

JAN 22 2026

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# A BILL FOR AN ACT

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RELATING TO COMMON INTEREST COMMUNITIES.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1       SECTION 1. The purpose of this Act is to:

2       (1) Clarify that common interest community association  
3             management licensure is distinct from real estate  
4             licensure;

5       (2) Define association management and managers of common  
6             interest community associations;

7       (3) Require licensure for individuals and entities  
8             managing common interest community associations for  
9             compensation;

10      (4) Establish the qualifications, continuing education,  
11             and standards of conduct required for common interest  
12             community association management licensure;

13      (5) Authorize administration and discipline of common  
14             interest community association management licensure by  
15             the department of commerce and consumer affairs; and

16      (6) Provide exemptions for volunteer board members and  
17             certain licensed professionals.



SECTION 2. The Hawaii Revised Statutes is amended by adding a new chapter to be appropriately designated and to read as follows:

**"CHAPTER**

**COMMON INTEREST COMMUNITY ASSOCIATION MANAGERS**

**§ -1 Definitions.** As used in this chapter:

"Association" means an association of a common interest community.

"Association management" means the performance for compensation of services relating to the operation, administration, or governance of a common interest community association including but not limited to:

- (1) Financial and budgetary administration;
- (2) Reserve study coordination and long-term maintenance planning;
- (3) Procurement administration or contract administration;
- (4) Maintenance and repair coordination;
- (5) Record-keeping;
- (6) Statutory compliance assistance; and
- (7) Advisory on governance procedures and legal obligations.



1 "Association management firm" means a sole proprietorship,  
2 partnership, corporation, or other business entity that provides  
3 association management services through one or more licensed  
4 association managers.

5 "Association manager" or managing agent means an individual  
6 licensed pursuant to this chapter to provide association  
7 management services.

8 "Common interest community" means any of the following:

9 (1) A "condominium" as defined in section 514B-3;

10 (2) A "cooperative housing corporation" as defined in  
11 section 421I-1; or

12 (3) A "planned community" as defined in section 421J-2.

13 "Department" means the department of commerce and consumer  
14 affairs.

15 "Director" means the director of the department of commerce  
16 and consumer affairs.

17 § -2 **Association managers; license required.** (a) No  
18 person shall engage in association management for compensation  
19 or act as an association manager, or advertise or assume to act  
20 as an association manager without a license issued pursuant to  
21 and in compliance with this chapter.



(b) No association management firm shall operate in this State unless the firm designates at least one licensed association manager responsible with compliance with this chapter.

(c) A license issued under this chapter shall be specific to common interest community association management and shall not constitute, require, or replace a real estate license under chapter 467.

**§ -3 Administration.** (a) The department shall administer this chapter through the real estate commission or any other division as designated by the director.

(b) The department shall adopt rules pursuant to chapter 91 necessary to implement this chapter, including rules governing:

- (1) License applications and renewals;
- (2) Fees;
- (3) Examinations;
- (4) Education requirements;
- (5) Fidelity bond registration; and
- (6) Disciplinary proceedings.



1       §   -4 **Qualifications for licensure.** An applicant for  
2 licensure as an association manager shall:

- 3       (1) Be at least eighteen years of age;
- 4       (2) Possess a high school diploma or equivalent;
- 5       (3) Complete a department-approved pre-licensing education  
6 program consisting of:
- 7           (A) Hawaii condominium, planned community, and  
8 cooperative housing corporation law;
- 9           (B) Fiduciary duties and ethics;
- 10          (C) Association budgeting, reserves, and financial  
11 controls;
- 12          (D) Procurement administration and contract  
13 administration;
- 14          (E) Maintenance planning and life-cycle analysis;
- 15          (F) Record-keeping requirements;
- 16          (G) Statutory disclosure requirements; and
- 17          (H) Risk management;
- 18       (4) Pass a written examination demonstrating competency in  
19 common interest community association management; and
- 20       (5) Submit to a criminal history record check as  
21 determined by rule.



1           §   **-5 Continuing education.** (a) Each licensed  
2 association manager shall complete continuing education  
3 requirements as a condition of license renewal, subject to rules  
4 adopted by the department.

5           (b) Continuing education shall include instruction in:

6           (1) Changes to Hawaii condominium, planned community, and  
7 cooperative housing corporation law;

8           (2) Fiduciary duties and ethics;

9           (3) Association budgeting, reserves, and financial  
10 controls;

11          (4) Maintenance and long-term planning and life-cycle  
12 analysis; and

13          (5) Risk management.

14          §   **-6 Standards of conduct.** An association manager  
15 shall:

16          (1) Act in the best interests of the association;

17          (2) Exercise reasonable care, diligence, and professional  
18 judgment;

19          (3) Disclose and avoid conflicts of interest;

20          (4) Maintain complete and accurate association records;

21          and



(5) Comply with this chapter, any rules adopted pursuant to this chapter, and any applicable association governing documents.

§ -7 **Discipline; enforcement.** (a) The department may deny, suspend, revoke or place conditions on a license, and may impose administrative penalties for violations of this chapter or any rules adopted pursuant to this chapter.

(b) Grounds for discipline include:

- (1) Fraud or misrepresentation;
- (2) Gross negligence or incompetence;
- (3) Misappropriation of association funds;
- (4) Failure to disclose conflicts of interest;
- (5) Repeated violations of condominium, planned community, or cooperative housing corporation law; or
- (6) Violation of any other laws.

§ -8 **Exemptions.** This chapter shall not apply to:

- (1) Volunteer board members of a common interest community association acting without compensation;
- (2) Employees of an entity acting under the direct supervision of a licensed common interest community association manager; or



(3) Licensed attorneys, certified public accountants, or engineers acting within the scope of their professional licensure."

SECTION 3. Section 421I-1, Hawaii Revised Statutes, is amended to read as follows:

"[~~§~~421I-1] [~~Cooperative housing corporation; defined.~~]

Definitions. As used in this chapter [~~, unless otherwise indicated by the context, "corporation" means a cooperative housing corporation that:~~]:

"Corporation" means a cooperative housing corporation that:

- (1) Has one and only one class of stock outstanding;
- (2) Allows each tenant shareholder to occupy a dwelling unit for dwelling purposes solely by reason of the tenant shareholder's ownership of stock in the corporation;
- (3) Does not allow a shareholder to receive, either conditionally or unconditionally, any distributions from the corporation except when there is a complete or partial liquidation of the corporation; provided that this paragraph does not apply to earnings and profits of the corporation; and





(4) Has eighty per cent or more of the gross income for the taxable year in which taxes are paid or incurred pursuant to 26 United States Code section 216(A) derived from tenant shareholders.

"Managing agent" has the same meaning as "association manager" as defined in section -1."

SECTION 4. Section 421J-2, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

"Managing agent" has the same meaning as "association manager" as defined in section -1."

SECTION 5. Section 467-16, Hawaii Revised Statutes, is amended by amending subsections (a) and (b) to read as follows:

"(a) The commission shall establish and maintain a trust fund which shall be known as the real estate recovery fund from which any person aggrieved by an act, representation, transaction, or conduct of a duly licensed real estate broker, ~~[or]~~ real estate salesperson, or common interest community association manager, upon the grounds of fraud, misrepresentation, or deceit, may recover upon the commission's settlement of a claim or by order of the circuit court or



1 district court of the county where the violation occurred, an  
2 amount of not more than \$25,000 per transaction for damages  
3 sustained by the fraud, misrepresentation, or deceit, including  
4 court costs and fees as set by law, and reasonable attorney fees  
5 as determined by the court.

6 (b) When any person makes application for an original  
7 license to practice as a real estate broker ~~[or]~~, salesperson,  
8 or common interest community association manager, the person  
9 shall pay, in addition to the person's original license fee, a  
10 real estate recovery fund fee as provided in rules adopted by  
11 the director of commerce and consumer affairs pursuant to  
12 chapter 91 for deposit in the real estate recovery fund. If the  
13 commission does not issue the license, this fee shall be  
14 returned to the applicant."

15 SECTION 6. Section 514B-3, Hawaii Revised Statutes, is  
16 amended as follows:

17 1. By adding two new definitions to be appropriately  
18 inserted and to read:

19 "Association management" has the same meaning as defined  
20 in section -1.



1       "Department" means the department of commerce and consumer  
2 affairs."

3       2. By amending the definition of "managing agent" to read:

4       "Managing agent" [means any person retained, as an  
5 independent contractor, for the purpose of managing the  
6 operation of the property.] has the same meaning as "association  
7 manager" as defined in section   -1."

8       SECTION 7. Section 514B-132, Hawaii Revised Statutes, is  
9 amended to read as follows:

10       "**§514B-132 Managing agents.** (a) Every managing agent  
11 shall:

12       (1) Be a:

13       (A) Licensed [~~real estate broker in compliance with~~  
14 ~~chapter 467 and the rules of the commission.]~~  
15 common interest community association manager in  
16 compliance with chapter       and the rules of the  
17 department. With respect to any requirement for  
18 a corporate managing agent in any declaration or  
19 bylaws recorded before July 1, 2006, any managing  
20 agent organized as a limited liability company  
21 shall be deemed to be organized as a corporation



1 for the purposes of this paragraph, unless the  
2 declaration or bylaws are expressly amended after  
3 July 1, 2006 to require that the managing agent  
4 be organized as a corporation and not as a  
5 limited liability company; or

6 (B) Corporation authorized to do business under  
7 article 8 of chapter 412[+] and in compliance  
8 with chapter .

9 (2) Register with the commission prior to conducting  
10 managing agent activity through approval of a  
11 completed registration application, payment of fees,  
12 and submission of any other additional information set  
13 forth by the commission. The registration shall be  
14 for a biennial period with termination on December 31  
15 of an even-numbered year. The commission shall  
16 prescribe a deadline date prior to the termination  
17 date for the submission of a completed reregistration  
18 application, payment of fees, and any other additional  
19 information set forth by the commission. Any managing  
20 agent who has not met the submission requirements by  
21 the deadline date shall be considered a new applicant



1 for registration and subject to initial registration  
2 requirements. The information required to be  
3 submitted with any application shall include the name,  
4 business address, phone number, and names of  
5 associations managed;

- 6 (3) Obtain and keep current a fidelity bond in an amount  
7 equal to \$500 multiplied by the aggregate number of  
8 units of the association managed by the managing  
9 agent; provided that the amount of the fidelity bond  
10 shall not be less than \$20,000 nor greater than  
11 \$500,000. Upon request by the commission, the  
12 managing agent shall provide evidence of a current  
13 fidelity bond or a certification statement from an  
14 insurance company authorized by the insurance division  
15 of the department [~~of commerce and consumer affairs~~]  
16 certifying that the fidelity bond is in effect and  
17 meets the requirements of this section and the rules  
18 adopted by the commission. The managing agent shall  
19 permit only employees covered by the fidelity bond to  
20 handle or have custody or control of any association  
21 funds, except any principals of the managing agent



1 that cannot be covered by the fidelity bond. The  
2 fidelity bond shall protect the managing agent against  
3 the loss of any association's moneys, securities, or  
4 other properties caused by the fraudulent or dishonest  
5 acts of employees of the managing agent. Failure to  
6 obtain or maintain a fidelity bond in compliance with  
7 this chapter and the rules adopted pursuant thereto,  
8 including failure to provide evidence of the fidelity  
9 bond coverage in a timely manner to the commission,  
10 shall result in nonregistration or the automatic  
11 termination of the registration, unless an approved  
12 exemption or a bond alternative is presently  
13 maintained. A managing agent who is unable to obtain  
14 a fidelity bond may seek an exemption from the  
15 fidelity bond requirement from the commission;

- 16 (4) Act promptly and diligently to recover from the  
17 fidelity bond, if the fraud or dishonesty of the  
18 managing agent's employees causes a loss to an  
19 association, and apply the fidelity bond proceeds, if  
20 any, to reduce the association's loss. If more than  
21 one association suffers a loss, the managing agent



1 shall divide the proceeds among the associations in  
2 proportion to each association's loss. An association  
3 may request a court order requiring the managing agent  
4 to act promptly and diligently to recover from the  
5 fidelity bond. If an association cannot recover its  
6 loss from the fidelity bond proceeds of the managing  
7 agent, the association may recover by court order from  
8 the real estate recovery fund established under  
9 section 467-16, provided that:

10 (A) The loss is caused by the fraud,  
11 misrepresentation, or deceit of the managing  
12 agent or its employees;

13 (B) The managing agent is a licensed [~~real estate~~  
14 ~~broker;~~] common interest community association  
15 manager; and

16 (C) The association fulfills the requirements of  
17 sections 467-16 and 467-18 and any applicable  
18 rules of the commission;

19 (5) Pay a nonrefundable application fee and, upon  
20 approval, an initial registration fee, and  
21 subsequently pay a reregistration fee, as prescribed



1 by rules adopted by the director of commerce and  
2 consumer affairs pursuant to chapter 91. A compliance  
3 resolution fee shall also be paid pursuant to section  
4 26-9(o) and the rules adopted pursuant thereto; and

5 (6) Report immediately in writing to the commission any  
6 changes to the information contained on the  
7 registration application or any other documents  
8 provided for registration. Failure to do so may  
9 result in termination of registration and subject the  
10 managing agent to initial registration requirements.

11 (b) The commission may deny any registration or  
12 reregistration application or terminate a registration without  
13 hearing if the fidelity bond and supporting documents fail to  
14 meet the requirements of this chapter and the rules adopted  
15 pursuant thereto.

16 (c) Every managing agent shall be considered a fiduciary  
17 with respect to any property managed by that managing agent.

18 ~~[(d) The registration requirements of this section shall~~  
19 ~~not apply to active real estate brokers in compliance with and~~  
20 ~~licensed under chapter 467.]~~





1       ~~[-(e)]~~ (d) If a managing agent receives a request from the  
2       commission to distribute any commission-generated information,  
3       printed material, or documents to the association, its board, or  
4       unit owners, the managing agent shall make the distribution at  
5       the cost of the association within a reasonable period of time  
6       after receiving the request. The requirements of this  
7       subsection apply to all managing agents~~[, including unregistered~~  
8       ~~managing agents]~~."

9       SECTION 8. Section 514B-143, Hawaii Revised Statutes, is  
10      amended by amending subsection (a) to read as follows:

11      "(a) Unless otherwise provided in the declaration or  
12      bylaws, the association shall purchase and at all times maintain  
13      the following:

14      (1) Property insurance:

15           (A) On the common elements;

16           (B) Providing coverage for special form causes of  
17           loss; and

18           (C) In a total amount of not less than the full  
19           insurable replacement cost of the insured  
20           property, less deductibles, but including  
21           coverage for the increased costs of construction



1                   due to building code requirements, at the time  
2                   the insurance is purchased and at each renewal  
3                   date;

4           (2) Commercial general liability insurance against claims  
5           and liabilities arising in connection with the  
6           ownership, existence, use, or management of the  
7           property in a minimum amount of \$1,000,000, or a  
8           greater amount deemed sufficient in the judgment of  
9           the board;

10          (3) A fidelity bond, as follows:

11           (A) An association with more than five dwelling units  
12           shall obtain and maintain a fidelity bond  
13           covering persons, including the managing agent  
14           and its employees who control or disburse funds  
15           of the association, in an amount equal to \$500  
16           multiplied by the number of units; provided that  
17           the amount of the fidelity bond required by this  
18           paragraph shall not be less than \$20,000 nor  
19           greater than \$200,000; and

20           (B) All association management [~~companies~~] firms that  
21           are responsible for the funds held or



1           administered by the association shall be covered  
2           by a fidelity bond as provided in section  
3           514B-132(a)(3). The association shall have  
4           standing to make a loss claim against the bond of  
5           the managing agent as a party covered under the  
6           bond; provided that, for the purposes of this  
7           subparagraph, "association management firm" has  
8           the same meaning as defined in section       -1; and

9           (4) The board shall obtain directors and officers  
10           liability coverage at a level deemed reasonable by the  
11           board, if not otherwise limited by the declaration or  
12           bylaws."

13           SECTION 9. There is appropriated out of the general  
14           revenues of the State of Hawaii the sum of \$           or so  
15           much thereof as may be necessary for fiscal year 2026-2027 for  
16           administering licensure of common interest community association  
17           managers.

18           The sum appropriated shall be expended by the department of  
19           commerce and consumer affairs for the purposes of this Act.

20           SECTION 10. Statutory material to be repealed is bracketed  
21           and stricken. New statutory material is underscored.



# S.B. NO. 2432

1           SECTION 11. This Act shall take effect on July 1, 2027;  
2 provided that section 9 shall take effect on July 1, 2026.

3

INTRODUCED BY: Carol F. Hernandez



# S.B. NO. 2432

**Report Title:**

DCCA; Common Interest Communities; Associations; Managers;  
Licenses; Qualifications; Standards of Conduct; Discipline;  
Appropriation

**Description:**

Requires licensure for individuals managing common interest community associations for compensation. Clarifies that common interest community association manager licensure is distinct from real estate licensure. Establishes the qualifications, continuing education, and standards of conduct required for common interest community association manager licensure. Authorizes the Department of Commerce and Consumer Affairs to administer licensure of common interest community association managers. Clarifies exemptions for licensure requirements. Appropriates funds.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

