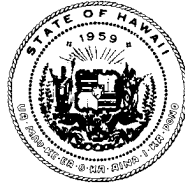


SB862



STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the
SENATE COMMITTEE ON EDUCATION AND HOUSING

February 9, 2009, 1:15 p.m.
Room 225, State Capitol

In consideration of
S.B. 862
RELATING TO HOUSING.

The Hawaii Housing Finance and Development Corporation (HHFDC) **strongly supports S.B. 862, an Administration bill, with requested technical amendments.** S.B. 862 enables the HHFDC to more easily collect the value of shared appreciation equity and other restrictions when an affordable housing property is sold and to require advance written notification of intent to foreclose on properties encumbered by such priority liens.

The sale of affordable housing properties sponsored or assisted by the HHFDC is subject to a buyback restriction and a shared appreciation equity (SAE) lien. The HHFDC has also provided deferred sales price liens to assist low or moderate income homebuyers in purchasing a first home. Upon the sale or transfer of an HHFDC-assisted home, the SAE is collected and deposited into the Dwelling Unit Revolving Fund, where it can be used to support the development of additional affordable housing projects.

Recently, the HHFDC has not been receiving sufficient prior notice of foreclosure proceedings on HHFDC-assisted properties. The lack of sufficient advance notice makes it difficult for HHFDC to prepare to bid at foreclosure sales. This measure would afford the HHFDC with notice of intent to foreclose forty-five days before commencement of the foreclosure. This notice period will allow HHFDC sufficient time to conduct our due diligence and, when, appropriate and beneficial to do so, prepare to bid at the foreclosure sale.

Additionally, because SAE or other government entity liens are priority liens (following the purchase money mortgage), the mortgagee pursuing the foreclosure must satisfy the amount due to the HHFDC before claiming the property at the auction. However, the HHFDC has had to intervene in over 50 bankruptcy and foreclosure actions and litigate to assert our rights as a priority lien holder. Passage of this bill will protect HHFDC's lien rights in the event of foreclosure, and enable us to recover funds to support the development of additional housing.

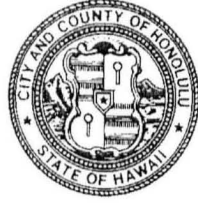
The Department of the Attorney General has recently advised us of technical errors made during the drafting of this bill. Accordingly, we respectfully request that the Committee adopt a Senate Draft 1 making the following amendments:

1. On page 6, line 16, the word "initially" should be deleted;
2. Page 9, line 9 should be amended to read as follows:
"consented to, and agreed to subordinate the restrictions to the"; and
3. Page 9, line 21 should be amended by deleting the semicolon.

Thank you for the opportunity to testify.

DEPARTMENT OF COMMUNITY SERVICES
CITY AND COUNTY OF HONOLULU

715 SOUTH KING STREET, SUITE 311 • HONOLULU, HAWAII 96813 • AREA CODE 808 • PHONE: 768-7762 • FAX: 768-7792



MUFI HANNEMANN
MAYOR

DEBORAH KIM MORIKAWA
DIRECTOR

ERNEST Y. MARTIN
DEPUTY DIRECTOR

February 6, 2009

The Honorable Norman Sakamoto, Chair
and Members of the Committee on
Education and Housing
The Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chair Sakamoto and Members:

**Subject: Senate Bill 862
Relating to Housing**

The Department of Community Services **strongly supports** S.B. 862, a bill sponsored by the Hawaii Housing Finance and Development Corporation (HHFDC). Section 46-15.1, Hawaii Revised Statutes, gives to the counties the same housing powers as HHFDC pursuant to Chapter 201H. S.B. 862 enables the HHFDC and counties to more easily collect the value of shared appreciation equity and other restrictions when an affordable housing property is sold and requires advance written notification of intent to foreclose on properties encumbered by such priority liens.

The sale of affordable housing properties sponsored or assisted by the HHFDC or a county is subject to a buyback restriction and a shared appreciation equity (SAE) lien. In recent years, the HHFDC and counties have not been receiving sufficient prior notice of foreclosure proceedings on assisted properties. This measure would afford the HHFDC or county with notice of intent to foreclose 45 days before commencement of the foreclosure, providing sufficient time to conduct due diligence and when appropriate to do so, prepare to bid at the foreclosure sale.

Additionally, because SAE or other government entity liens are priority liens (following the purchase money mortgage), the mortgagee pursuing the foreclosure must satisfy the amount due to the HHFDC or county before claiming the property at the auction. Passage of this bill will protect HHFDC or the county's lien rights in the event of foreclosure, and enable the respective agency to recover funds to support the development of additional housing.

We respectfully request your favorable consideration of this important bill. Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in cursive script that reads "Deborah Kim Morikawa".

Deborah Kim Morikawa, Director
Department of Community Services

DKM:gk
sb862