

Honolulu, Hawaii

APR 05 2013

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

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

Madam:

Your Committee on Judiciary and Labor, to which was referred H.B. No. 21, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUMS,"

begs leave to report as follows:

The purpose and intent 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 received testimony in support of this measure from three individuals. Testimony in opposition to this measure was submitted by three individuals. Your Committee received comments on this measure from the Hawaii Financial Services Association; Hawaii Bankers Association; Community Associations Institute, Hawaii Chapter; and two individuals.

Your Committee finds that this measure is intended to assist condominium associations with the collection of unpaid common assessments by permitting an association to collect a delinquency reserve from each owner in a condominium. If an owner later



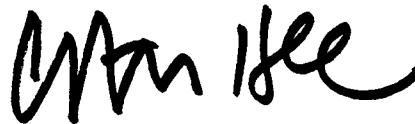
becomes delinquent, an association can use that owner's delinquency reserve to pay off the owner's unpaid assessments in the event of a foreclosure of the owner's unit.

Your Committee notes 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. Repairs, maintenance, security, and insurance provided by a condominium association and paid for through common assessments are essential to preserving that value. Therefore, your Committee further finds that the needs of the lending industry, condominium associations, and non-defaulting unit owners must be appropriately balanced. This measure will provide condominium associations and non-defaulting unit owners with relief while also addressing some of the interests of the lending industry.

Your Committee has amended this measure by inserting an effective date of July 1, 2050, to encourage further discussion.

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

Respectfully submitted on
behalf of the members of the
Committee on Judiciary and
Labor,



CLAYTON HEE, Chair



