1998 Annual Report

The Chair’s Message

I would like to thank my fellow commissioners for their hard work and commitment to the Commission’s activities this year. The members of the Real Estate Commission are:

Alvin M. Imamura, Maui, Chair
Nora A. Nomura, Oahu, Public Member, Vice Chair
Charles H. Aki, Hawaii, Chair, Education Review Committee
Michael G. Ching, Kauai, Chair, Laws and Rules Review Committee
Alfredo G. Evangelista, Oahu, Public Member, Chair, Condominium Review Committee
Mitchell A. Imanaka, Oahu, Vice Chair, Condominium Review Committee
Helen Lindemann, Oahu, Vice Chair, Education Review Committee
John Ohama, Oahu, Vice Chair, Laws and Rules Review Committee
Iris R. Okawa, Oahu, Public Member

One of the more memorable events in the 1998 fiscal year was the Association of Real Estate License Law Officials (ARELLO) annual conference in Wailea, hosted by the Commission, in September with over 300 ARELLO members and guests in attendance.

The Commission received three awards from this international organization: the Newsletter Excellence Award, the Post License Education and Research Award, and the Investigator of the Year Award.

Since March 1996, the Commission has maintained a frequently updated Web site, which, for many licensees, has become the source of current licensing information. The site is far superior to any print publication in timeliness, cost, and volume of information that can be made available. In 1998, with the Commission continuing to update and expand the site, the site received nearly 24,000 “hits.”

During the year, the Commission participated in a number of educational opportunities. Staff and commissioners were involved in two test development sessions, one on the national portion of the licensing examination and one on the Hawaii specific section.

The Hawaii Real Estate Research and Education Center (HREREC) at the University of Hawaii developed and implemented an instructor evaluation program and a professional responsibility course for the Commission. The Commission co-sponsored, with the Hawaii Association of REALTORS®, an instructors’ development workshop.

The Commission’s staff continues to handle an impressive number of inquiries, fielding 26,308 telephone calls, 4,041 walk-ins, and 18,147 written requests and applications during the year in addition to carrying out the program of work.

At the end of the 1998 fiscal year there were 15,363 licensees, 9% more licensees than in 1997. Only 733 new licenses were issued in 1998, 10% less than in 1997.

The generally declining number of licensees has had an impact on two trust funds administered by the Commission, the real estate recovery fund and the real estate education fund. Both funds rely on new and renewal license fees, and the Commission has taken steps to reduce and control expenditures from the two funds.

At the end of the fiscal year, the fund balances were $643,979 in the real estate recovery fund and $393,274 in the real estate education fund. The condominium management education fund, which receives biennial contributions from condominium associations and developers, had a year end balance of $673,322.

Alvin M. Imamura
Chair
Laws and Rules Review
Committee Report

Chair Michael G. Ching and Vice Chair John Ohama presided over the committee’s activities during the 1998 fiscal year.

For the first time in many years, the Legislature did not amend the licensing laws, HRS Ch. 467. New laws in other areas, however, may affect real estate licensees. Act 194 made changes to the sex offender registration, notification, and information requirements. The law augmented the information sex offenders are required to provide. Changes in the time share law will require time share agents to wear identifying badges when off premises (Act 198), prohibit sales or offers to sell tourist activities for less than actual cost (Act 136), and change the recording requirements for leasehold time share interests (Act 219). Act 180 requires all real estate appraisers to be licensed or certified to practice in Hawaii. The Legislature also established an alternate foreclosure process that allows a mortgagee to conduct a power of sale foreclosure (Act 122). Act 153 allows the state to retain state income tax refunds of persons who are delinquent in the payment of child support. Information on delinquent support may also be made available to consumer reporting agencies.

The Committee continued work on the daunting task of revising the Chapter 99 rules. A draft was completed and circulated for comments, and the Committee is now in the process of assimilating comments and revising the draft as necessary.

The Committee is responsible for administering the real estate recovery fund. The fund is a last recourse for injured consumers seeking a measure of redress against licensees who engaged in fraud, misrepresentation, or deceit. A number of statutory procedures must be followed, including notifying the Commission and filing a civil lawsuit and obtaining a judgment and court order requiring payment from the fund. The nature of the recovery fund process makes it difficult to predict the claims that will be paid in a year. In 1998, the Commission received notice of the filing of 18 cases involving about 34 licensees. This was a 30% decrease from last year’s 27 cases. Based on a statutory maximum of $25,000 per transaction, the 18 cases represent a potential liability of $450,000.

In 1998, the real estate recovery fund paid out $145,000 in claims in four cases. In comparison, last year, the Commission paid out only $35,971 in two cases.

When a payment is made against the account of a licensee, the Commission is subrogated to the judgment and pursues repayment. The Commission participates in a tax intercept program, which allows it to confiscate state refunds due the licensee. The Commission also seeks out any real property owned by the licensee. This year, in a first, a former licensee, against whose account the recovery fund paid out in 1986, repaid the fund in full. The fund received a total of $48,745 in principal and interest from the former licensee.

The Committee monitors the Commission’s continued participation in the Association of Real Estate License Law Officials (ARELLO) disciplinary action data bank. Through this program, the Commission shares information on disciplined licensees with other ARELLO member jurisdictions. In 1998, the Commission received information on one license applicant. Information received is valuable in evaluating an applicant’s fitness for a Hawaii real estate license.

The Committee and the HREREC completed two significant educational programs during the year, the professional responsibility course and a televised panel discussion on real estate sales contracts. Licensees who are required to take an educational course to satisfy a disciplinary action will take the professional responsibility course. HREREC will administer the course and assign the licensee modules that are relevant to the activity giving rise to the disciplinary action. The televised seminar was intended to provide the lay person a basic understanding of the sales contract and included a live question and answer session.

Fig. 1

Fig. 2
Education Report

Big Island commissioner Charles Aki, as chair, and Oahu commissioner Helen Lindemann, as vice chair, directed the Education Review Committee’s 1998 fiscal year program of work.

PUBLICATIONS

The Commission depends on its publications to educate licensees, prelicense schools, CE providers, instructors, condominium associations, government agencies, and others and to provide information on the Commission’s activities. Four different publications, two targeted to narrow audiences and two more general in reach, were used to achieve these purposes. In 1998, the Commission proudly received ARELLO’S Newsletter Excellence Award for its publications.

Real Estate Bulletin. Last year, in a cost savings measure, the Commission ceased publishing a separate annual report and devoted one issue of the Bulletin to be its annual report. That action has been continued this year. The Bulletin has been the Commission’s largest circulation publication as it is published quarterly and sent to all current licensees, government officials, legislators, and ARELLO jurisdictions. Each issue of the Bulletin includes articles on current issues in licensing or the industry, a message from the Chair, a summary of administrative actions, a Continuing Education course schedule, and a listing of licensing actions by the Commission.

School Files. The Commission launched School Files in 1988 to provide updated information relevant to prelicense schools, continuing education providers, and instructors but not to the Bulletin’s general audience. Circulation of this quarterly publication is limited to current school, providers, and instructors. School Files is the source for information on license exam changes, changes in administration of educational programs, calendar of events, and the Commission’s policies on educational issues.

Hawaii Condominium Bulletin. Like School Files, the Hawaii Condominium Bulletin targets the condominium community. It is distributed to condominium associations and managing agents, and covers mainly governance issues. Each issue includes an article on a current condominium governance topic, a message from the Chair of the Condominium Review Committee, a calendar of events, and a question and answer column.

Web Page. Since March 1996, the Commission has maintained a presence on the Internet through the publication and maintenance of a Web page (www.hawaii.gov/hirec). Access to the site has doubled, growing from less than 1,000 hits per month in 1997 to nearly 2,000 hits per month in 1998. The most popular pages were the general licensing information sheet, the list of resources and telephone numbers, and the continuing education course schedule. The site itself has grown with the addition of meeting agendas, publications, and forms and has become the Commission’s primary means of providing licensees and the public timely access to information and forms. Copies of the Bulletin, School Files, and Hawaii Condominium Bulletin are posted on the site simultaneous with publication of the printed copy.

LICENSE EXAMINATION

The Committee oversees the licensing examination program and the contract with the examination company, Assessment Systems, Inc. (ASI). Staff and commissioners participated in two test development sessions with ASI. One session included representatives from all of ASI’s client states and covered the national section of the real estate licensing examination. The other session included real estate professionals, commissioners, and staff and reviewed the Hawaii specific section of the examination. Test development sessions are necessary to keep the examinations current and relevant.

Real Estate Specialists spent a day monitoring examinations on each island. This assures that, to the extent possible, candidates experience the same procedures, security, and examination environment.

As shown in Fig. 3, the total number of candidates increased by 2.8%, from 1,130 in 1997 to 1,162 this year. This was the first increase in candidate numbers since 1991.

In 1998, the Committee also initiated work on issuing a request for proposals (RFP) for examination services to begin in January 1999.
**Education Report**

**REAL ESTATE LICENSING EXAMINATION**

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Fig. 3

**NEIGHBOR ISLANDS OUTREACH**

One of the Commission’s statutory duties is to hold meetings in all counties. Each year, the Commission holds committee meetings on two neighbor islands. In 1998, the committees convened meetings in Wailea, Maui in October and in Hilo in May.

The Committee’s other major neighbor island program is to send a Real Estate Specialist to each island for a day. This year’s specialist for the day program traveled to Lihue in July, Hilo and Kona in August, and Wailuku in November.

**SPEAKER PROGRAM**

One of the Commission’s educational programs is to provide speakers to organizations and educational institutions. In 1998, the Commissioners and staff spoke at a Hawaii Association of Real Estate Schools meeting and at an undergraduate course in Consumer Economics at the University of Hawaii, Manoa.

**PRELICENCE AND CONTINUING EDUCATION**

Two new prelicense schools and one new prelicense instructor were certified in 1998. Ten prelicense schools and 15 instructors issued completion certificates to 819 salesperson and 123 broker candidates.

The Commission certified or registered 3 new providers, 4 instructors, and 18 courses in addition to rectifying or re-registering 2 providers, 9 instructors and 2 courses. During the year, licensees could choose from 16 providers, 21 instructors, and 62 different courses. There were 555 class sessions attended by 8,142 licensees.

All instructors, prelicense and continuing education, are required to complete an instructor’s development workshop prior to initial certification and prior to recertification. In March, the Commission and the Hawaii Association of Realtors co-sponsored an instructor’s development workshop in Honolulu. 37 registrants participated in the one-day, highly interactive session.

**HAWAII REAL ESTATE RESEARCH AND EDUCATION CENTER**

The Hawaii Real Estate Research and Education Center (HREREC) is jointly supported by the Hawaii Real Estate Commission (as trustees for the Real Estate Education Fund and Condominium Education Management Fund) and the College of Business Administration, University of Hawaii. The HREREC, directed by Steven W. Gilbert, Interim Director, conducts real estate-related research specific to Hawaii and the Pacific Basin which emphasizes regulatory and consumer protection, the market, land use policy, and real estate education, and disseminates these materials to educational institutions, real estate licensees and the industry, and the general public.

**Spring Seminar Series**

As a part of its Spring Seminar Series, the HREREC sponsored and moderated a live telecast statewide seminar, “Protecting the Home Buyer in Hawaii.” The 90-minute production included a question and answer viewer call-in segment to a panel of specialists. Discussion focused on the real estate sales contract, the Deposit, Receipt, Offer, and Acceptance (DROA). The panel of experts provided essential information on mortgage financing as well as title and escrow services.

**Professional Responsibility Course**

The HREREC administers Professional Responsibility Courses to individual licensees assigned for rule violations. Each course is tailored to the licensee’s needs in various regulatory areas.

**Instructor Evaluation System**

The HREREC developed and implemented an ongoing statewide instructor evaluation system for all certified real estate instructors. Stage One of the program was implemented in March 1998 with monitoring of real estate continuing education courses. Two quarterly reports were presented and distributed for the second half of the fiscal year.

**Instructors’ Development Workshop**

On March 12, 1998, the HREREC and the Hawaii Association of REALTORS® jointly sponsored an Instructors’ Development Workshop, which is required for initial certification and/or recertification for both prelicense and continuing education instructors.

A Master Instructor for the Real Estate Brokerage Managers Council (REBMC) conducted the main body of the workshop, an interactive session designed to reinforce teaching techniques. The HREREC also conducted a session on updated continuing education courses, including the fully revised mandatory core course, Law Update and Ethics.

**Continuing Education Courses**

All continuing education courses developed and maintained by the HREREC were updated, including Law Update and Ethics (FY 1997-98). An instructor course briefing was
Education Report

presented on August 19, 1997. The course was again fully updated and revised in March 1998, and instructor course briefing was a part of the Instructors’ Development Workshop in March 1998.

Other real estate continuing education courses developed and maintained and updated for the second half of the biennium included:

- Basic Real Estate Investment Analysis
- Disclosures in Hawaii Residential Transactions
- Fair Housing: An Introduction to Federal and State Laws and Rules
- Introduction to Broker Management
- Residential Property Management Laws and Rules

Examination.

Other HREREc accomplishments during the year are listed below:

- The Center developed a Hawaii law and rule update report to ASI.
- The Center produced and distributed a “A Quick Guide to Condominium Living in Hawaii” (March 1998). The one-page foldout format gives consumers a quick look at issues that first-time condominium buyers should consider including: fees and assessments, pets, governance and management.
- The Center continued its contribution, “Your Center Report,” to the quarterly Real Estate Commission Bulletin as well as articles for the quarterly Hawaii Realtor® Journal.
- The Center supports a Web site for licensees and the community as a clearinghouse for real estate materials and reference at www.cba.hawaii.edu/rec.
- The Center maintains a toll-free neighbor island hotline to service inquiries and concerns of neighbor island licensees and consumers on real estate-related issues.
- The Center sponsored a seminar by John Reilly on Distance Learning at the Association of Real Estate License Law Officials (ARELLO) national conference at the Aston Wailea Hotel on Maui.

RELATIONSHIPS WITH OTHER ORGANIZATIONS

The Commission is either an active member of and participates in the activities of a number of organizations. The Commission is an active member of two international organizations, the Association of Real Estate License Law Officials (ARELLO) and the Real Estate Educators Association (REEA). In 1998, the Commission hosted ARELLO’s annual conference and received a number of awards.

Other national organizations the Commission interacts with include the Consumer Federation of America, the National Association of REALTORS®, the Fair Housing Council, the National Land Council, and the Federation of Associations of Regulatory Boards.

On the local level, the Commission maintains a close working relationship with the Hawaii Association of REALTORS® and its local boards, the Hawaii Chapter of REEA, the Hawaii Association of Real Estate Schools (HARES), and other trade organizations.

ADVICE, EDUCATION, AND REFERRAL

One of the principal duties of the Commission’s staff is to assist licensees and the public on licensing issues. During the fiscal year, the staff responded to 16,761 telephone, 2,748 walk-in, and 6,010 written inquiries and applications.

The staff is involved in the review and processing of the following applications:

- Broker Experience Certificate
- Broker License (individual, corporation, partnership, LLC, LLP)
- Sole Proprietor
- Salesperson
- Real Estate Branch Office
- Site Office (original registration and reregistration)
- Restoration
- Reinstatement
- Education Waiver
- Real Estate Change Form
- License History
- Prelicense School
- Prelicense Instructor
- Continuing Education Provider
- Continuing Education Instructor
- Continuing Education Course and Course Offering

AWARDS AND HONORS RECEIVED

ARELLO honored the Commission with three awards at its annual conference. The Newsletter Excellence Award recognized the Commission’s Bulletin, Hawaii Condominium Bulletin, and School Files. The Post License Education and Research Award recognized the Commission’s efforts in establishing continuing education as an integral part of a licensee’s professional development. The Investigator of the Year Award recognized the work of Regulated Industries Complaints Office (RICO) investigator Sean Kinilau.

CERTIFICATE OF APPRECIATION

The Commission issues Certificates of Appreciation to individuals who have continuously contributed their time and knowledge to the Commission and the real estate field. In appreciation for her dedication, in 1998, the Commission honored Jerri Pyeatt, Executive Director, Idaho Real Estate Commission.
Condominium Review Committee Report

Chair Alfredo Evangelista and Vice Chair Mitchell Imanaka directed the Condominium Review Committee’s 1998 fiscal year program of work.

The Condominium Review Committee (CRC) is a Commission standing committee that holds monthly public meetings in which condominium issues are presented, discussed, examined, and considered. This is a working committee that handles “nuts and bolts” issues. Apartment owners, boards of directors, condominium managing agents, legislators, attorneys, educators, researchers, government officials, and others with condominium or cooperative concerns participate at the meetings.

The responsibilities of the Condominium Review Committee include: association and condominium managing agent registrations, governance, and project registration for condominium property regimes, inclusive of the programs funded under the Condominium Management Education Fund (CMEF). Some of the educational programs are administered with the assistance of the Hawaii Real Estate Research and Education Center (HREREC) with funds from CMEF.

This year the Committee was absorbed with implementing legislative changes and redrafting and restructuring the Chapter 107 rules. In addition, the Committee continued the implementation of its ongoing programs.

The law requires the Real Estate Commission to submit to the legislature annually: (1) a summary of the programs funded during the prior fiscal year with funds from the Condominium Management Education Fund, (2) the amount of money in the fund, and (3) a copy of the budget for the current fiscal year, including summary information on programs which were funded or are to be funded. This portion of the report includes a summary of the Condominium Management Education Fund programs that have been funded for the prior fiscal year (1998) and the current fiscal year (1999).

SUMMARY OF PROGRAMS FOR FISCAL YEAR 1998:

Hawaii Condominium Bulletin—Develop, write, edit, print and distribute a quarterly bulletin to all registered condominium associations/boards of directors and registered condominium managing agents. Study feasibility of providing the bulletin through electronic medium and provide recommendations on reducing the cost of publication and distribution. Publish the Bulletin in its Web site at http://www.hawaii.gov/hrerec.

Condominium Board of Directors Guide—Develop curriculum through outreach and maintain a guide for condominium boards of directors as a reference for the management of a condominium association. Guides completed this year: “An Introduction to Condominium Living in Hawaii” (pamphlet also developed), and “Preventing Housing Discrimination in Hawaii Condominiums.”

Five Year Education and Research Plan—Research, ex-change, and develop a rollover fifth year on five year education and research plan for condominiums.

Condominium Seminars—Develop, plan and organize seminars to be held in all counties utilizing the curriculum and brochures developed for the board of directors guide, association budget and reserves guide, new rules, legislative update, or condominium topics of mutual concern. Continue administration of Commission seminar policy on subsidizing, sponsoring, assisting, cosponsoring of third party organizations. This year the Commission with the assistance of HREREC produced and telecast live statewide a panel discussion on “Fair Housing For Hawaii Condominiums.”

HREREC Interactive Program—Interact with state, national and international organizations and government agencies for information exchange including joint presentation with Commissioner or REB staff.

Government and Legislative Participation—Respond to any requests or suggestions from Commission with the Administration, Governor, Lieutenant Governor, Cabinet members, Legislators, Mayors, City Council members, Congressional members and other government officials; attend legislative hearings and present testimonies on condominium issues; provide needed communications with Legislators; participate in any administration or legislative directed meeting, report or survey.

Condominium Hotline—Administer in tandem with the real estate hotline the delivery system of condominium information for the neighbor island community utilizing the WATTS line.

Education via Media & Internet—Utilize existing materials developed by the Commission and HREREC to develop a weekly or bi-weekly newspaper column on condominium issues. Long range, consider replacing hard copy through a medium that reaches more in a timely manner at equivalent cost.

Condominium Survey—Survey a cross-section of condominium boards of directors, apartment owners, condominium managing agents, and condominium employees to assess the needs, problems, education concerns, Commission programs, etc. to be used for education and research programs.

Real Estate Chair and HREREC Administration—Administer program of work and budget, including contracts, budget, joint projects, contracted projects, management office, general administration by HREREC. Coordinate and implement transition of transferring remaining programs, education/research materials, reference information, equipment, computers, etc. Involve Real Estate Chair with condominium community and redefine role.

Rule-Making—Chapter 107—Study and evaluate Chapter 107 and HRS Chapter 514A, for rule making, consider deregulation without reducing consumer protection. Develop drafts of proposed rules, review/comment by focus groups and other interested parties.
Condominium Program


Condominium Project and Public Reports—Evaluate the process, records, forms, information documents, rules; coordinate with other governmental agencies, attorneys, etc. to ensure more expeditious processing and review time. Plan, develop and administer any legislative amendments needed. Administer consultant contracts. This year, developed administrative structure and procedures to implement Act 135 providing for a new type of report, the “developer’s contingent final public report.” Status report covering registration of condominium projects, issuance of effective dates for public reports, and grants of extensions is set forth in Fig. 6.

Condominium Association Registration—Review and monitor program for improvement including computer generated registration forms with previous responses, public list of all registered AOAOs. Plan, develop, and administer any legislative amendments. This year marked the first time associations registered for a biennium period. The Commission staff processed 1,339 registrations. This represents the registration of 112,832 apartment units, continuing the trend of increasing the number of registrants as compared to the registration of 1,277 applications and 106,052 apartment units in 1997. Fig. 4 shows the increase in association registrations since fiscal year 1990 when the requirement was instituted.

Condominium Managing Agent Registration—Review and monitor program for improvement and problem resolutions with Licensing Branch; develop listing of all registered CMAs. This year, the Commission issued 116 condominium managing agent registrations.

Condominium Hotel Operator Registration—Review and monitor program for improvement and problem resolutions with Licensing Branch; develop listing of all registered CHOIs. This year, the Commission issued 112 condominium hotel operator registrations.

Recodification of HRS Chapter 514A—Initiate the plan for recodification based on the 1995 Commission’s report to the Legislature “A Plan to Recodify Chapter 514A, Hawaii Revised Statutes, Condominium Property Regime”; include recommended legislation, budget, and coordination of a special Commission task force.

Condominium Management and Education Fund (CMEF)—Prepare, maintain, and review of budget, finance, and records for the Condominium Management Education Fund (CMEF). Prepare monthly and annual financial statements, budgets, administer fund investment. Plan and work with department to increase education budget for FY99 to increase programs and for new education programs. Review and study the feasibility of less costly alternative to a biennial audit.

Advice, Education, and Referral—Provide advice, education, and referrals to the condominium community, applicants, consumers, licensees, government officials organizations, and the public. Amend, print and distribute copy of HRS Chapter 514A, and rules to each registered association and registered condominium managing agent. Study and report on the feasibility of providing information and advice on telephonic pre-recorded messages. During the year, the staff responded to 23,784 (10,348 telephone, 1,293 walk-ins, 12,143 written requests) condominium related inquiries and requests for information.

Condominium Mediation and Arbitration Program—Research, develop and publish a brochure on dispute resolution, mediation, and arbitration programs including “trial de novo.” Study feasibility of initiating program in other neighbor islands. Continue condominium governance mediation arrangements with providers. This year, the Neighborhood Justice Center of Honolulu Inc. received 30 cases. Of the 30 cases received, 18 cases were closed with no mediation and 12 cases were mediated and closed with agreements. The joint project would involve the Condominium Management Education fund providing the financial support for mediating certain condominium disputes referred to RICO. Implementation—the beginning of next fiscal year.

Meetings and Symposium—Plan, coordinate, and conduct monthly Condominium Review Committee meetings. Include schedule of meetings and agendas on Commission Web page.

Legislative Acts and Resolutions—Review and carry out responsibilities of Legislative acts and resolutions, amend public copy of HRS Chapter 514A, provide summary of condominium and related acts and resolution for Commission/staff/ bulletin, etc.

Government and Legislative Participation and Report—Research, develop and distribute annual report to the Legislature on Condominium Management Education Fund, program of work, budget and mediation program. Provide briefings to Legislators and staff; act as a resource. Respond to elected officials, inquiries/complaints, request for information, etc.

Neighbor Island Outreach—Coordinate and conduct two CRC meetings at neighbor island sites with ERC and LRRC. This year the Committee convened meetings in Wailea, Maui in October and in Hilo in May.

Interactive Participation with Organizations—Active participation with Hawaii, Pacific Rim, national and international organizations and government agencies for the exchange of information and concerns, sharing of education and research efforts, joint projects of mutual concern, training, etc. through attendance, membership and participation at local, regional, national and international meetings, including CAI, CAI Hawaii Chapter, HCAAO, HICCO, South Maui Council, IREM, ARELLO, Hawaii State Bar, Zenkauren (Japan).

Condominium Association Budget and Reserves—Review
Condominium Program

the budget and reserve guide, monitor and report on IRS position on budget and reserves, make amendment and distribute where applicable.

Condominium Specialists Office for the Day—Set up office at various neighbor island locations to meet and discuss condominium concerns and also to provide training to RICO investigators. Joint program with Real Estate Specialist of the Day. This year, the Office for the Day was held in Lihue, Kauai; Hilo, Hawaii; Wailuku, Maui; and Kona, Hawaii. Participants received handout materials specifically tailored to meet their needs.

Condominium Speakership Program—Honor requests for speaking engagements for some type of program concerning or related to condominium issues from associations, CMAs, interested groups, colleges or universities, legislators, government agencies, etc. subject to approval and priorities.

New Technology Program—Administer in-house and network computer system; including training, purchases, and DCCA and P&VLD plans. Study feasibility of new technology in the storage, printing of public reports, registration and public information.

Condominium Reference Library—Develop and maintain materials for a condominium reference library at public libraries, Commission office, mediation services offices, and neighbor islands.

Start-up Kit for New AOAOS and new CMAs—Distribute start-up kit to new condominium AOAOS and new CMAs including public copy of HRS Chapter 514A, rules, budget and reserves guide, board of directors guide or brochures, past condominium bulletins.

Cooperative Education, Research, and Administrative Program—Participate in and sponsor cooperative education research and administrative programs for those Departments, Divisions, and Branches that provide direct or indirect services.

Division and Department Program—Coordinate activities and programs of mutual concern with the P&VLD, RICO and the DCCA; including Director’s project on deregulation; review, analyze, and coordinate positions on HRS Chapter 436B with P&VLD and AG’s as it relates to HRS Chapter 514A.

Records Management—Administer and organize all records, reference materials, reports, minutes legislation, rules, AG opinions, contracts, etc. with applicable laws including the Uniform Information Practices Act and Records Report System.

CPR Project Workshop and Meetings—Research and update CPR project workshop materials, conduct periodic workshops for condominium consultants for purposes of orientation and information.

Case Law Review Program—Monitor, collect and report on judgments and decisions on Hawaii, federal, and other states’ court cases; report on governance cases.

Limited Equity Cooperatives—Develop forms, procedures and process for Limited Equity Cooperatives, HRS Chapter 421H, falling within the limited responsibility of the Commission.

Information Distribution and Radio Program—Program deferred.

Adjunct Condominium Survey—Augmented program deferred.

Condominium Board of Directors Guide—Augmented program deferred

SUMMARY OR PROGRAMS FOR FISCAL YEAR 1999:

Hawaii Condominium Bulletin—Continuous: Develop, write, edit, print and distribute a quarterly bulletin. Study feasibility of providing the bulletin through electronic medium. Coordinate transfer of program to REB for FY00.

HREREC Interactive Program—Continuous: Co-participate with Commission at neighbor island meetings; budget split with ERC.

Condominium Hotline—Continuous: Administer in tandem with the real estate hotline the delivery system of condominium information for the neighbor island community utilizing the WATTS line.

Web page—Coordinate with REB the transfer of HREREC Web page to Commission’s Web page.

HREREC Administration—Continuous: Plan and implement transfer to Commission remaining programs, education/research materials, reference material, records, equipment, computers, etc. on or before June 1999.

Rule-Making–Chapter 107—Carryover: Study and evaluate Chapter 107 and HRS Chapter 514A, for rule making, consider deregulation without reducing consumer protection.


Condominium Project and Public Reports—Continuous: Study feasibility of finding other means of providing access to public reports. Consider feasibility of including in Commission Web page a listing of projects with current public reports.

Condominium Association Registration—Continuous: Review and monitor program for improvement including computer generated registration forms with previous responses, public list of all registered AOAOS.

Condominium Managing Agent Registration—Continuous: List all registered CMAs in Commission Web page and preprinted lists available upon request.

Condominium Hotel Operator Registration—Continuous: List all registered CHO in Commission Web page and preprinted lists available upon request. Develop and distribute start-up kits for CHO, similar to CMAs.

Recodification of HRS Chapter 514A—Continuous: Ini-
Condominium Program

Condominium Project Filings Received

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<td>Total New</td>
<td>117</td>
<td>1,143</td>
</tr>
<tr>
<td>Conversions</td>
<td>109</td>
<td>882</td>
</tr>
<tr>
<td>Residential</td>
<td>54</td>
<td>665</td>
</tr>
<tr>
<td>Commercial and Other</td>
<td>4</td>
<td>87</td>
</tr>
<tr>
<td>Agricultural</td>
<td>51</td>
<td>130</td>
</tr>
<tr>
<td>Total Conversions</td>
<td>109</td>
<td>882</td>
</tr>
</tbody>
</table>

* The first biennial registration, for the July 1, 1997 through June 30, 1999 biennium, was due on June 30, 1997. As a result, registrations were received in both the 1997 and 1998 fiscal years. The numbers reported here show the number of associations and apartments that registered for the biennium and include registrations received in the 1997 fiscal year.

Condominium Management Education Fund

Fiscal Year 1999 Budget

<table>
<thead>
<tr>
<th></th>
<th>REVENUES</th>
<th>EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Association and Developer Contribution</td>
<td>$350,000</td>
</tr>
<tr>
<td></td>
<td>Interest</td>
<td>$20,000</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$370,000</td>
<td>$342,036</td>
</tr>
<tr>
<td></td>
<td>Personnel</td>
<td>$81,797</td>
</tr>
<tr>
<td></td>
<td>Supplies</td>
<td>$6,000</td>
</tr>
<tr>
<td></td>
<td>Postage</td>
<td>$7,000</td>
</tr>
<tr>
<td></td>
<td>Equipment Rentals/ Maintenance</td>
<td>$8,000</td>
</tr>
<tr>
<td></td>
<td>Research and Education Center</td>
<td>$130,768</td>
</tr>
<tr>
<td></td>
<td>Education and Research</td>
<td>$98,221</td>
</tr>
<tr>
<td></td>
<td>Equipment for Office</td>
<td>$1,000</td>
</tr>
<tr>
<td></td>
<td>Staff/Commissioner</td>
<td>$5,000</td>
</tr>
<tr>
<td></td>
<td>Development</td>
<td>$500</td>
</tr>
<tr>
<td></td>
<td>Resource Materials</td>
<td>$500</td>
</tr>
<tr>
<td></td>
<td>Dues and Subscriptions</td>
<td>$500</td>
</tr>
<tr>
<td></td>
<td>Miscellaneous</td>
<td>$500</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$342,036</td>
<td>$342,036</td>
</tr>
</tbody>
</table>

Condominium Association Registration

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Associations Registered</th>
<th>No. of Apartments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>201</td>
<td>20,066</td>
</tr>
<tr>
<td>1991</td>
<td>809</td>
<td>74,916</td>
</tr>
<tr>
<td>1992</td>
<td>968</td>
<td>87,127</td>
</tr>
<tr>
<td>1993</td>
<td>1,049</td>
<td>91,424</td>
</tr>
<tr>
<td>1994</td>
<td>1,114</td>
<td>95,827</td>
</tr>
<tr>
<td>1995</td>
<td>999</td>
<td>85,296</td>
</tr>
<tr>
<td>1996</td>
<td>1,161</td>
<td>101,629</td>
</tr>
<tr>
<td>1997</td>
<td>1,277</td>
<td>106,052</td>
</tr>
<tr>
<td>1998*</td>
<td>1,339</td>
<td>112,832</td>
</tr>
</tbody>
</table>

Fig. 4

Fig. 5

Fig. 6

Condominium Management Education Fund

REVENUES
Association and Developer Contribution $350,000
Interest $20,000
Total Revenues $370,000

EXPENDITURES
Personnel $81,797
Supplies $6,000
Postage $7,000
Equipment Rentals/ Maintenance $8,000
Research and Education Center $132,768
Education and Research $98,221
Equipment for Office $1,000
Staff/Commissioner Development $5,000
Resource Materials $500
Dues and Subscriptions $500
Miscellaneous $500
Total Expenditures $342,036

Condominium Project Filings Received

<table>
<thead>
<tr>
<th></th>
<th>No. of</th>
<th>No. of Apartments</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>84</td>
<td>862</td>
</tr>
<tr>
<td>Commercial and Other</td>
<td>5</td>
<td>198</td>
</tr>
<tr>
<td>Agricultural</td>
<td>117</td>
<td>1,143</td>
</tr>
<tr>
<td>Total New</td>
<td>117</td>
<td>1,143</td>
</tr>
<tr>
<td>Conversions</td>
<td>109</td>
<td>882</td>
</tr>
<tr>
<td>Residential</td>
<td>54</td>
<td>665</td>
</tr>
<tr>
<td>Commercial and Other</td>
<td>4</td>
<td>87</td>
</tr>
<tr>
<td>Agricultural</td>
<td>51</td>
<td>130</td>
</tr>
<tr>
<td>Total Conversions</td>
<td>109</td>
<td>882</td>
</tr>
</tbody>
</table>

Public Reports Issued

(FY 1998)

<table>
<thead>
<tr>
<th></th>
<th>Preliminary</th>
<th>Final</th>
<th>Supplementary</th>
<th>Extensions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of</td>
<td>25</td>
<td>175</td>
<td>55</td>
<td>279</td>
<td>534</td>
</tr>
</tbody>
</table>

Condominium Management and Education Fund (CMEF)—Continuous: Plan and work with department to increase budget for FY99 for additional educational programs. Defer audit, review and study the feasibility of less costly alternative to biennial audit.

Advice, Education, and Referral—Continuous: Provide advice, education, and referrals to the condominium community, applicants, consumers, licensees, government officials, organizations, and the public; amend, print and distribute copy of HRS Chapter 514A.

Condominium Mediation and Arbitration Program—Continuous: Research, develop and publish a brochure on dispute resolution. Coordinate joint complaint/mediation program with RICO.

Meetings and Symposium—Continuous: Plan, coordinate, and conduct monthly Condominium Review Committee meetings. Include schedule of meetings and agendas on Commission Web page.

Legislative Acts and Resolutions—Continuous: Review and carry out responsibilities of Legislative acts and resolutions.

Government and Legislative Participation and Report—Continuous: Research, develop and distribute the annual report to the Legislature on condominium management education fund programs and funds.

Neighbor Island Outreach—Continuous: Coordinate and conduct two CRC meetings at neighbor island sites with ERC and LRRC.

Interactive Participation with Organizations—Continuous: Active participation with Hawaii, Pacific Rim, national and international organizations and government agencies for the exchange of information and concerns.

Condominium Seminars—Continuous: Produce a statewide seminar series through a contractor via subsidiary, sponsoring, assisting, or co-sponsoring.

Condominium Association Budget and Reserves—Carryover: Review the budget and reserve guide, monitor and report on IRS position on budget and reserves, make amendments and distribute where applicable.

Condominium Specialists Office for the Day—Continuous: Set up office at various neighbor island locations to meet and discuss condominium concerns and also to provide training to RICO investigators.
Condominium Program

Condominium Speakership Program—Continuous: Honor requests for speaking engagements for some type of program concerning or related to condominium issues.

New Technology Program—Continuous: Administer in-house and network computer system; including training, purchases, and DCCA and P&VLD plans.

Condominium Reference Library—Continuous: Develop in Commission Web page a catalog of all public reference materials provided to State Libraries and at REB office.

Start-up Kit for New AOAOs and New CMAs—Continuous: Distribute start-up kit to new condominium AOAOs and new CMAs including public copy of HRS Chapter 514A, and rules.

Cooperative Education, Research, and Administrative Program—Continuous: Participate in and sponsor cooperative education research and administrative programs.

Division and Department Program—Continuous: Coordinate activities and programs of mutual concern with the P&VLD, RICO and the DCCA. Coordinate joint complaint/mediation program with RICO.

Records Management—Continuous: Administer and organize all records, reference materials, reports, minutes, legislation, rules, AG opinions, contracts, etc. with applicable laws including the Uniform Information and Practices Act and Records Report system.

CPR Project Workshop and Meetings—Continuous: Research and update CPR project workshop materials; conduct periodic workshops for condominium consultants for purposes of orientation and information.

Case Law Review Program—Continuous: Monitor, collect and report on judgments and decision on Hawaii, federal, and other states’ court cases; report on governance cases.

Limited Equity Cooperatives—Continuous: Develop forms, procedures and process for Limited Equity Cooperatives, HRS Chapter 421H, falling within the limited responsibility of the Commission.

Staff and Commissioners Development—Continuous: Develop and train REB staff and Commissioners. Participate in training provided by CIA, ARELLO, REEA, CLEAR and other organizations.

HREREC Termination Transition—FY program only. Work and plan with HREREC the transition of the termination of the contract for HREREC.

Licensees

The total number of licensees increased by 9%, from 14,097 in 1997 to 15,363 in 1998, as would be expected in the non-renewal year of the license biennium. The percentage increase was the same as occurred in 1996, which was the previous non-renewal year.

The decline in new licenses issued continued into 1998 as 1998’s 663 new licenses issued was 10% less than the 733 issued in 1997. However, as is typical in a nonrenewal year, the total number of licensees increased by 9%, from 14,097 in 1997 to 15,363 in 1998.

<table>
<thead>
<tr>
<th>License Type</th>
<th>FY 1997</th>
<th>FY 1998</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broker (Individual)</td>
<td>71</td>
<td>66</td>
<td>-7%</td>
</tr>
<tr>
<td>Broker (Corp., Part., LLC, LLP)</td>
<td>76</td>
<td>44</td>
<td>42%</td>
</tr>
<tr>
<td>Salesperson</td>
<td>586</td>
<td>553</td>
<td>-6%</td>
</tr>
<tr>
<td>Total New Licenses</td>
<td>733</td>
<td>663</td>
<td>-10%</td>
</tr>
</tbody>
</table>

New Licenses Issued

Fig. 7

![New Real Estate Licenses Issued](image)
### Current Real Estate Licensees (August 1998) by License Type and Island

<table>
<thead>
<tr>
<th>License Type</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><strong>Active</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broker</td>
<td>1,669</td>
<td>314</td>
<td>301</td>
<td>138</td>
<td>8</td>
<td>2</td>
<td>-</td>
<td>2,432</td>
</tr>
<tr>
<td>Salesperson</td>
<td>3,090</td>
<td>599</td>
<td>738</td>
<td>360</td>
<td>17</td>
<td>3</td>
<td>-</td>
<td>4,807</td>
</tr>
<tr>
<td>Sole Proprietor</td>
<td>900</td>
<td>144</td>
<td>103</td>
<td>36</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>1,186</td>
</tr>
<tr>
<td>Corporation, Partnership, LLC, LLP</td>
<td>743</td>
<td>127</td>
<td>147</td>
<td>60</td>
<td>4</td>
<td>1</td>
<td>-</td>
<td>1,082</td>
</tr>
<tr>
<td>Branch Office</td>
<td>23</td>
<td>19</td>
<td>23</td>
<td>6</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>72</td>
</tr>
<tr>
<td><strong>Total Active</strong></td>
<td>6,425</td>
<td>1,203</td>
<td>1,312</td>
<td>600</td>
<td>33</td>
<td>6</td>
<td>-</td>
<td>9,579</td>
</tr>
<tr>
<td><strong>Inactive</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broker</td>
<td>420</td>
<td>89</td>
<td>54</td>
<td>18</td>
<td>141</td>
<td>-</td>
<td>-</td>
<td>722</td>
</tr>
<tr>
<td>Salesperson</td>
<td>3,199</td>
<td>530</td>
<td>511</td>
<td>282</td>
<td>3</td>
<td>3</td>
<td>441</td>
<td>4,969</td>
</tr>
<tr>
<td>Corporation, Partnership, LLC, LLP</td>
<td>47</td>
<td>11</td>
<td>13</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>80</td>
</tr>
<tr>
<td>Branch Office</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td><strong>Total Inactive</strong></td>
<td>3,668</td>
<td>634</td>
<td>583</td>
<td>305</td>
<td>4</td>
<td>4</td>
<td>586</td>
<td>5,784</td>
</tr>
<tr>
<td><strong>Active and Inactive</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broker</td>
<td>2,089</td>
<td>403</td>
<td>355</td>
<td>156</td>
<td>8</td>
<td>2</td>
<td>141</td>
<td>3,154</td>
</tr>
<tr>
<td>Salesperson</td>
<td>6,289</td>
<td>1,129</td>
<td>1,249</td>
<td>642</td>
<td>20</td>
<td>6</td>
<td>441</td>
<td>9,776</td>
</tr>
<tr>
<td>Sole Proprietor</td>
<td>900</td>
<td>144</td>
<td>103</td>
<td>36</td>
<td>3</td>
<td>0</td>
<td>-</td>
<td>1,186</td>
</tr>
<tr>
<td>Corporation, Partnership, LLC, LLP</td>
<td>790</td>
<td>138</td>
<td>160</td>
<td>63</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>1,162</td>
</tr>
<tr>
<td>Branch Office</td>
<td>25</td>
<td>23</td>
<td>28</td>
<td>8</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>85</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,093</td>
<td>1,837</td>
<td>1,895</td>
<td>905</td>
<td>37</td>
<td>10</td>
<td>586</td>
<td>15,363</td>
</tr>
</tbody>
</table>

**Fig. 10**
Regulated Industries Complaints Office

The Regulated Industries Complaints Office (RICO) receives, investigates, and prosecutes complaints against real estate licensees for violations of laws and rules administered by the Commission.

The trend of declining volume of complaints continued in 1998 as 20% fewer real estate complaints, 140 in FY 1998 compared to 177 in FY 1997, were filed with RICO. As shown in Fig. 13, the number of complaints has been declining since 1990.

Of the complaints received, 73 have been closed because they were civil in nature, there was insufficient evidence, no violation was found, the complaint was resolved, or the complaint was withdrawn. Two of the closed complaints were resolved through mediation.

Figs. 11 and 12 show the allegations and violations by section number of the laws or rules. RICO allegations were for complaints filed during the year. Violations found or admitted were for disciplinary actions taken during the year.

Fig. 11
Regulated Industries Complaints Office

Rules Ch. 99
Complaints and Violations Found

§16-99-3(a)  To fully protect the general public in its real estate transactions.
§16-99-3(b)  Licensee shall protect the public against fraud, misrepresentation, or unethical practices in the real estate field.
§16-99-3(f)  Licensee shall see that financial obligations and commitments are in writing.
§16-99-3(g)  Licensee shall not acquire property listed with the licensee's firm without informing the principal broker.
§16-99-3(j)  Licensee shall immediately transmit all written offers in any real estate transaction to the listing broker who has a written unexpired exclusive listing contract.
§16-99-3(m)  There shall be a principal broker or broker in charge at the principal place of business and a broker in charge at a branch office who shall be immediately responsible for the real estate operations conducted.

§16-99-3(v)  Licensee shall not convert other people's moneys to licensee's own use.
§16-99-3.1 Disclosure of agency.
§16-99-4  Every broker who does not immediately place all funds entrusted to the broker in a neutral escrow depository shall maintain a trust fund account in this state with some bank or recognized depository and place all entrusted funds therein.
§16-99-5  Each licensee shall file his or her residence and mailing address with the Commission and notify the Commission of any change in writing within 10 days of change.
§16-99-11 Violation of advertising rule.
§16-99-71 The real estate activities of each firm shall be under the direct management and supervision of a principal broker.

Fig. 12
Regulated Industries Complaints Office

Fig. 13

Administrative Actions

In fiscal year 1998, the Commission took disciplinary action against 42 licensees. This represented a 45% increase over 1997’s five-year low of 29. In contrast, the Commission took disciplinary action against 74 licensees in 1996. Of the 42 licensees disciplined, 34 were fined a total of $139,867, 8 licenses were revoked, 5 licenses were suspended, and 7 licensees were required to complete an educational course. In addition, 10 licensees were ordered to pay restitution totaling $258,233. The following list shows the type of activity the licensee was engaged in that resulted in the disciplinary action:

- General brokerage: 33 licensees
- Property management: 2
- Condominium hotel operator: 4
- Condominium managing agent: 3

When an applicant files an appeal of a Commission decision, a hearing is held before an impartial administrative hearings officer. Following the hearing, the administrative hearings officer issues findings of fact, conclusions of law, and a recommended order. The Commission reviews the hearings officer’s findings and issues a final order. In 1998, 5 applicants appealed Commission decisions, 5 appeal hearings were held or scheduled to be held, and the Commission issued final decisions in 10 appeals. Of the appeals filed, three were subsequently withdrawn by the applicant. Two of the applicants failed to appear at a scheduled hearing and failed to pursue the appeal.

<table>
<thead>
<tr>
<th>Type of Application</th>
<th>No. of Appeals Filed</th>
<th>Hearing Scheduled or Held</th>
<th>Final Order Issued by Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salesperson</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Broker Experience</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Restoration of License</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Corporation</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instructor/Course</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

In the 10 cases in which the Commission issued a final order, three were dismissed and the Commission’s decision was upheld in the remainder. One salesperson applicant filed an appeal with the Circuit Court.

In two cases, although the Commission upheld its decision, the applicants were issued a salesperson’s license and a broker experience certificate due to changed circumstances.
Financial Information

REAL ESTATE EDUCATION FUND
The real estate education fund receives revenues from new license and biennial renewal fees and from investment income. As the 1998 fiscal year was not a renewal year, new license fees and investment income were the only sources of revenue. Revenues for the year totaled $104,925, with $55,880 of that from new license fees. The declining fee revenues reflect the decline in new licenses issued.

As a result of the Commission’s effort to reduce the fund’s level of expenditure, expenditures and encumbrances were cut by 22%, from $473,892 in 1997 to $371,700 in 1998. The fund balance at the end of the year was $395,013.

CONDOMINIUM MANAGEMENT EDUCATION FUND
The fund has two sources of revenues, a biennial $4 per apartment reregistration fee from condominium associations with more than five apartments, and a $5 per apartment fee from developers for new project registrations.

Due to the 1997 change to biennial registration for condominium associations, revenues to the fund changed to a two-year cycle. Fiscal year 1998 was the non-renewal year, as reflected in revenues of $93,310. In contrast, revenues totaled $565,060 in 1997.

Expenditures and encumbrances increased slightly over last year, from $230,263 in 1997 to $255,443 in 1998.

REAL ESTATE RECOVERY FUND
The fund’s sole source of revenues is a one-time contribution of $50 from each new licensee. The continuing decline in the number of new licenses issued is reflected in the fund’s revenues over the past several years. This year, fee revenues totaled $38,202, just slightly more than last year’s $35,764.

In 1998, the fund paid four claims totaling $145,000, substantially more than last year’s $35,971 paid out in two cases. The fund also received a repayment of $48,745.

The fund balance at the end of the year was $643,979. By law, if the balance falls below $350,000, the Commission is required to assess all licensees an additional contribution.

Potential claimants are required by law to notify the Commission of a possible claim at the time an action is filed in court. In 1998, the Commission received notices in 18 cases, down from last year’s 26 cases. If the statutory maximum of $25,000 per transaction is applied to the 18 cases, the fund faces a potential liability of $450,000.

Note: The financial statements presented here are unaudited. Every effort has been made to assure that the information presented accurately reflects the financial position of the funds.
## Financial Information

### REAL ESTATE EDUCATION FUND

**Fund Balance**  
As of June 30, 1998  
(Unaudited)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td></td>
</tr>
<tr>
<td>In State Treasury</td>
<td>$205,386</td>
</tr>
<tr>
<td>Short term cash investments</td>
<td>13,495</td>
</tr>
<tr>
<td>Investment securities (cost)</td>
<td>89,942</td>
</tr>
<tr>
<td>Investment income due from Recovery Fund</td>
<td>86,190</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$395,013</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reserve for Encumbrances</strong></td>
<td>$1,739</td>
</tr>
<tr>
<td>Unreserved</td>
<td>393,274</td>
</tr>
<tr>
<td><strong>Total Fund Balance</strong></td>
<td><strong>$395,013</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Fund Balance</strong></td>
<td><strong>$395,013</strong></td>
</tr>
</tbody>
</table>

**Expenditures and Encumbrances**  
For the Year Ended June 30, 1998  
(Unaudited)

**I. Operations**

- Personnel: $230,797
- Supplies: 1,490
- Postage: 3,385
- Equipment Rentals/Maintenance: 5,851
- Machinery and Equipment: 1,331

**Total Operations**: 242,854

**II. Direct Licensee Education**

- Research and Education Center: 80,500
- Neighbor Islands Outreach: 1,521
- Legislative Part., Research: 318
- Programs: 11,970

**Total Direct Licensee Education**: 113,261

**III. Indirect Licensee Education**

- Interactive Participation: 15,080
- Staff Development: 320
- Books: 87
- Dues & Subscriptions: 98

**Total Indirect Licensee**: 15,585

**Total Expenditures and Encumbrances**: $371,700

### CONDOMINIUM MANAGEMENT EDUCATION FUND

**Fund Balance**  
As of June 30, 1998  
(Unaudited)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td></td>
</tr>
<tr>
<td>In State Treasury</td>
<td>$179,360</td>
</tr>
<tr>
<td>Short term cash investment</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$679,360</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reserve for Encumbrances</strong></td>
<td>$6,038</td>
</tr>
<tr>
<td>Unreserved</td>
<td>673,322</td>
</tr>
<tr>
<td><strong>Total Fund Balance</strong></td>
<td><strong>$679,360</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Fund Balance</strong></td>
<td><strong>$679,360</strong></td>
</tr>
</tbody>
</table>

**Expenditures and Encumbrances**  
For the Year Ended June 30, 1998  
(Unaudited)

**Personnel**: 69,609
- Supplies: 5,361
- Postage: 5,250
- Equipment Rentals/Maintenance: 6,069
- Research and Education Center: 137,375
- Education and Research: 25,395
- Equipment for Office: 5,705
- Staff/Commissioner Development: 135
- Resource Materials: 174
- Dues & Subscriptions: 329
- Miscellaneous: 41

**Total Expenditures and Encumbrances**: 255,443
# Financial Information

## REAL ESTATE RECOVERY FUND

**Fund Balance**
As of June 30, 1998
(Unaudited)

### ASSETS

<table>
<thead>
<tr>
<th>Case No.</th>
<th>Licensee</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>96-271</td>
<td>Edna Nakasato</td>
<td>$50,000</td>
</tr>
<tr>
<td>92-1135</td>
<td>Elizabeth L. Conner</td>
<td>25,000</td>
</tr>
<tr>
<td>94-4754-1</td>
<td>Maria Ho</td>
<td>45,000</td>
</tr>
<tr>
<td>87-0091</td>
<td>Philip S. Adao</td>
<td>25,000</td>
</tr>
</tbody>
</table>

Cash

- In State Treasury: $247,480
- Short term cash investments: 241,901
- Investment securities (cost): 240,788

**Total Assets**: $730,169

### LIABILITIES AND FUND BALANCE

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income due to Real Estate Education Fund</td>
<td>$86,190</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>86,190</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>643,979</td>
</tr>
</tbody>
</table>

**Total Liabilities and Fund Balance**: $730,169

## Revenues and Expenditures and Encumbrances (1994 - 1998)
(Unaudited)

### REAL ESTATE EDUCATION FUND

#### Revenues
- **Fees**: $75,510, $695,185, $68,895, $579,390, $55,880
- **Investment Income**: 56,314, 33,881, 67,403, 38,586, 49,045

**Total Revenues**: 131,824, 729,066, 136,298, 617,976, 104,925

#### Expenditures and Encumbrances
- **Operations**: 4,820
- **Claims**: 12,500, 0, 105,554, 35,971, 145,000
- **Contract services**: 38,973, 56,626, 50,562, 44,823, 50,255

**Total Expenditures and Encumbrances**: 51,473, 56,626, 156,116, 80,794, 200,075

**Recoveries**: 222, 1,181, (555), (64), 48,745

**Excess (deficiency) of revenues over expenditures and encumbrances**: $8,908, $2,427, ($101,480), ($45,094), ($113,128)

### CONDOMINIUM MANAGEMENT EDUCATION FUND

#### Revenues
- **Fees**: $270,872, $267,716, $265,885, $565,060, $93,310
- **Investment Income**: 3,389, 2,856, 3,943, 7,582, 18,928

**Total Revenues**: 274,261, 270,572, 269,828, 572,642, 112,238

#### Expenditures and Encumbrances
- **Excess (deficiency) of revenues over expenditures and encumbrances**: $65,616, ($37,979), $25,945, $342,379, ($143,205)

### REAL ESTATE RECOVERY FUND

#### Revenues
- **Fees**: $60,159, $57,872, $55,191, $35,764, $38,202
- **Operations**: 4,820
- **Claims**: 12,500, 0, 105,554, 35,971, 145,000
- **Contract services**: 38,973, 56,626, 50,562, 44,823, 50,255

**Total Expenditures and Encumbrances**: 51,473, 56,626, 156,116, 80,794, 200,075

**Recoveries**: 222, 1,181, (555), (64), 48,745

**Excess (deficiency) of revenues over expenditures and encumbrances**: $8,908, $2,427, ($101,480), ($45,094), ($113,128)
Fiscal Year 1998 Program of Work—Status Report (Continued)

EDUCATION REVIEW COMMITTEE

Broker Curriculum and Resources — Carryover: Research and development of amended broker curriculum and resources. Implementation and administration of amended broker curriculum by REC and staff, including dissemination, rule making, testing company, etc.

Continuing Education 1997-98 Core Course — Carryover: Research and development of core course for 1999-2000 license biennium. To be developed with a versatile curriculum to ensure that instructors will be able to develop and incorporate latest amendments in laws or rules including directives from the Commission for emphasis.

Continuing Education 1997-98 Elective Courses — Carryover: Maintenance of three Commission continuing education elective courses (Fair Housing, Real Estate Investment Analysis, Property Management) review and updating/distribution of curriculum materials.

Examination — ASI Laws & Rules Report and Curriculum Review — Continuous: Monitor and annual review of curriculum. Provide timely laws and rules update report to ASI and coordinate the implementation of any amended curriculum for salespersons and brokers into the examination. Assist with issues on exam content/curriculum, and questions on the exam.

IDW and New Course Briefings — Continuous: Development, coordination and production of IDW for prelicensing and continuing education instructors.

Evaluation and Education System for CE and Prelicensing Instructors — Carryover: Research and report on administration, feasibility or peer review administration, volunteers, or contractor, including evaluation of the program and recommendations as to the continuation of the program.

Five Year Education and Research Plan — Continuous: Research, exchange and development of rollover fifth year on the five year education and research plan in the area of real estate, brokers, salespersons and consumers.

HREREC Interactive Program — Continuous: Proactive participation and communication with State, national and international organizations (ARELO, REEA, NAR, HAR, etc.) and government agencies for information exchange, education, advice, etc., including one Commissioner or REC staff member.

Legislative and Government Participation — Continuous: Legislative liaison responsibilities, including research and briefing of Legislators, Committee Chairs, legislative staff, including written and oral testimony on material legislative bills. Research, develop and print/distribute studies on various real estate issues of interest to the Legislature or government agencies including on behalf of the Commission, including acts, resolutions or agreed upon directed studies.

Education Via Media & Internet — Continuous: Develop articles to local, State and national publications with articles in varied length and scope with research. Articles to include condominium articles and budget to be shared with CMEF. Study feasibility of continuing the weekly newspaper column with alternative publications, including Mid-Week, with a combination of neighbor island newspapers. May consider biweekly or monthly releases. Research and development of newspaper column on real estate area. Maintain and improve Web pages through Internet.

Consumer Guide — Carryover: Development, production, printing and distribution of a brochure on the mandatory seller disclosure law for consumers (seller and buyer) and licensees.

Real Estate Hotline — Continuous: Administer the delivery system of real estate and condominium information for neighbor island licensees utilizing the WATTS line.

Alternative Delivery of Education — Carryover: Study feasibility into other means of prelicensing and continuing education course delivery, with priority on the interactive computer software system, including exploring existing software, technology, cost, etc. Study feasibility of utilizing HITS program producing a pilot program.

Real Estate Chair and HREREC Administration — Continuous: Administration of program of work and budget, including contracts, budget, joint projects, contracted projects, Management Office, general administration by HREREC. In coordination with REC staff, plan and implement transition of transferring remaining programs, education/research materials, reference information, equipment, computers, etc.

Evaluation of HREREC and Its Future — Carryover: Through exchanges, study, evaluate and make recommendations regarding the HREREC, its organization, management, personnel, direction, funding role in the community, role at the University of Hawaii, role in the College of Business, role of the Advisory Council, role of RCUH, role of REC, role of DCCA, role with the Chair position, etc.

Administration of Prelicensure Education Program, Schools, and Instructors — Continuous: Administration of prelicense school and instructors applications, approval process, information, renewals, certification, records management, re-evaluation, etc. Implement and administration of evaluation system on schools and instructors. Research, development, printing and distribution of quarterly School Files, a bulletin for educators; a joint program with Continuing Education Program. Periodic meetings with schools and instructors for exchange of concerns, information, amended laws and rules, etc.

Administration of Examinations — Continuous: Administration of real estate licensing examination program including contract administration with ASI, information, trouble shooting, review and amendments to application booklets, periodic reports, EXPro daily exams, etc. Coordinate periodic ASI workshops for schools, instructors, Commissioners and REC staff, and test site administrators. Monitor and report with recommendations on all exam sites (including neighbor islands) at least once per year. Participate in the national uniform test development programs. Participate and initiate the ARELO examination certification program. Coordinate, conduct and administer test development sessions with ASI including selection and coordination of panel members. Monitor and annual review of curriculum. Provide timely laws and rules update report to ASI and coordinate the implementation of any amended curriculum for salesperson and broker into the examinations.

Administration of Continuing Education Elective Courses — Continuous: Provide administrative information to elective course providers and licensees and assist providers in submissions, review of applications, curriculum, make recommendations and records management.

Administration of Continuing Education Program, Providers, and Instructors — Continuous: Administration of continuing education program, providers, instructors, courses reevaluation, information center, records management, etc. Research, development, printing and distribution of quarterly School Files, a bulletin for educators; a joint program with Prelicensure Education Program. Coordinate periodic meetings (including neighbor islands) with providers, administrators and instructors for exchange of concerns, information, amended laws and rules, etc.

Real Estate Education Fund (REEF) — Continuous: Maintenance and review of budget, finance, and records for REEF. Preparation of monthly and annual financial statements, annual and biennial budgets and administration of fund investment programs including contract administration and procurement code management.

Annual Report and Quarterly Bulletin — Continuous: Research, edit, printing and distribution of annual report and quarterly bulletin. Contract administration with consultant, procurement code management. To produce three bulletins and the annual report, being the fourth bulletin, to include CMEF. Annual report to be completed by December 31, 1999. Research and report on alternative means of delivery of the contents of the bulletins and annual report, including electronic means, such as Web pages, Hawaii FYI or other systems. Study long range plan of eliminating printing and distribution of hard copies.

Meetings and Symposium — Continuous: Plan, coordinate and conduct monthly Education Review Committee meetings or symposium when necessary, including facilities arrangements, agendas, testifiers and minutes. Complete pre and post meeting requirements, briefing of the Chair and SEO. Provide agendas and meeting schedules to participants and upon request. Include in REC website.

Advice, Education and Referral — Continuous: Provide advice, education and referral to applicants, licensees, government officials, consumers, the public, organizations, etc. Develop a distribution systems of educational and informational products to each principal broker and broker-in-charge. Publish and distribute education and informational materials. Administer and provide requestors access to public information and records, including requests for copies, subject to compliance with the Uniform Information Practices Act and working with the Office of Information Practices. Respond to inquiries, requests and constituency requests for Governor, Lt. Governor, Director, Deputy Director, Licensing Administrator, DCCA Division Chiefs, Legislators, Congressional members, County Officials and other government officials. Maintain and improve Web page through Internet.
Fiscal Year 1998 Program of Work—Status Report (Continued)

Neighbor Island Outreach — Continuous and carryover: To organize two ERC meetings at selected neighbor island sites including CRC and LRRC meetings to provide special education or outreach work to specific neighbor island areas.

Interactive Participation with Organizations — Continuous: Active Participation with Hawaii, Pacific Rim, national and international organizations and government agencies for the exchange of information and concerns, sharing of education and research efforts, joint projects of mutual concern, training, etc. through attendance, membership and participation at local, regional, national and international meetings, including Real Estate Educators Association (REEA), Association of Real Estate License Law Officials (ARELLO), Council on Licensure, Enforcement, and Regulation (CLEAR), National Association of REALTORS® (NAR), Hawaii Association of REALTORS® (HAR), Board of REALTORS®, including neighbor island boards, Hawaii State Bar Association, IREM, National Land Council, etc.

Legislative Participation, Research and Report — Continuous: Research, participate and/or report on any request by the Legislature, including resolutions, agreements, and issues of mutual concern.

Real Estate Specialist of the Day — Continuous: Real Estate Specialist set-up office at RICO neighbor island offices or other sites to provide advice, education and referral and to provide training to RICO investigators. Where possible, consider joint program with Condominium Specialist of the Day program and in combination with other programs for the neighbor islands.

Real Estate Speakeasip Program — Continuous: Subject to State government approvals and priorities, honor request to provide speaker, resource person or participant in a function related to real estate education. The participant to be either Supervising Executive Officer, Executive Officer, Real Estate Specialist, Commissioner or other staff member.

Instructor’s Development Workshop — Continuous: Development, sponsoring, coordination and/or producing of instructor development workshops for prelicensing and continuing education instructors to meet rule requirements. Study feasibility of video taping and/or HITS, and interactive video program. Research and administer requests for equivalency to other instructor development workshops.

Uniform Section Waiver of Prelicensing Examination — Carryover: Study the feasibility of recognizing and accepting the uniform section of the ASI and/or ETS exams for candidates who have passed the uniform section of another states’ exam per 1988 Legislative Auditor’s Report. Research and draft rules for the equivalency of the uniform section of the prelicensing examination based on the previous passage of the uniform section of ARELLO certified examination.

Educational Waiver Administration — Continuous: Study and evaluate educational requirements of other states and jurisdictions in coordination with ARELLO. Report findings and propose amendments to the prelicensing education waiver equivalencies, forms and instructions. Review and present prelicensing waiver applications for REC review, including broker experience certificates.

Records Management — Carryover: Evaluate, plan, reorganize and implement a centralized, consistent, user friendly, computerized glossary of the existing and future records. Administration and maintenance of REC, RICO, P&VLD, and DCCA policies and other statutory requirements.

Real Estate Reference Library — Continuous: Subscribe and purchase real estate reference materials for public review. Study and report of the feasibility of a program through the Hawaii State Library which is similar to the Condominium Review Committee’s program. Organize all real estate reference materials including periodicals, books, reports, seminar/workshop materials, other states information, etc. into a standardized system that is user friendly and computerized.

New Technology Program — Continuous: Administration of in-house and network computer system, coordination with DCCA’s coordinator, training of staff, purchases of hardware and software, programming, etc. Study feasibility of fax on demand services for applicants, licensees/registrants, and the public for all applications and instructions, information sheets, etc., with consideration for joint venture with P&VLD.

Information Distribution System — Carryover: Research, development and implementation of a centralized information distribution system for all the education products produced by the REC and the HRREC. Develop standardized policies and procedures for distribution, purchasing and copyrights.

New Salesperson and New Broker Start-up Kits — Continuous: Package and distribute start-up kits for newly licensed salespersons, which will include but not be limited to Licensee Guide, latest annual report, past available bulletins and special distribution materials with a cover letter from Chair. Package and distribute start-up kits for newly licensed corporations, partnerships, sole proprietors which will include but not be limited to PB/BIC Brochure, Advertising Brochure, Fair Housing Brochure, RICO handout, Chapters 467, 436B and 99, REB Information sheet, latest annual report, past available bulletins of interest and other special distribution materials with a recommendation from Chair to initiate own reference library.

Cooperative Education, Research, and Administration Program — Continuous: Actively participate and sponsor cooperative education, research and administrative programs for those persons, Branches, Divisions, Department personnel, Attorney General’s Office that provide direct or indirect services to REC or are part of a real estate related program.

Division and Department Programs — Continuous: Coordinate activities and programs of mutual concern with P&VLD and DCCA.

Information Distribution System and Radio Program — Program deferred.

RICO Guide — Program deferred.

RICO Analysis — Program deferred.

Review of All Existing Publications by HRREC and REC — Program deferred.

LAWS AND RULES REVIEW COMMITTEE

Professional Responsibility Course — Carryover: Research and development of curriculum and materials for an independent study course on professional responsibility to be utilized for certain type of disciplinary cases, restoration and reinstatement of license situations. Develop additional units as supplements to base course.

Hawaii Real Estate Laws and Rules Manual/Hawaii Real Estate Reference Manual — Continuous: Research, development and amendments to Hawaii Real Estate Laws and Rules Manual and Hawaii Real Estate Reference Manual. Study and report to REC the effect of this program, the cost versus benefit, the number of users, less costly alternatives, how can it be made self-supporting and why should it be continued.

Real Estate Seminars — Carryover: Produce and distribute statewide seminar, contract with third party to develop and produce statewide seminar via subsidy, sponsoring, assisting, co-sponsoring, etc. Joint program with ERC.

Real Estate Recovery Fund — Continuous: Provide information and advice, process and administer claims, coordinate with responsibilities with consultant attorney, administer records management, financial reports, administer investment of funds, maintenance and review of budget, preparation of financial statements, preparation of budget. Develop a collection program, continue to administer the State Tax Intercept Program, consider contracting with collection agencies like TAX, etc.

Rule Making, Chapter 99 — Carryover: Study and evaluate Chapter 99, HAR and Chapter 467, HRS for possible rule making. Consider, among others, REC decisions, informal and formal opinions, declaratory rulings, MCE, prelicensing matters, advertising, restorations, broker experience principal broker, CHO and deregulation where possible without reducing consumer protection.

Rule Making, Chapter 53, Fees — Continuous: Monitor and review services provided in relation to fees charged.

Real Estate Licensing & Certification Administration — Continuous: Review and recommend amendments to the administration of new real estate licenses, including salespersons, brokers, corporations, partnerships, limited liability companies and partnerships, sole proprietors, branch offices, site offices, including forms, information, records management, review process, change forms, zoning forms, etc.

Meetings and Symposium — Continuous: Plan, coordinate and conduct monthly LRRC meetings and symposium.

Advice, Education, and Referral — Continuous: Provide advice, education and referral to applicants, licensees, government officials, consumers, public, etc.

Neighbor Island Outreach — Continuous: Hold two LRRC committee meetings on neighbor island sites with CRC and ERC.

Legislative Acts and Resolutions — Continuous: Review legislative acts, amend Chapter 467, HRS, public copy.
Fiscal Year 1998 Program of Work—Status Report (Continued)

Legislative and Government Participation — Continuous: To provide briefings to legislators and staff, act as resource to Legislators, draft language, committee reports, etc.

Interactive Participation with Organizations — Continuous: Joint program with ERC and CRC.

Review of Services and Organization — Continuous: Study and evaluate services provided to the consumers, real estate licensees, applicants, etc. and whether it meets the statutory duties and its intent.

Application Processing and Forms — Continuous: Study and evaluate the processing of application forms, the wall and pocket card license, forms and instructions.

ARELLO National Disciplinary Action Data Bank — Continuous: Participation in the ARELLO National Disciplinary Action Data Bank to assist in background review of applicants and assist in consumer protection nationally.

Licensing Renewal — Continuous: Develop and initiate plan for the renewal biennium, consider moving distribution of renewal application forms to an earlier date.

Commissioners Education Program — Continuous: Hold orientation session and workshop for all Commissioners.

Division and Department Programs — Continuous: Coordinate and work with P&VLD and DCCA.

HUD/ARELLO Fair Housing Agreement — Continuous: Administer the terms of the agreement; participate with the ARELLO Fair Housing Committee.

Case Law Review Program — Continuous: Monitor, collect, and report on case law, disciplinary actions, judgments and decisions of Hawaii, federal, and other state courts.

Agency Review Study and Report — Program deferred.

Program of Work—Fiscal Year 1999

EDUCATION REVIEW COMMITTEE
Continuing Education 1999-2000 Core Course
Evaluation and Education System for CE and Prelicensing Instructors
HREREC Interactive Program
Web Pages
Real Estate Hotline
HREREC Administration
Administration of Prelicense Education Program, Schools, and Instructors
Administration of Examinations
Administration of Continuing Education Elective Courses
Administration of Continuing Education Program, Providers, and Instructors
Real Estate Education Fund (REEF)
Annual Report and Quarterly Bulletin
Meetings and Symposium Advice, Education and Referral
Neighbor Island Outreach
Interactive Participation with Organizations
Real Estate Seminars
Legislative Participation, Research and Report
Real Estate Specialist of the Day
Real Estate Speakership Program
Instructors’ Development Workshop
Uniform Section Equivalency of Prelicensing Examination
Prelicensing Education Equivalency Administration
Records Management
Real Estate Reference Library
New Technology Program
Information Distribution System

New Salesperson and New Broker Start-up Kits
Cooperative Education, Research, and Administration Program
Division and Department Programs
Staff and Commissioners Development
HREREC Termination Transition
Broker Curriculum and Resources

LAWS AND RULES REVIEW COMMITTEE
Professional Responsibility Course
Hawaii Real Estate Laws and Rules Manual
Real Estate Recovery Fund
Rule Making, Chapter 99
Rule Making, Chapter 53, Fees
Real Estate Licensing & Certification Administration
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Legislative Acts and Resolutions
Legislative and Government Participation
Interactive Participation with Organizations
Review of Services and Organizations
Application Processing and forms
ARELLO National Disciplinary Action Data Bank
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Commissioners Education Program
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HUD/ARELLO Fair Housing Agreement
Case Law Review Program

State of Hawaii
Real Estate Commission Bulletin
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