

Shall the Authority Authorize the Executive Director to Execute an Agreement Subordinating its Shared Equity Encumbrance on the Keola La‘i Condominium Unit No. 1608 and Consenting to the Owner’s Request to Refinance the Mortgage?

Staff Report

May 6, 2015

Background: The Keola La‘i condominium project was completed by A&B Kakaako LLC (“A&B”) in 2008. Pursuant to its development permit requirements, A&B sold twenty percent (20%) of the apartment units as reserved housing units subject to the two (2) year buy-back and shared equity encumbrances. On January 11, 2008, Mr. Pete Aguilar Morales and the late Ms. Son Ok Yi Morales, purchased Unit No. 1608 as a reserved housing unit for \$368,387.00 and with the fair market value at the time being \$520,500.00, the Authority’s Shared Equity encumbrance is at least \$152,113. In 2010, the two (2) year buy-back encumbrance expired.

On February 24, 2014, Mr. Morales notified the Authority about the passing of his wife and his retirement from employment. At that time Mr. Morales sought the Authority’s approval to subordinate the refinancing of his mortgage to help with his financial situation. At the HCDA Authority’s April 2, 2014 meeting the Authority approved to subordinate its shared equity encumbrance in Mr. Morales’ unit.

In a letter to the HCDA dated April 15, 2015 from Mr. Peter Aguilar Morales has requested that the Authority subordinate its shared-equity encumbrance and consent to Mr. Morales’ refinancing his refinanced 2014 mortgage and assumption of first position. Mr. Morales’ new mortgage will not exceed the 2014 loan amount nor the original 2011 loan amount and he will be the lone borrower. A copy of his letter is attached hereto as Exhibit A. Mr. Morales refinanced loan will lower his mortgage rate and monthly payments. Currently the Unit is appraised at \$631,200.00

Pursuant to Hawaii Administrative Rules §15-22-188(b) (3) the Authority may defer its shared equity encumbrance on a case-by-case basis if it deems that the waiver will allow permanent financing by other mortgage lenders. Should the Authority agree to subordinate its interest, the Authority would resume its second lien position behind Mr. Morales refinance mortgage lender. Should the Authority decline to subordinate its shared equity interest, Mr. Morales would not be able to refinance and his 2014 mortgage.

Recommendation: Staff recommends that the Authority authorize the Executive Director to execute an agreement subordinating its shared equity encumbrance in Keola La‘i Unit No. 1608 to a new mortgage, maintaining its second lien position, and consenting to Mr. Morales refinancing of the current mortgage encumbering his Unit.

Attachment: Exhibit A – Mr. Pete A. Morales letter dated April 15, 2015

April 15, 2015

To: Mr. Anthony J H Ching
Executive Director
Hawaii Community Development Authority
547 Queen St
Honolulu, HI 96813

From: Pete Morales
600 Queen St
Honolulu, HI 96813

Sir,

I am writing to inform you that I am refinancing my unit. I would like to lower the rate and the new loan amount will not exceed the amount for which I purchased the unit. I expect the new loan to be \$313K. I purchased the unit for \$368,387.

I am retired and live on a fixed income this would help me very much.

Thank you,


Pete A. Morales

ATTN
Dawn Noble
