

Special Assessment Versus Loan Payments in Hawaii

What leads to Special Assessments and Loans?

These are to pay for large capital expenses (eg. Pipe replacement projects, fire safety, spalling etc.) that have been overlooked or deferred for a number of years.

What are the differences in choosing the Special Assessment or Loan?

- The Special Assessment is a one time payment for the capital expense. The existing owner has had enjoyment of home ownership without paying for the deferred expenses but doing so now.
- The Loan is the other option for owners who may not be able to payout the amount of the assessment but are able to make long term payments for a number of years.

The “current practice” appears that owners/sellers are forwarding the responsibility of the balance of loan and now expect the buyer to take over their loan payments. Typically, this is “not accepted in ordinary transactions without renegotiation”.

What is wrong with this “current practice”?

- A buyer may unknowingly be taking over the “extra expense of loan payments” thereby overpaying for the condo.
- In comparison there may be owners/sellers in the same building that have paid the “Special Assessment” and are now selling “having the loan paid out in advance would save thousands for the buyer”!
Is this fair for the buyer who may not know this information?

How can this situation be resolved?

- The usual method in resolving this issue for the buyer is to negotiate the balance of Loan payments by adjusting the purchase price.
- This represents a fair balance for the buyer in completing the sale and this is one of the recommended methods outlined in a Condo First Review report.

NOTE: Currently there are a number of projects in Hawaii that have Loan payments included in the Maintenance Fees. This method may be misleading for buyers by not knowing what the real maintenance fees are.

The best method is to separate the maintenance fees from the loan payments. This demonstrates transparency and informs buyers on what they are buying into and what may be expected in the future.

Typically, long term loans do raise the possibility of another Special Assessment / Loan coming before the first one is paid out.



This is all that we do!