

Hawaii Housing Finance & Development Corporation  
(HHFDC)

**CAPITAL IMPROVEMENT GUIDELINES**

Property subject to HHFDC's 10-year Transfer, Use and Sales Restriction  
(Buyback) Program

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The information contained herein (Guidelines) is provided to assist (1) the owner with identifying the proposed capital improvements as required to meet HHFDC's criteria under the Buyback Program; and (2) the lender in understanding the process for consent to mortgage, when mortgage proceeds are being used for capital improvements.

**Capital improvement means** any alteration, betterment, addition or replacement as permanent improvement which appreciably extends the useful life of the property (site, structures, or non-expendable equipment) five (5) or more years and/or increases its value. It is understood that the value of the improvement shall be based on the original costs only less allowances for depreciation where applicable.

**Examples** of capital improvements include the following:

- A. \*Construction of:
  - 1. Additional rooms (bedroom, bathroom, family room etc.)
  - 2. Additional interior walls.
  - 3. Fence, retaining walls, sidewalks, patio, lanais, etc.
  - 4. Outdoor storage area, garage or carport.
- B. Installation of:
  - 5. Wall coverings, e.g., vinyl, wall paper, paneling, mirrors, etc.
  - 6. Screen door, security equipment, e.g., deadbolt locks, alarm system, yard lighting, etc.
  - 7. New gutters and downspout.
  - 8. Drapery rods and draperies.
  - 9. Ceramic tile.
  - 10. Major built-in appliances not included at original purchase.
- C. Upgrading of:
  - 11. Kitchen cabinets and fixtures.
  - 12. Electrical, gas and/or bathroom fixtures.
  - 13. Tile floor covering and carpeting.
  - 14. AC parking area or driveway to concrete.
- D. Other:
  - 15. Landscaping of property.
  - 16. Replacement of original built-in appliances included at purchase.

**Capital improvements does not include** maintenance of the property such as painting interior/exterior of house, roof repairs, plumbing/electrical repairs, etc., and owner's sweat equity for the construction of home improvements.

**Required documents** of proposed capital improvements for HHFDC review and approval are as follows:

- 1) Plans or sketches of the proposed capital improvements listed in Item A.1-4 above must be submitted and proposed improvements must be completed within one (1) year from closing date of the new loan.
- 2) Copies of the costs/bids for the proposed improvements from the contractor/vendor to be paid by the owner from the proposed loan.
- 3) If using Licensed Contractors, HHFDC requires copies of the contractor's bid and floor plans, as applicable, for the construction of the improvement.
- 4) If Owner Builder, HHFDC requires copies of invoices from vendors for each of the capital improvements cost if not included in contractor's cost, labor and contractors cost for electrical/plumbing, etc.
- 5) If capital improvements are completed and have already been paid for by the owner, HHFDC will allow the owner to be reimbursed for his costs from the mortgage proceeds if the owner submits copies of the receipts, checks, invoices etc. related to the capital improvements. Such receipts, checks, invoices, etc., should be sorted according to the work completed.
- 6) Lender certification and documentation if obtaining a construction loan, such as: 1) Appraisal Report to provide a fair market value of the property based on the proposed capital improvements; 2) Certification that the proposed capital improvements are in compliance with the county building codes, and that the homeowner has obtained the required building permit(s) and the necessary homeowner's association approvals; 3) Owner certification that the additional loan amount will be used for the proposed capital improvements; 4) Written confirmation that the lender will disburse funds according to industry standards; 5) Upon completion, the lender's written certification of the completion of the capital improvements.
- 7) Completion of the attached Exhibit 1 - Affidavit as to Owner's Use of Mortgage Proceeds for Capital Improvements (Affidavit) form, if obtaining a loan to accomplish capital improvements. Refer to Exhibit A – Instructions to complete the Affidavit.

# EXHIBIT A

## Instructions to complete the Affidavit

### MUST BE COMPLETED BY OWNER ONLY

Fill-in all blanks accordingly, starting at Item 1. Write “N/A” if it does not apply to you. Sign and acknowledge the form before a notary public.

Item 1 – 4 Provide the name of all owners on title, property information and lender contact information.

Item 5a. Provide a complete and detailed description of the capital improvements, such as additional bedroom, size of bedroom and related costs for the bedroom. Do not just state “framing of buildings,” cost \$12,000.00.

**For example:**

1. For Improvements by CONTRACTOR/VENDOR to build a Family Room and Install Air Conditioners:

Contractor/ Vendor Receipt or Invoice No.	Type of Proposal Description of Items	Type / Use Location	No. / Size Sq. Ft.	Capital Improvement Cost
	Contract	Family room	15' X 20'	\$30,000.00
1121	Invoice	Air Conditioner	4 units	10,000.00
			<b>TOTAL:</b>	<b>\$40,000.00</b>

2. For Improvements by OWNER BUILDER to build a lanai:

Receipt or Invoice No.	Type of Proposal Description of Items	Type / Use Location	No. / Size Sq. Ft.	Capital Improvement Cost
100	Concrete	Lanai	10' x 10'	\$2,000.00
121	Lumber	Lanai	100 pieces	5,000.00
122	Roof Covering	Lanai	12' x 12'	900.00
200	Electrician Labor	Lanai	9 outlets	500.00
			<b>TOTAL:</b>	<b>\$8,400.00</b>

All costs and labor (other than owner’s labor) related to a lanai should be itemized and totaled in order for HHFDC to verify costs. Owner’s labor may not be included in the itemized improvement costs.

Item 5.b.1) Provide the date the capital improvement item will be completed. The proposed improvements must be completed within one (1) year from date of closing of the loan.

Note: If including capital improvements already completed and paid for by the owner, itemize as completed and submit copies of the receipts, checks, invoices etc. HHFDC will make final determination.



4) Purpose of loan: That the owner(s) agree to use the above referenced new mortgage proceeds to pay for the following items, as checked:

a.  Property Capital Improvements:

1. Attach to this Affidavit, the required plans or sketches of the proposed capital improvements as listed in Item A.1-4 of the Capital Improvements Guidelines. The improvement must be completed within one (1) year from the closing date of the new loan.
2. If capital improvements are completed and have been paid for by the homeowner, HHFDC will allow the homeowner to be reimbursed for the costs from the mortgage proceeds if the homeowner itemizes and submits copies of the receipts, checks, invoices etc. related to the capital improvements.
3. Select how capital improvements will be implemented:

BY CONTRACTOR/VENDOR

Name of Contractor/Vendor: \_\_\_\_\_

Provide Contractor/Vendor copies of the costs/bids for the proposed improvements to be paid by the homeowner using funds from the proposed loan.

BY OWNER BUILDER

Provide itemized invoices from the vendor showing costs for all items to be used for the capital improvements. All materials and labor for a particular improvement should be itemized using the following example and attached to this Affidavit.

	Contractor/ Vendor Receipt or Invoice No.	Type of Proposal Description of Items	Type / Use Location	No. / Size Sq. Ft.	Capital Improvement Cost
1.					\$
2.					\$
3.					\$
4.					\$
5.					\$

**Total Cost of Improvements:** \$ \_\_\_\_\_

4. That the Owner(s) agree to complete the above-referenced improvements on or before \_\_\_\_\_, 20\_\_\_\_, or such subsequent date as may hereafter be approved, in writing, by the HHFDC, the said work to be completed by the Owner and in accordance with the requirements of the homeowner's association, if any, and of the county having jurisdiction.
  
5. That the owner(s), at HHFDC's option, agrees to send copies of the receipts, checks, invoices etc. for the added capital improvements upon completion of all of the improvements listed above to the HHFDC for its files.
  
6. That the owner(s), at HHFDC's option, agrees to allow its HHFDC inspectors to inspect the above added capital improvements upon completion.
  
- 5) That the owner(s) makes this affidavit in support of owner(s) request to obtain HHFDC's consent to a mortgage.
  
- 6) That owner(s) understands that the statements made in this Affidavit are made under oath and will be relied upon by HHFDC in its approval to use these funds as indicated above.
  
- 7) That the Owner(s) shall be subject to misdemeanor criminal charges under Hawaii Penal Code, Section 710-1061, HRS, which are punishable by a fine and/or imprisonment for knowingly making a false statement in this Affidavit.

Print Owner Name	Owner Signature	Date
Print Owner Name	Owner Signature	Date
Print Owner Name	Owner Signature	Date
Print Owner Name	Owner Signature	Date

STATE OF HAWAII )  
 ) SS.  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me personally appeared \_\_\_\_\_ and \_\_\_\_\_, to me known to be the persons described in and who executed this 4-page (Doc description) Affidavit as to Owner's Use of Mortgage Proceeds dated \_\_\_\_\_, and acknowledged that they executed the same as their free act and deed.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public, State of Hawaii  
\_\_\_\_ Judicial Circuit

My commission expires: \_\_\_\_\_

STATE OF HAWAII )  
 ) SS.  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me personally appeared \_\_\_\_\_ and \_\_\_\_\_, to me known to be the persons described in and who executed this 4-page (Doc description) Affidavit as to Owner's Use of Mortgage Proceeds dated \_\_\_\_\_, and acknowledged that they executed the same as their free act and deed.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Notary Public, State of Hawaii  
\_\_\_\_ Judicial Circuit

My commission expires: \_\_\_\_\_