

LEGAL NOTES

FROM THE DESK OF HAROLD CHU

For those people who have an adjustable rate mortgage, it is anticipated a record number of adjustable rate mortgages will be adjusted in the next month or so. With the September, 2007 cut in interest rates, a borrower with an adjustable rate mortgage may wish to consider whether it is in their best interests to refinance their present adjustable rate loan at this time.



There has been much news regarding subprime loans and the problems they are causing. A subprime loan is a loan given to people with less than perfect credit. The interest rates are higher and there are fees and costs associated with those types of loans. While you may not be a subprime borrower, the negative publicity associated with the subprime loans has resulted in stricter terms and conditions for almost all borrowers seeking credit or a loan. This may make it more difficult, but not impossible to secure financing.

If you anticipate applying for a loan, you should first check your credit report to find out if there are any problems that can be corrected before making a loan application



Reverse mortgages are one of the fastest growing type of mortgages. In this newsletter, we attempt to provide you a basic understanding of what a reverse mortgage is and some of the benefits and concerns you should consider when applying for a reverse mortgage.



The fourth quarter of the year is typically one of our busiest times. If you need us to do something for you, we would encourage you to consider doing so sooner than later.



Pros and Cons of Reverse Mortgages

Reverse mortgages are the one of the fastest growing types of mortgages in the United States. This is due to a combination of factors. The United States population is aging. People who have owned their home for many years often have substantial equity in their homes and may not have sufficient liquid assets. There are many people who are "house rich, but cash poor".

A reverse mortgage is loan that allows a home owner to convert the equity in their home to cash. The reverse mortgage borrower borrows against the equity in their home in order to secure the funds. The funds are provided to the borrower either in a lump cash payment, in installment payments, a line of credit, or a combination of these alternatives. The reverse mortgage does not have to be repaid while the borrower is alive or is living in the home.

To qualify for a reverse mortgage, the owner of the property must be 62 years of age or older. The borrower must maintain the property, keep the property insured, and pay the real estate taxes. The loan must be repaid when the home is sold, the borrower permanently leaves the property, or the owner passes away. To repay the loan, the heirs can sell the property or refinance the property and pay off the loan.

Payments that are made to the borrower are tax free. The borrower can use the money in any way they wish. The money received from reverse mortgage does not affect Social Security or Medicare benefits. One of the obvious advantage for a reverse mortgage is the access to cash, which does not need to be repaid immediately. The proceeds from a reverse mortgage permits a healthy older person to stay in his or her home and receive needed cash.

Under Hawaii law, the reverse mortgage borrower is required to go to counselling before an application for reverse mortgage can be accepted. The borrower must receive certification from the counselor that the borrower has received the counselling.

The primary concern with reverse mortgages are the costs. Because you are not making payment on the loan, the interest that is charged on a reverse mortgage is interest charged not only on the amount you have borrowed, but also on the deferred interest. The interest is compounded, which makes the cost of a reverse mortgage more expensive in the long run.

The initial fees associated with a reverse mortgage must also be considered. Some reverse mortgages have provisions which allow the lender to share in the appreciation on the house. Sometimes, reverse mortgage are tied to an annuity which adds to the cost of the loan. **We strongly recommend that all reverse mortgage borrowers demand a clear disclosure of all costs associated with the reverse mortgage.** Some of these costs include, but are not limited to an

New State Law to Protect Against Identity Theft

We have, on several occasions, discussed concerns about identity theft in our newsletter. Identity theft is likely to affect your credit, which in turn affects the costs of borrowing. When you are trying to purchase real property, your credit rating is quite important.

We have reprinted two articles previously published in our Newsletter, "Dealing With Identity Theft" and "Tips on Protecting Your Good Name". This is to remind you of some of the ways to protect yourself against identity theft.

The Hawaii Legislature enacted a new law, Act 189, that became effective on July 1, 2007. This law allows consumers to freeze one's credit report. With a credit freeze, no one can open any form of credit in your name. Your credit file will be off limits to lenders, insurance companies, employers, and any one who attempts to access your credit file. If there is a request to see your credit file and there is a freeze on your account, the requestor will be told the credit is unavailable because the account has been frozen. With a credit freeze, a thief can have your name and Social Security number, but can not cause credit to be issued.

The placement of a freeze, prevents anyone from using your credit or affecting your credit. This is especially important if you have been a victim of identity theft.

The new Hawaii law provides the consumer credit reporting service shall not charge a victim of identity theft a fee for placing or removing a security freeze. If you have not been a victim of identify theft, the consumer can be charged a fee not to exceed \$5.00 for each request by the consumer to place, lift, or remove a security freeze from the consumer's credit report. This is a modest fee to protect one's credit. You should consider contacting each of the major credit reporting agencies: Equifax, Experian and Trans Union. The cost would be \$15.00 to freeze your file at all three credit bureaus.

You can still get credit for yourself

or enable a potential employer to run a background check. When you have a credit freeze, the three credit reporting agencies assign a personal identification to you when you freeze your credit. With this personal identification number, you can, when necessary, lift the freeze on your credit and then freeze it again when the need to access your credit report has been satisfied.



DEALING WITH IDENTITY THEFT

We have on several occasions, advised our clients of concerns relating to the crime of identity theft. The theft of identity occurs when people use your identity for their financial gain. When this occurs, a number of problems can occur. This article offers some suggestions as to what to do if you become a victim of identify theft.

1. Alerting the credit reporting agencies is the first and most important step you can take. You should call all three credit reporting agencies: Equifax, Experian and Trans Union. You should initiate a fraud alert with each agency. This does three things: A) you get a free copy of your credit report, B) your name and address are removed from the pre-approved offer list, and C) before any new credit is granted, you would be telephoned to verify that you really want to open an account. Any one trying to use credit in your name and use your Social Security number will have a credit check run on them.

2. You should make sure that your mail is secure. It may be a good idea to have your mail delivered to your local post office.

3. You should cancel your present credit cards and have new cards with new account numbers issued.

4. It is important to call all vendors for which you have automatic charges. Any automatic payments should be transferred to your new accounts. Otherwise, you will find angry creditors contacting you and

inquiring as to why their attempts to charge payment on your old account have been rejected.

5. Call your utility companies and inform them of the fraud. Get a new account number.

6. File a complaint with the Federal Trade Commission. If there are sufficient complaints, the Federal Trade Commission will initiate a fraud investigation. This may lead to law enforcement action.

Theft identity is at best a nuisance. At its worst, it can cost you money and damage your credit. You can minimize the possibility of future problems by being preventive.



TIPS ON PROTECTING YOUR GOOD NAME

Identity theft is a growing concern. The following are some suggestions to protect your identity:

A. Minimize the personal information you have on your checks. Use your work phone number rather than your home number. Use a work address or P.O. Box instead of your home address.

B. Never imprint your Social Security number on your checks. You are giving thieves a road map if you do so. Don't carry your Social Security card with you.

C. Print only the initial of your first name (instead of your entire first name) and your last name on your checks. If someone steals and signs your checks, it may not match your full signature card, which is on file at your financial institution.

D. Do not disclose personal information to strangers over the Internet, telephone, or mail.

There has been an increase in phishing activity using e-mail to solicit this information from you.

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IDENTITY THEFT

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E. Shred all documents containing valuable personal information before discarding them in the trash.

F. Keep important personal information in a safe place stored in a safety deposit box or a home safe.

There are three major credit bureaus, Equifax (1-888-766-0008), Experian (1-888-397-3742) and Trans Union (1-800-680-7289).

If you become a victim of identity theft, call any one of the above mentioned credit bureaus and an alert will automatically be sent to the other two agencies for you. You also should file a police report and contact your financial institutions and the Federal Trade Commission at 877-438-4338. To report a stolen Social Security card, call the Social Security Administration at 800-772-1213; and if you find that someone has changed your address with the post office, call the U.S. Postal Inspection Service at 800-275-8777. Be diligent and protect your identity.



OUR HOLIDAY CALENDAR

In November 2007, December 2007 and January 2008, our offices will be closed on the following dates:

Thursday, November 22, 2007

Friday, November 23, 2007

Monday, December 24, 2007

Tuesday, December 25, 2007

Monday, December 31, 2007

Tuesday, January 1, 2008



"So what happens if we can't meet our monthly mortgage repayments?"

REVERSE MORTGAGES

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origination fee, mortgage insurance premium, appraisal fee, closing fee, and servicing fees. These fees, depending on the amount of the loan, could easily be several thousands of dollars.

The rising costs of the reverse mortgage due to the deferred payment may make it difficult for your heirs to acquire the property. This is not a concern if the borrower does not anticipate leaving the real property to an heir. Some alternatives to a reverse mortgage are: 1) selling your home and buying a smaller less expensive home and using the remaining cash proceeds to address your financial needs, and 2) if you desire to leave the property to your children or other heirs, you may wish to consult with them and secure their assistance in borrowing money using the property as security.

Reverse mortgages are legal, but the borrower should be careful in reading and understanding the terms and conditions of the reverse mortgage.



Chinese Jews

Sid and Al were sitting in a Chinese restaurant. "Sid", asked Al, "are there any Jews in China?"

"I don't know," Sid replied. "Why don't we ask the waiter?"

When the waiter came by, Al asked him, "Are there any Chinese Jews?"

"I don't know sir, let me ask," the waiter replied, and he went into the kitchen. He returned in a few minutes and said, "No, sir. No, Chinese Jews."

"Are you sure?" Al asked.

"I will check again, sir," the waiter replied and went back to the kitchen. While he was still gone, Sid said, "I cannot believe there are no Jews in China. Our people are scattered everywhere."

When the waiter returned he said, "Sir, no Chinese Jews."

"Are you really sure?" Al asked again.

"I cannot believe there are no Chinese Jews."

"Sir, I asked everyone," the waiter replied exasperated. "We have Orange Jews, Prune Jews, Tomato Jews and Grape Jews, but we have no Chinese Jews."

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Senior Citizen Joke

A very self-important college freshman attending a recent football game, took it upon himself to explain a senior citizen sitting next to him why it was impossible for the older generation to understand his generation.

"You grew up in a different world, actually an almost primitive one," the student said, loud enough for many of those nearby to hear. "We, the young people of today, grew up with television, jet planes, space travel, men walking on the moon, our spaceships have visited Mars. We have nuclear energy, electric and hydrogen cars, computer with light-speed processing and.....," pausing to take another drink of beer.

The Senior took advantage of the break in the student's litany and said, "You're right, son. We didn't have those things when we were young so we invented them. Now, you arrogant little jerk, what are you doing for the next generation?"



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LEGAL NOTES

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**FORWARDING AND ADDRESS
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