



2011 Legislative Update, Act 48 and YOU



On May 5, 2011 Governor Abercrombie signed Act 48 into law. The primary purpose of the act is to protect the rights of "owner occupants" under Hawaii's non-judicial foreclosure procedures.

A nonjudicial foreclosure does not require direct court action and is the preferred method by most lenders. The process begins when the owner is given notice that the lender will conduct an auction to sell the owner's property unless the owner satisfies the mortgage debt. If the owner fails to pay, the lender then follows the non-judicial foreclosure process to sell the owner's property to pay the mortgage debt. The process usually takes 3 to 4 months and costs \$3,000-\$4,000.

Act 48 is an attempt to stem the state's increasingly high number of mortgage foreclosures and to ensure that borrowers had a fair chance to communicate with lenders and attempt to keep their homes. The bill essentially requires lenders to meet face-to-face with borrowers via a neutral third party, to assure that compromising on a loan - instead of simply foreclosing - is a primary option. The legislature also forces lenders to actually show proof that they have the legal right to foreclose on a home - something that consumer advocates claimed was

skirted in certain non-judicial foreclosure processes.

What does this mean for your AOOU community? The Associations have and are expected to continue to take a big hit on this one. Delinquencies may continue to increase and many residents don't understand how this affects a community, especially other owners who are members of that particular Association. For example, if there are 30 owners who are part of an Association of Apartment Owners/Condo Association and 3 owners stop paying, the association may be able to financially support themselves with reserves until the property is sold or foreclosed. However, if 10 (30%) or 15 owners (50%) default during the same period, the Association may be forced to impose a special assessment and the other owners may have to cough up the extra dough to make up the delinquency. This may put a financial strain on the current owners and ultimately create more defaults.

One recourse an Association has would be to foreclose on the delinquent owner, take over the prop-

erty and rent it out to cover the payments until the lien holder forecloses. The only problem is that the Association currently must go through the same non-judicial process as the banks. Unfortunately, this issue was not anticipated or resolved as part of Act 48. The only assistance the Condo Associations received was in regard to REOs where a new buyer may be liable to pay up to \$7,200 towards back-owed maintenance fees. How will this impact our housing market and economic health? Time will tell.

At this point and often with new legislation, there are still more questions than answers. Your real estate attorney is an excellent resource for you if you have questions about your particular situation. Even if you are not in one of the above-mentioned categories, it is important to stay educated and keep your finger on the pulse of the progression and continued impact of this new law as ultimately, it does affect us all.

Information provided by:
Mauinow.com
Ekimoto & Morris Law Group

***Education
is the most
powerful
weapon
which you
can use to
change the
world.***

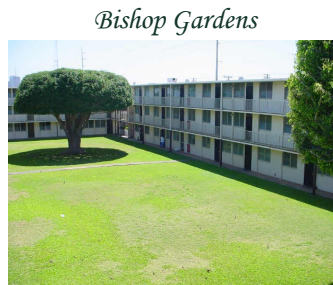
***-Nelson
Mandela***

Warm Welcome to the Hawaiian Properties Ohana!

Hawaiian Properties is excited to welcome Hale Kaheka, Canterbury Place, Bishop Gardens and Bellevue Tower to our growing family of Associations. Thank you for giving us the opportunity to serve your management needs, we look forward to a long relationship!



Canterbury Place



Bishop Gardens



Bellevue Tower

Hale Kaheka



2012 Crystal Ball Predictions of Property Insurance

2011 could be the year of the Catastrophes and the start of a "Harder Market"...

The property insurance market currently appears stable, but there is pressure to increase premiums on marginal risks and certainly more pressure from the reinsurance underwriters to increase their overall premiums. Therefore if you had a successful renewal in 2011 you can expect 2012 to offer a slightly different picture for the following reasons:

There have been a significant number of catastrophic losses this year. The earthquake and tsunami in Japan certainly remains on our minds, but remember the tornadoes in Missouri and the southern U.S. which were followed by the terrible flooding along the Missouri and Mississippi Rivers? We are just heading into Hurricane Season and the predicted above average number of hurricanes that are projected to develop in the Gulf and Atlantic regions are making the underwriters more wary. Flooding and earthquake losses in other parts of the world have not been in our headlines but these have generated negative results for global insurance carriers.

In prior years insurance companies could rely on generating large investment gains off of the premiums that they collected. With the debt crisis in Washington investment returns are less certain. Since 2007 insurance carriers have focused on improving underwriting profits vs. investment profits. During the past two years the overall property and liability insurance industry has seen their underwriting profits diminish. With reduced underwriting profitability and reduced invest-

ment returns, there is pressure to increase rates. Many of the large insurance companies use computer modeling to determine the amount of loss their insured book of business might sustain in a major catastrophe. The most utilized model is RMS (Risk Management Solutions). RMS is constantly updating their model based upon prior loss experience and more sophisticated modeling methods. Based upon their most current version of their software, RMS 11.0, the overall expectation is a greater amount of loss from catastrophes such as Hurricane or Earthquakes.

Reinsurance carriers have taken an estimated \$48 Billion hit to their bottom lines just from the tornado losses in the mid-west and southern U.S., the flooding from the Missouri and Mississippi Rivers, and other bad weather losses in the U.S. This does not include the Japan disaster and the earthquakes in New Zealand. They have been pushing for higher premiums when they renegotiate their contracts with the major insurance carriers. We polled insurance companies that do business in Hawaii and so far they have not seen significant reinsurance increases. This is probably due to good loss history and heavy competition in Hawaii. With the major reinsurance contracts coming up on January 1, 2012, we are holding our



breath but don't anticipate that the increases will be too extreme.

The above are just overall predictions of possible 2012 insurance predictions, which are being made in the beginning of hurricane season. As a word of caution, the insurance market continues to be volatile with major upward swings possible especially, if there are any large catastrophic losses between now and the end of the year. It is therefore very hard to predict the market. What we do know is that the overall market rates are not going down for most accounts. The accounts with losses should anticipate some increase in deductibles or rates or both. Superior risks will see competition and could see some lowering or rates, but this will be on an individual basis.

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Supporting Local Farmers: A Green Alternative

Farmers' markets are one of the oldest forms of direct marketing by small farmers. In the last decade they have become increasingly popular in Oahu and a weekly ritual for many shoppers, some offering prepared dishes, live entertainment and a chance to interact with friends and local farmers.

What many people don't realize is the environmental impact (or lack



thereof) buying local has. It's simple: food grown close has not been shipped, which means less fuel has been used to transport it long distances and less preservatives were necessary to maintain shelf life. In addition, prices are usually reduced because of less transporting, handling and additives. The local economy also benefits from a farm to table concept, keeping growers and their

fresh produce in demand. There are over 50 farmers markets on Oahu alone, running every day of the week, so grab your reusable grocery bag and enjoy. You can get a list of markets, locations and running days at the following website: <http://hawaii.gov/hdoa/add/farmers-market-in-hawaii/Oahu.pdf>

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Hurricane Preparation

Hurricane Season is on everyone's mind right now and the odds are in our favor for a low-key hurricane season in Hawaii. The National Oceanic and Atmospheric Administration's Central Pacific Hurricane Center believes that climate conditions point to a below normal hurricane season in the Central Pacific this year. Nevertheless, a household must always be equipped for disaster without a moment's notice.

The Hawaii Red Cross has launched a website with information about how to prepare businesses, schools and homes for natural disasters at HawaiiRedCross.org. You should always have a disaster preparedness kit ready to go at all times. Think practical first and comfortable second. All essential needs should be able to fit

in a 5 gallon bucket. Absolute necessities include food, water and warmth. Foodstuffs should be high energy non-perishables kept in air-tight containers. Ready made meals and canned goods are excellent choices for emergency food sources. Have enough water to last at least three days for each family member, and remember your pets! Electrolyte-enhanced water and vitamins help to replace electrolytes and help to prevent dehydration.

Make sure your kit is easily transportable, accessible, and close to an exit door. Mobile emergency kits should be smaller; more personalized, and should be no bigger than a backpack. While you can never be too ready or too prepared, you do not want to over burden yourself when you need to be on



the move. For a useful emergency preparedness kit checklist please visit:
http://www.scd.hawaii.gov/documents/Red_Cross_Kit_checklist

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Effective Board Meetings: Make Your Minutes Count!

Have you ever overheard some of your building residents wonder why the Board of Directors exists in the first place? What is its purpose? Perhaps even you have asked the same? The answer is simple, the Board of Directors set policy for the Association and direct Association Management. It is as if every association has its own tailor made government and without it, things can crumble. Figuratively and literally!

Meetings are set for associations where Board members discuss, resolve and generally govern their associations. Needless to say, effective and efficient meetings are the backbone of well managed associations. Ensuring every issue on the agenda is addressed (and hopefully resolved) and every person is heard is of utmost importance.

Well organized Board meetings begin with members being on-time and prepared. Board members should take the necessary time before a meeting to review and understand the minutes, financial reports, propos-

als, agenda and other relevant information that has been provided to them by the Association Manager. It is the Association Managers duty to provide the Board with quality information to make an appropriate decision.

An often made mistake is allowing members to express their frustrations about a specific issue that personally affects them. For example, topic

Each board member has been elected to serve in a responsible, fiduciary capacity

“neighbor cooking fish late at night” should provoke questions like: Is this a legitimate concern for the Board to act on? Who is actually affected? How many complaints has the management company received? The Board needs to remember what its purpose is, and why it has assembled. A Board meeting is not the place for monologues. If a board member displays a tendency to be redundant

and long winded, the Chair has the right and the responsibility to ask that person to limit such comments. Each board member has been elected to serve in a responsible, fiduciary capacity. It is also helpful for board members to communicate specific questions to the Association Manager if there's an issue that needs to be researched prior to the meeting. This way, the Manager can answer questions at the meeting and business items do not get tabled until the next meeting.

Finally, the most successful board meetings are chaired by a strong leader. Who runs the meeting is up to the Board. Some board presidents are stronger than others, while there are other boards that prefer that the Association Manager run the meeting. But regardless of who actually chairs the meeting, it is that person's responsibility to keep the discussion focused, move the meeting forward and keep everyone on track.

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Building Relationships that Last

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- ◇ **Shower**
Install a U.S. made low flow showerhead of 2.5 gallons per minute and turn off the shower while soaping.
- ◇ **Toilet**
Toilets made prior to 1993 use 3-8 gallons per flush. A family of four can save up to 25,000 gallons of water by installing new high efficiency toilets!
- ◇ **Sink**
Install low flow faucet aerators to restrict water flow and always turn off water when not directly rinsing.
- ◇ **Dishwasher**
Only run a wash cycle when it is full and turning off the heat drying mode will save energy as well.
- ◇ **Washing Machine**
Front loading machines can use up to 30 gallons of water less per load. Although they can be pricy at first, long term savings could be well worth the money.
- ◇ **Leaks**
Be mindful to not allow toilets tanks to run. Check and immediately repair leaks in faucets and hoses.

WATER CONSERVATION, INCREASING COSTS AND EDUCATING RESIDENTS

By: Brooke Nevis

The Honolulu Board of Water Supply will be increasing water consumption rates to fund the operation, maintenance and replacement of Oahu's aging water infrastructure. Over a five-year period, beginning January 1, 2012, water rates will increase 9.65% increase each annually ~ from \$2.79 to \$3.06 for every 1000 gallons of water.

Your AOUO can prepare and educate residents by encouraging the repair and replacement of common household water consuming appliances. Home water use varies considerably, depending upon the number of people in a household, plumbing fixtures, appliances, and other factors. The largest water users in the home are toilets, clothes washers, faucets, and showers and the installation of low-flow plumbing fixtures can save up to 30 percent of indoor water use. The following is a general breakdown of common household appliance water usage and what your residents can do to conserve:

A Message from Marina Hawaii Vacations...

Stay-cationing in Paradise

By: Tom Heiden

General Manager

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Where do Kamaaina go when they want a real stay-cation? Where can you find all of the charm and wonder of Waikiki and yet still be close enough to walk to Ala Moana Center, the Hilton Hawaiian Village and the heart of Waikiki? Throw in gorgeous Hawaiian sunsets and fireworks every Friday night right in your own backyard.

Since 1965 Marina Hawaii Vacations has offered the best places to stay on the island of Oahu. They offer three hundred different, privately owned condominiums located in the iconic Ilikai Tower, Discovery Bay, the Windsor and the Ilikai Marina Apartments.

Monthly and weekly rates are seasonal, and are based on unit locations, sizes, and amenities. All units are categorized according to Marina Hawaii Vacations standards and are



priced accordingly. Categories are: Deluxe, Standard and Economy. All condominiums are completely furnished, including linen and have

fully equipped kitchens. Parking, phone service and daily maid service are not included but can be arranged for an additional cost.

Make your next vacation a Marina Hawaii Vacation. Identify yourself as an owner of one of our managed properties and receive 10% off the regular rates.

Give them a call when you need that precious getaway at 946-0716. The Marina Hawaii Vacations Office is located on the second floor in the Ilikai Hotel, located at 1777 Ala Moana Boulevard - suite 211. The office is open from 8:00 a.m. to 5:00 p.m. Hawaiian Standard Time (HST) Monday through Friday; 9:00am to 2:00pm Saturday; Closed on Sundays and Holidays.