
A BILL FOR AN ACT

RELATING TO HOMEBUYER ASSISTANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

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

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



1 The legislature further finds that one of the major
2 barriers to homeownership is the lack of availability of down
3 payment assistance. Even small amounts of down payment
4 assistance increase the probability of moving first-time buyers
5 into homeownership. Although about one out of five first-time
6 homebuyers receives such help from their families, low and
7 moderate income households are less likely to have this option
8 available. The late Edward Szymanoski, former United States
9 Department of Housing and Urban Development associate deputy
10 assistant secretary for economic affairs, said that "First-time
11 buyers often lack cash to pay the down payment and closing costs
12 charged by conventional lenders and would otherwise have to
13 defer homeownership for many years."

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19 has not realized its full potential due to funding and outdated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



1 The purpose of this Act is to modernize the downpayment
2 loan program and to establish a downpayment loan loss reserve
3 program to assist low and moderate income households to become
4 first-time homebuyers.

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

8 "§201H- Downpayment loan program, fees. The corporation
9 may establish, revise, charge, and collect fees, premiums, and
10 charges as necessary, reasonable, or convenient, for its down
11 payment loan program. The fees, premiums, and charges shall be
12 deposited into the housing finance revolving fund established in
13 section 201H-80.

14 §201H- Downpayment loan loss reserve program. The
15 corporation may set aside and provide funds to serve as a loan
16 loss reserve for financial institutions that make down payment
17 loans to eligible borrowers. In the event a down payment loan
18 defaults, the loan loss reserve shall cover a percentage of the
19 second mortgage loan pool or a percentage of each individual
20 second mortgage in default, as determined by the corporation.
21 The corporation may secure the services of nonprofit



1 organizations, as defined in section 454F-1, to operate the loan
2 loss reserve program."

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

6 "F. DOWNPAYMENT LOAN ASSISTANCE PROGRAM"

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

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



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

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

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

20 [~~d~~] (e) The corporation may secure the services of the
21 mortgage lender who loans to the borrower the balance of the



1 purchase price of the residential property or the services of
2 any other mortgage lender doing business in the State to
3 collect, on behalf of the State, the principal and interest of
4 the downpayment loan and otherwise to service the downpayment
5 loan, for a servicing fee not in excess of the prevailing loan
6 servicing fees.

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

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

11 "(a) No person shall be qualified for a downpayment loan
12 unless the person:

- 13 (1) Is a citizen of the United States or a resident alien;
14 (2) Is at least eighteen years of age;
15 (3) Is a bona fide resident of the State;
16 (4) Will physically reside in the residential property to
17 be purchased for the term of the loan;
18 (5) Is accepted by a mortgage lender as a person to whom
19 it is willing to lend money for the purchase of the
20 residential property provided the required downpayment
21 is made; [~~and~~]



1 (6) Provides a portion of the downpayment which shall be
2 equal to at least [~~three~~] five per cent of the sales
3 price [~~-~~]; and

4 (7) Has successfully completed a homeownership counseling
5 program provided by a housing counseling agency
6 approved by the United States Department of Housing
7 and Urban Development."

8 SECTION 6. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

10 SECTION 7. This Act shall take effect upon a date to be
11 determined.



Report Title:

Downpayment Loan Assistance Program

Description:

Expands the Downpayment Loan Program to provide greater assistance to low and moderate income first-time homebuyers.
(HB530 HD1)

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

