When Things Get Tough, the Tough Do Property Management

By Bill Ramsey, CPM, Broker

Of all the services provided in real estate, property management can be the most stable in these changing times. When the sales are good, investors are buying property and need property managers. When the sales are poor, owners need property management when their properties can’t sell.

In both markets tenants will always require living accommodations. It is a good business, but it requires constant effort to control the exposure to potential liabilities that come with long term relationships with owners, tenants and the laws regulating the industry.

Working in residential property management can be compared to walking down a narrow valley with the valley floor covered with mine fields (laws) and traps (potential litigation by injured parties or actions by governmental regulators). Only by positioning yourself personally and professionally to “do it right” from the start will you be able to avoid the mines and traps.

Consider these guidelines:

Think Long Term: Property management creates a long term relationship which may stretch into years. It begins with the signing of the management agreement and continues on practically a daily basis for years with your fiduciary relationship with the owner. It may last for shorter periods, but your interaction with your tenants, with its effect on the property and its operation, will be even more demanding.

Think Full Time: It will be very difficult to provide quality property management on a part time basis. At least assume you must be available on a full time basis. Tenants live in units and require service full time, owners expect full time management and the laws assume a full time effort to comply.

Know your temperament: Your fiduciary relationship with your owners by law requires you must follow instructions, be diligent in your duties and use reasonable care to assure their properties are protected and producing the results agreed to. This requires constant effort and work at all times. If you learn nothing else in management, it is problems will occur every day and you should constantly be working to either correct or prevent them. Besides this work ethic, a good manager must be able to handle the stress of the job. Enforcing rules and collecting rent can sometimes produce tense moments. No matter how a tenant acts, you must be under control and a professional. Uncontrolled emotions have no place in property management.

Have good record keeping and documentation: To avoid misunderstandings with owners and tenants, you will need to have all agreements, rules, and procedures, in written form, in addition to having the record keeping abilities to preserve them. Written records and documents will help to avoid future misunderstandings and possible litigation. Some, but not all, things in writing should include:

- Management agreements
- Any changes to management agreements
- Rental applications
- Rental agreements and addendums to those agreements
- House rules
- Policies and procedures covering all aspects of your operation.

Written notes on all contacts and conversations.

Know your capabilities and resources: Before you go out and obtain management business you should know what your capabilities are and how you can utilize them. What type of properties will you manage? Long term rentals, resort rentals, condominium management, single family dwellings, apartment buildings, subsidized apartment buildings? What services will you provide? Full management, fiscal management, physical management, consulting, tenant placement? Your capabilities and resources will usually dictate what you will do successfully. What geographical areas will you service? If the property is too far away or not worth the time and effort to properly manage it, you will not do the job an owner expects and desires.

Based on the above, what support staff will you need to provide the management, clerical and bookkeeping functions for your accounts? You can be the best physical plant manager in Hawaii, but a failure to keep your owners properly informed will result in eventual loss of accounts or potential problems with our regulatory agencies.

Who will provide your professional support? Always surround yourself with qualified professionals to provide you

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and your owners with required services. You are employed by your owners because you are a professional in the property management field. For the same reason, you should use professionals that you know will satisfactorily meet your owners’ and your needs in other fields.

You will need to have, among others, good lawyers to handle your company’s legal needs and others to handle tenant enforcement issues, accountants to provide advice and services, and knowledgeable insurance agents.

**Know your Laws and Rules to Avoid Traps and Mines**

Take the time to review and study these “mines” in detail. They will dictate your activities in property management.

**Hawaii Revised Statutes (HRS), Chapter 467 – Real Estate Brokers and Salespersons**

**Hawaii Administrative Rules (HAR), Chapter 99 - Real Estate Brokers and Salespersons**

If you know nothing else, know that all aspects of the licensing laws and rules that govern real estate sales activities also govern rental activities.

A few highlights of the laws and rules include but are not limited to:

The Principal Broker is responsible for client trust accounts, disbursements from those accounts, and the brokerage firm’s accounting practices in addition to the safekeeping of “Trust Property.” Collected rents and security deposits are considered “trust property” and must be deposited and maintained in the client trust accounts.

All real estate advertising and promotional materials shall always include the name or trade name of the brokerage firm as licensed by the Commission. No licensee shall advertise “For Rent by Owner.”

All financial obligations and commitments regarding real estate transactions, including real property rental management agreements must be in writing. Under the same law and rules you can face penalties if you:

- Fail, within a reasonable time, to account for any moneys belonging to others which may be in possession or under the control of the licensee (monthly owner reports, security deposit refunds), or commingle money or other property of the licensee’s principal with the licensee’s own.
- Fail to ascertain and disclose material facts concerning every property for which the licensee accepts agency.
- Fail to maintain a reputation for or record of competency, honesty, truthfulness, financial integrity and fair dealing. This includes the requirement to report to the Real Estate Commission any judgments awarded against you or your company, including a judgment awarded as part of a Small Claims Court action concerning a retained tenant security deposit.

**HRS Chapter 521 – Hawaii’s Residential Landlord-Tenant Code**

If you work in residential property management, Hawaii’s Residential Landlord-Tenant Code (“Code”) is your bible. Study it, keep a copy close by, and review it anytime a situation occurs. The Code is built around time frames that you will need to know and follow.

If you fail to know the Code, I guarantee you your tenant will know it or their attorney will.

Violations of the Code may also lead to action under the real estate licensing laws and rules.

**HRS Chapter 508D - Mandatory Seller Disclosures in Real Estate Transactions**

The provisions of the disclosure act covering sales activities also cover residential rental activities.

**Federal Residential Lead-Based Paint Hazard Reduction Act of 1992**

As a property manager you are required to provide all tenants renting property built prior to 1978 with the EPA approved informational pamphlet and disclosures concerning any knowledge of the presence of lead paint. These forms must be retained for three years. Penalties for failure to comply have proven to be very expensive.

**HRS Chapter 515 – Discrimination in Real Property Transactions**

**Federal Fair Housing Act and Title VII of the Civil Rights Act of 1968**

Under both of these laws there are “protected classes” who have the protection of law from discriminatory activity. Know these laws. You will be working with tenants on a day to day basis where these laws will be in effect. All suits and penalties awarded for violation of these discrimination laws are usually not covered by E&O insurance.

Does this sound discouraging? It’s not meant to be. It has been proven time and again that a career in property management can be successful and mine/trap free if you know and follow the laws and establish policies and procedures to prevent the mines and traps from getting you.

**Remember:**

Put all transactions, procedures, and policies in writing. Constantly pursue education to keep yourself and your staff up-to-date. Join organizations that have common goals with you and will provide you with sources of information and education.

Make a point to stay informed about the industry. Monitor your employees’ and company activities, constantly.

Be flexible enough to make changes as conditions change, and keep every one concerned informed.

Bill Ramsey is the principal broker of Bill Ramsey, Inc., holds the CPM designation, and is a long-time and successful property manager in Hawaii.
The Chair’s Message

Warmest Greetings! As Chair of the Real Estate Commission (“Commission”), I would like to extend a warm season’s greetings on behalf of the nine Commissioners and the Commission staff to all of our licensees. We hope your 2008 was memorable with satisfying accomplishments. During Fiscal Year 2008, the Commission welcomed a new Supervising Executive Officer, Neil Fujitani, who held the Executive Officer position with the Real Estate Branch prior to taking over as head of the branch. His experiences with the workings of the Commission will only strengthen the continuity and progress of the Commission’s Program of Work.

A total of about 17,325 licensees renewed their licenses for 2009, which is a 20% drop from the 21,984 licensees who could have renewed their licenses. Salesperson licenses are down 25%, and broker licenses are 10% down from the year before. This is a reflection of the downturn in the overall U.S. economy, and mirrors past trends in a declining market.

According to the Commission’s Fiscal Year 2008 Annual Report, there was one payment made from the Real Estate Recovery Fund. Thirty-seven licensees were disciplined by the Commission, 34 licensees were fined for a total of $50,000.00. Seven licenses were revoked. There were no license suspensions reported.

The total number of registered condominium associations increased from 1,565 in 2007 to 1,601. There are 24 condominium hotel operators.

The Commission provides information, education, and acts as a resource for apartment owners by way of the Commission’s island wide Outreach Program.

The Condominium Education Task Force worked on producing a brochure to help condominium owners and potential buyers understand their roles and responsibilities as owners, and the function of association boards and directors. The brochures will be available in 2009 at public libraries throughout the State.

The Commission’s two-part 2007-2008 core course consisting of a legislative update for each year, and a focus topic for each year of the biennium went smoothly. However, many licensees have not adjusted to the new annual schedule, as the majority of licensees completing their required continuing education waited to the last two months before the renewal deadline to do so.

The Commission’s Education Review Committee is encouraging continuing education providers and interested parties to write and submit quality courses to maintain higher standards consistent with a consumer driven market.

The Commission supported the Hawaii Association of REALTORS in their efforts to exempt real estate licensees from the requirements of the Hawaii Supreme Court’s Unauthorized Practice of Law proposed rule. The Commission will also monitor any changes to Act 137, the Mortgage Rescue Fraud Prevention Act (“MRFPA”), which was passed at the 2008 Hawaii State Legislature. The requirements it places on real estate licensees when dealing with “distressed properties” is viewed as restrictive of the scope of work assumed by a real estate licensee.

Change is in store for everyone in 2009, and the Commission must be prepared to deal with any change, especially in tough economic times. The quality and professionalism of our licensees needs to be emphasized and enforced. As a start to improving the quality of licensees entering the profession, the Commission is pursuing fingerprinting and background checks as part of the licensing requirements.

The Commission thanks the committee members of the Educational Evaluation Task Force (EETF), the Consumer Brokerage Relationship Ad Hoc Committee (CBRAHC), the Condominium Consultants and the Condominium Education Task Force for their volunteer service and dedication to uphold the integrity of the industry and its standards.

Should you have questions or comments, please call the Real Estate Branch at 808-586-2643, or you may email hirec@dcca.hawaii.gov.

Trudy Nishihara

State of Hawaii Real Estate Commission

Telephone 586-2643
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.
The Real Estate Commission's Annual report for Fiscal Year 2008 contains a wealth of statistical information about the status of the real estate industry. Below are two excerpts from the report. The first reflects the status of new licenses issued during the period as well as the status of current licenses. The second excerpt gives an island-by-island breakdown of the number of active and inactive individuals and organizations in the State.

## Licensees

### New Licenses

The number of new licenses issued in FY 2008 decreased 9% over the prior fiscal year. During FY 2008, 1,910 new licenses were issued. Individual broker licenses decreased by 21.1%, new salesperson licenses decreased by 6.9%, and new entity licenses decreased by 9.8%. Refer to Chart 12.

### Current Licenses

The overall number of current real estate licenses increased 9.7% by the end of FY 2008. In FY 2008, active licenses increased 2% over last year, while inactive licenses increased 31.1%. There was an 8.9% increase of active licenses on Molokai and a 3.4% increase of active licenses on Oahu. On the islands of Hawaii and Kauai, there were minimal decreases in the number of active licenses. Refer to Table 3, Chart 13, and Chart 14.

### Table 3

<table>
<thead>
<tr>
<th>Active</th>
<th>Oahu</th>
<th>Hawaii</th>
<th>Maui</th>
<th>Kauai</th>
<th>Molokai</th>
<th>Lanai</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broker</td>
<td>1,883</td>
<td>485</td>
<td>475</td>
<td>210</td>
<td>10</td>
<td>3</td>
<td>64</td>
<td>3,130</td>
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<tr>
<td>Salesperson</td>
<td>5,375</td>
<td>1,210</td>
<td>1,599</td>
<td>700</td>
<td>29</td>
<td>5</td>
<td>154</td>
<td>9,072</td>
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<tr>
<td>Sole Proprietor</td>
<td>796</td>
<td>163</td>
<td>114</td>
<td>73</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>1,154</td>
</tr>
<tr>
<td>Corporation, Partnership, LLC</td>
<td>946</td>
<td>241</td>
<td>248</td>
<td>103</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>1,547</td>
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<td><strong>Total Active</strong></td>
<td>9,000</td>
<td>2,099</td>
<td>2,436</td>
<td>1,086</td>
<td>49</td>
<td>12</td>
<td>221</td>
<td>14,903</td>
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<table>
<thead>
<tr>
<th>Inactive</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Broker</td>
<td>296</td>
<td>58</td>
<td>41</td>
<td>29</td>
<td>2</td>
<td>0</td>
<td>180</td>
<td>606</td>
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<tr>
<td>Salesperson</td>
<td>3,359</td>
<td>726</td>
<td>943</td>
<td>468</td>
<td>2</td>
<td>6</td>
<td>750</td>
<td>6,254</td>
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<tr>
<td>Corporation, Partnership, LLC</td>
<td>50</td>
<td>20</td>
<td>22</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>9</td>
<td>105</td>
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<tr>
<td><strong>Total Inactive</strong></td>
<td>3,705</td>
<td>804</td>
<td>1,006</td>
<td>501</td>
<td>4</td>
<td>6</td>
<td>939</td>
<td>6,965</td>
</tr>
</tbody>
</table>

### Active and Inactive

<table>
<thead>
<tr>
<th>Active and Inactive</th>
<th>Oahu</th>
<th>Hawaii</th>
<th>Maui</th>
<th>Kauai</th>
<th>Molokai</th>
<th>Lanai</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broker</td>
<td>2,179</td>
<td>543</td>
<td>516</td>
<td>239</td>
<td>12</td>
<td>3</td>
<td>244</td>
<td>3,736</td>
</tr>
<tr>
<td>Salesperson</td>
<td>8,734</td>
<td>1,936</td>
<td>2,542</td>
<td>1,168</td>
<td>31</td>
<td>11</td>
<td>904</td>
<td>15,326</td>
</tr>
<tr>
<td>Sole Proprietor</td>
<td>796</td>
<td>163</td>
<td>114</td>
<td>73</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>1,154</td>
</tr>
<tr>
<td>Corporation, Partnership, LLC</td>
<td>996</td>
<td>281</td>
<td>270</td>
<td>107</td>
<td>5</td>
<td>3</td>
<td>10</td>
<td>1,652</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,705</td>
<td>2,903</td>
<td>3,442</td>
<td>1,587</td>
<td>53</td>
<td>18</td>
<td>1,160</td>
<td>21,868</td>
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</tbody>
</table>
Administrative Actions

Noble Turner—REC 2005-252-L

RICO received a request for investigation based on allegations that an advertisement (1) used a trade name not previously registered by the brokerage firm with the Real Estate Commission, and (2) that the advertisement, which was on an island different from that of Respondent’s principal place of business, did not include the brokerage’s firm name, its principal place of business, and the business address and telephone number. RICO asserted that if the allegations were proven at an administrative hearing, they would constitute violations of the following statute(s) and/or rule(s): HAR §§16-99-5.2(3) (brokerage firm may employ salesperson or broker-salesperson who resides on a different island provided any advertisements disclose the name, address, and phone number of the principal place of business), and 16-99-11(a) (all real estate advertising shall include the legal name of the brokerage firm registered with the Business Registration Division and the Real Estate Commission). Respondent did not admit to violating any law or rule but acknowledged that RICO had sufficient cause to file a Petition for Disciplinary Action against Respondent’s license. Respondent 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. Respondent agreed to pay a fine of $1,500.

The Commission approved the settlement agreement on August 29, 2008.

Robert H. Middleton—REC 2007-303-L

On April 27, 2008, the Hearings Officer submitted her Findings of Fact, Conclusions of Law, and Recommended Order alleging that Respondent violated HRS §§467-14(13) and HAR §16-99-3(b). On May 1, 2008, Respondent filed his exceptions for review in opposition to the Hearings Officer’s findings. On May 14, 2008, RICO filed its written statement in support of the Hearings Officer’s April 17, 2008 recommended decision. On May 30, 2008, the Commission proposed to accept and adopt all of the Hearings Officer’s Findings of Fact and Conclusions of Law. However, the Commission proposed to modify the Hearings Officer’s recommendation of a $2,000 fine and three-month suspension and instead proposed a $2,000 fine, three-year suspension, and completion of an ethics course. On April 24, 2008, Respondent submitted a letter taking exception to the proposed three-year suspension. On April 25, 2008, Respondent’s counsel submitted formal Exceptions to Proposed Findings, Conclusions, and Order and also a Request for Oral Argument before the Real Estate Commission. On May 5, 2008, RICO filed its statement in support of the Commission’s Proposed Final Order. On June 27, 2008, the parties presented oral argument before the Commission. The Commission was unable to reach a decision and deferred the matter until August 29, 2008. On August 8, 2008, Respondent’s counsel submitted a Summary of Exceptions to the Proposed Order. On August 29, 2008, the Commission considered this submission and the parties again appeared before the Commission and presented oral argument. The Commission modified the Hearings Officer’s recommended sanction and issued its Final Order as follows:

1. Respondent’s real estate salesperson’s license shall be suspended for two years.
2. Respondent shall pay a $2,000 fine.
3. Respondent shall take and successfully complete a course in ethics prior to application for reinstatement of his suspended license.

The Commission’s Final Order was approved on August 29, 2008.

Lee Anne K. Zakimi—REC 2006-367-L

On February 20, 2008, RICO filed a petition for disciplinary action against Respondent’s real estate salesperson’s license. Respondent’s employer assigned her to manage an apartment on Oahu. In August 2006, the tenant moved out and Respondent was responsible for finding a new tenant. Throughout September and October of 2006, Respondent informed the apartment’s owner that she was unable to find a new tenant. In November 2006, the owner was in Honolulu and observed a vehicle parked in his parking stall. The owner determined that the vehicle belonged to Respondent. A young girl answered the owner’s knock at the door and told him that a man later identified as Respondent’s boyfriend lived there and that no one else was there. Two agents from Respondent’s employer went to the apartment and discovered Respondent recommending that the Commission find and conclude that (1) RICO is entitled to conclude that Respondent violated HRS §§467-20 (false statements) and (2) the preponderance of evidence established that Respondent violated HRS §§467-14(8) (fraudulent or dishonest dealings) and (20) (failure to maintain a reputation for honesty, truthfulness, and financial integrity) and §436B-19(8) (failure to maintain a record of competency, trustworthiness, fair dealing, and financial integrity). On February 5, 2008, Respondent filed his response to the Recommended Order. On February 11, 2008, RICO filed its statement in support of the Recommended Order. On March 28, 2008, the Commission proposed to modify the Hearings Officer’s recommendation of a $2,000 fine and three-month suspension and instead proposed a $2,000 fine, three-year suspension, and completion of an ethics course. On April 24, 2008, Respondent submitted a letter taking exception to the proposed three-year suspension. On April 25, 2008, Respondent’s counsel submitted formal Exceptions to Proposed Findings, Conclusions, and Order and also a Request for Oral Argument before the Real Estate Commission. On May 5, 2008, RICO filed its statement in support of the Commission’s Proposed Final Order. On June 27, 2008, the parties presented oral argument before the Commission. The Commission was unable to reach a decision and deferred the matter until August 29, 2008. On August 8, 2008, Respondent’s counsel submitted a Summary of Exceptions to the Proposed Order. On August 29, 2008, the Commission considered this submission and the parties again appeared before the Commission and presented oral argument. The Commission modified the Hearings Officer’s recommended sanction and issued its Final Order as follows:

1. Respondent’s real estate broker’s license shall be suspended for six months.
2. Respondent shall pay a $1,000 fine.
3. Respondent shall provide satisfactory answers to the unanswered questions on Appendix B attached to the Recommended Order.


Shawn R. Fransen—REC 2005-197-L

On January 17, 2008, the Hearings Officer submitted his Findings of Fact, Conclusions of Law, and Recommended Order recommending that the Commission find and conclude that (1) RICO is entitled to conclude that Respondent violated HRS §§467-20 (false statements) and (2) the preponderance of evidence established that Respondent violated HRS §§467-14(8) (fraudulent or dishonest dealings) and (20) (failure to maintain a reputation for honesty, truthfulness, and financial integrity) and §436B-19(8) (failure to maintain a record of competency, trustworthiness, fair dealing, and financial integrity). On February 5, 2008, Respondent filed his response to the Recommended Order. On February 11, 2008, RICO filed its statement in support of the Recommended Order. On March 28, 2008, the Commission proposed to modify the Hearings Officer’s recommendation of a $2,000 fine and three-month suspension and instead proposed a $2,000 fine, three-year suspension, and completion of an ethics course. On April 24, 2008, Respondent submitted a letter taking exception to the proposed three-year suspension. On April 25, 2008, Respondent’s counsel submitted formal Exceptions to Proposed Findings, Conclusions, and Order and also a Request for Oral Argument before the Real Estate Commission. On May 5, 2008, RICO filed its statement in support of the Commission’s Proposed Final Order. On June 27, 2008, the parties presented oral argument before the Commission. The Commission was unable to reach a decision and deferred the matter until August 29, 2008. On August 8, 2008, Respondent’s counsel submitted a Summary of Exceptions to the Proposed Order. On August 29, 2008, the Commission considered this submission and the parties again appeared before the Commission and presented oral argument. The Commission modified the Hearings Officer’s recommended sanction and issued its Final Order as follows:

1. Respondent’s real estate salesperson’s license shall be suspended for six months.
2. Respondent shall pay a $1,000 fine.
3. Respondent shall provide satisfactory answers to the unanswered questions on Appendix B attached to the Recommended Order.

hiding in the bathroom. The owner learned that Respondent, her boyfriend and his daughter were living in the apartment. Respondent had not told her employer she was living in the apartment, had no rental contract for the apartment, did not have permission to live there, and was not paying rent. RICO charged Respondent with violating HRS §§467-14(8), (20), and 436B-19 (8). The Hearings Officer concluded that Respondent’s conduct constituted fraudulent and dishonest conduct in violation of §467-14(8) and a failure to maintain a reputation for or record of competency, honesty, truthfulness, financial integrity, and fair dealing in violation of §467-14(20). The Hearings Officer recommended dismissing the charge of violating §436B-19(8). The Hearings Officer recommended that Respondent’s real estate salesperson’s license be revoked and that she pay a $1,000 fine. On October 31, 2008, the Commission adopted the Hearings Officer’s recommendation as the Commission’s Final Order.

Todd E. Hart—REC 2003-250-L

Respondent was the principal broker of the former Action Team Realty, Inc., a real estate corporation now known as Hart of Kona Realty. RICO alleged that Respondent, through Action Team Realty, advertised 60 acres in Hawaii County for sale for $499,000. The advertisements were made through a “for sale” sign placed on the property as well as by fliers and through the Multiple Listing Service. However, Respondent was not able to produce for RICO a listing agreement that authorized the sale of the 60 acres during the period January 1, 2002 and April 3, 2003. Respondent received or was aware of at least three written offers for the 60 acres between January 1, 2002 and April 3, 2003. RICO asserted that these allegations, if proven at an administrative hearing, could constitute violations of at least the following statutes: HRS §467-14(13) (violating the chapter and rules of the Commission); HAR §§16-99-3(i) (brokerage firm shall not submit or advertise property without written authorization); (l) licensee shall not place any sign or advertisement indicating a property is for sale without written authorization of the owner or seller); and 16-99-4(l) (records for real estate transactions under the real estate brokerage firm shall be retained for at least three years.) Respondent did not admit to RICO’s allegations but entered into a Settlement Agreement Prior to Filing of Petition for Disciplinary Action as a compromise of the claims and to conserve on the expense of a hearing. Respondent agreed to pay a $500 fine. The Commission accepted the settlement agreement on October 31, 2008.

Cesar B. Buted—REC 2001-277-L

On October 31, 2008, the Commission voted unanimously to revoke Respondent’s real estate salesperson’s license based on a settlement agreement accepted January 30, 2004, and an Affidavit of Counsel signed August 21, 2008. The settlement agreement required Respondent to pay $28,255 restitution to the State Department of Taxation in monthly installments of $300. An Affidavit of Counsel from the Department of Commerce and Consumer Affairs, Regulated Industries Complaints Office, attested that Respondent had paid $3,000 toward restitution and had been advised that payments were due and owing. Failure to comply with the settlement agreement calls for automatic revocation of license without further hearing.

Specialists Office for the Day Held on Maui

The Real Estate Commission’s Real Estate and Condominium Specialists set up offices for the day at the REALTORS’ Association of Maui, Inc., on Wednesday, January 7, 2009, to discuss real estate licensing and condominium concerns with interested parties.

The Specialists are prepared to discuss questions about licensing laws and rules, license applications, broker experience certificate applications, examination administration, continuing education, new legislation, Commission procedures, educational programs, and related topics.

Other questions that may come up at the sessions concern boards, associations, meetings, managing agents, condominium association registration, condominium hotel operators, fidelity bonding, the condominium property regime statute, public reports, project registration, the condominium dispute resolution program, new legislation, reserves, and other condominium-related topics.

The Senior Condominium Specialist assisted four interested parties during the Specialists’ Office of the Day. Issues discussed included:

- Condominium owner/real estate licensee — association records; association’s failure to make available
- New condominium board member — resources relating to board member responsibilities and duties
- General manager for association — chronic delinquent owner; retained attorney; other courses of action/remedies;
- Real estate licensee— binding sales contracts for condominium units and cancellation/rescission rights; condominium development within a subdivision and county requirements

If you have any questions, you may contact a Real Estate Specialist or a Condominium Specialist at (808) 586-2643. You may also write to: Real Estate Commission, 335 Merchant Street, Room 333, Honolulu, HI 96813, or you may email staff at hirec@dcca.hawaii.gov.

The Specialists’ Office for the Day program is funded by the Condominium Education Fund and the Real Estate Education Fund.
Unauthorized Practice of Law — Commission’s Comments to the Hawaii Supreme Court

By Stan Kuriyama, Commissioner, Broker, Oahu

Although only licensed attorneys can practice law in Hawaii, what constitutes the “practice of law” is not well defined. In October 2007, the Hawaii Supreme Court requested comments on a proposed rule that would define the practice of law.

Certain provisions of the proposed rule have resulted in a number of questions on how the rule would impact services currently performed by non-lawyers in various industries, such as banking, insurance, accounting — and real estate. The relevant provisions of the proposed rule are quoted below:

“ ‘Practice of law’ is the giving of legal advice or legal assistance to another person. The practice of law includes, but is not limited to:

(1) Giving advice or counsel to another person about the person’s legal rights and obligations or the legal rights and obligations of others.

(2) * * *

(3) Selecting, drafting, or completing documents that affect the legal rights of another person.

(4) * * *

(5) Negotiating legal rights or obligations with others on behalf of another person.

(6) * * * ”

In February 2008, the Hawaii Real Estate Commission sent a letter to the Hawaii Supreme Court, offering some of its perspectives on the proposed rule.

While the services of licensed attorneys are clearly necessary, or desirable, in numerous aspects of the real estate profession, the Commission expressed its concern that the proposed rule, depending on how it is ultimately interpreted and applied, may unnecessarily limit the legitimate practice and role of licensed real estate agents, and may not serve the overall best interests of the consumer.

The following are excerpts from the Commission’s letter to the Supreme Court:

“The Commission understands that one of the main reasons for the Court’s proposed rule is the protection of the public. The Commission also believes, however, that the framework of Hawaii’s real estate licensing laws provides adequate safeguards for the public, through the imposition of various qualification and educational requirements for licensure. Licensees, for example, must meet educational or experience thresholds (HAR §16-99-36 and 37), pass an examination (HAR §16-99-29), and ‘possess a reputation for or record of competency, honesty, truthfulness, financial integrity, and fair dealing’ (HRS §467-8(a)(3)).”

“Once licensed, real estate licensees must meet minimum standards of conduct (HAR §16-99-3), and must satisfy biennial continuing education requirements (HAR §16-99-90). HAR §16-99-3(d) requires licensees to recommend that ‘legal counsel be obtained when the interest of either party requires it.’ Licensees are accountable to their clients, the Commission, and, as to salespersons, their brokers, for their actions. Their conduct is subject to investigation and prosecution by the Regulated Industries Complaints Office (‘RICO’) and discipline by the Commission, and consumers are afforded financial protection through the real estate recovery fund (HRS §467-16).”

The Hawaii Supreme Court has not announced any decision on the proposed rule. In the meantime, comments provided on the proposed rule are under consideration by the Hawaii Bar Association, which will determine whether to recommend a modified rule for the Supreme Court’s consideration.

Representatives of the Bar Association have indicated it was not their intent to prevent real estate agents from performing their work, and a dialogue is ongoing between the Bar and the real estate and other affected industries.

Any final decision is not expected to be rendered by the Supreme Court until June 2009, when the Supreme Court usually publishes its rule changes.

(NOTE: In response to comments received, the Bar Association subsequently proposed an amendment to the rule that excludes from the rule persons who are licensed real estate brokers or salespersons under HRS Chapter 467. Other professions falling under the exceptions include certified public accountants and insurance agents. The amended rule has been submitted by the Bar Association to the Hawaii Supreme Court for final review and adoption, and the Court has invited additional public comment on the proposed rules.)

Stan Kuriyama is Vice-Chair of the Commission. He first served as a Commissioner from 1989 to 1993, and his appointment was extended to 1997. His current appointment began in 2005 and expires in 2009. He is with Alexander & Baldwin.
2009 Real Estate Commission Meeting Schedule

Laws & Rules Review Committee
Condominium Review Committee
Education Review Committee
(These committees meet one after another, beginning at 9 a.m.)

Wednesday, February 11, 2009  
Wednesday, March 11, 2009  
Wednesday, April 8, 2009  
Wednesday, May 6, 2009

Friday, February 27, 2009  
Friday, March 27, 2009  
Friday, April 24, 2009  
Friday, May 29, 2009

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/hrec 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.

Renewal Statistics Reflect State of Hawaii’s Economy

The 2009-2010 licensing biennium is underway, and the results of the 2008 renewal reflect the overall state of our general economy.

Real estate is no exception with sales slowing, inventories increasing, and prices beginning to slide. The number of licensees slid a little over 20%.

Ponder these figures:
Of the 21,984 licensees (brokers – this includes brokerages as well as broker individuals, salespersons, branch offices), 17,325 renewed their license. This is 78.81% of the total licensees that renewed. There are 645 brokers, 38 branch offices, and 3,976 salespersons who chose not to renew their license. In percentages, 9.98% of brokers did not renew, 32.76% of branch offices did not renew, and 25.81% of salespersons did not renew. In total, 21.19% of licensees did not renew their license.

Licensees who renewed online totaled 16,633 or 96.01%. The online renewal option offered discounts of $39 for entities, $34 for sole proprietors, and brokers and salespersons saved $26.50.