CONDOMINIUM LOAN

Program Guide

July 2026

Hawaii Green Infrastructure Authority

Condominium Loan Program Guide

Table of Contents

I. Background

In response to the "hard market" characterized by skyrocketing premiums, restrictive policy terms and dwindling capacity following the 2023 Lahaina wildfires, the Legislature passed SB1044 and the Governor signed Act 296, Session Laws of Hawaii 2025, into law on July 7, 2025. This comprehensive bill aimed at tackling the affordability and availability crisis by:

- Reactivating the Hawaii Hurricane Relief Fund (HHRF) to help provide insurance support for the condo market;
- Empowering the Hawaii Property Insurance Association (HPIA) to offer additional coverage options;
- Creating a Condominium Loan Program to offer financing to condominium associations unable to obtain financing from traditional lenders, on projects needing major repairs or safety upgrades, factors that influence insurability; and
- Directing the Insurance Commissioner to conduct a study for long-term reforms to stabilize the property insurance market in Hawaii.

The Legislature understood that it was critical to provide alternative insurance options through HHRF and HPIA, while providing alternative financing options to help condos implement necessary repairs to lower their risk profile and facilitate the project's return to market insurance providers.

II. Participating Lender

"Participating Lender" is a Community Development Financial Institution ("CDFI") certified by the CDFI Fund. The CDFI Fund is an agency within the U.S. Department of the Treasury that promotes economic revitalization in distressed communities by providing financial and technical assistance to mission-driven financial institutions.

III. Eligible Borrowers

Existing condominium associations ("AOAO"), located in the state of Hawaii that have received at least one letter from a financial institution declining a loan to address maintenance or insurance coverage issues.

The AOAO must be established, registered and in good standing under Hawaii state law and provide governing documents (e.g., articles, bylaws, CC&Rs, amendments, etc.).

Prior to loan closing the AOAO must also provide documents reflecting the Board's authorization to borrow under the governing documents and ownership approvals, as required by its bylaws, CC&Rs, or state statute, and Board Resolution authorizing the loan and ownership vote certification.

IV. Eligible Loan Purposes

Loans shall be made for necessary repairs or safety upgrades that lower the insurance risk profile for the AOAO, including:

- Installing, repairing or replacing fire sprinklers or other file safety measures;
- Repairing or replacing pipes;
- Repairing or replacing the roof;
- Repairing or replacing spalling that may lead to structural issues;
- Any other maintenance or repairs the Authority deems will lower the risk profile of the AOAO.

V. Loan Types

There are three types of loans available under the Condominium Loan Program:

1. Participation Loan – where the Participating Lender originates a loan to the AOAO and sells a portion of the loan to HGIA to mitigate its risk.
2. Dual Financing – where the CDFI and HGIA will each issue a loan to finance the AOAO's project.
3. Direct Loan – where a loan is made only by HGIA.

VI. Loan Terms

As applicable, Participating Lenders shall determine its interest rate, terms, collateral and conditions on Participation Loans as well as the CDFI's loan under a Dual Financing scenario.

The following are loan terms for HGIA originated loans or HGIA's loan under a Dual Financing scenario:

Interest Rate:	7.0% per annum, fixed for the term of the loan.
Loan Amount:	Finance up to 100% of the total project cost to complete necessary improvements (including soft costs).
Loan Term:	Up to 20 years. The maximum term on leasehold projects may be less than 20 years, depending on the remaining term of the lease.
Amortization:	Up to 20 years. The amortization period may be less, depending on the length of construction period.
Repayment Requirements:	May include an interest only period during construction. Thereafter, monthly principal and interest payments in an amount that will fully amortize the loan over the remaining term.
Loan Fee:	50 basis points or 0.50% of the loan amount. Other typical closing costs will apply and may include but not are limited to title insurance, property surveys, appraisals, environmental site assessments, legal fees for loan documents, recording fees, etc.
Prepayment Penalty:	None.
Security:	1. Assignment of Assessments and Income. 2. Security interest in Borrower's general intangibles, including the right to levy assessments, the right to collect assessments and the right to enforce liens, and all deposit accounts, accounts receivable and proceeds of the foregoing. 3. Voluntary governmental C-PACER lien over the master tax map key of the project. Pursuant to Section 514B-41(a), Hawaii Revised Statutes (HRS), all limited common element costs and expenses, including, but not limited to maintenance, repair, replacement, additions, and improvements, including capital improvements financed by commercial property assessed financing (C-PACER) pursuant to Section 196-64.5, HRS, shall be charged to the owner or owners of the unit or units to which the limited common element is appurtenant in an equitable manner as set

	forth in the declaration. Pursuant to Section 514B-105(c), HRS, any payments made by or on behalf of a unit owner shall first be applied to outstanding common expenses that are assessed to all unit owners in proportion to the common interest appurtenant to their respective units, including commercial property assessed financing assessment expenses (e.g. loan payments) incurred for improvements financed pursuant to section 196-64.5, HRS. Only after the outstanding common expenses have been paid in full, may the payments be applied to other charges owed to the associations, including assessed charges to the unit such as ground lease rent, utility sub-metering, storage lockers, parking stalls, boat slips, insurance deductibles, and cable. After these charges are paid, other charges, including unpaid late fees, legal fees, fines, and interest, may be assessed in accordance with an application of payment policy adopted by the board; provided that if a unit owner has designated that any payment is for a specific charge that is not a common expense as described in this section, the payment may be applied in accordance with the unit owner's designation even if common expenses remain outstanding.
Financing Requirements:	<u>Written Consent of Unit Owners</u>: Pursuant to Section 196-64.5 HRS, the cost of the loan to the AOAO, including all principal, interest, commitment fees, servicing fees, and other expenses payable with respect to this loan or the enforcement of the obligations under this loan, shall be a common expense of the project and the unit owners' proportionate share of the loan payment shall be collected in the same manner as common expenses. The written consent of at least fifty per cent of all unit owners to finance the proposed improvements under the Condo Loan Program utilizing the commercial property assessed financing program shall include an acknowledgement that the required loan payments shall be included as part of the association's adopted revised budget. <u>Prevailing Wages</u>: Pursuant to chapter 104, HRS, the State Wage and Hours Laws, the contractor(s) engaged by the AOAO must pay prevailing wages for any projects in excess of $2,000, if reimbursable general obligation bonds are the financing source used to pay for the construction or installation of eligible improvements.
Recourse:	No personal guarantees are required.
Debt Service Coverage Ratio ("DSCR"):	Borrower to maintain a minimum DSCR of not less than 1.10x at all times for the life of the loan by assessing and collecting 1.1x of the required loan repayments. As an example, if the monthly principal and interest loan payment is $25,000 ($300,000 annually), the AOAO must assess $330,000 annually. The excess collected shall be deposited into the AOAO's reserves.
Lender Consent:	For AOAOs with existing outstanding loans, a written consent

	agreement (aka Lender Consent) is required from the holder(s) of a valid Uniform Commercial Code (UCC) financing statement or mortgage recorded with the Bureau of Conveyances that encumbers or otherwise secures the condominium.
Covenants:	The AOAO must agree to: • Increase its replacement reserve fund balances over the term of the loan; • Obtain full replacement property and hurricane insurance coverage upon completion of the repair and maintenance work; Other standard covenants for this type of loan will apply and be defined in the loan documents.

VII. Process and Workflow

A. **Application**. Prior to applying for a loan with the Authority, the AOAO should make every effort to obtain a loan from a financial institution.

If the AOAO is unable to obtain a loan from a financial institution, the AOAO may submit a completed application with HGIA or a Participating Lender, with all required information, including the following:

a. Audited financial statements for the last three years;
b. Interim financial statements dated within the last 60 days (including cash balances of all depository accounts);
c. Association Budget – operating budget showing anticipated income and expenses, including reserve allocations;
d. Reserve Study and capital expenditures budgeted;
e. Delinquency Reports – data showing details on past due assessments (Aging of Receivable);
f. Assessment Reports – data showing details on special assessments;
g. Insurance Documentation – Hazard, hurricane, liability, D&O, and fidelity bond insurance policies;
h. Board Resolutions authorizing the loan;
i. Owner approval to borrow as required by Bylaws, CC&Rs or state statute (Owner Vote Certification)
j. Details of ongoing or resolved lawsuits and litigation;
k. Board/AOAO meeting minutes providing insight into future assessments, reserve fund discussions, and policy decisions;
l. Management Agreement with Property Manager;
m. Structural Documentation – Engineering or building inspection reports (if available);
n. Special Assessment and Loan Documents – copies of existing loans to the association and related debt schedule(s) and/or special assessment agreements;
o. Construction Agreement(s);
p. Construction cost budget, including invoices, purchase orders of equipment, warranties, maintenance and/or service agreements;
q. Project schedule detailing timing of key milestones, including execution of all material contracts, permits, and other approval(s), as required;
r. Adverse Action Notice or decline letter(s) from bank or credit union;
s. Articles of incorporation, Bylaws and amendments, as applicable; evidence of nonprofit status;
t. Covenants, Conditions and Restrictions;

u. Form RR105-C
v. Lease or Lease conversion documents, as applicable;

B. **Underwriting.** Only complete loan applications will be considered for financing. The Authority shall not approve a loan unless the applicant provides reasonable assurance that the loan can and will be repaid pursuant to its terms. Reasonable assurance of repayment shall be based upon consideration of the applicant's record of past audited statement of cash receipts and disbursements, operating and reserve fund balances, delinquencies and aging of receivables, commitments, contingencies, reserve studies and other documents. The following will also be considered during the underwriting process:
   a. Assessment of revenue strength and trends;
   b. Delinquency management effectiveness;
   c. Budget surplus or deficit trends;
   d. Nature and urgency of repairs;
   e. Litigation involving association;
   f. Debt Service Coverage Ratio;
   g. Delinquency Ratio; and
   h. Condo unit values and marketability.

C. **Preferences & Priorities**. In granting loans, the Authority shall give preference to financing necessary repairs and maintenance (over refinancing an existing loan). However, the Authority may need to refinance a portion of an existing loan to provide additional loan capital to finance necessary repairs and maintenance if the existing lender does not consent to the applicant's requested loan.

   Priority shall be given to projects linked to improved insurability, at the sole discretion of the Authority. Additionally, the Authority's priority shall be to finance all necessary improvements needed to increase the AOAO's ability to obtain full insurance coverage.

D. **Loan Decisioning**. If the application is declined, an adverse action letter will be sent to the AOAO.

   If the application is approved, a commitment letter shall be sent to the AOAO. Upon acceptance of the commitment letter, the loan documentation process will commence.

   No new loans shall be issued after June 30, 2027 from appropriations under Act 296, SLH 2025.

E. **Loan Closing**. Prior to loan closing, the AOAO shall submit executed Resolutions approving the loan, along with the Owner Vote Certification, as well as all other required documents, if not provided earlier.

   Upon execution of loan documents by the AOAO's authorized signer(s), the Summary Memorandum signifying the C-PACER lien and a UCC-1 over the assets of the AOAO shall be recorded with the Bureau of Conveyances. The AOAO shall remit a check or HGIA will electronically debit the closing costs due at closing.

F. **Loan Funding**. Pursuant to the Construction Contract(s), HGIA shall fund the loan based on milestone progress payments authorized by the AOAO.

G. **Loan Servicing**. The Authority shall send the AOAO a monthly loan statement on or around the 15th of the month for payments due on the 1st of the following month. Payments will be electronically debited from the AOAO's account.

H. **Ongoing Reporting Requirements**. On an ongoing basis, the AOAO shall submit the following:

1. Annual audited financial statements no later than 180 days after the fiscal year end and within 30 days upon completion of the audit;
2. Quarterly financials (unaudited) due no later than 45 days after the close of each quarter;
3. Annual operating budget no later than 60 days prior to the end of each fiscal or budget year for the next fiscal or budget year;
4. Reserve study (full study + funding plan) within 30 days of completion;
5. Schedule of reserve contributions on a quarterly basis due within 45 days after each quarter end;
6. Aging report of owner delinquencies within 45 days after each quarter end;
7. List of existing loans or long-term obligations upon request;
8. Certificate of Insurance evidencing required coverage and naming HGIA as Lender's Loss Payee or Additional Insured, requiring at least ten (10) Business Days prior written notice of cancellation;
9. List of pending or threatened litigation annually upon request;
10. Claims history annually upon request;
11. Arbitration or mediation records annually upon request;
12. Compliance certifications (fire safety, elevator inspections, etc.), as may be applicable; and
13. Other documents and information as may be requested.

I. **Default, Remedies & Workouts**. HGIA will follow its standard collection policy and procedures for past due loans, which may include late fees, penalty interest, loan modification and/or legal enforcement under governing documents.