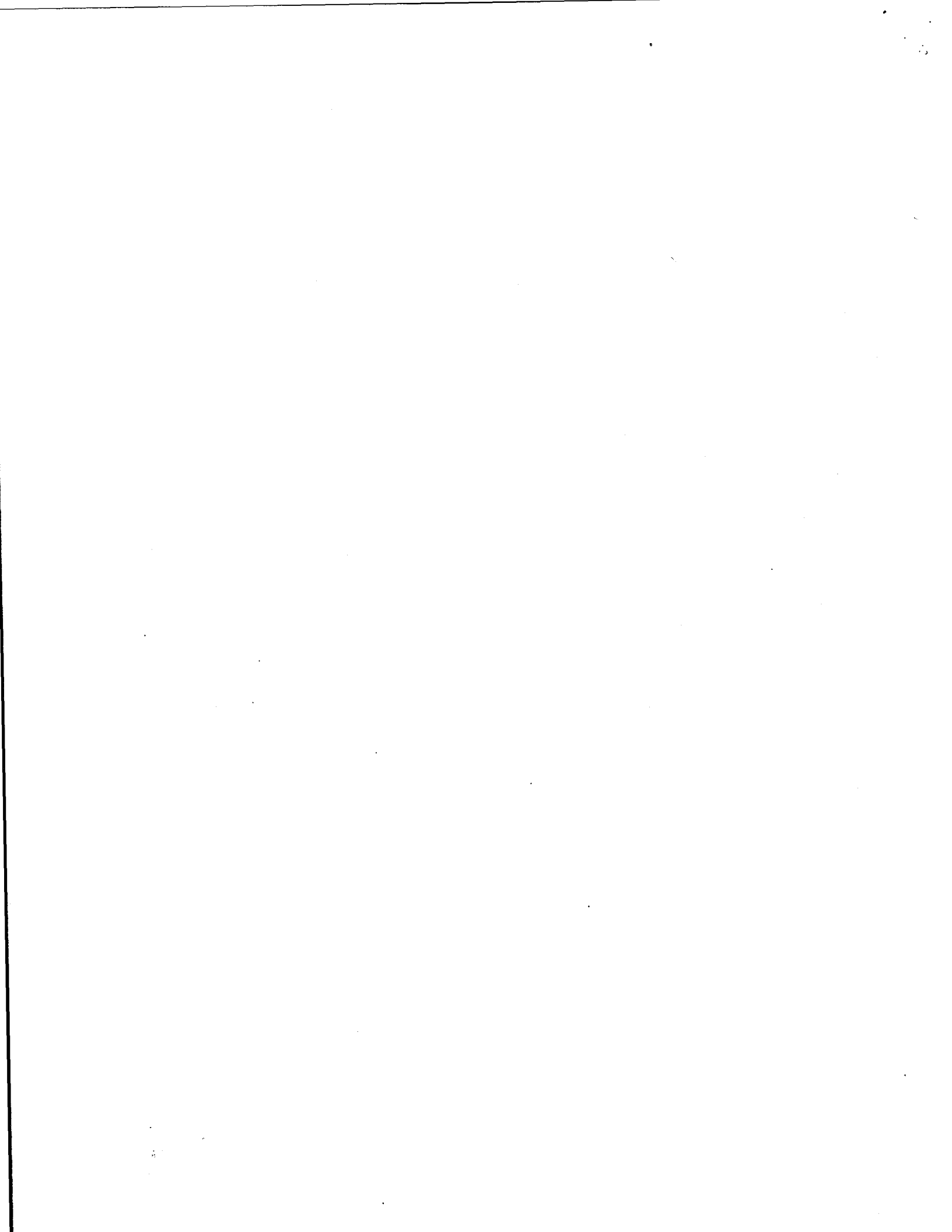


DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT  
AND TOURISM

Adoption of Chapter 15-301  
Hawaii Administrative Rules

July 31, 2007

Chapter 301 of Title 15, Hawaii Administrative  
Rules, entitled "Kikala-Keokea Revolving Loan Program"  
is adopted.



HAWAII ADMINISTRATIVE RULES

TITLE 15

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT  
AND TOURISM

SUBTITLE 5

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

CHAPTER 301

KIKALA-KEOKEA HOUSING REVOLVING FUND PROGRAM

Subchapter 1 General Provisions

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- §15-301-2 Definitions

Subchapter 2 Kikala-Keokea Housing Revolving  
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§15-301-1.

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SUBCHAPTER 1

GENERAL PROVISIONS

§15-301-1 Purpose. These rules are adopted pursuant to chapter 91, and section 201H-81, Hawaii Revised Statutes to enable the corporation to provide low interest loans for home construction for Kikala-Keokea leaseholders who have been denied loans from traditional financial institutions.

[Eff **SEP 17 2007** ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

§15-301-2 Definitions. As used in this chapter: "Annualized gross income" means the gross monthly income multiplied by 12. Gross monthly income is the sum of: monthly gross pay; any additional income from overtime, part-time employment, bonuses, dividends, interest, royalties, pensions, Department of Veterans' Affairs (VA) compensation, net rental income, etc.; and other income (such as alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income received from trusts, and income received from business activities or investments).

The income to be taken into account in determining the gross monthly income is the income of the eligible leaseholder (or eligible leaseholders) and all non-dependent persons who are expected to live in the residence being financed under this chapter.

"Area median income" means the median income for the county of Hawaii as established by the United States Department of Housing and Urban Development from time to time, and adjusted by family size.

"Board" means the board of directors of the corporation.

"Corporation" means the Hawaii housing finance and development corporation.

"Eligible leaseholder" means a person or family who, at the time of application:

- (1) Is a leaseholder;
- (2) Has no present ownership interest in a principal residence at the time of loan closing;
- (3) Is at least eighteen years of age;
- (4) Does not have annualized gross income that exceeds one hundred twenty per cent of the area median income at the time of application;
- (5) Has applied for, and been denied, a loan from one financial institution;
- (6) Possesses the financial resources and credit worthiness to repay the loan.

"Executive director" means the executive director of the corporation, or the executive director's designated representative.

"Financial institution" means an institution as defined in chapter 412, HRS, 12 U.S.C. §21 (national bank) and 12 U.S.C. §1461 (Federal savings and loan association or federal savings bank).

"Government" includes the State and the United States and any political subdivision, agency, or instrumentality, corporate or otherwise, of either of them.

"Guide" means the set of instructions and guidelines, terms and conditions for the origination and servicing of loans made under this chapter. The guide shall be available for public inspection at the principal office of the corporation during the corporation's normal business hours.

"Household" means the leaseholders who dwelled, and continues to dwell, as a family and have been displaced or dispossessed from their home as a result of the continued volcanic eruptions on the Island of Hawaii.

"Leaseholder" means a person who was awarded a lease by the department of land and natural resources for the Kikala-Keokea residential subdivision.

"Program" means the Kikala-Keokea housing revolving fund program.

"Residence" means the dwelling unit which is financed pursuant to this chapter.

"State" means the State of Hawaii.

[Eff **SEP 17 2007** ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

## SUBCHAPTER 2

### KIKALA-KEOKEA REVOLVING LOAN PROGRAM

§15-301-10 Corporation's right to contract for services. The corporation is authorized to enter into agreements with or purchase services from any financial institution, non-profit organization, or any other appropriate government agency, for services required for the purpose of this chapter.

[Eff **SEP 17 2007** ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

§15-301-11 Use of loan. Loans made under this chapter shall be:

- (1) For the purpose of home construction; and
- (2) Limited to one loan per leaseholder.  
[Eff SEP 17 2007 ] (Auth: HRS §201H-81)  
(Imp: HRS §201H-81)

§15-301-12 Amount of loan. The maximum amount of the loan under this chapter shall be \$100,000 per eligible leaseholder. [Eff SEP 17 2007 ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

§15-301-13 Term of the loan. The term of the loan shall not be more than forty years.  
[Eff SEP 17 2007 ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

§15-301-14 Interest rate on loan. The interest rate on the loan offered under this chapter shall not exceed three per cent per year. [Eff SEP 17 2007 ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

§15-301-15 Fees. The eligible leaseholder shall be responsible for the payment of all fees charged by the corporation in connection with the application for a loan under this chapter, including, but not limited to, a non-refundable application fee of \$100. Failure to submit the fee by the required date and time may result in the eligible leaseholder's forfeiture of a program loan. [Eff SEP 17 2007 ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

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§15-301-16 Mortgage valid first lien; protection of security. The mortgage securing each loan shall constitute a first lien on such real estate secured. The corporation, or its agent, shall promptly record or file, or both, the lien with the bureau of conveyances or the land court, as the case may be, to ensure the creation of a valid lien on the mortgaged property. [Eff **SEP 17 2007** ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

§15-301-17 Acceleration of maturity of loan. The occurrence of either of the following events shall be sufficient grounds for the corporation, at its option, to accelerate the maturity of the loan:

- (1) The eligible leaseholder ceases to occupy the residence as the eligible leaseholder's primary residence; or
- (2) Failure to respond within thirty days to the corporation's request to verify the continued occupancy of the eligible leaseholder. [Eff **SEP 17 2007** ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

§15-301-18 Default of loan. The occurrence of any of the following events shall be sufficient grounds for the corporation, at its option, to treat the loan to be in default:

- (1) The property described in the mortgage or security agreement is conveyed or transferred; provided, however, that a transfer of title will be permitted if it appears to the satisfaction of the corporation that the transfer was effected for estate planning purposes and the corporation's security interest is unaffected by the transfer;
- (2) The eligible leaseholder fails to comply with any agreement executed for the purpose of securing the loan; or



- (3) The corporation determines that any statement made by the eligible leaseholder in the loan application or loan document is false or fraudulent. [Eff SEP 17 2007 ]  
(Auth: HRS §201H-81) (Imp: HRS §201H-81)

§15-301-19 Corporation's rights upon default of loan. With respect to any loan made under this chapter, which is in default under the terms thereof, the corporation may:

- (1) Renegotiate, refinance, or foreclose the loan;
- (2) Waive any default or consent to the modification of the terms of the loan or the security agreement;
- (3) Commence any action to protect or enforce any right conferred upon the corporation by any law, mortgage, insurance policy, contract, or other agreement;
- (4) Bid for and purchase the property secured by the loan at any foreclosure or other sale, or acquire or take possession of the property secured by the loan; or
- (5) Operate, manage, lease, dispose of, or otherwise deal with the property secured by the loan. [Eff SEP 17 2007 ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

§15-301-20 Loan not available for refinancing. No funds under this chapter shall be available for refinancing of existing loans. [Eff SEP 17 2007 ]  
(Auth: HRS §201H-81) (Imp: HRS §201H-81)

§15-301-21 Occupancy. The eligible leaseholder shall utilize the residence as his or her principal residence for the life of the loan.  
[Eff SEP 17 2007 ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

§15-301-22 False information in application. By signing the application, the eligible leaseholder certifies that the information provided in the application is true and correct. The eligible leaseholder shall be subject to criminal charges or civil action, or both, under the laws of the State if false information is provided. [Eff **SEP 17 2007** ]  
(Auth: HRS §201H-81) (Imp: HRS §201H-81)

SUBCHAPTER 3

APPLICATION PROCEDURES

§15-301-30 Loan application process. (a) The corporation shall obtain a listing of the leaseholders from the department of land and natural resources.

(b) A loan application packet will be mailed to all interested leaseholders.

(c) Loan applications received by the corporation will be time and date stamped, and will be reviewed on a first-come, first-served basis, subject to fund availability. [Eff **SEP 17 2007** ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

§15-301-31 Review of loan application; loan approval/disapproval. (a) Loan applications will be preliminarily reviewed to ensure all required information has been submitted to the corporation.

- (1) Information required includes, but is not limited to, a completed, signed loan application and all supporting documents to verify current income and assets (i.e., employment paystubs, bank statements), copies of signed federal and/or state income tax returns for the most recent past two (2) years, letters of denial from one (1) financial institution, owner-occupancy statement, copy of recorded Kikala-Keokea residential subdivision lease document, and any other document required by the corporation.
- (2) Loan applications deemed to be substantially incomplete shall be returned to the leaseholders. No further action will be taken on the part of the corporation. Leaseholders resubmitting their loan application for review will be subject to section 15-301-30(c).

(b) Final review of the loan applications will be based on the leaseholder's ability to qualify for a program loan and includes the review of the leaseholder's income, repayment ability and creditworthiness.

(c) Upon completion of the final review, a recommendation will be made to the executive director for approval or disapproval of the leaseholder's loan application.

(d) Leaseholders will be notified in writing as to their qualification for a program loan.

[Eff SEP 17 2007 ] (Auth: HRS §201H-81) (Imp: HRS §201H-81)

SUBCHAPTER 4

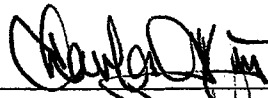
MISCELLANEOUS PROVISIONS

§15-301-40 Waiver. The board may by resolution waive or vary provisions of these rules or any process or procedure established by these rules in order to conform to applicable federal and state laws, regulations, and requirements. [Eff **SEP 17 2007** ]  
(Auth: HRS §201H-81) (Imp: HRS §201H-81)

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT  
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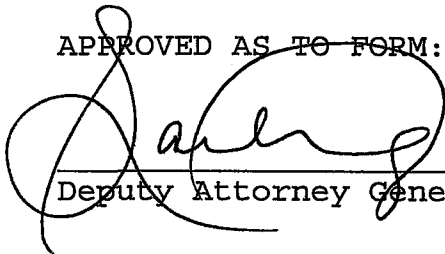
The adoption of chapter 15-301, Hawaii Administrative Rules, on the Summary Page dated July 31, 2007 was adopted on July 31, 2007 following a public hearing that was held on July 19, 2007 after public notice was given in the Honolulu Star-Bulletin, and the Hawaii Tribune-Herald newspapers on June 19, 2007.

The adoption shall take effect ten days after filing with the Office of the Lieutenant Governor.



CHARLES G. KING, Chairperson  
Hawaii Housing Finance and  
Development Corporation

APPROVED AS TO FORM:

  
Deputy Attorney General

APPROVED:



LINDA LINGLE  
Governor  
State of Hawaii

Dated: SEP 10 2007

Filed

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LIEUTENANT GOVERNOR  
OFFICE

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