

HB807 HD2 - Condominium Association Loans

Testimony in Opposition

Aloha Honorable Members of the Committee,

My name is Jessica Herzog, a condominium owner and board member at Makaha Surfside. I am here to express my opposition to HB807 HD2 and to propose significant amendments to protect condominium owners from potential financial harm.

Concerns for Owners:

1. **Increased Liabilities:** This bill potentially increases owners' liabilities by allowing associations to undertake substantial borrowing, which could inflate owners' financial obligations without their direct consent. Owners might find themselves responsible for a portion of the association's debts that escalate beyond their control.
2. **Lack of Direct Control:** HB807 HD2 empowers boards to make critical financial decisions regarding large-scale borrowing without mandatory direct involvement or approval from the condominium owners at large. This exclusion from pivotal financial decisions undermines owner governance and could lead to decisions that do not reflect the broader interests of all owners.
3. **Predatory Lending Risks:** The bill lacks safeguards against entering unfavorable loan agreements. Without stringent transparency and checks, associations might be susceptible to terms that disproportionately favor lenders, thereby jeopardizing the financial stability of the entire condominium community.

Suggested Amendments to Protect Owners:

1. **Enhanced Disclosure Requirements:** I propose an amendment for mandatory disclosure of all loan terms in a clear and understandable format, accessible to all condo owners and not limited to the board members. This will ensure that every owner is fully informed about potential debts they are incurring.
2. **Owner Consent for Major Decisions:** It should be mandatory to obtain supermajority consent from all owners for any borrowing decisions that could result in increased maintenance fees or necessitate special assessments. This inclusion fosters a democratic approach to major financial commitments.
3. **Cap on Borrowing:** To prevent excessive financial leverage, the association's borrowing limit should be capped at a prudent percentage of the total property value. This will safeguard the property from being over-leveraged, thereby protecting the owners' investments.

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4. **Specific Use of Funds:** Clearly define and restrict the usage of borrowed funds to essential maintenance and repairs only. This prevents potential misuse of funds and ensures that loans are utilized in ways that benefit all owners.
5. **Robust Oversight:** Introduce mechanisms for state or independent oversight to monitor how loans are negotiated and managed. Such oversight would provide an additional layer of security and accountability, ensuring that loan agreements are fair and equitable.

In conclusion, while the intent of HB807 HD2 to facilitate necessary funding for condominium associations is understandable, it is imperative that we amend the bill to provide greater protections for condominium owners. As currently drafted, the bill poses significant risks that could undermine the financial well-being and autonomy of owners. Your consideration of these amendments will be a step toward ensuring that condominium communities can thrive without undue financial risk.

Thank you for your attention to these critical issues.

Respectfully,

Jessica Herzog

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