



HAWAIIAN HOME LANDS

HAWAIIAN HOMES COMMISSION · DEPARTMENT OF HAWAIIAN HOME LANDS

C-3

FINANCIAL ASSISTANCE TO RESIDENTIAL APPLICANTS TO PURCHASE A HOME

November 16-17, 2020



Purpose

- Address the Residential Applicant Waiting List
- Provide a mix of housing opportunities that reflect the needs and desires of native Hawaiian beneficiaries (DHHL General Plan)
- Opportunity to keep Hawaii lands for native Hawaiians
- Grow the Hawaiian Home Lands Trust one property at a time
- New pilot program distinct from existing homesteading program



Proposed Pilot Program

- Down payment assistance provided to applicants on the waiting list to purchase residential property on Oahu for this pilot
- Beneficiary cannot reapply to DHHL as long as they own the property purchased with DHHL funds
- Amount of assistance TBD
- Assistance to be treated as a “second” to be paid back in full at any time or upon the sale of the residence
- DHHL retains “first right of refusal” to purchase property if placed for sale
- Recommend that beneficiary contribution to down payment be required



Considerations for Pilot Program

ISSUE	RESPONSE
Funding	Consider a pilot program with \$1 million from NHRF for the program and additional funds for administrative costs.
Staff	Current hiring freeze will likely require program administered through fee for service.
Match requirement	The applicant should match any funding provided by NHRF with a cap on the amount per applicant. Amount of match is open to discussion (50/50, 60/40 or other amount)
Property requirements	Must be owner occupant able to qualify for financing. Pilot program limited to Oahu. Not intended for rentals.
Ready and able to purchase	Since fee simple transaction must show ability to purchase through loan prequalification, deadlines are rapid.
Deployment of the program	Applicants identify an interest in the program, meet criteria, and served based on date of application.



Funding Considerations for Pilot Program

- Start with \$1 million of Native Hawaiian Rehabilitation Funds
- Number of families assisted depends on size of down payment provided to each family and beneficiary contribution

	Single Family Home	Condo
Median Price	\$880,000.00	\$430,000.00
Down Payment of 20% (no mortgage insurance)	\$176,000.00	\$86,000.00
Down Payment of 5%	\$44,000.00	\$21,500.00
Down Payment of 3%	\$26,400.00	\$12,900.00



Issues for Discussion

- Can the beneficiary transfer the benefit of the down payment assistance to a member of their family (like a transfer of lease)?
- Should the program be limited to “first-time homebuyers” (often defined as not owning property for 3 years prior) or should applicants that currently own property have the opportunity to participate?
- Can down payment assistance be used for condo, town house, leasehold, coop residential purchases or should it be limited only to single family in this pilot?
- What impact will the second mortgage securing DHHL funds have on the beneficiary if they want to do future home equity lines of credit or financing? Can it be a deed restriction? Can the beneficiary pay it back at any time and be released from the obligation or only upon sale?
- Should there be additional considerations to limit risk to the trust if loans default? Minimum Loan to Value (LTV) ratios of debt to value? Credit score of applicant?



Next Steps

- HHC feedback incorporated via Budget Approval (estimated December 2020)
- Begin process to secure vendor to implement Pilot Program
- Following selection of vendor, brief the HHC on workplan and timeframe
- Require vendor to evaluate pilot program, recommend necessary steps to implement future program if warranted.



Mahalo



DEPARTMENT OF HAWAIIAN HOME LANDS

www.dhhl.hawaii.gov