

STAND. COM. REP. NO.

92

Honolulu, Hawaii

FEB 09 2017

RE: S.B. No. 394

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2017  
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,  
to which was referred S.B. No. 394 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish criminal penalties for real estate brokers for improper deposit, segregation, or disposition of client trust account funds;
- (2) Require the 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) Authorize the Real Estate Commission to take action in circuit court to enforce client trust account requirements.

Your Committee received testimony in support of this measure from the Regulated Industries Complaints Office of the Department of Commerce and Consumer Affairs and Real Estate Commission. Your Committee received comments on this measure from one individual.

Your Committee finds that, to ensure consumers are appropriately protected, property management companies should utilize client trust accounts and have clear rules associated with

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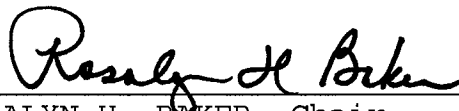


the use of client trust accounts. However, your Committee notes that existing law does not contain sufficient protections to safeguard client information and funds held in client trust accounts.

Accordingly, this measure ensures greater consumer protections by creating the criminal offense of theft, with regard to client trust accounts, and requiring principal brokers to file with the Real Estate Commission the client trust account number and name of the financial institution at which the client trust account is held. This measure also enables the Regulated Industries Complaints Office to expedite investigations of alleged client trust account violations and pursue court action, in addition to existing administrative remedies, to address client trust account violations.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 394 and recommends that it pass Second Reading and be referred to your Committee on Judiciary and Labor.

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



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ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Ninth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce, Consumer Protection, and Health**  
**CPH**

Bill / Resolution No.:*	Committee Referral:	Date:
SB 3914	CPH, JDL	2/2/17
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____		
The Recommendation is:		
<input checked="" type="checkbox"/> Pass, unamended 2312	<input type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310
<input type="checkbox"/> Recommit 2313		
Members	Aye	Aye (WR)
	Nay	Excused
BAKER, Rosalyn H. (C)	/	
NISHIHARA, Clarence K. (VC)	/	
CHANG, Stanley	/	
ESPERO, Will	/	
IHARA, Jr., Les	/	
KIDANI, Michelle N.		/
RUDERMAN, Russell E.		/
<b>TOTAL</b>	<b>5</b>	<b>2</b>
Recommendation:		
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted		
Chair's or Designee's Signature:		
<i>Clarence K Nishihara</i>		
Distribution:		
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency
		Goldenrod Committee File Copy

\*Only one measure per Record of Votes