

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM

Repeal of Chapter 15-302 and
Adoption of Chapter 15-316
Hawaii Administrative Rules

June 18, 2025

SUMMARY

1. Chapter 302, Hawaii Administrative Rules, entitled "Rent-to-Own Program", is repealed.
2. Chapter 316, Hawaii Administrative Rules, entitled "Rent-to-Own Program", is adopted.

HAWAII ADMINISTRATIVE RULES

TITLE 15

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT
AND TOURISM

SUBTITLE 14

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

CHAPTER 316

RENT-TO-OWN PROGRAM

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Historical Note: Chapter 316 of title 15, Hawaii Administrative Rules, is based substantially upon chapter 351 of title 6, Hawaii Administrative Rules [Eff 9/3/94; R 10/25/99]; chapter 172 of title 15, Hawaii Administrative Rules [Eff 10/25/99; R 10/15/04]; chapter 2010 of title 17, Hawaii Administrative Rules [Eff 10/15/04; R 6/15/07]; and chapter 302 of title 15, Hawaii Administrative Rules. [Eff 6/15/07; R]

SUBCHAPTER 1

GENERAL PROVISIONS

§15-316-1 Purpose. The purpose of this chapter is to implement the provisions of section 201H-181, HRS, by establishing a rent-to-own program under which dwelling units that are for sale in fee simple or leasehold may be rented to program participants. [Eff] (Auth: HRS §§201H-4, 201H-181) (Imp: HRS §201H-181)

§15-316-2 Definitions. As used in this chapter:
"Applicant" means the primary person who submits an affidavit to participate in the rent-to-own program.
"Corporation" means the Hawaii housing finance and development corporation.
"Executive director" means the executive director employed by the corporation or the executive director's designated representative.
"Household" means an individual; or two or more persons who live or intend to live together as a unit and whose income and resources are available to meet the household's need and who may, but need not be, related by blood, marriage, or operation of law, including foster children and hanai children and whose

head of household has reached the age of majority, or is otherwise legally emancipated.

"Gross household income" means the total amount of income of the participant and all adult household members from all sources before deductions.

"Homeownership counseling course" means a housing counseling course approved by the corporation and provided by a housing counseling agency certified by the United States Department of Housing and Urban Development to help participants understand and address housing matters, such as financial management, budgeting, credit score and repair, home improvement, mortgage loans and delinquency, predatory lending, home maintenance, homeowner associations and, if applicable, the corporation's homeownership program.

"Option period" means a specified period of time established in section 201H-181, HRS, and applied on a project-by-project basis, during which the participant has an exclusive option to purchase the unit being rented in the participant's rent-to-own program agreement.

"Participant" means an eligible applicant or other responsible household member who executes a rent-to-own program or option agreement with the corporation to participate in the rent-to-own program.

"Qualified resident" means the same as defined under section 201H-32, HRS.

"Rent-to-own program agreement" or "program agreement" means the terms and conditions under which a participant agrees to rent a unit under the rent-to-own program and has an exclusive right to purchase the rented unit during the option period as specified in section 201H-181, HRS. [Eff]
(Auth: HRS §§201H-4, 201H-181) (Imp: HRS §201H-181)

§15-316-3 Delegation. The corporation delegates to the executive director the authority to implement and carry out the purposes of this chapter. [Eff] (Auth: HRS §§201H-4, 201H-181) (Imp: HRS §201H-181)

§15-316-4 Fees. The corporation shall have the right to charge reasonable, nonrefundable fees for administrative expenses incurred in processing the required rent-to-own or purchase contract documents under this chapter, as follows.

Fee Schedule (July 2025)

PURPOSE	AMOUNT CHARGED
A. Option Period	
1. Analysis of the Purchase Option as Requested by the Participant	\$100
2. Execution of the Program Purchase Contract Documents	\$50
3. Cancellation of the Program	\$50
B. Transfer	
1. Analysis of Permitted Transfer	\$50
C. Compliance	
1. Analysis of Program Compliance	\$100

[Eff] (Auth: HRS §201H-4) (Imp: HRS §201H-4)

SUBCHAPTER 2

RENT-TO-OWN PROGRAM

§15-316-10 Purpose. The purpose of this program is to enable qualified residents to become homeowners through the establishment of a rent-to-own program. Under the program, a qualified resident will be provided an opportunity to rent a dwelling unit for a specified period of time, prior to exercising an exclusive option to purchase the rented unit, subject to the conditions set forth in the rent-to-own program agreement and this chapter. [Eff] (Auth: HRS §§201H-4, 201H-181) (Imp: HRS §201H-181)

§15-316-11 Rent-to-own program; general provisions. (a) The corporation is authorized to develop or participate in the development of housing projects in which dwelling units are offered for rent to qualified residents who may not have the financial capability to purchase a dwelling unit at the time of initial offering, but who demonstrate the ability to pay rent and the intent and potential to purchase the unit within the option period specified in section 201H-181, HRS and the program agreement. [Eff] (Auth: HRS §§201H-4, 201H-181) (Imp: HRS §201H-181)

§15-316-12 Process and procedures. (a) Applications for participation in the rent-to-own program shall be made available through the corporation, a private realtor or property manager

contracted to handle the rent-to-own program on behalf of the corporation, as determined by the corporation.

(b) Applications may be accepted from a proposed participant for more than one project approved or sponsored by the corporation, as determined by the corporation.

(c) The corporation shall establish a system to determine preferences by lot in the event that it receives more qualified residents than it has units available. [Eff] (Auth: HRS §§201H-4, 201H-181) (Imp: HRS §201H-181)

SUBCHAPTER 3

ELIGIBILITY AND PREFERENCE

§15-316-15 Eligibility. (a) An applicant shall be eligible to participate in the rent-to-own program if the applicant meets all of the following requirements:

- (1) Is a qualified resident as defined in section 201H-32, HRS;
- (2) Has not previously received assistance under a homeownership program designed and implemented under chapter 201H, HRS, by the corporation or any of the counties in the State. However, the corporation may, on an individual basis, allow a person who previously purchased a dwelling sponsored by the corporation or any of the counties to reapply, provided that the corporation or the county repurchased the dwelling unit and there has been a significant change in one of the following:
 - (A) Household size;
 - (B) Place of employment; or
 - (C) Income;provided that an applicant may become eligible again if the sale of such person's first dwelling was caused by extreme hardship, such as death, divorce, or loss of employment, and the dwelling was repurchased by the corporation or the county;
- (3) Has an acceptable credit report;
- (4) At least one head of household family member must be gainfully employed or have an established source of continuing income sufficient to pay for all household expenses, including minor repairs, as determined by the corporation;
- (5) Has a sufficient income such that the monthly rental payment will not exceed forty per cent of gross

monthly income unless offset by other favorable factors, such as sufficient savings, as determined by the corporation;

- (6) Does not have a record or history of conduct or behavior, including past rent payment delinquencies, which may prove detrimental to other tenants or the corporation; and
- (7) Is at least eighteen years of age.

(b) The corporation may also establish other requirements for participation in the program to meet the intent of the program, such as asset limits. [Eff _____] (Auth: HRS §§201H-4, 201H-181) (Imp: HRS §201H-181)

§15-316-16 Information and verification. (a) The corporation shall require applicants to provide information relating to household income, household size, financial condition, and status changes prior to executing a rent-to-own program agreement.

(b) The corporation may require applicants and program participants to provide documentation to verify information submitted to the corporation, including but not limited to:

- (1) Hawaii state income tax return;
- (2) Federal income tax return;
- (3) Pay statements; and
- (4) Other documents as required by the corporation.

(c) An applicant found to have wilfully submitted false information, made misstatements, or withheld important information shall be deemed to be ineligible, provided that the corporation shall not waive its right to pursue any other recourse provided by law.

(d) The corporation may establish an expiration date for applications received to purchase a dwelling unit on a project-by-project basis. [Eff _____] (Auth: HRS §§201H-4, 201H-181) (Imp §201H-181)

§15-316-17 Occupancy guidelines. The following occupancy guidelines may be used for rent-to-own units when the number of applicants exceeds the number and types of units available:

Dwelling Unit Size	Preferred Family Size
0 Bedroom	1 person
1 Bedroom	2 persons
2 Bedroom	3 persons

SUBCHAPTER 4

RENTAL REQUIREMENTS

§15-316-20 Rental requirements. (a) During the period that the participant rents the unit, the following shall apply:

- (1) The participant shall learn the responsibilities of homeownership and begin to save money toward the purchase of the unit by participating in a homeownership counseling course approved by the corporation;
- (2) The corporation shall have the right to verify on an annual basis that the participant is making sufficient progress, as measured by the participant's financial worksheet from the homeownership counseling course. Progress may include demonstrated improvement in credit score, reduction in total debt, or other financial indicators specified in the worksheet. If it is determined that the participant is not making sufficient progress in accordance with the participant's financial worksheet, the corporation shall have the right to terminate the contract and offer the unit to another potential purchaser, with all rental amounts paid to date being forfeited; and
- (3) The participant shall perform minor maintenance on the dwelling unit, with major maintenance being provided by the corporation or the owner of the project, if the owner is other than the corporation.

(b) Units shall be rented under the rent-to-own program in accordance with all applicable state and federal fair housing laws. [Eff] (Auth: HRS §§201H-4, 201H-181) (Imp: HRS §§201H-8, 201H-181)

§15-316-21 Homeownership counseling course. (a) All participants in the rent-to-own program shall be required to complete a homeownership counseling course approved by the corporation and provided by a housing counseling agency certified by the United States Department of Housing and Urban Development.

(b) The purpose of the homeownership counseling course is to provide training to participants who are desirous of purchasing a home but lack sufficient funds for the downpayment and closing costs, and lack information on the corporation's homeownership program requirements. The primary focus of the program is to facilitate the home purchase by providing strategies to save money and resolve credit problems, and to

educate participants on how to qualify and shop for a loan and purchase a home. [Eff] (Auth: HRS §§201H-4, 201H-8, 201H-171, 201H-181) (Imp: HRS §§201H-171, 201H-181)

§15-316-22 Rental agreement. (a) A rental agreement, in the form of a revocable permit or other contract issued by the corporation, shall set forth the names of the authorized occupants, security deposit requirements, monthly rent amount, conditions of occupancy ("house rules"), and obligations of the parties, including performance of minor maintenance and major maintenance. The rental agreement shall also state that any ongoing or repeated violations of the house rules established or chronic rent delinquencies may result in eviction from the unit, with forfeiture of rental amounts paid to date.

(b) The rental agreement shall be executed by the responsible members of the participant's household and the administrator.

(c) Amendments to the rental agreement shall be in writing and executed by the parties involved and attached to the revocable permit.

(d) In the event of the death of the participants who have executed a contract to participate in the rent-to-own program, the surviving immediate family members may have the option to enter into a new rental agreement, provided that they meet the eligibility requirements of the program. Any credits accrued to the original participant shall be credited to the surviving qualified participant, if approved by the corporation.

[Eff] (Auth: HRS §§201H-4, 201H-181) (Imp: HRS §201H-181)

SUBCHAPTER 5

OPTION TO PURCHASE

§15-316-25 Option period. (a) The sales price of the dwelling unit shall be established at the beginning of the rental term and shall remain fixed as specified in section 201H-181, HRS, after the rental agreement is executed.

(b) The participant shall have the option of purchasing the unit at any time within the option period and shall have the right to remain in the unit for as long as the option period is effective, provided that all conditions set forth in this chapter are met.

(c) During the rental period, the corporation shall credit a portion of the participant's rent toward the purchase price of

the unit, which amount shall be determined on a project-by-project basis and specified in the rent-to-own program agreement;

(d) When a participant decides to exercise the option to purchase the rented unit, the participant must submit a written request to the corporation of its intention and provide satisfactory evidence of qualification for a mortgage loan from a reputable lender registered to conduct business in Hawaii.

(e) If the participant does not elect to purchase the unit, qualify for a loan or is unable to obtain financing to purchase the unit within the option period, the renter shall forfeit the right to continue living in the unit, and the unit shall be rented to another potential purchaser. [Eff]
(Auth: HRS §§201H-4, 201H-181)(Imp: HRS §201H-181)

§15-316-26 Option to purchase. (a) Units shall be sold subject to the corporation's homeownership program, as specified in section 201H-181, HRS, and the rent-to-own program agreement.

(b) If applicable, prior to identification of the site or the start of marketing, an affirmative fair housing marketing plan shall be filed with the United States Department of Housing and Urban Development, and marketing of the units shall not commence until approval of the plan is received from the department. Such approval may be necessary to ensure receipt of Federal Housing Administration mortgage insurance, if applicable.

(c) The corporation shall have the right to re-establish the sales price of the unit upon expiration of the option period or upon resale of the unit. [Eff] (Auth: HRS §§201H-4, 201H-181)(Imp: HRS §201H-181)

§15-316-27 Repurchase and other restrictions. For units which are purchased under this program, the corporation shall have the right to impose repurchase, owner-occupancy, shared appreciation, and other restrictions as set forth in the rent-to-own program agreement pursuant to chapter 15-308, as may be applicable. [Eff] (Auth: HRS §§201H-4, 201H-181)(Imp: HRS §201H-181)

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM

The repeal of chapter 15-302, Hawaii Administrative Rules, and the adoption of chapter 15-316, Hawaii Administrative Rules, on the Summary Page dated June 18, 2025, occurred on Month XX, 2025 and Month XX, 2025, respectively, following a public hearing held on Month XX, 2025, after public notice was given in the Honolulu Star-Advertiser, The Garden Island, West Hawaii Today, and Hawaii Tribune-Herald newspapers on Month XX, 2025.

The repeal of chapter 15-302, Hawaii Administrative Rules, and adoption of chapter 15-316, Hawaii Administrative Rules, shall take effect ten days after filing with the Office of the Lieutenant Governor.

GARY MACKLER, Chairperson
Hawaii Housing Finance and
Development Corporation

APPROVED:

JOSH GREEN, M.D.
Governor
State of Hawaii

Date: _____

APPROVED AS TO FORM:

Deputy Attorney General

Filed