

Washington Real Estate Continuing Education Analysis

A Review of Online Renewals

Issued September 2014

A REPORT TO:

Washington Real Estate Commission
Washington State Department of Licensing

Prepared by:

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WASHINGTON

Washington Real Estate Continuing Education Analysis: A Review of Online Renewals

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September 2014

This report represents the fourth effort in the last 20 years to evaluate the effectiveness of Washington's program of continuing education of real estate licensees. The earlier "audits" were conducted in 2001, 2003 and 2007. The last 10 years saw significant changes in real estate licensing in Washington, in continuing education preferences and in the license renewal process. Those changes all limit the comparability of the data presented.

The objectives of continuing education are improved consumer protection and increased professionalism within the real estate industry. From its inception, continuing education in the state has been time rather than mastery-based, meaning that so long as the licensee is physically present during the "education" and the content of the course has been approved by the Department, learning will be assumed. Furthermore, there is no limitation under the implementing WAC which limits the ability of a licensee to re-take the same course during each renewal cycle.

In each of the previous studies the Washington Center for Real Estate Research used a student intern to physically go to the Department of Licensing office and manually transcribe information from the hand-written continuing education affidavits. This was obviously a tedious process which limited the number of licenses which could be included in the study. In fact, the 2001 study only covered 3,500 license renewals and the 2003 study involved 6,013 licenses. The 2007 study only included 1,338 licenses.

For this study the Washington State Department of Licensing Real Estate Program provided the researchers a download of the background information and continuing education "affidavits" for all online license renewals processed through the Solar online licensing system. The database summarized real estate licensee's continuing education courses towards license renewals in Washington State (WA). There were 25,138 licenses included in the current study. The total number of courses taken was roughly 207,400 representing 3,243 separate course numbers. This is clearly a more robust data set than used in the earlier studies. However, it did not come without weaknesses. As presented the database does not indicate to which renewal a course was related, and some licensees have renewed their licenses more than once using the online system, which was initially used by licensees in July, 2005.

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This confusion is important since real estate licenses expire every two years. Most courses used for renewal must be taken during the current licensed period, however a licensee is allowed to carry over 15 clock hours of education from the last year of the previous licensed cycle. Some of the renewals were one-time renewals made before the most recent renewal period, either because the licensee has subsequently left the industry or decided not to use the online system for his/her most recent renewal.

The courses that a licensee must take can be categorized as:

- 1) If one has NEVER renewed his/her license before, he/she must complete:
 - A 30-hour Advanced Real Estate Practices course,
 - a 30-hour Real Estate Law course, and
 - 30 hours of other approved real estate courses, including the three-hour Core curriculum course.
 - If he/she was licensed before July 1, 2010, he/she must also complete the 3-hour Transition Course if he/she hasn't already (1-time requirement).
- 2) If one is renewing the license for the second (and each subsequent) time, he/she must complete:
 - 30 hours of approved real estate courses, including the three-hour Core curriculum course.
 - If he/she was licensed before July 1, 2010, he/she must also complete the 3-hour Transition Course if he/she hasn't already (1-time requirement).

After an overview, the analysis will separately review those licenses being renewed for the first time, and those which have been previously renewed. Since the database included renewals made over more than one renewal cycle, affidavits from licensees who were licensed before July 1, 2010 (therefore needing a transition course for renewals into 2012) will also be discussed.

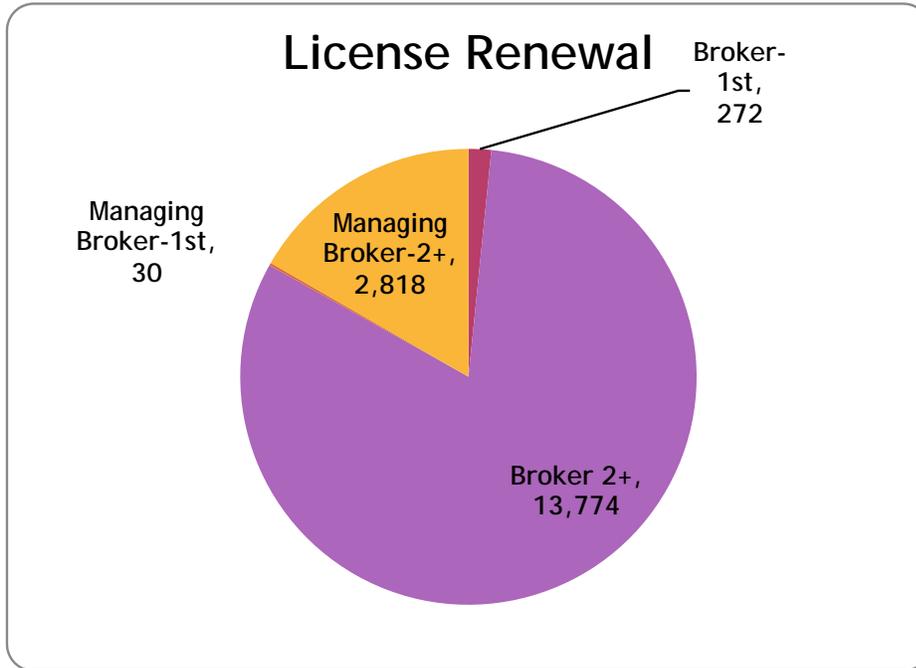
Overview

Among the 25,138 online renewals provided by the Department of Licensing, 8,153 (32.4 percent) reported fewer than the required 30 clock hours of continuing education (3 to 29.5 hours). No first issue date was included for two licensees. Fifty-two (52) licensee records reported courses which concluded prior to their first-issue date. If true, those courses should have been rejected by the department, or the date should have been verified. If the verification was completed, the online database was not updated. All these renewals have been deleted from the analysis. The remaining analysis is based on 16,895 licenses, nearly three times as many as the 2003 study.

On average, the online continuing education affidavits claimed 52.5 clock hours of education per renewal. This is significantly more hours than claimed during the earlier analyses, but much of the difference must be attributed to those licenses which were renewed more than once and the increase in post-license education required during the first renewal cycle for brokers. The 14,046 renewing brokers averaged 53.7 hours,

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while managing brokers averaged 46.1 hours. This discrepancy is partially explained by the fact that about two percent of brokers were renewing their licenses for the first time and had the additional requirements of post-license required courses in addition to continuing education. Only one percent of managing brokers were in their first renewal cycle. It should be noted, however, that this means they have already passed their first renewal under the terms of the law.



Consistent with overall licensing statistics, most renewals were for broker licenses. The following chart shows the number of licenses of each type renewed and whether the renewal was an initial renewal or a subsequent renewal. It should be noted, however, that some of the licenses identified as a subsequent renewal, based on

when the original license was issued might have been a first renewal if the licensee left the industry after a single renewal cycle or chose not to renew online.

Geographic Distribution of Online Renewals

Online renewals came from 38 of Washington's 39 counties. Only Garfield County, which had an estimated 2013 population of 2,250, had no online renewals (and very few real estate licensees). Out-of-state renewals represented 2.3 percent of the renewals. Looking at in-state licenses, more than 100 licenses were studied in 15 of Washington's 39 counties. Those counties collectively represented 92.3% of licenses studied. As usual, four urban counties accounted for 72.6 percent of total online renewals made available for this analysis, each with over 1,000 renewals. They were King (44.4 percent of total), Pierce, Snohomish and Clark counties. (Spokane just missed the cut). The following table shows the statistics by county:

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Number of Licenses Reviewed by County			
Jurisdiction	Count	Jurisdiction	Count
Adams	6	Okanogan	47
Asotin	31	Pacific	33
Benton	279	Pend Oreille	5
Chelan	120	Pierce	1,994
Clallam	108	San Juan	56
Clark	1,010	Skagit	199
Columbia	5	Skamania	7
Cowlitz	108	Snohomish	1,770
Douglas	21	Spokane	935
Ferry	2	Stevens	49
Franklin	54	Thurston	318
Grant	70	Wahkiakum	6
Grays Harbor	95	Walla Walla	55
Island	173	Whatcom	383
Jefferson	63	Whitman	22
King	7,497	Yakima	205
Kitsap	490		
Kittitas	75	Military PO	1
Klickitat	62	Out of Country	4
Lewis	71	Out of State	381
Lincoln	10		
Mason	75	Grand Total	16,895

Subsequent to the 2010 Census, the United States Office of Management and Budget (OMB) defined three categories based on the urban nature of communities - metropolitan areas, micropolitan area and rural communities. The list was revised in 2013. The determinations are made at the county level and in addition to absolute population, commuting patterns are considered. This means that some counties which would ordinarily be considered rural are statistically identified as metropolitan or micropolitan. The following table illustrates how the counties are identified:

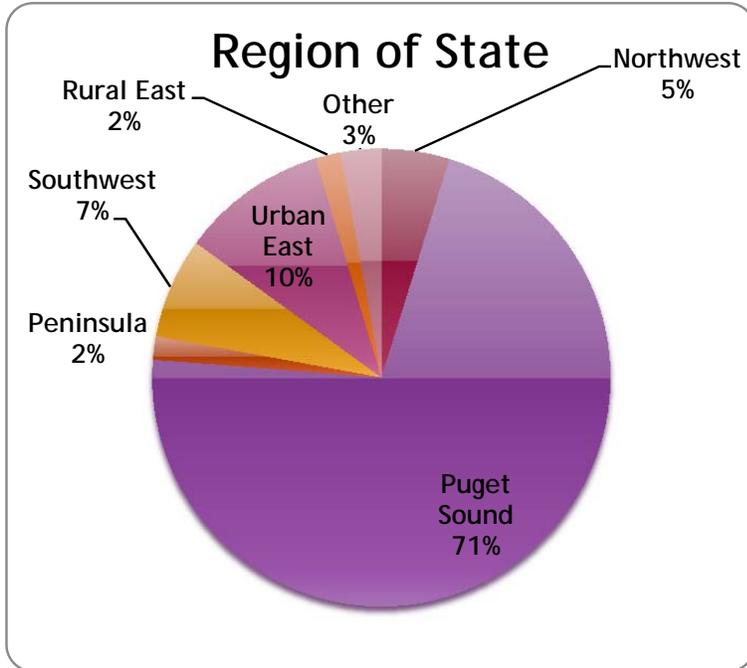
Number of Licenses Reviewed by Statistical Areas					
County	Metropolitan Area	Number of Licensees	County	Micropolitan Area	Number of Licensees
Asotin	Lewiston, ID-WA	31	Clallam	Port Angeles	108
Benton	Kennewick-Richland	279	Grant	Moses Lake	70
Chelan	Wenatchee-East	120	Grays Harbor	Aberdeen	95
Clark	Wenatchee-Portland-Vancouver-	1,010	Island	Oak Harbor	173

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Number of Licenses Reviewed by Statistical Areas					
County	Metropolitan Area	Number of Licensees	County	Micropolitan Area	Number of Licensees
Cowlitz	Hillsboro, OR-WA Longview	108	Kittitas	Ellensburg	75
Douglas	Wenatchee-East Wenatchee	21	Lewis	Centralia	71
Franklin	Kennewick	54	Mason	Shelton S	75
King	Seattle-Bellevue- Everett	7,497	Whitman	Pullman	22
Kitsap	Bremerton- Silverdale	490	Total	(4.1% of total)	689
Pend	Spokane-Spokane Valley	5			
Oreille	Tacoma-Lakewood	1,994			
Pierce	Mount Vernon- Anacortes	199	Rural/Other	(4.0% of total)	676
Skagit	Portland- Vancouver-	7			
Skamania	Hillsboro, OR-WA Seattle-Bellevue- Everett	1,770			
Snohomish	Spokane-Spokane Valley	935			
Spokane	Spokane-Spokane- Valley	49			
Stevens	Olympia- Tumwater	318			
Thurston	Walla Walla	55			
Walla Walla	Bellingham	383			
Whatcom	Yakima	205			
Yakima					
Total	(91.9% of total)	15,530			

The majority (91.9 percent) of licenses renewed online were in metropolitan areas as currently defined, whereas only 4.1% of licenses were in the smaller micropolitan urban areas. The licenses from rural counties in the Washington State, and licenses from out of state and country accounted for less than 4.2 percent of the total online renewals.

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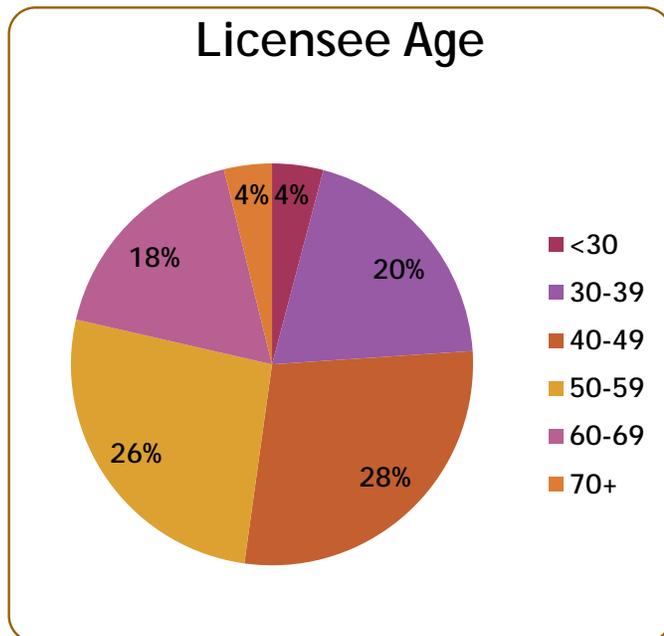
Other reports from the Runstad Center have divided the state into six regions to make the analysis of the geographic data a bit easier for readers who are less familiar with the locations of some counties. The accompanying graphic illustrates the concentration of the licensee base in a couple of areas, especially the greater Seattle area.

Age of Licensee

Apart from four records which did not contain the licensee's birth date, the renewal records were divided into six age groups by calculating their ages on

December 31, 2012. The distribution is illustrated in the accompanying graph.

The majority of online renewals were made by licensees between the ages of 40 and 59. The online renewals skew a bit younger than the overall licensee base as reported in the Real Estate Licensee Profile: 2012. The largest share on online renewals was made by licensees between the ages of 40 and 49.



Continuing Education Providers

Courses from 199 separate education providers were identified on the affidavits, with a total of 3,243 courses separately identified. Since the download from the system represented several renewal cycles, it comes as no surprise that both a large number of schools and courses were counted. Many of the courses or providers are no longer active. Licensees registered 111,304 classes totaling 886,177 clock hours in the usable online renewal data.

The largest five education providers in terms of number of classes identified and the tally of aggregate clock hours are identified in the following table.

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Top Five Education Providers				
Rank	Education Provider by Count of Courses	Count of Courses	Education Provider by Sum of Hours	Sum of Hours
1	Washington REALTORS® Education	20,800	Rockwell Institute	208,304
2	Rockwell Institute	15,143	Washington REALTORS® Education	122,503
3	Windermere Education	6,467	Tape Ed/ Realestateschool.org	81,691
4	Professional Direction	6,378	Windermere Education	40,599
5	Tape Ed/ Realestateschool.org	6,201	Proschoools	37,866
	Top 5	54,985	Top 5	490,963
	Grand Total	111,304	Grand Total	886,177

Although these five schools represented only 2.5 percent of all schools identified, they provided roughly half (49.4 percent) of the courses and 55.4 percent of the clock hours identified on the renewal submissions. The real estate education market in Washington is clearly quite concentrated despite the large number of schools operating in the state.

Subject Matter of Continuing Education Courses

Although there were 3,243 different courses identified on the renewals, those classes can be generally grouped into topics to understand the nature of continuing education being received by licensees. Working from the course titles, these classes were initially classified into roughly 50 topics. Some were mandated curriculum classes. Some were courses aimed at achieving a designation. Some were required by trade associations or multiple listing services as a condition of membership. Some were provided by other industry groups (especially title insurance companies, before the Insurance Commissioner issued restrictions limiting benefits such as free education). This analysis will provide a sense of which kinds of courses are being used by licensees and allow an evaluation of the degree to which those courses are meeting the consumer protection justification for continuing real estate education.

The Washington Real Estate Commission and the Department of Licensing staff have frequently expressed concern about this issue. This was the rationale for the

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implementation of the "Core" requirement, and has been a subject covered in all preceding Continuing Education Analyses performed by the Washington Center for Real Estate Research. Because of the richer database of classes in this study that analysis can go a bit deeper with one limitation. This study cannot indicate whether the same (or content virtually identical) course was used more than once during a single renewal cycle.

Researchers went carefully through the courses identified in the online renewals, working with the titles of the courses and allocated them to the narrowly defined topics. There were as many as 27 courses (presumably from several renewal cycles) reported by a single licensee. Courses where the subject matter was not apparent in the title of the course, or courses which were known in advance to not fit in one of the identified categories were categorized as "miscellaneous". The following table presents in rank order the identified topics. Ranks are based on the number of classes counted in each category and a separate tabulation where each course was weighted by the number of clock hours claimed.

Course Topics Ranked by Number of Courses and Number of Hours Claimed				
Rank	Topic	# Courses	Topic	# Hours
1	Core	20,598	Practices	195,652
2	Miscellaneous	9,313	Core	80,789
3	Practices	6,533	Basics/Quick Start	69,455
4	Other Legal	5,882	RE Finance	54,585
5	Forms	5,477	Marketing	46,563
6	Marketing	5,319	Miscellaneous	46,358
7	RE Finance	5,159	RE Law	39,944
8	Tech Topics	4,818	Other Legal	27,020
9	Ethics	3,848	Forms	22,873
10	Transition	3,242	Business Management	22,412
11	Short Sale/Foreclosure	3,116	Tech Topics	18,837
12	Basics/Quick Start	2,591	Commercial Topics	17,491
13	Fair Housing/Diversity	2,194	Closing/Escrow	16,304
14	Listings	2,160	Short Sale/Foreclosure	15,841
15	Closing/Escrow	2,126	Ethics	14,382
16	Title	1,845	Current Issues	13,761
17	Property/Asset Mgmt	1,753	Property/Asset Mgmt	12,726
18	Investment RE	1,731	Investment RE	11,488
19	Current Issues	1,589	Appraisal	11,288
20	Environmental topics	1,563	Brokerage Management	10,904
21	Appraisal	1,477	Listings	10,700
22	Taxation	1,458	Advanced Practices	10,440
23	Business Planning	1,357	Fair Housing	10,223
24	Commercial topics	1,353	Transition	10,112

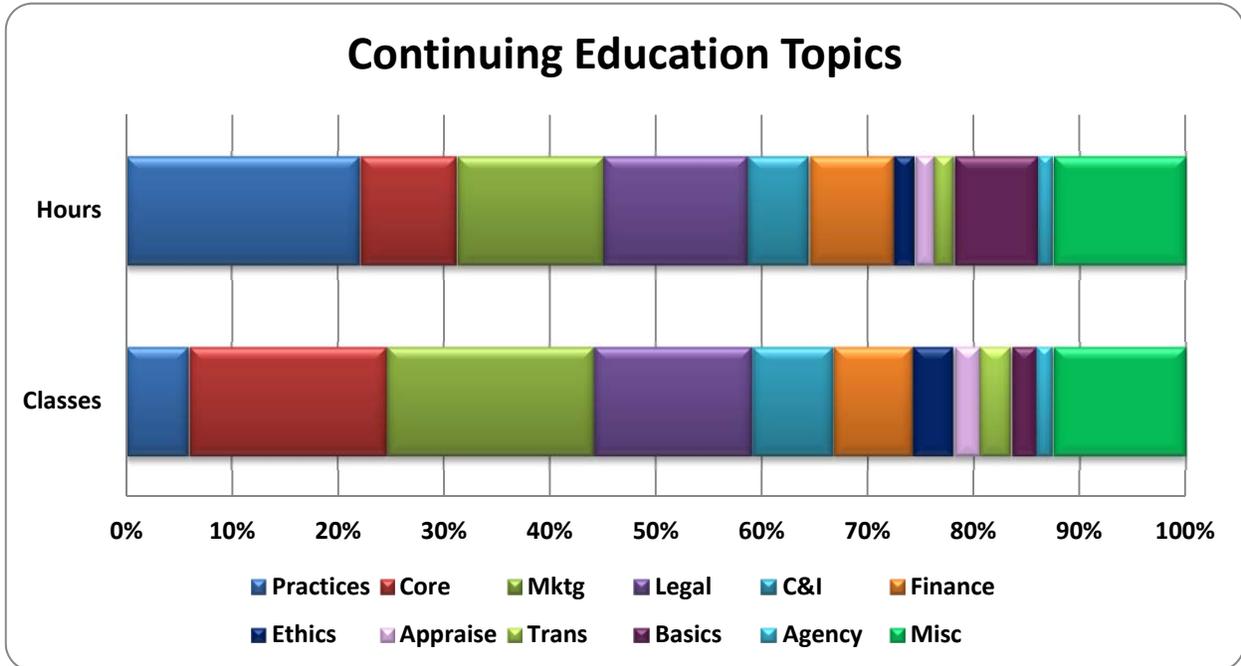
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Course Topics Ranked by Number of Courses and Number of Hours Claimed				
Rank	Topic	# Courses	Topic	# Hours
25	RE Law	1,344	Negotiation	8,985
26	Negotiation	1,331	Environmental Topics	7,435
27	CMA	1,249	Taxation	7,263
28	1031 Exchange	1,244	Buyer Representation	7,053
29	Risk Reduction	1,141	Business Planning	6,381
30	Agency	1,054	Title	6,030
31	Business Management	755	Agency	5,405
32	RE Development	723	CMA	5,188
33	Buyer Representation	664	Risk Reduction	4,622
34	Generations	616	1031 Exchange	4,279
35	Inspections	543	Staging	4,067
36	Professional Standards	405	RE Development	3,890
37	Advanced Practices	401	Generations	3,295
38	RE Math	381	Professional Standards	2,983
39	Brokerage Management	372	Inspections	2,808
40	Staging	369	RE Math	2,537
41	Feng Shui	310	Disclosures	1,628
42	Communication Skills	305	Instructor Workshop	1,362
43	Disclosures	255	Feng Shui	1,329
44	Retirement Issues	180	Retirement Issues	1,278
45	Condo Topics	138	Communication Skills	1,223
46	Instructor Workshop	94	Fundamentals	656
47	Fundamentals	29	Condo Topics	482
Total		110,405		880,327

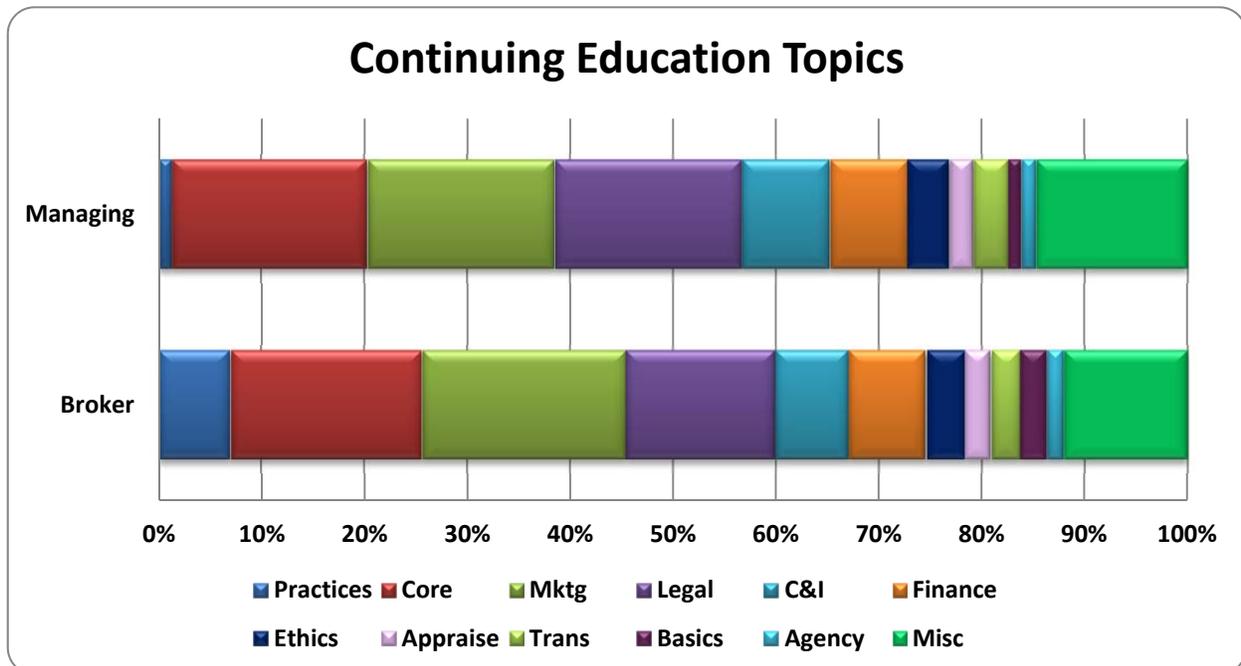
In terms of classes taken, the top 10 topics accounted for 63.6 percent of classes claimed and 68.8 percent of the aggregate hours submitted for renewal.

For a more visual display, the 47 categories in the preceding table have been collapsed into 12 broader groups as illustrated in the graph on the next page.

Clearly the largest share of hours was the basic Practices class, which had been a mandatory continuing education class during first renewal periods until the most recent change in licensing law moved that course to pre-license status. Previous studies had expressed concern that this course was used as an easy to find, one-stop approach to continuing education by experienced licensees. That topic will be explored in more detail shortly.



Since the core class is required by all licensees during each renewal cycle, it is not surprising that it was reported more frequently than any other class in online renewals. As noted previously, however, there were a significant number of licensees who did not report a core class in their list of classes. The core class has a smaller total of hours because in most cases the 3-hour version is chosen. Marketing classes focus on successful business practices over consumer protection issues, which the legal courses are designed to keep licensees abreast of the changing legal environment and generally are closer to the consumer protection objective than other categories of classes. The ethics/professional standards topic primarily relates to



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those licensees who are members of the NATIONAL ASSOCIATION OF REALTORS® which requires their members to take an ethics update class every four years.

There are modest differences in the continuing education choices being made by brokers and managing brokers. In large part this is explained by required courses, but some of the differences relate to potential differences in their actual managerial responsibility or transition from strictly residential practices to ones which include more attention to commercial or investment real estate. This material is presented in the second graphic on the prior page.

Previous editions of this analysis have expressed concern that a large number of licensees were using Real Estate Practices repeatedly as an easy to find, frequently offered alternative to continuing education which would expand the knowledge base of the practitioner. Since this data set provided information about multiple renewal cycles it was possible to see if this concern was warranted by counting how often Practices had been taken by individual licensees. This was analyzed by whether this was the initial renewal cycle (in this license status), or whether it would be at least a second renewal.

Real Estate Practices Classes Claimed for Renewal of Licenses (Number of Renewing Licensees)

Number of Practices Classes	First Renewal	Subsequent Renewals
None	182	10,356
One	120	6,063
Two	0	169
Three	0	4

On first glance it was surprising that no Practices classes were claimed for first renewals. However, on further reflection most of those licensees earned that license after the prelicense education requirements included Practices. Accordingly, nearly 40 percent of first renewals and 38 percent of subsequent renewals used Real Estate Practices, a class designed for beginning licensees to satisfy a significant portion of their continuing education requirements.

Advanced Real Estate Practices was implemented as the new course required during the first renewal cycle for brokers. Accordingly, it was anticipated that many of the first renewals would show that class being claimed. However, only one first license renewal claimed Advanced Practices. Among subsequent renewals 398 licensees claimed at least one Advanced Practices class (two claimed it twice). That represented 2.4 percent of licenses renewed for at least the second time.

Core classes are also widely available and required of all licensees during each renewal cycle. Unfortunately, 2,771 renewals (16.4 percent) did not include a core

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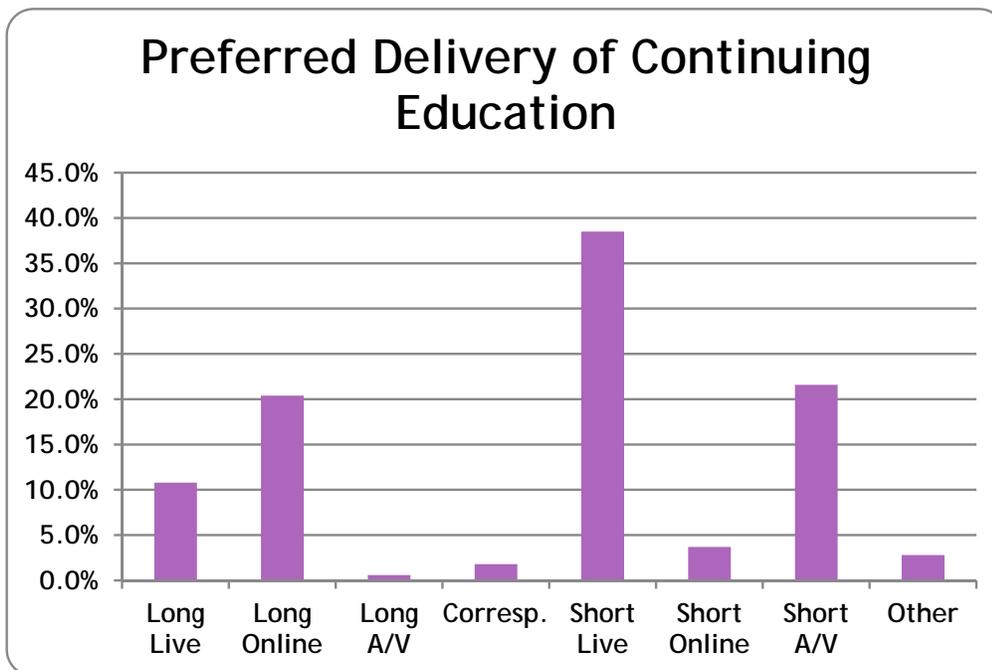
class. Meanwhile, 5,488 licensees reported at least two Core classes among their renewals. Of those, 13 licensees were in their first renewal cycle. Among the remainder, it is impossible to determine how many times they renewed their license using the online system.

An additional note about required courses is appropriate. Only license renewals for licenses initially granted after July 1, 2010 would be exempt from taking a Transition class during their first renewal after that date. Surprisingly, 80.9 percent of all licensees whose online renewals were analyzed reported no Transition class. Since only six licensees were identified with an initial license date after July 1, 2010 the absence of Transition classes was surprising. However, the apparently large number of online renewals prior to 2010 would explain some of the difference. Among first renewals 55.3 percent indicated taking a Transition class.

Finally, the new licensing requirements include the basic Real Estate Law class during the first renewal cycle for brokers. Again, there may be issues since only 16 (5.3 percent) of first renewals reported taking this class.

Delivery of Continuing Education

The delivery of continuing education classes has been of concern to the Washington Real Estate Commission for decades, especially as technology has made distance learning options more widely available (and cost/time effective). However, there are persistent concerns that those classes do not provide adequate interactivity between the students and instructors or that the students are gaming the system and not



Source: Real Estate Licensee Profile: 2012

spending the time expected or are simply "clicking through" the material without absorbing the content or idly listening to audio tapes without paying attention to the content.

The Washington Real Estate Licensee Profile: 2012 asked

responding licensees how they received their continuing education during the last

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renewal cycle. The results are illustrated in the accompanying graphic. Note that the delivery options in the survey were more numerous than the categories provided by the Department of Licensing downloads used in the current study. Obviously, individual licensees indicated they received their education in a variety of delivery styles, with short courses preferred to 30-hour offerings. Live instruction was preferred to distance delivery for shorter courses, but distance was preferred for 30-hour courses.

The data provided by the Department of Licensing for the current study identified which delivery method had been approved for each course approved since January 1, 2005. The categories used by the Department were Live Lecture and Distance. Many courses were approved for both live instruction and distance delivery. Those courses are reported here as "Indeterminate". An additional bit of detail may have been lost during early cleaning of the data IF core classes sharing the same initial course number followed by a date were approved for different delivery methods. If at any time that course number had been approved for both live instruction and distance delivery, it is reported here as "Indeterminate".

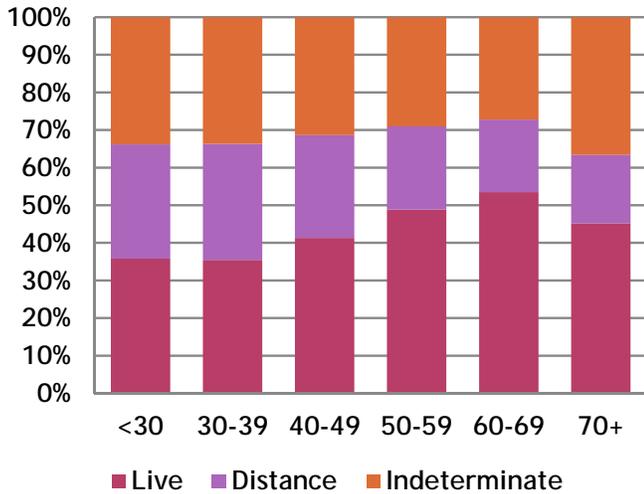
Live instruction classes were used by real estate licensees using online renewals more frequently than other delivery methods, but once the results were weighted by the number of hours for the individual courses, distance delivery closed much of the gap and the statistics closely resembled the preferences identified above.

Delivery of Continuing Education for Online Renewals				
	# Courses	% Courses	# Hours	% Hours
Live	49,931	45.4%	326,264	37.2%
Distance	26,582	24.2%	306,161	34.9%
Indeterminate	33,370	30.4%	245,714	28.0%
Total	109,883		878,139	

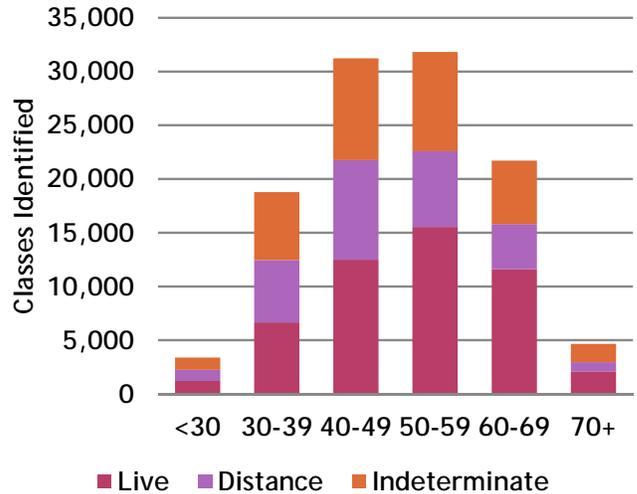
It is very clear that throughout society some age groups are more inclined to rely on technology than others, with older persons a bit more reliant on traditional approaches. Typical examples include the reliance on cell phones over land lines, receiving news using electronic media rather than newspapers, etc. The following graphic illustrates how real estate licensees of various ages received the continuing education.

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Continuing Education Delivery by Age Group



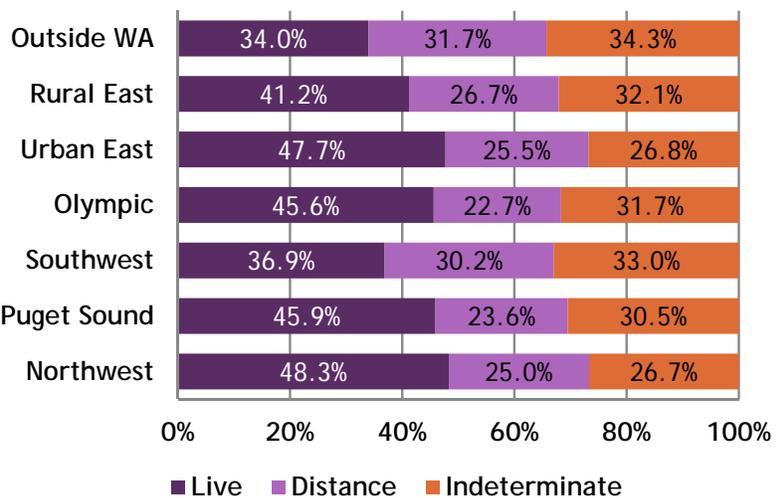
Continuing Education Delivery by Age Group



Access to continuing education, particularly for real estate licensees who reside and work further from metropolitan areas has long been a concern of the Department of Licensing and the Real Estate Commission, and has been one of the driving rationales for increased distance education options. The data available to this analysis allows an examination of the degree to which licensees in various parts of the state used different delivery methods in their quest to satisfy the continuing education requirements. While live instruction classes (not weighted by hours) represent the largest category of delivery for all geographic groupings except those licensees who reside outside of

Washington, the shares vary somewhat. It is somewhat surprising that the most remote parts of the state do not show significantly higher reliance on distance education, but the category "both" may mask some of the distance classes. In addition, those rural communities tend to have an older licensee base who generally prefer live instruction to distance alternatives. While these results have not been

CE Delivery by Region (% of Classes)



weighted by duration of the classes, it is also possible that the weighting would increase the reliance on distance learning. Although the Puget Sound region is arguably the most “tech savvy”, its much larger licensee base means providers offers more live instruction, resulting in one of the lowest rates of distance learning in the state. As younger licensees become more prevalent in the industry it should be anticipated that distance learning will continue to grow in importance throughout the state.

Timing of Continuing Education

Previous editions of this analysis have discussed whether licensees take their continuing education gradually over the 2-year renewal period or delay taking their classes until immediately prior to renewal. It was hoped that analysis could be continued with the current, larger data set. Unfortunately, the inability to specify which renewal cycle a course was applied against and the challenges of working with dates in the statistical program together made this phase of the analysis infeasible.

Concluding Comments

There appear to be challenges within the online license renewal system which limited the ability of this report to provide as much detail as initially proposed. Although not covered by the terms of the contract, the Runstad Center will complete a brief analysis of the “license renewals” which were excluded from the analysis as identified at the beginning of the report. It is hoped that in the future another analysis of continuing education can be completed if complete data can be provided from the online system, but limited to a single renewal cycle.