

AHRF INFORMATION SHEET

This document outlines the key provisions, definitions, fees, and processes related to the Affordable Homeownership Revolving Fund (AHRF) Program. It is a supplement to the AHRF Administrative Rules (Admin Rules). In the event of conflict between this information sheet and the Admin Rules, the Admin Rules shall prevail.

Summary: Act 227 was driven by Hawaii's declining homeownership rates over the past 50 years, resulting in Hawaii having the third lowest homeownership rate in the nation. With the projected need for approximately 34,000 new housing units by 2025, the Hawaii State Legislature sought to boost the availability of owner-occupied housing to meet the housing demand.

Recognizing the effectiveness of the self-help housing model, Act 227 emphasizes the importance of providing additional non-federal matching funding to assist low-income families in achieving homeownership. It also highlights the role of the nonprofit community development financial institutions in providing financial and technical support to nonprofit housing organizations, thereby increasing the collective impact of affordable housing development.

Act 227 established the Affordable Homeownership Revolving Fund (AHRF). This fund will provide financial support for the development of affordable for-sale housing projects by nonprofit community development financial institutions and nonprofit housing development organizations. By facilitating greater homeownership opportunities for Hawaii residents, the Affordable Homeownership Revolving Fund aims to address the housing shortage and promote economic and social stability in low- and moderate-income households.

GENERAL PROVISIONS

- **Purpose:** To implement section 201H-206, HRS, establishing an affordable homeownership revolving fund program, aiming to provide funds for the development of affordable for-sale housing projects by nonprofit housing development organizations and nonprofit community development financial institutions.
- **Definitions:**
 - *Administrator:* Executive Director or designated representative.
 - *Affordable for-sale housing:* Housing for individuals or families with incomes up to 120% of the area median income.
 - *Affordable Homeownership Revolving Fund:* Fund established pursuant to section 201H-206, HRS.
 - *Board:* Board of Directors of the Hawaii Housing Finance and Development Corporation.
 - *Development:* The planning, financing, acquisition of real property, demolition of existing structures, clearance of real property, construction, reconstruction, alteration, or repairing of approaches, streets, sidewalks, utilities, and services or other site

improvements, or construction, reconstruction, repair, remodeling, extension, equipment, or furnishing of buildings or other structures or any combination of the foregoing, of any housing project. It also includes any and all undertakings necessary therefor, and the acquisition of any housing, in whole or in part.

- *Nonprofit Community Development Financial Institution (CDFI)*: Nonprofit entity certified by the U.S. Department of Treasury to provide financial services in low-income communities.
- *Nonprofit Housing Development Organization*: Nonprofit entity focused on providing affordable housing.
- *Pre-development costs*: Soft costs incurred during project feasibility assessments. Loans for pre-development costs are limited to only one loan per project.
- *Project*: Plan for developing dwelling units, including all related property and improvements.

For a complete list of definitions, see the AHRF administrative rules.

FEES AND CHARGES

- Application fee: \$1,000
- Loan Origination fee: 0.5% to 1% of loan amount
- Loan extension fee: 0.5% to 1% of loan amount
- Fixed loan interest rate: 1% to 2% per annum

AFFORDABLE HOMEOWNERSHIP REVOLVING FUND LOAN PROGRAM

- **Project Criteria for Funding**: Eligible Projects are projects that meet the target population affordability requirements of Act 227 and the AHRF administrative rules.
- **Allowable Uses of the Fund**: Loans can be used for various purposes including planning, design, land acquisition, construction, and pre-development costs and other uses as detailed in Hawaii Administrative Rules §15-321.
- **Applications for Loans**: Community Development Financial Institutions (CDFIs) and nonprofit housing development organizations may apply by submitting their completed applications with all required exhibits. See Application Instructions.
- **Evaluation of Requests for Project Loans**: Loan applications are evaluated based on factors including but not limited to the project achieving the mission of the program, organizational experience, project feasibility, and financial sustainability. See AHRF Administrative Rules.
- **Corporation Action**: The corporation staff will evaluate applications and make recommendations for approval to the HHFDC Board of Directors at its monthly meetings. The HHFDC Board of Directors may approve, defer, or reject applications, subject to

availability of funds. For applications that are approved for funding by HHFDC's Board of Directors, corporation staff must obtain Governor's approval to allocate funds to the project.

- **Financing Requirements:** Loans are provided based on project costs, with security agreements and restrictions to ensure repayment and compliance.
- **Default:** Procedures for loans in default may include foreclosure actions and pursuing civil remedies permitted by law.
- **Books and Records:** Proper record-keeping by the project in accordance with Generally Accepted Accounting Principles is required, including details of fund usage and earnings, subject to audit by the corporation. Project must provide an updated budget and other required documents when submitting draw requests.