

STAND. COM. REP. NO.

589

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:

- (1) 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.

HB238 HD1 HSCR CPC HMS 2017-2312-1



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,



ANGUS L.K. McKELVEY, Chair



