STAND. COM. REP. NO.

Honolulu, Hawaii

February 17 , 2017

RE: H.B. No. 238 H.D. 1

Honorable Joseph M. Souki Speaker, House of Representatives Twenty-Ninth State Legislature Regular Session of 2017 State of Hawaii

## Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 238 entitled:

"A BILL FOR AN ACT RELATING TO REAL ESTATE BROKERS,"

begs leave to report as follows:

The purpose of this measure is to protect funds held in client trust accounts used by property management companies by:

- Establishing criminal penalties for real estate brokers for the improper deposit, segregation, or disposition of client trust account funds;
- (2) Requiring a principal broker to report the client trust account number and name of the managing institution to the Real Estate Commission and notify the Commission of any change in account number or location within ten days; and
- (3) Authorizing the Real Estate Commission to take action in circuit court to enforce client trust account requirements.

The Real Estate Commission testified in support of this measure. The Regulated Industries Complaints Office of the Department of Commerce and Consumer Affairs provided comments.



Your Committee finds that the measure's preamble unduly displays a lack of confidence in the ability of the Regulated Industries Complaints Office to properly regulate and enforce penalties on real estate brokers. Consequently, your Committee finds that the proposed establishment of criminal penalties for such brokers is harsh and unwarranted.

Accordingly, your Committee has amended this measure by:

- (1) Deleting the measure's preamble;
- (2) Deleting the provision establishing criminal penalties for certain actions committed by real estate brokers; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 238, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 238, H.D. 1, and be referred to your Committee on Judiciary.

Respectfully submitted on behalf of the members of the Committee on Consumer Protection & Commerce,





## **Record of Votes of the Committee on Consumer Protection & Commerce**

Bill/Resolution No.: Commit CPC	ttee Referral:	Date	2/15/	17
☐ The committee is reconsidering its previous decision on the measure.				
The recommendation is to:  Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	<b>✓</b>		To Construction (Construction Construction C	
2. ICHIYAMA, Linda (VC)	<b>√</b>			
3. AQUINO, Henry J.C.				<b>/</b>
4. ITO, Ken	✓			
5. SAY, Calvin K.Y.	<b>v</b>			
6. TAKAYAMA, Gregg	J			
7. TODD, Chris	<b>V</b>			
8. YAMANE, Ryan I.				
9. FUKUMOTO, Beth	<b>√</b>			
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TOTAL (9)	7	0	0	2
The recommendation is:  Adopted  If joint referral, did not support recommendation.  committee acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				