

ACT 135

S.B. NO. 1025

A Bill for an Act Relating to the Housing Loan and Mortgage Program.

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

SECTION 1. The legislature finds that in 1979, it authorized the Hawaii housing authority to fund an innovative mortgage loan program for low- and moderate-income homebuyers, popularly known as the hula mae single family program. Responsibility for administering the hula mae single family program now rests with the Hawaii housing finance and development corporation.

Since that time, the legislature has authorized the issuance of revenue bonds in an aggregate principal amount of \$2,275,000,000 to fund this program. As of June 30, 2012, \$1,821,000,000 in single family mortgage purchase revenue bonds has been issued, providing eligible first-time homebuyers with mortgage loans at below market interest rates.

Homebuyers apply directly with participating lending institutions, which review eligibility and qualifications for a hula mae loan. Loans currently made under the program are securitized by the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation. As of June 30, 2012, the hula mae single family program has helped over ten thousand families to purchase their first homes.

The legislature also finds that even more Hawaii families could become homeowners by broadening the hula mae program eligibility criteria to the extent not precluded by the Internal Revenue Code of 1986, as amended.

The purpose of this Act is to make homeownership accessible to more Hawaii households by updating the hula mae single family program, consistent with applicable federal law.

SECTION 2. Section 201H-91, Hawaii Revised Statutes, is amended as follows:

1. By adding two new definitions to be appropriately inserted and to read:

““Homebuyer assistance” means assistance provided to eligible borrowers in conjunction with an eligible loan to provide downpayment assistance or

fund closing costs; provided that such assistance is repaid through consideration to the corporation, including borrower repayments.

“Mortgage-backed security” means any investment security, not including bonds of the corporation, that represents an interest in, or is secured by, one or more pools of mortgage loans, including any such security representing a direct obligation or guarantee of a federally-sponsored or private entity such as the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation.”

2. By amending the definitions of “eligible borrower”; “eligible loans”; and “housing loan program” to read:

““Eligible borrower” means a person or family, without regard to race, creed, national origin, or sex, who:

- (1) Is a citizen of the United States or a resident alien;
- (2) Is a bona fide resident of the State;
- (3) Is at least eighteen years of age;
- (4) Does not personally, or whose spouse does not if the person is married, own any interest in a principal residence within or without the State and who has not owned a principal residence within the three years immediately prior to the application for an eligible loan under this subpart, except this requirement shall not apply to any eligible loan for a targeted area residence as defined in the Mortgage Subsidy Bond Tax Act of 1980, Public Law 96-499[~~], which residence is to replace a housing unit that has been declared structurally unsalvageable by a governmental board or agency having the power to make the declaration; and provided further that this requirement shall not apply to up to ten per cent of eligible loans of a bond issue made to single parent household borrowers. No loans, however, shall be made if they adversely affect the tax-exempt status of the bonds issued. For the purpose of this section, “single parent household” means a household headed by a single person who has legal custody of one or more dependent children];~~
- (5) [~~Has never before obtained a loan under this part; and~~] Is financing a property that will be the eligible borrower’s principal residence; and
- (6) Meets other qualifications as established by rules adopted by the corporation.

“Eligible loan” means a loan under this subpart, including mortgage-backed securities backed by such a loan, to an eligible borrower for the permanent financing of a dwelling unit, including a condominium unit[~~]; including eligible improvement loans, loans to finance homebuyer assistance, and loans that provide the security or interest in a mortgage-backed security;~~ provided that the property financed is located in the State, will be occupied as the principal place of residence by the eligible borrower, and meets other requirements as established by rules adopted by the corporation.

“Housing loan programs” includes all or any part of [~~the loans to lenders program, the purchase of existing loans program,~~] the advance commitments program, and the loan funding programs authorized under this subpart.”

SECTION 3. Section 201H-94, Hawaii Revised Statutes, is amended to read as follows:

“[§201H-94] Eligible loans. (a) The corporation shall establish requirements for property financed by an eligible loan, and may consider the location, age, condition, and other characteristics of the property.

(b) The corporation shall establish restrictions on the terms, maturities, interest rates, collateral, and other requirements for eligible loans.

(c) All eligible loans made shall comply with applicable state and federal laws.

(d) Notwithstanding any other provision of law, the corporation may provide homebuyer assistance in conjunction with eligible loans through loans or other means; provided that the homebuyer assistance:

- (1) Is repaid through consideration to the corporation, including borrower repayments; and
- (2) Meets restrictions and requirements as established in rules adopted by the corporation.”

SECTION 4. Section 201H-97, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) The corporation shall establish procedures for:

- ~~[(1) The submission of requests or the invitation of proposals for loans to mortgage lenders;~~
- ~~(2) The purchase of existing loans by auction, invitation of tenders, or negotiation;~~
- ~~(3) (1) The making of advance commitments to purchase and the purchasing of eligible loans, eligible improvement loans, or eligible project loans to be made by mortgage lenders by auction, invitation of [tenders,] lenders, or negotiation; and~~
- ~~[(4) (2) Loan applications made through mortgage lenders to eligible borrowers or qualified sponsors.”~~

SECTION 5. Section 201H-102, Hawaii Revised Statutes, is repealed.

SECTION 6. Section 201H-103, Hawaii Revised Statutes, is repealed.

SECTION 7. Section 201H-104, Hawaii Revised Statutes, is repealed.

SECTION 8. Statutory material to be repealed is bracketed and stricken.¹ New statutory material is underscored.

SECTION 9. This Act shall take effect on July 1, 2013.

(Approved June 21, 2013.)

Note

1. Edited pursuant to HRS §23G-16.5.