A BILL FOR AN ACT

RELATING TO THE HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION.

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

SECTION 1. The legislature finds that making a downpayment can be a major hurdle for many residents in the State when purchasing a home for the first time. The hurdle is particularly high for potential home buyers who fall into a gap income group because their earnings are too high to qualify for financial assistance from governmental programs but too low for financial institutions to regard them as safe risks for mortgage loans.

The purpose of this Act is to create a downpayment guarantee program for first-time homebuyers who fall into a gap income group.

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

" . Downpayment Guarantee Program
§201H- Downpayment guarantee. (a) The corporation may serve as guarantor for any downpayment loan made by a financial institution that is chartered under chapter 412 to an eligible borrower for the borrower's purchase of a residential dwelling within the State to be occupied by the borrower.

(b) No person shall be deemed an eligible borrower 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, for the term of the loan, in the residential property to be purchased;
5. Is accepted by a mortgage lender as a person to whom the lender is willing to lend money for the purchase of the residential property, provided the required downpayment is made;
6. Provides at least five per cent of the sales price as a portion of the downpayment;
7. Has successfully completed a financial education program provided by a financial education agency approved by the corporation;
(8) Is a first-time home buyer within the State; and

(9) Falls into a gap income group as recognized by the corporation.

(c) No person who owns in fee simple or in leasehold any other residential property within the State shall be eligible under subsection (b). A person shall be deemed to own a residential property within the State if the person, the person's spouse, or both (unless separated and living apart under a decree of a court of competent jurisdiction) owns a majority interest in a residential property within the State.

(d) Every loan that is secured by the corporation under this section shall be subject to the following conditions:

(1) The borrower shall expend no portion of the borrower's downpayment loan for purposes other than to make a downpayment for the purchase of a residential property; and

(2) The borrower shall agree to staggered buyback sale requirements established by the corporation for owner-occupants.

(e) The corporation may use funds in the dwelling unit revolving fund established in section 201H-191 to guarantee the
repayment of a downpayment loan made to the eligible borrower by
a financial institution chartered under chapter 412.

(f) The corporation may also establish, revise, charge,
and collect fees, premiums, and charges as necessary,
reasonable, or convenient, to guarantee the repayment of a
downpayment loan. The fees, premiums, and charges shall be
deposited into the dwelling unit revolving fund established in
section 201H-191.

(g) If the borrower defaults in the payment of any
installment of principal or interest of the downpayment loan,
the corporation shall take all necessary action to repay the
delinquent amounts to the financial institution or its assigns,
as the case may be, that holds title to the downpayment loan.

(h) The powers conferred upon the corporation by this
section shall be in addition and supplemental to the powers
conferred by any other law, and nothing in this section shall be
construed as limiting any powers, rights, privileges, or
immunities so conferred."

SECTION 3. Chapter 201H, Hawaii Revised Statutes, is
amended by adding a new section to be appropriately designated
and to read as follows:
Loan loss reserve fund subaccount.  (a) There is established the loan loss reserve fund subaccount within the dwelling unit revolving fund. Moneys in the subaccount shall be used to fund the downpayment guarantee program pursuant to section 201H-.

(b) Any law to the contrary notwithstanding, the moneys in the special subaccount shall be used to fund the operations of the corporation to carry out its duties under this chapter. Any law to the contrary notwithstanding, the corporation may use the moneys in the special subaccount to employ personnel to carry out the corporation's duties under this chapter. The moneys in the special subaccount may be used to train personnel as the corporation deems necessary and for any other activity related to this chapter."

SECTION 4. Section 201H-191, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is created a dwelling unit revolving fund. The funds appropriated for the purpose of the dwelling unit revolving fund and all moneys received or collected by the corporation for the purpose of the revolving fund shall be deposited in the revolving fund. The proceeds in the revolving
fund shall be used to reimburse the general fund to pay the
interest on general obligation bonds issued for the purposes of
the revolving fund, for the necessary expenses in administering
housing development programs and regional state infrastructure
programs, for the downpayment guarantee program pursuant to
section 201H—, and for carrying out the purposes of housing
development programs and regional state infrastructure programs,
including but not limited to the expansion of community
facilities and regional state infrastructure constructed in
conjunction with housing and mixed-use transit-oriented
development projects, permanent primary or secondary financing,
and supplementing building costs, federal guarantees required
for operational losses, and all things required by any federal
agency in the construction and receipt of federal funds or
low-income housing tax credits for housing projects."

SECTION 5. There is appropriated out of the general
revenues of the State of Hawaii the sum of $ or so
much thereof as may be necessary for fiscal year 2020-2021 to be
deposited into the loan loss reserve fund subaccount and
expended for the purposes of this Act.
The sum appropriated shall be expended by the Hawaii housing finance and development corporation for the purposes of this Act.

SECTION 6. There is appropriated out of the loan loss reserve fund subaccount the sum of $ , or so much thereof as may be necessary for fiscal year 2020-2021, for two full-time equivalent (2.00 FTE) positions to carry out the purpose of this Act. The sum appropriated shall be expended by the Hawaii housing finance and development corporation.

SECTION 7. New statutory material is underscored.

SECTION 8. This Act shall take effect on July 1, 2050.
Report Title:
Hawaii Housing Finance and Development Corporation; Homebuyer Downpayment Guarantee Program; Appropriation

Description:
Creates a downpayment guarantee program for certain first-time homebuyers. Creates the loan loss reserve fund subaccount to fund the program. Creates two full time equivalent positions (2.0 FTE) to administer the program. Appropriates funds. Takes effect on 7/1/2050. (SD1)

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