater than the service fee charged by the mortgage lender for similar loans ordinarily made by them.
- (4) When the mortgage lender or the authority deems that foreclosure proceedings are necessary to collect moneys due from the qualified resident, it shall notify the other and the proceeding shall be promptly initiated by the mortgage lender, unless the authority elects to request an assignment of the loan. Within thirty days of the notification by either the mortgage lender or the authority to the other, the authority may request an assignment of the loan on payment in full of the mortgage lender's share of the principal balance due. Foreclosure

proceedings shall be held in abeyance in the interim.

(h) For the purpose of more effectively carrying out this section, the authority may contract with any legally constituted county housing agency to participate in loans under this section. Such contract shall specify rules of administration; provided that no contract shall prevent the county agency from establishing by rule more specific policies and priorities for assistance not in conflict with this section.

(i) When requested by the authority, the director of finance shall issue general obligation bonds of the State pursuant to part I of chapter 39 to effectuate the purposes of this section, subject to prior approval of the governor."

SECTION 2. Section 359G-3.1, Hawaii Revised Statutes, is amended to read as follows:

"Sec. 359G-3.1 Housing assistance unit. The governor by executive order may establish a housing information, counseling, and referral unit within the Hawaii housing authority. The unit shall be responsible for providing housing information on any private, state, county, or federal housing project, for providing counseling to prospective homeowners seeking to purchase a home, and to homeowners seeking to rehabilitate or renovate existing housing, and for providing listing and referral services to tenants seeking to rent homes."

SECTION 3. Section 359G-4, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

"(e) Upon authorization by the legislature, cause the State to issue general obligation bonds to finance:

- (1) Land acquisition;
- (2) The development and improvement of land;
- (3) The construction of dwelling units;
- (4) The purchase, lease or rental of land and dwelling units by qualified residents under this chapter;
- (5) Payment of any services contracted for under this chapter, including profit or recompense paid to partners, and including community information and advocacy services deemed necessary by the authority to provide for citizen participation in the development of housing projects, the implementation of this chapter, and the staffing of any citizen advisory committee the authority may establish;
- (6) The cost of repurchase of units under section 359G-9;
- (7) Loans for the rehabilitation and renovation of existing housing; and
- (8) Any other monies required to accomplish the purposes of this chapter."

SECTION 4. Statutory material to be repealed is bracketed. New material is underscored. In printing this Act, the revisor of statutes need not include the brackets, the bracketed material, or the underscoring.*

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

(Approved June 1, 1976.)

*Edited accordingly.