

Honolulu, Hawaii

April 25, 2013

RE: H.B. No. 21
H.D. 2
S.D. 2
C.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 21, H.D. 2, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUMS,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to:

- (1) Permit the board of directors of a condominium association to collect a six-month special assessment from the mortgagee or other purchaser of a unit with a recorded lien for delinquent common assessments; and
- (2) Specify how excess rental income received by a condominium association after a foreclosure proceeding shall be paid to existing lien holders.



Your Committee on Conference finds that the costs of default in a condominium are substantially born by condominium associations and non-defaulting unit owners and mortgagors in the affected communities. The lending industry also has an interest in preserving the value of the condominium projects that make up part of the lending industry's collateral.

Your Committee on Conference further finds that because there are legitimate but competing issues relating to common assessments, the needs of the lending industry and condominium associations and non-defaulting unit owners must be appropriately balanced when attempting to create a priority lien for common assessments. This measure achieves this balance by providing condominium associations and non-defaulting unit owners with relief while also addressing interests of the lending industry.

Your Committee on Conference has amended this measure by:

- (1) Clarifying that the board of directors of a condominium association may specially assess the amount of the unpaid regular monthly common assessments for common expenses against a mortgagee, rather than a mortgagee or other purchaser of a unit;
- (2) Clarifying that any excess rental income received by a condominium association after a foreclosure proceeding shall be applied to the benefit of the unit owner;
- (3) Clarifying that excess rental income includes any net income received by the association after a court has issued a final judgment determining the priority of a senior mortgagee and after paying, crediting, or reimbursing the association or a third party; and
- (4) Inserting an effective date of upon approval.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 21, H.D. 2, S.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 21, H.D. 2, S.D. 2, C.D. 1.



Respectfully submitted on behalf
of the managers:

ON THE PART OF THE SENATE

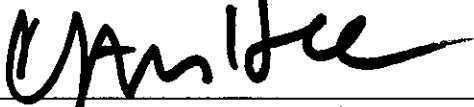
ON THE PART OF THE HOUSE



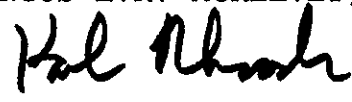
ROSALYN H. BAKER, Chair



ANGUS L.K. MCKELVEY, Co-Chair



CLAYTON HEE, Co-Chair



KARL RHOADS, Co-Chair



