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## A BILL FOR AN ACT

RELATING TO CONDOMINIUMS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

SECTION 1. Section 514B-105, Hawaii Revised Statutes, is amended by amending subsection (e) to read as follows:

"(e) Subject to any approval requirements and spending limits contained in the declaration or bylaws, the association may authorize the board to borrow money for the repair, replacement, maintenance, operation, or administration of the common elements and personal property of the project, or the making of any additions, alterations, and improvements thereto; provided that written notice of the ~~[purpose and use of the funds]~~ terms of the borrowing is first sent to all unit owners, and ~~[owners representing fifty per cent of the common interest]~~ a majority of unit owners vote or give written consent to the borrowing. In connection with the borrowing, including non-commercial property assessed financing, the board may grant to the lender the right to assess and collect monthly or special assessments from the unit owners and to enforce the payment of the assessments or other sums by statutory lien and foreclosure



1 proceedings. The cost of the borrowing, including, without  
2 limitation, all principal, interest, commitment fees, and other  
3 expenses payable with respect to the borrowing or the  
4 enforcement of the obligations under the borrowing, shall be a  
5 common expense of the project. For purposes of this section,  
6 the financing of insurance premiums by the association within  
7 the policy period shall not be deemed a loan and no lease shall  
8 be deemed a loan if it provides that at the end of the lease the  
9 association may purchase the leased equipment for its fair  
10 market value."

11 SECTION 2. Section 514B-144, Hawaii Revised Statutes, is  
12 amended by amending subsection (h) to read as follows:

13 "(h) The board, either directly or through its managing  
14 agent or resident manager, shall notify the unit owners in  
15 writing of maintenance fee increases at least thirty days prior  
16 to such an increase[-]; provided that no maintenance fee  
17 increase shall take effect unless such increase has gained the  
18 vote or written consent of a majority of the unit owners."

19 SECTION 3. Section 514B-150, Hawaii Revised Statutes, is  
20 amended to read as follows:



1       "§514B-150   **Association fiscal matters; audits<sup>[7]</sup>; forensic**  
2   **audit; audited financial statement.**   (a)   The association shall  
3   require an annual audit of the association financial accounts  
4   and no less than one annual unannounced verification of the  
5   association's cash balance by a certified public accountant;  
6   provided that if the association is comprised of less than  
7   twenty units, the annual audit and the annual unannounced cash  
8   balance verification may be waived at an association meeting by  
9   a vote of a majority of the unit owners.

10       (b)   The board shall make available a copy of the annual  
11   audit to each unit owner at least thirty days prior to the  
12   annual meeting [~~which~~] that follows the end of the fiscal year.  
13   The board shall not be required to submit a copy of the annual  
14   audit report to an owner if the proxy form issued pursuant to  
15   section 514B-123(e) is not marked to indicate that the owner  
16   wishes to obtain a copy of the report.   If the annual audit has  
17   not been completed by that date, the board shall make available:

18       (1)   An unaudited [~~year-end~~] year-end financial statement  
19           for the fiscal year to each unit owner at least thirty  
20           days prior to the annual meeting; and



(2) The annual audit to all owners at the annual meeting, or as soon as the audit is completed, but ~~not~~ no later than six months after the annual meeting.

(c) If the association's fiscal year ends less than two months prior to the convening of the annual meeting, the year-to-date unaudited financial statement may cover the period from the beginning of the association's fiscal year to the end of the month preceding the date on which notice of the annual meeting is mailed.

(d) Each association shall have a forensic audit conducted of the association's financial records no less frequently than once every three years; provided that the first forensic audit shall be conducted no later than June 30, 2026. The board shall make available a copy of the forensic audit to each unit owner within thirty days of its completion."

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect upon its approval.

INTRODUCED BY:

*Kindel Schinger* BR

JAN 21 2025



# H.B. NO. 849

**Report Title:**

Condominiums; Loans; Monthly Maintenance Fees; Vote; Forensic Audit

**Description:**

Clarifies that the terms of a loan must first be sent to unit owners and approved by a majority of unit owners' consent to the loan. Requires a majority of unit owners to vote in favor of or provide written consent to maintenance fee increases before they take effect. Requires a forensic audit of an association's financial records no less frequently than once every three years, with the first forensic audit to be completed by 6/30/2026.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

