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State urged to convince feds status of pot needs a change

By Kathryn Mykleseth
kmykdeseth@staradvertiser.com

Four Hawaii doctors earlier this month filed a petition with the state to put pressure on the federal government to change the classification of medical marijuana.

Marijuana is classified by the Drug Enforcement Administration

as a "Schedule I controlled substance," the most dangerous category of controlled substances, which includes heroin, lysergic acid diethylamide (LSD) and Ecstasy.

Dr. Clifton Otto of Honolulu and three other Hawaii doctors asked state Attorney General Douglas Chin to push for removing marijuana from the Schedule I list.

"Everyone who is selling marijuana is breaking federal law," Otto said. "The state is allowing patients to engage in the use of the federally illegal controlled substance. That is certainly the state's authority to do that, but part of the responsibility in giving patients that right is following up

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Marijuana is classified by the U.S. Drug Enforcement Administration as a Schedule I controlled substance, meaning that although it is legal for medical purposes in Hawaii, anyone growing, possessing, using or selling it still is violating federal law. Four Hawaii physicians have written Hawaii's attorney general urging him to push for a change in marijuana's federal classification. Above, plants are nearly ready for harvest at a mainland medical marijuana operation.

Mortgage rates drop despite rise in Fed's rate

Experts say even if mortgage rates increase, it likely won't impede the housing market

By Paul Wiseman
Associated Press

WASHINGTON >> What Fed rate hike?

One week after the Federal Reserve raised short-term interest rates slightly from record lows, the average on a 30-year fixed mortgage went the other way: It dipped to 3.96 percent this week from 3.97 percent last week, mortgage giant Freddie Mac said Thursday.

The drop is a reminder that the Fed has only an indirect effect on long-term mortgage rates, which more closely track the yield on the 10-year U.S. Treasury. And that yield, in turn, tends to stay down as long as inflation remains low and investors keep buying Treasuries. The 10-year Treasury yield has declined slightly since the Fed's hike last week.

"The Fed raising short-term rates by itself doesn't have a very profound effect on mortgage rates," said Sean Beckett, Freddie Mac's chief economist.

Back in the mid-2000s, when the Fed raised rates at 17 straight meetings, mortgage rates barely budged, Beckett noted.

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the islands in 1866, but I had no idea that he was just 30 at the time. He was still years from publishing "The Adventures of Tom Sawyer" (1876) and "Huckleberry

built together by the same Merry Christmas.

Bob Sigall, author of the Companies We Keep books, looks through his collection of old photos to tell stories each Friday of Hawaii people, places and companies. Email him at Sigall@Yahoo.com.

COURTESY APPLE

In the early 1980s, Steve Jobs gave five Apple II computers to Hale Kipa and flew five Hale Kipa staff members to Cupertino, Calif., to be trained, all expenses paid. Hale Kipa CEO Sam Cox recalls Jobs wore sloppy jeans and a T-shirt.

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with the federal government."

Physicians Charles Webb, Gary Greenly and Jim Berg signed the letter along with Otto. The doctors said the proposed rule change would help to correct the conflict between state and federal law.

"When the state of Hawaii accepted the medical use of marijuana in 2000, it created

a direct conflict with the federal regulation of this substance, which needs to be corrected. The burden of resolving this conflict rests with the state because the state created this conflict in the first place," the petition said.

Hawaii approved a state law in 2000 allowing for medical marijuana use by patients with a prescription. According to the DEA, Schedule I drugs are substances with no currently accepted medical use and that have a high potential

for abuse. They are the most dangerous drugs in all the drug categories, and have potentially severe psychological or physical dependence, the DEA says.

In July, Gov. David Ige signed Act 241, which allows up to 16 dispensaries to distribute medical marijuana to qualified patients or primary caregivers beginning July 15, 2016.

"Now the state is going to move forward and allow commercial business to engage in the manufacturing and selling of an illegal sub-

stance, which is going to put all of those businesses at risk," Otto said.

Including Hawaii, 23 states and the District of Columbia have passed laws allowing smoked marijuana to be used for medical conditions.

Chin said he is preparing his response to the petition.

"We will be getting something back to Dr. Otto and the petitioners within the 30 days," he said Thursday.

Chin said that, after speaking with different federal agencies last month, he

thinks it's unlikely the marijuana classification will change in 2016.

"The question came up," Chin said. "The clear answer we got back from all of the agencies was that it seems very unlikely it will happen this year because it is an election year."

Chin met with other attorneys general and their representatives from Alaska, Colorado, the District of Columbia, New Mexico, Oregon, Rhode Island and Washington last month in Washington, D.C., to discuss

marijuana issues.

"Several of us went out to meet with the Department of Justice and the Department of Treasury," he said. "The concern we have right now is when a lot of these dispensaries go live, they will be operating in all cash."

Because of the Schedule I classification, banks are not accepting money from marijuana businesses in states where pot is legal. That has become a problem for marijuana businesses, which have to pay all salaries and bills in cash.

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Still, the average 30-year mortgage rate is up slightly from 3.83 a year ago and from 3.76 percent in late October. Beckett said a few additional modest Fed rate hikes won't likely have much effect on longer-term rates until the central bank starts reducing the huge portfolio of bonds it accumulated during and after the Great Recession.

The Fed's bond purchases were intended to lower longer-term loan rates to try to stimulate borrow-

mortgage rates could remain low for a while.

What's more, inflation remains unusually low — well below the Fed's 2 percent target level. In addition, economic weakness and financial volatility overseas are drawing many global investors to the safety and relatively higher returns of U.S. Treasuries. This is putting further downward pressure on longer-term U.S. yields and keeping long-term mortgage rates low.

John Canally, chief economic strategist at LPL Financial, says mortgage rates "should not be a major impediment to the housing market" even if they do rise

averaged 6.5 percent during the housing boom of 2000 to 2007.

Historically low mortgage rates have helped the American housing market recover from the real estate bust of the late 2000s. Despite a recent decline, sales of existing homes are likely to rise about 5 percent this year from 2014. Year to date, new-home sales have advanced 14.5 percent, driven by job growth that has pushed the unemployment rate to a seven-year low of 5 percent.

On Thursday Freddie Mac also reported that the rate on 15-year fixed-rate mortgages, which are popular

loans, was unchanged at 3.22 percent.

To calculate average mortgage rates, Freddie Mac surveys lenders across the country at the beginning of each week. The average doesn't include extra fees, known as points, which most borrowers must pay to receive the lowest rates.

One point equals 1 percent of the loan amount. The average fee for a 30-year mortgage was unchanged from last week at 0.6 point.

The average rate on five-year adjustable-rate mortgages rose to 3.06 percent, highest since September 2014 and up from 3.03 per-



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cent last week; the fee remained at 0.4 point. The average rate on one-year ARMs increased to 2.68 per-

cent, highest since September 2013 and up from 2.67 percent last week; the fee held at 0.2 point.

One week after the Federal Reserve raised short-term interest rates from record lows, the average on a 30-year fixed-rate mortgage went the other way: It dipped to 3.96 percent from 3.97 percent last week, mortgage giant Freddie Mac said Thursday.