

A Bill for an Act Relating to Housing.

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

SECTION 1. Section 359G-21, Hawaii Revised Statutes, is amended to read:

**"Sec. 359G-21 Participation in loans.** The authority may participate up to fifty per cent of the principal amount of a loan made to a qualified borrower by a mortgage lender who is unable otherwise to lend the borrower sufficient funds at reasonable rates in the purchase or renovation of a residential property; provided that at no time shall the State's total outstanding share exceed the sum of \$10,000,000."

SECTION 2. Section 359G- of section 1, Act 178, Session Laws of Hawaii 1976, is amended by amending subsection (a) to read:

**"(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, or \$3,500 as prescribed by subsection (h)(1), 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."

SECTION 3. Section 359G- of section 1, Act 178, Session Laws of Hawaii 1976, is amended by amending subsection (b) to read:

**"(b)** Loans made under this section shall be limited to rehabilitating or renovating housing units to meet minimum standards of habitability and all applicable county or state codes or laws. Loans made 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 down payment to be made by the qualified resident, the schedule of repayment, and such other conditions as are established by the authority. 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 arrange to have counseling services provided to qualified applicants and the fees charged for such counseling services may be included as part of the loan. 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.”

SECTION 4. Section 359G- of section 1, Act 178, Session Laws of Hawaii 1976, is amended by amending subsection (h) to read:

“(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. To facilitate the applications of elderly citizens in either the lower income or “gap groups” who own their homes and whose needs are for smaller loans that are sufficient to better maintain their homes, if the applicant borrower is otherwise qualified, is fifty-five years of age or older, and is applying for a loan not exceeding \$3,500, then the applicant shall not be required to:

(1) Submit plans and specifications to the authority, but in lieu thereof may submit a written statement as to the scope of the intended renovation work, including a cost estimate therefor and evidence of a building permit from the county having jurisdiction;

(2) Perform the work under the supervision of a contractor licensed pursuant to chapter 444; provided that the authority shall inspect the premises before the work begins and after completion, for which two inspections the authority may charge a fee (deductible from the loan) of \$50; or

(3) Execute a mortgage securing the loan, but may in lieu thereof provide the authority with a chattel mortgage on personal property, or make an assignment to the authority of a personal asset or assets, or provide a third party guaranty in form acceptable to the authority, which alternative in any case shall provide the authority with a secondary source of repayment in the event of default.”

SECTION 5. Chapter 359G, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and read:

“Sec. 359G- **Restrictions on use, sale and transfer of dwelling units; effect of amendment or repeal.** (a) Restrictions on the use, sale and transfer of dwelling units shall be made as uniform as possible in application to purchasers of all units, and restrictions shall be conformed with agreement of the purchaser to reflect change or repeal made by any subsequent legislative act, ordinance, rule or regulation. Dwelling unit purchasers shall be permitted at their election to sell or transfer units subject to restrictions in effect at the time of their sale or transfer.

(b) The authority, any other department of the State, or any county housing agency maintaining restrictions, through contract, deed, other instrument, or by rule or regulation, shall notify all purchasers of any change in restrictions made by law, ordinance, rule or regulation not more than one hundred eighty (180) days after the effective date of this Act or of a change in restriction, as the case may be, and such notice shall clearly state the enacted or proposed new provisions, the date or dates upon which they are to be effective and offer to each purchaser of dwelling units constructed and sold prior to such effective date, an opportunity to modify the existing contract or other instrument to incorporate the most recent provisions.

(c) Where the restrictions on transfer of property apply for a period of time, the period of time shall not be increased beyond the date calculated from the date of original purchase.

(d) No dwelling unit purchaser shall be entitled to modify the restrictions on use, transfer, or sale of the dwelling unit, without the written permission of the holder of a duly-recorded first mortgage on the dwelling unit and the owner of the fee simple or leasehold interest in the land underlying the unit, unless the holder of the first mortgage or the owner is an agency of the State or its political subdivisions.

(e) This section shall apply to all dwelling units developed, constructed and sold pursuant to this chapter and similar programs in the State or its political subdivisions and which are sold on the condition that the purchaser accepts restrictions on the use, sale or transfer of interest in the dwelling unit purchased.

(f) The provisions of this section shall be incorporated in any deed, lease, instrument, rule or regulation relating to restrictions on use, sale or transfer of dwelling units, entered into after the effective date of this Act."

SECTION 6. Section 5 of this Act shall take effect upon its approval, and shall apply to all dwelling units constructed, developed, or otherwise assisted by the Hawaii housing authority, or housing agencies of the counties, in which dwelling units have been sold to persons or families occupying such units, under any program authorized under chapters 46, 53, 359, and 359G, Hawaii Revised Statutes.

SECTION 7. 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 8. This Act shall take effect upon its approval.

(Approved June 20, 1977.)

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\*Edited accordingly.