

ACT 123

H.B. NO. 530

A Bill for an Act Relating to Homebuyer Assistance.

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

SECTION 1. The legislature finds that homeownership creates strong communities through economic growth. Homeowners have a greater sense of security, continuity, belonging, and pride in their communities. According to the United States Department of Housing and Urban Development, with careful loan underwriting, homeownership helps lower income households build wealth even during tough economic times.

In a recently released national housing survey sponsored by Fannie Mae, the most cited reasons for wanting to own a home were to have a good place to raise children, a safe place to live, more space for family, and control over one's living space. These factors have been linked to better physical and psychological health, including greater satisfaction with life, one's home, and one's neighborhood. Homeowners viewed their communities as stronger, safer, and more stable than did renters and were more likely to report that they felt connected to others, knew their neighbors, and were civically engaged.

The legislature further finds that one of the major barriers to homeownership is the lack of availability of downpayment assistance. Even small amounts of downpayment assistance increase the probability of moving first-time buyers into homeownership. Although about one out of five first-time homebuyers receive such help from their families, low- and moderate-income households are less likely to have this option available. The late Edward Szymanoski, former United States Department of Housing and Urban Development Associate Deputy Assistant Secretary for Economic Affairs, said, "First-time buyers often lack cash to pay the downpayment and closing costs charged by conventional lenders and would otherwise have to defer homeownership for many years."

The Hawaii housing finance and development corporation's downpayment loan program was established in 1995 to assist eligible first-time homebuyers earning up to 120 per cent of the area median income with downpayment loans. While there has been a continuing need for downpayment assistance, this program has not realized its full potential due to funding and outdated programmatic constraints.

The purpose of this Act is to modernize the downpayment loan program.

SECTION 2. Chapter 201H, Hawaii Revised Statutes, is amended by adding to part III, subpart F, a new section to be appropriately designated and to read as follows:

“§201H- Downpayment loan assistance program; fees. The corporation may establish, revise, charge, and collect fees, premiums, and charges as necessary, reasonable, or convenient, for its downpayment loan assistance program. The fees, premiums, and charges shall be deposited into the housing finance revolving fund established in section 201H-80.”

SECTION 3. Chapter 201H, Hawaii Revised Statutes, is amended by amending the title of part III, subpart F, to read as follows:

“F. Downpayment Loan Assistance Program”

SECTION 4. Section 201H-161, Hawaii Revised Statutes, is amended to read as follows:

“~~§201H-161~~ Downpayment loans. (a) The corporation may make ~~direct~~ downpayment loans, ~~either directly or through a nonprofit organization as defined in section 454F-1,~~ to eligible borrowers who qualify for loans under section 201H-162. The downpayment loan to any one borrower shall not exceed ~~thirty~~ fifteen per cent of the purchase price or appraised value of the residential property or ~~[\$15,000,] \$60,000,~~ whichever is less. ~~In no event shall the loan amount and purchase money mortgage amount exceed one hundred per cent of combined loan-to-value.~~ The interest rate on the loans may range from ~~[zero]~~ one per cent to eight per cent, depending on the buyer’s income.

(b) The repayment of every downpayment loan shall be secured by a duly recorded second mortgage executed by the borrower to the State on the residential property purchased with the downpayment loan.

(c) The principal of the downpayment loan, together with accrued interest, shall be due and payable upon the sale, transfer, or refinancing of the property, or shall be repaid by the borrower in installments as determined by the corporation; provided that the corporation may provide a period in which payments may be waived. The period over which the principal and interest shall be paid need not coincide with the period over which the loan from the mortgage lender for the balance of the purchase price must be repaid. The borrower may repay the whole or any part of the unpaid balance of the downpayment loan, plus accrued interest, at any time without penalty.

~~(d) The corporation may secure the services of nonprofit organizations, as defined in section 454F-1, to originate the downpayment loans on behalf of the State for an origination fee not in excess of the prevailing loan origination fee amount, as determined by the corporation.~~

~~[(d)]~~ (e) The corporation may secure the services of the mortgage lender who loans to the borrower the balance of the purchase price of the residential property or the services of any other mortgage lender doing business in the State to collect, on behalf of the State, the principal and interest of the downpayment loan and otherwise to service the downpayment loan, for a servicing fee not in excess of the prevailing loan servicing fees.

~~[(e)]~~ (f) The corporation shall adopt rules pursuant to chapter 91 to carry out the purposes of this subpart.”

SECTION 5. Section 201H-162, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

ACT 123

“(a) No person shall be qualified for a downpayment loan unless the person:

- (1) Is a citizen of the United States or a resident alien;
- (2) Is at least eighteen years of age;
- (3) Is a bona fide resident of the State;
- (4) Will physically reside in the residential property to be purchased for the term of the loan;
- (5) Is accepted by a mortgage lender as a person to whom it is willing to lend money for the purchase of the residential property provided the required downpayment is made; ~~and~~
- (6) Provides a portion of the downpayment which shall be equal to at least ~~three~~ five per cent of the sales price[-]; and
- (7) Has successfully completed a homeownership counseling program provided by a housing counseling agency approved by the United States Department of Housing and Urban Development.”

SECTION 6. Section 201H-171, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

“(b) In establishing such a program, the corporation shall adopt rules pursuant to chapter 91 relating to establishing a savings program for participants based upon individual analyses of income and family expenses. The rules may also provide for integration of the homebuyers’ club program with other governmental programs including but not limited to individual housing accounts under section 235-5.5, the state mortgage guarantee program under subpart E, the downpayment loan assistance program established under subpart F, and the rent-to-own program established under subpart H.”

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.¹

SECTION 8. This Act shall take effect on July 1, 2017.

(Approved July 10, 2017.)

Note

1. Edited pursuant to HRS §23G-16.5.