Executive Summary

1. A number of recent studies have revealed an apparent communication problem concerning consumer expectations of services offered by real estate brokers. Consumers frequently misunderstand which real estate brokers represent them and which brokers merely provide real estate services to them as agent or subagent of the other principal.

2. While most real estate transactions are successfully completed, this communication problem can lead to serious legal problems, especially when dissatisfaction arises with the basic deal and one of the parties is seeking a way out of the contract or money damages.

3. Clear disclosure of who the broker represents should be required. Not all brokers agree on agency relationships and, as a result, confusion exists among brokers as well as consumers.

4. Required disclosure, coupled with further education on agency responsibilities, will clarify consumer expectations and enhance the professional image of the licensee.

5. The real estate industry should take its own measures to clarify agency relationships, especially its position on the subagency relationship in MLS and cooperative brokerage sales. Consumers and brokers should be free to determine their legal relationships as they see fit without undue interference.
Consultant’s Legislative Report on Agency Relationships

Continued from page 1

from either organized real estate or government. But there should be a legal requirement that real estate brokers clearly disclose to Buyer and Seller once they determine whose agent they are.

5. This report suggests appropriate language for amending Chapter 467-14 HRS (grounds for revocation or suspension) so that Buyers and Sellers confirm that agency relationship disclosure was given prior to the signing of the sales contact.

Introduction

1984 was a very productive year, both locally and nationally, in terms of studies and reports on the subject of real estate agency relationships. As a result, there is presently available a great deal of background information to help decide what needs to be done to clarify agency relationships. Much of this background material is highlighted in this report. Some agency-related activities in 1984 were:

1. The Hawaii Real Estate Commission (HREC) included the agency/subagency issue as one of its programs of work for 1983-1984.
2. The HREC authorized Research Marketing Systems Inc. (RMS) to conduct several studies concerning agency.
3. The HREC retained John Reilly as consultant to research the agency/subagency issue.
4. The HREC conducted a survey of all license law officials of the National Association of License Law Officials (NARELLO) to assist both the HREC and NARELLO in their individual work on the agency/subagency issue.
5. The HREC assisted in the preparation of a comprehensive report entitled “Preliminary Report From the Agency/Subagency Study Committee of the National Association of Real Estate License Law Officials.”
7. In addition, the California Department of Real Estate had earlier commissioned two studies on agency: Single Agency Problems and Single Agency Practice.

What Is the Problem?

The essence of the problem with agency relationships in current real estate transactions is a lack of adequate communication. Buyers, Sellers, and the various real estate agents frequently have different perceptions and expectations of the role of the agent. As was stated in the FTC Report, “Both the ambiguities and the conflicts in the broker’s role can lead to false consumer expectations and to possible abuses of the broker’s fiduciary duties.”

Although the problem is lack of communication, it has the potential of developing into a legal problem, especially when the agent is arguably representing both parties in an undisclosed dual agency capacity. Once an agency relationship is created, certain legal implications arise. The principal is liable for and bound by the acts of its agent; notice to an agent is notice to the principal; ambiguities in a contract are interpreted against the party (or agent) who prepared it; an admission by an agent is legally admissible in evidence against the principal. It is, therefore, important to clarify who the agent represents.

The results of official surveys in Hawaii and nationally indicate there is confusion and misunderstanding over who the agent represents. These studies indicate that Buyers expect that the agent they work with is representing them. In many cases, however, the agent is under the impression he or she represents the Seller as agent or subagent. The studies are summarized in Exhibits A, B, and C.

The question of agency relationships is compounded by the variety of special relationships that may exist in any one real estate transaction. For example, assuming only one agent is involved, the agent could:

1. Act for the Seller only, with the Buyer being unrepresented;
2. Act for the Buyer only, with the Seller being unrepresented;
3. Act as a dual agent for both Seller and Buyer. Such dual agency is legal if both parties consent after full disclosure. (Courts generally require an “informed consent” and more complete disclosure of the implications of dual representation than most brokers give.) Frequently, however, the dual agency is unintended and undisclosed and this gives rise to legal claim for damages or rescission.

If there is more than one agent, the following could occur:  
1. One agent acts for the Seller and the other, or others, act as subagents of the Seller, with the Buyer being unrepresented;
2. One acts as the Buyer’s agent and the other or others act as subagents of the Buyer, with the Seller being unrepresented;
3. One acts as Seller’s agent and other acts as Buyer’s agent;
4. One acts as Seller’s agent and other or others act as Seller’s subagents, but also act as Buyer’s agents. This dual agency is legal if consented to after full disclosure. Usually, however, the dual agency is unintended and undisclosed.

Probably the most problematic of all these special relationships are the cooperating broker sale and the in-house sale. In the typical cooperative sale, the Seller authorizes the listing broker to submit the property to the Multiple Listing Service (MLS) and to permit other participating members to show the property to buyer prospects. In the typical case, a cooperating broker spends many hours, even days, trying to locate the right property for the Buyer. The question raised is whether this cooperating broker is a subagent of the Seller based on the Seller’s listing and the MLS system, or an implied agent of the Buyer based on the actions of the agent in “representing”

Continued on page 3
the Buyer, or a dual agent?

There are many viewpoints on the “correct” answer. As a result, a situation is created in which the listing broker may view the cooperating broker, with whom he splits the commission, as a subagent, the Seller may feel the cooperating broker is a Buyer’s agent, the Buyer may feel the cooperating broker is his agent, and the cooperating broker feels uncomfortable since he has emotionally adopted the Buyer but is often told he’s legally a subagent of the Seller. There is potential misunderstanding on everyone’s part, and this can create a fertile setting for litigation.

The in-house sale situation can also lead to unintended dual agency problems. Assume one sales agent within a brokerage firm, acting on behalf of the broker, acquires an exclusive listing from the Seller, and another sales agent within the same firm actively represents a prospective Buyer. A dual agency could be created, especially if the broker fails to notify the Buyer that the broker represents the Seller exclusively. As noted earlier, undisclosed dual agency can give rise to legal action.

Is Clarification Needed to Protect the Consumer?

The current system has been described by some writers as a “time bomb ready to explode.” I wouldn’t be so dramatic, but I would agree that further clarification of agency relationships will benefit the consumer. And, in the few cases which end up in litigation, such clarification could be a significant factor in the outcome.

The consumer, whether a Buyer or Seller, should have a clearer understanding of what to expect from the real estate agent in terms of representation or services rendered. If, for example, the cooperating broker is to be a subagent of the Seller, then the Buyer should know about the subagency. This is so even though the cooperating broker provides valuable services to the Buyer. The Seller should also be alerted to the subagency since the Seller is responsible for the acts of its subagents as well as its agents. Buyer and Seller should know what to expect. Under the current practice of nondisclosure, Buyers often expect they are being represented when, in fact, they are only being serviced by the Seller’s agent or subagent.

A second reason for clarification of agency relationships is that agents will enhance their professionalism. As agents examine more carefully how they create agency relationships and what they can and cannot do when representing a client or when providing service to a customer, then agents will appear more professional as representatives of their clients rather than as deal makers interested in a quick sale of property.

Also, by drawing the lines of legal obligations more clearly, the issues of dual agency and liability for agent misrepresentation will be easier to resolve in the event litigation arises in the transaction. The Buyer or Seller can suffer liability and damages as a result of the acts of their agent even though the agency was not understood. In addition to the consumer benefiting, the licensee also benefits in that the risks are lessened that a Seller’s agent or subagent would be placed in a potential unintended dual agency position due to the erroneous perception of the Buyer that the licensee is his agent.

Experts in real estate litigation will attest to the fact that attorneys are starting to raise the issues of agency relationships and dual agency more and more in real estate legal disputes. Whether an agency exists is a question of fact for the jury to decide. As a result, trial attorneys often raise this factual issue to defeat a motion for summary judgment, even though the agency issue is only a collateral issue in the case. The Hawaii courts are starting to render opinions in this area in cases which could have been resolved had simple disclosures been given. (See Exhibit D for summary of Hawaii decisions.)

The need for clarification is evidenced by the increase in legislative efforts on the Mainland to require disclosure. In addition, the NARELLO Report emphasizes the need for clarification in order to better protect the consumer. (See Exhibit E.)

Some industry leaders point to surveys (such as the FTC and Hawaii reports) which indicate a high level of consumer satisfaction with broker services. They say “if it isn’t broke, why fix it.” Some critics suggest that those satisfaction levels would not have been so high if the Buyers had learned that by using their own agent, as opposed to the Seller’s agent or subagent, they might have paid less for the property or negotiated better finance terms from the Seller or been exposed to better properties. Perhaps if the Seller had learned of the Seller’s potential liability for the acts of the cooperating broker under subagency law, the Seller would not have authorized the use of subagents.

What Type of Clarification is Needed?

The NARELLO Report discusses the pros and cons of at least 11 possible courses of action for licensing officials to consider. The choices range from simple disclosure of specific agency relationships to a complete restructuring of existing brokerage practice. The Report made no recommendations since the law and nature of the real estate industry varies from state to state.

These possible courses of action can be categorized as follows:
1. Disclosure of the agency relationship.
2. Creation of presumption in favor of subagency or in favor of Buyer’s agency.
3. Require single agency so each principal has a broker.

Since the main finding of recent studies is that there is a communication gap between the consumers’ expectations and the broker’s services offered, it appears that a legislative requirement of disclosure would be a logical initial course of

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action. While it is true that some brokers clearly specify their agency relationship on their contracts, such is not a uniform practice in Hawaii.

In order for disclosure to apply to all transactions and to all brokers, an amendment to the licensing law is required. That way all licensees will conform, not just those who personally see the benefits of disclosure.

As for recommending courses of action beyond disclosure, such as creating presumptions of subagency, I do not think it appropriate for the legislature to intervene in how the brokerage business should be operated, at least not until something more serious than a communication problem is revealed. By creating presumptions, the legislature may appear to be endorsing one method of brokering over another. As was stated on page 13 of the NARELLO Report:

“Although the real estate industry may be able to address the agency/subagency issue on its own, to date there does not appear to have been any significant nationwide effort to do so. Legislation aimed at clarifying the agency/subagency issue will involve a balancing of protection of the consumer’s interest with the burden imposed on the real estate industry. Such a balancing should be left to the expertise of the state real estate licensing authority. Extensive legislation designed to totally restructure the current brokerage industry may create disadvantages that far outweigh the contemplated advantages. Finally, the agency/subagency issue is an industry wide concern.”

**Disclosure**

There are several alternatives for a disclosure requirement. These are discussed in a memorandum to the HREC dated December 21, 1984 (See Exhibit F).

The first alternative is a simple disclosure of who the agent represents and/or some acknowledgment by the consumer that disclosure was given. The second alternative is the requirement that all licensees present to Buyers and Sellers a uniform disclosure statement discussing the available choices of agent representation and/or a writing confirming which choice the consumer desires.

The third alternative is the proposed California legislative approach (with no written confirmation). There is some concern, however, whether the measure will pass in the 1985 session since it is difficult to obtain agreement on the proper wording of a uniform statement (See Exhibit G).

I think the first alternative for disclosure is the best approach. Brokers and consumers should be free to arrange any legal relationship they see fit, as long as written disclosure is made. Naturally this disclosure should be made as early in the relationship as is practical. At a minimum, however, the Buyer and Seller should confirm in the sales contract that they had received notice of the agency relationships of all brokers in the transaction. Through education programs and guidelines suggested by the HREC, brokers can best ascertain the mechanics of when and how to give appropriate disclosures.

**Proposed Legislation**

Chapter 467-14, Hawaii Revised Statutes, is amended by adding a new section to read:

“When the Broker, at the time the Buyer and Seller sign the sales contract, fails to obtain written confirmation from Buyer and Seller of the Broker’s agency relationship to Buyer and Seller.”

This act shall take effect July 1, 1987.

**Comments:** Since the broker (not the individual sales agent) is the person who creates and maintains the direct agency relationship with the consumer, the broker should be responsible for establishing the procedures to ensure compliance with this new section. Early disclosure of the agency relationship should be encouraged so as to lessen accidental exchange of confidential information to another’s agent. There should be some acknowledgment that, prior to signing the sales contract, the Buyer and Seller were given appropriate disclosure. The HREC can develop implementing rules and regulations concerning the timing and nature of the disclosure (See Exhibit H).

**Committee Report**

The Committee Report should cover the following points:

1. **Education.** The HREC should be directed to organize an intensive educational program on the issue of agency relationships during the two years prior to the effective date of this act. Such a program could include:
   a. Educational seminars for licensees and the public on the agency relationships between licensees and Buyers and Sellers. (See Exhibit I.)
   b. Consumer brochures explaining the nature of the agency relationships in a real estate transaction. These brochures could be made available for distribution by licensees. (See Exhibit J.)
   c. Coverage of agency/subagency issues in the curriculum for real estate prelicense and/or continuing education courses.
   d. Coverage of agency/subagency issues on the real estate prelicense examinations.

2. **Real Estate Transaction.** This act shall apply to all real estate transactions, including commercial as well as residential real estate, with the exception of leases not exceeding one year. The HREC can adopt implementing rules and regulations which would include leases within the definition of sales contract and lessor for Seller and lessee for Buyer.

3. **Supplemental Provisions.** Some supplemental provisions to rules and regulations:
   a. The obligation of either Seller or Buyer to pay compensation to a broker for agency services is not necessarily

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determinative of the agency relationship.

b. Nothing in these rules shall preclude a listing broker from also being a selling broker, and the combination of these functions in one broker does not, of itself, make that broker a dual agent.

c. Nothing in these rules shall affect the validity of title to real property transferred involving an agency relationship because any broker failed to conform to the provisions of these rules.

d. The HREC is authorized to require attendance of all sales licensees in a 3-hour agency program and broker licensees in a 6-hour agency program.

**Conclusion**

The proposed legislation is a moderate approach to helping licensees resolve the agency relationship problem. The goal is to help simplify legal relationships and eliminate the ambiguity and confusion surrounding the agent representation issue while, at the same time, leaving the parties free to arrange their legal relationships as they see fit. Licensees will have to decide who they represent, what services they will offer, and will then have to clearly disclose such relationship to both Buyer and Seller.

The consumer will have a better understanding of the role of the broker in the transaction and will not expect more representation or services than is actually offered. By requiring only disclosure, the legislature avoids mandating how a broker should offer services to the consumer. Industry is encouraged to work out the problems of subagency which have been raised by many of the studies referred to herein. The HREC will closely monitor the market to see if further steps are needed to protect the consumer.

**New 80-hour broker course approved and in effect**

2005 marks the beginning of the Commission’s new 80-hour broker course.

The 80-hour broker curriculum was approved by the Real Estate Commission in July, 2004.

Each prelicense school certified to offer the broker’s curriculum and that chooses to offer the new course, must offer the 80-hour broker curriculum as of January 1, 2005. The old 46-hour broker course is no longer acceptable.

The broker’s license exam based on the 80-hour course will be given starting February 1, 2005. All broker candidates who received their School Completion Certificates in 2004, or their Prelicense Education Equivalency Certificates in 2004, continue to have two years in which to take and pass the broker’s exam.

These candidates do not have to take the 80-hour broker course in order to sit for the broker’s exam beginning February 1, 2005.

Each prelicense school that decides to offer the 80-hour broker course is responsible to gather all the information necessary to flesh out the 80-hour curriculum, and teach the material to broker candidates.

There are no written course materials provided by the Real Estate Commission.

In the past, most prelicense schools have relied on “Principles and Practices of Hawaiian Real Estate” written by Paige Vitousek, John Reilly, and Robert Rediske, as the main text for their prelicense courses.

Because there was only one hour more required for the broker’s course, prelicense schools were able to get a lot of mileage from the written textbook and did not have to necessarily come up with additional material in order to teach the approved curricula for both the salesperson’s and broker’s courses. In many courses, both the salesperson’s and broker’s curriculum were taught simultaneously.

This is no longer the case. Each prelicense school must put together their own course materials, or at the very least, is responsible for gathering and teaching the information to conform to the approved broker’s curriculum. Additionally, each prelicense school is responsible to update all course information, as necessary.

As of this writing, the Hawaii Academy of Real Estate (HARE), will be offering the new broker course. HARE is based on Kauai and Oahu. Check the Commission’s website at www.hawaii.gov/hirec for current course schedules, or contact the prelicense school you are interested in attending.

The Commission looks forward to other prelicense schools offering the new curriculum in the very near future.

**Plan to renew on-line in 2006**

The on-line 2004 real estate license renewal year was very successful, with 39.34% of real estate brokers renewing on-line and 44.08% of real estate salespersons going the on-line route.

Congratulations!

In hard numbers, of the 5,540 licensed real estate brokers, 5,038 had renewed as of January 5, 2005, and 1,982 renewed on-line.

Of the 12,177 real estate salespersons, 10,074 had renewed by January 5, 2005, and 4,441 of them renewed on-line.

Electronic business will continue to replace traditional paper processing, and the Real Estate Commission is actively looking at ways to improve all aspects of real estate licensing and education.

Plan on renewing on-line in 2006!
The Chair’s Message

Aloha and Happy New Year!
The Real Estate Commission is keeping up its exceptional progress on its program of work carried over from 2004.

On the educational front, the new broker’s curriculum was approved and test questions for the new Broker’s exam written. As of January 1, 2005, the 80-hour new broker’s curriculum may be offered for broker candidates and the new broker’s exam will begin testing on February 1, 2005.

The Commission has approved the contract for the revision of the salesperson’s curriculum, and this project should be completed by May of this year. The Commission has also approved the contract for a new 2005-2006 mandatory core course which will again be developed by ProSchools with the able assistance of knowledgeable local talent.

The bill to recodify the condominium law is up for final approval in the 2005 legislative session. We are hoping that with your support, the recodification of Chapter 514A will be completed. In 2004, the Legislature passed Parts I (General Provisions), II (Applicability), and VI (Management of Condominiums) of the recodification bill SB 2210, delaying the effective date to July 1, 2005, and subject to the passage of Parts III, IV and V by July 1, 2005. So, it is critical that you continue to support the complete passage of this monumental bill. Our special thanks go to those members of the Blue Ribbon Committee and all of the volunteers whose selfless efforts have helped to make the recod bill a reality.

The Commission is currently compiling a list of real estate licensing rules to amend, clarify, or delete. We are aiming to initiate the formal rule-making process by mid-2005. The “agency” issue will be a hot topic of discussion and review this year. Look for the Commission to put in time to evaluate this important issue and to continue to work with the real estate community to reach a healthy compromise.

Without the efforts of your dedicated commissioners, none of the above projects would be possible. Heading the educational programs, Vern Yamanaka, Trudy Nishihara, and Carol Ball, have done, and will continue to do, an incredible job of improving the educational choices for real estate licensees.

Mitch Imanaka and Kathleen Kagawa are charged with the Herculean task of moving the recodification bill forward and are doing an outstanding job of it. Iris Okawa, Louis Abrams, and Michelle Loudermilk are hard at work on the possible rules changes and other projects that are being tasked to the laws and rules committee.

I would like to emphasize that these people give up tremendous amounts of their time to work on problems and issues that affect the entire industry. As an example, Iris Okawa and Louis Abrams are our Hawaii representatives to ARELLO (the Association of Real Estate License Law Officials), and do an outstanding job of working on volunteer committees and speaking engagements to other Real Estate Commissions and enforcement agencies from around the world. You can be proud of these commissioners who represent you so well outside of Hawaii. If you speak to any of these people, stop and give them a simple “thank you.”

Of course, none of this could happen without the support of the staff of the Real Estate Branch who have been working double time to get through the demands of the program of work that the Commissioners are pushing forward, and renewing the over 18,000 real estate licensees Hawaii now has. Our sincere thanks go to Calvin Kimura and the staff of the Real Estate Branch for doing such a fine job.

John Ohama

State of Hawaii Real Estate Commission
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Website: www.hawaii.gov/hirec

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This material can be made available to individuals with special needs. Please call the Senior Real Estate Specialist at 586-2643 to submit your request.
Better be aware of these changes for taxpayers

Submitted by the State Department of Taxation

The State’s April 20th income tax filing deadline is only two and a half months away. The following are some changes to be aware of and hints to help you through.

Social security numbers are NOT preprinted on the mailing label sent with your form and instruction package or postcard-sized mailing this year and must be written directly on your tax return.

* * *

Federal tax changes enacted in 2004 (e.g., the option to deduct sales taxes instead of income taxes and the deduction for certain educator expenses) have NOT yet been adopted by Hawaii. They CANNOT be claimed on Hawaii returns until and unless enacted by Hawaii.

* * *

There is a new adjustment to income deduction of up to $3,000 for certain costs of maintaining an “exceptional tree.” See the county ordinances for lists of qualifying trees.

* * *

You can now donate $2 of your refund ($4 if married filing a joint return) to the Hawaii Public Libraries Special Fund. The donation WILL reduce your refund and CANNOT be revoked once made. (HINT: If you donated $2 last year to the Hawaii School-Level Minor Repairs and Maintenance Special Fund, you may deduct that donation on your 2004 return if you itemize your deductions.)

* * *

All taxpayers, even those on the neighbor islands, should mail their income, general excise, and other tax returns directly to the Tax Department’s office in Honolulu.

* * *

General excise, transient accommodations, and other business tax forms booklets are now preprinted with the new Hawaii Tax ID Numbers that replaced the old eight-digit license numbers.

* * *

Hawaii Tax ID Numbers begin with the letter “W” and are followed by eight randomly assigned numbers plus a two-digit sequence number. (HINT: Documents can be processed with either the old or the new numbers. If you write your old number on a new form, however, cross out the preprinted “W”; if not, the return or payment may be incorrectly processed. See Announcement No. 2004-16 for more information.)

* * *

Employers who withhold more than $40,000 in Hawaii income taxes from their employees’ wages must now deposit the amounts withheld SEMIWEEKLY, in most cases by electronic funds transfer (EFT). See Tax Information Release No. 2004-01 for more information.

New tax ID numbers result in improved customer service

The State Department of Taxation has notified approximately 381,000 businesses of new Hawaii Tax Identification Numbers replacing their general excise tax and other business tax license/registration numbers.

“Taxpayers were assigned their identification numbers in conjunction with our new Integrated Tax Information Management System,” said State Tax Director Kurt Kawafuchi. “This system is already paying big dividends in terms of improved customer service.”

These non-confidential numbers can be given to others as necessary, and will be printed on license and registration certificates displayed at places of business and on tax forms mailed annually to businesses.

Taxpayers should review their letters, notify the department of any errors and keep the letters in their permanent files. The letter should also be shared with accountants and other appropriate persons.

Additional information is provided in Department of Taxation Announcement No. 2004-16, which can be obtained at any district tax office, by calling a 24-hour request line at 808-587-7572 (toll-free at 1-800-222-7572) or by visiting the department’s website at www.state.hi.us/tax.

Businesses that need to correct erroneous information or have questions about their new number(s) should contact the department’s Taxpayer Services Branch during business hours at 808-587-4242 (toll-free at 1-800-222-3229).
Administrative Actions

Steven D. Weeks—REC 2003-44-L

RICO was told by Complainant that Respondent made misrepresentations in his real estate transaction with her and that he failed to ascertain and disclose pertinent information about the property she purchased from his client. Respondent represented that the property being sold to Complainant consisted of two houses when the property was actually a single family dwelling. In addition, Complainant alleged that Respondent represented the street on which the property is located to be a private lane when it is actually a public road.

The allegations, if proven, would constitute violations of the following statutes: HRS §§467-14 (1) (making any misrepresentation), 467-14 (13) (violating chapters and rules), 467-14 (18) (failing to ascertain and disclose), and HAR §§16-99-3(a) (fully protect the general public) and 16-99-3(b) (protect the public against misrepresentation). Under terms of a Settlement Agreement Prior to Filing of Petition for Disciplinary Action, Respondent did not admit that he has violated any law or rule but acknowledged that RICO had sufficient cause to file a Petition for Disciplinary Action against his broker’s license. Respondent entered into the Settlement Agreement as a compromise of the claims and conserve on the expenses of proceeding with an administrative hearing in the matter. Respondent agreed to pay a $3,000 fine and $1,200 restitution to Complainant.

The Commission accepted the Settlement Agreement on November 24, 2004.

Sheldon H. Lau—REC 2003-279-L

RICO received a complaint from a member of the public claiming that Respondent may have violated Hawaii’s licensing laws or rules related to advertising by Realtors. RICO investigated the complaint and, based on its investigation, RICO alleged that on Sunday, August 10, 2003, an advertisement for the sale of a home and open house appeared in The Honolulu Advertiser as follows: Brand New Open House 2-5, 3409 Kupaa Dr. Upgraded 4/2 home, 2 car carport, large 600+ sf lanai, deck, fenced yard, awning, windows. Quiet neighborhood, close to town. Must see! $459,000 (FS). George K.H. Lau & Associates. Call 536-8651 (work); or 741-7435 (cell) ask for Sheldon.

RICO determined that the advertisement contained false or misleading information. George K.H. Lau, Respondent’s father, was deceased at the time the advertisement ran, and the company did not have a temporary principal broker appointed. In fact, during the running of the advertisement, Respondent was not affiliated with any licensed broker. Further, Respondent owned the property described in the advertisement at the time it was placed, yet the advertisement left the impression that it was a legitimate listing by a licensed broker rather than a “for sale by owner.” The advertisement did not mention that Respondent was, at the time, a licensed real estate salesperson in inactive status even though Hawaii Administrative Rules require Realtors, whether they are in inactive status or not, to disclose their license status in advertising material. Finally, to the extent that the advertisement was a “for sale by owner” listing, such is not permissible by Realtors under Hawaii real estate rules and regulations.

The foregoing allegations, if proven at an administrative hearing, would constitute violations of at least the following statutes governing the conduct of real estate salespersons in Hawaii: HRS §436B-19(2) (false or deceptive advertising), 436B-19(17) (violating the chapter and/or rules and regulations relating to real estate licensees); HAR §16-99-11(b) (licensees may not advertise “for sale by owner”), 16-99-11(c) (in advertising licensees shall disclose licensing status whether inactive or not), 16-99-11(e) (requirements for ads by licensees), 16-99-3(g) (licensee must inform principal broker of sales of his own property as well as reveal the same before accepting an offer from someone), and 16-99-3(w) (violating the chapter and/or rules and regulations relating to real estate licensees).

Respondent entered into the Settlement Agreement Prior to Filing of Petition for Disciplinary Action as a voluntary compromise of the claims and conserve on the expenses of proceeding with an administrative hearing. Respondent agreed to pay a $1,000 fine.

The Commission accepted the Settlement Agreement on November 24, 2004.

Rosemary D. Kane and Sugar Kane Realty, Inc.—REC 2003-313-L

Respondent Kane is principal broker for Respondent Sugar Kane Realty, Inc. RICO received information regarding a real estate transaction involving allegations that Respondents failed to properly execute the DROA, including but not limited to failing to have the principal broker or broker-in-charge review and/or sign the DROA, failing to acknowledge who gave or received the earnest money deposit, failure to timely perform termite inspections, failure to notify the seller of the buyer’s qualification of the mortgage loan, and failure to follow up on several other suspense deadlines.

The foregoing allegations, if proven, would constitute violations of the following statutes governing the conduct of real estate brokers licensed in Hawaii: HRS §§467-14 (7) (failing to account for any moneys belonging to others), 467-14 (13) (violating chapters and rules), and HAR §§16-99-3(a) (fully protect the general public), and 16-99-3(f) (all financial obligations and commitments in writing and provided to all parties involved).

Respondents did not admit that they violated any law or rule but acknowledged that RICO had sufficient cause to file a Petition for Disciplinary Action against their real estate brokers’ licenses. Respondents entered into a Settlement Agreement Prior to Filing of Petition for Disciplinary Action as a compromise of the claims and to conserve on the expenses of proceeding with an administrative hearing on the matter. Respondents agreed to pay a $500 fine. The Commission accepted the Settlement Agreement on December 17, 2004.
Scheduled Continuing Education Courses

An updated schedule is available at http://www.hawaii.gov/hirec. Courses are subject to change or cancellation; please check directly with the provider to confirm date, time, and location.

Courses with a (CORE) are approved 2003-2004 core courses and receive 4 hours credit. All other courses are electives and receive 3 hours credit. If you are taking courses to reactivate an inactive license this year, you must first satisfy the prescribed continuing education hours of one prior renewal period. If you are restoring a real estate license, telephone the Licensing Branch at (808) 586-3000 for specific instructions and information.

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<td>9:00am ACCREDITED BUYER REP COURSE</td>
<td>KAUAI BOARD OF REALTORS</td>
<td>KAUAI MARRIOTT</td>
<td>LIHUE</td>
<td>HALL</td>
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<td>KONA</td>
<td>2/2/05</td>
<td>9:00am CONTRACTS</td>
<td>KONA BOARD OF REALTORS</td>
<td>ROYAL KONA RESORT</td>
<td>KAILUA-KONA</td>
<td>CHONG</td>
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<td>MAUI</td>
<td>3/18/05</td>
<td>9:00am PROPERTY MANAGEMENT &amp; LANDLORD/TENANT</td>
<td>REALTORS ASSN OF MAUI</td>
<td>REALTORS ASSN</td>
<td>KAHULUI</td>
<td>HOLIDAY</td>
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<td>OAHU</td>
<td>2/9/05</td>
<td>1:30pm UNDERSTANDING CONTRACTS PT. III</td>
<td>ABE LEE SEMINARS</td>
<td>1585 KAPIOLANI BLVD</td>
<td>HONOLULI</td>
<td>LEE</td>
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<td>2/9/05</td>
<td>5:30pm UNDERSTANDING THE LAND USE</td>
<td>ABE LEE SEMINARS</td>
<td>1585 KAPIOLANI BLVD</td>
<td>HONOLULI</td>
<td>LEE</td>
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<td>2/9/05</td>
<td>8:30am (CORE) REAL ESTATE LAW REVIEW &amp; UPDATE/EThICS 2003-2004</td>
<td>ABE LEE SEMINARS</td>
<td>1585 KAPIOLANI BLVD</td>
<td>HONOLULI</td>
<td>LEE</td>
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<td>2/18/05</td>
<td>1:00pm (CORE) REAL ESTATE LAW REVIEW &amp; UPDATE/EThICS 2003-2004</td>
<td>DOWER SCHOOL OF RE</td>
<td>1114 11TH AVENUE</td>
<td>HONOLULI</td>
<td>WILIA</td>
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<td>2/18/05</td>
<td>9:00am PROPERTY MANAGEMENT &amp; MANAGING RISK</td>
<td>DOWER SCHOOL OF RE</td>
<td>1114 11TH AVENUE</td>
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<td>2/24/05</td>
<td>1:00pm (CORE) REAL ESTATE LAW REVIEW &amp; UPDATE/EThICS 2003-2004</td>
<td>ABE LEE SEMINARS</td>
<td>1585 KAPIOLANI BLVD</td>
<td>HONOLULI</td>
<td>LEE</td>
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<td>2/24/05</td>
<td>6:00pm STICKS, BRICKS &amp; STEEL: UNDERSTANDING PLANS &amp; CONSTRUCTION METHODS</td>
<td>ABE LEE SEMINARS</td>
<td>1585 KAPIOLANI BLVD</td>
<td>HONOLULI</td>
<td>LEE</td>
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<td>2/24/05</td>
<td>8:30am CI 103: LEASE ANALYSIS FOR COMMERCIAL INVESTMENT RE</td>
<td>HAWAII CCIM CHAPTER</td>
<td>UNIV. OF PHOENIX</td>
<td>HONOLULI</td>
<td>FISHER</td>
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</table>
The real estate licensing laws and rules, in particular Chapters 467 and 436B, Hawaii Revised Statutes, and Chapter 99, Hawaii Administrative Rules, prohibit licensees from compensating unlicensed persons for performing any real estate activities or for referring business.

Thus a licensee who offers gifts or other inducements to an unlicensed individual for referring business would be violating the licensing laws and rules.

However, offers of a gift (appliance, furniture, vacation packages, etc.) or reimbursement of expenses (inspection fees, escrow fees, etc.) by a broker to a buyer or seller or an inducement to utilize the services of the broker are not prohibited by Hawaii's licensing laws and rules.

With respect to the transaction in which the buyer or seller is involved, the buyer or seller is neither engaged in real estate activities, as defined in Section 467-1, HRS, nor referring business to the broker. The inducements are, in fact, a reduction in purchase price to the buyer or an increase in revenue to the seller. Therefore, gifts, reimbursement of expenses, or rebates of commissions to the buyer or seller are not prohibited by Hawaii licensing laws.

1. However, brokers should observe the following cautionary notes. The offers may only be made by a broker corporation or partnership, sole proprietor, or on behalf of the brokerage firm by an authorized salesperson or broker-salesperson. Under Section 467-1, HRS, every salesperson must be under the direction of a broker for all real estate transactions. A salesperson or broker-salesperson who offers gifts, rebates, or reimbursement of expenses without the broker's authority is in violation of §467-1, HRS, and therefore subject to disciplinary action under §467-14(13), HRS.

2. Section 16-99-3(f), HAR, requires all financial obligations and commitments regarding real estate transactions to be in writing, expressing the exact agreement of the parties, and setting forth the essential terms and conditions. Copies of the agreements must be given to all parties involved at the time of execution.

3. While gifts and reimbursements offered to a buyer or seller as inducements to utilize the broker's services are not prohibited, such inducements, if offered to a buyer or seller for referring business to the broker would be in violation of Chapters 467 and 436B, HRS. For example a broker is permitted to offer a seller $1,000 for listing property with the broker but may not offer $1,000 to the seller for referring potential buyers or sellers to the broker.

4. Be aware of the tax laws as they apply to all parties to the transaction.

5. Lastly there are federal laws that prohibit such offers of gifts or reimbursement of expenses by a real estate licensee.

Licensees should familiarize themselves with these laws to avoid any possible violations. If other states are involved, the licensee should also consult the laws of those states.
## Continuing Education Providers

<table>
<thead>
<tr>
<th>Provider</th>
<th>Telephone</th>
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<tbody>
<tr>
<td>Abe Lee Seminars</td>
<td>942-4472</td>
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<tr>
<td>Akahi Real Estate Network, LLC</td>
<td>331-2008</td>
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<tr>
<td>BOMA-Hawaii</td>
<td>847-0143</td>
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<tr>
<td>Brian R. Thomas dba Edventures</td>
<td>885-2117</td>
</tr>
<tr>
<td>Coldwell Banker Pacific Properties</td>
<td>738-3926</td>
</tr>
<tr>
<td>Continuing-Ed-Online.Org</td>
<td>206-523-8801</td>
</tr>
<tr>
<td>Dower School of Real Estate Windward</td>
<td>263-9500</td>
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<tr>
<td>Dower School of Real Estate</td>
<td>735-8839</td>
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<tr>
<td>Duplanty School of Real Estate</td>
<td>737-5509</td>
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<tr>
<td>Eddie Flores Real Estate</td>
<td>951-9888</td>
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<tr>
<td>Fahrni School of Real Estate</td>
<td>486-4166</td>
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<tr>
<td>Hawaii Association of Realtors</td>
<td>733-7060</td>
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<tr>
<td>Hawai‘i CCIM Chapter</td>
<td>528-2246</td>
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<tr>
<td>Hogan School of Real Estate</td>
<td>1-800-794-1390</td>
</tr>
<tr>
<td>Honolulu Board of Realtors</td>
<td>732-3000</td>
</tr>
<tr>
<td>John Reilly</td>
<td><a href="mailto:John@InternetCrusade.com">John@InternetCrusade.com</a></td>
</tr>
<tr>
<td>Kauai Board of Realtors</td>
<td>245-4049</td>
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<tr>
<td>Kona Board of Realtors</td>
<td>329-4874</td>
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<tr>
<td>Lorman Education Services</td>
<td>715-833-3940</td>
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<tr>
<td>Lynn W. Carlson</td>
<td>874-4064</td>
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<tr>
<td>Pacific Real Estate Institute</td>
<td>524-1505</td>
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<td>Premier Realty 2000, Inc.</td>
<td>955-7653</td>
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<td>Realtors Association of Maui Inc.</td>
<td>873-8585</td>
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<td>Russ Goode Seminars</td>
<td>597-1111</td>
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<tr>
<td>Seiler School of Real Estate</td>
<td>874-3100</td>
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<tr>
<td>Servpro Industries, Inc.</td>
<td>615-451-0600</td>
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<tr>
<td>University of Hawaii at Manoa</td>
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## Real Estate Commission 2005 Meeting Schedule

<table>
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<tr>
<td>University of Hawaii at Manoa</td>
<td>956-8244</td>
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### Laws & Rules Review Committee
- **Education Review Committee**
- **Condominium Review Committee**

(These committees meet one after another, beginning at 9 a.m.)

- **Wednesday, February 9**
- **Wednesday, March 9**
- **Wednesday, April 13**

**Real Estate Commission, 9 a.m.**

- **Friday, February 25**
- **Thursday, March 24**
- **Friday, April 29**

All meetings will be held in the Queen Liliuokalani Conference Room of the King Kalakaua Building, 335 Merchant Street, First Floor. Meeting dates, locations, and times are subject to change without notice. Please visit the Commission’s website at www.hawaii.gov/hirec or call the Real Estate Commission Office at 586-2643 to confirm the dates, times, and locations of the meetings. This material can be made available to individuals with special needs. Please contact the Executive Officer at 586-2643 to submit your request.