



*Mortgage Bankers Association of Hawaii*  
P.O. Box 4129, Honolulu, Hawaii 96812

March 14, 2006

The Honorable Donovan Dela Cruz, Council Chair  
The Honorable Council Members  
Honolulu, Halea, Council Chambers  
Honolulu, Hawaii 96813

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CITY CLERK  
HONOLULU, HAWAII

Re: Bill 18, Relating to the Deferral of Real Property Taxes

Dear Chair Dela Cruz, and Council Members of the City and County of Honolulu:

I am Gayle Ishima, representing the Mortgage Bankers Association of Hawaii ("MBAH"). The MBAH is a voluntary organization of real estate lenders in Hawaii. Our membership consists of employees of banks, savings institutions, mortgage bankers, mortgage brokers, and other financial institutions. The members of the MBAH originate the vast majority of residential and commercial real estate mortgage loans in Hawaii. When, and if, the MBAH testifies on legislation, it is related only to mortgage lending.

We offer the following comments on Bill 18, Relating to the Deferral of Real Property Taxes, which would improve the bill's impact on our senior citizens and on our lending community.

- Real Property taxes generally take a first lien on real property. I imagine that this would be the case here. As a mortgage lender who has made a first lien on the property, we require the customer pay the real property taxes currently. In the event that a customer decides to apply and obtains the deferral of Real Property Taxes, the lender may call the loan due and payable since taking a second position was not how the loan was underwritten or priced. There would be a similar issue with a lender with a second lien, since now they would be in third position and that is not how the loan was underwritten or priced. The calling the loan due would cause a greater hardship on the customer.
- The bill indicates that deferral will be up to 80% of the amount of the claimant's equity value in the residence. What happens when the 80% ceiling has been met? With the 8% interest rate posed on the real estate tax deferral amount, the 80% limit might be met before the sale of the property or the death of the claimant or the death of the claimant's eligible spouse. Does the claimant begin to pay real property taxes from that date on?
- The equity value appears to be measured at the time of the application. However, real property tax valuations go up and down. If values go up, there

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is no issue, but if they go down, what happens? How often will the equity value be reassessed? If the reassessed equity value results in meeting the 80% ceiling what will happen then? Does the claimant begin to pay real property taxes from that date on?

Thank you for the opportunity to present this testimony. We would be happy to meet with the Council members to discuss this bill further.