WASHINGTON STATE DEPARTMENT OF LICENSING

Washington
Real Estate Commission

Meeting Packet
March 16, 2017
Seattle, Washington

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STATE OF WASHINGTON
DEPARTMENT OF LICENSING
PO Box 9021, Olympia, Washington 98507-9021

REAL ESTATE COMMISSION MEETING
AGENDA

DATE: March 16, 2017

PLACE: Double Tree Hotel
18740 International Blvd.
Seattle, WA 98188

PERSON: Jerry McDonald, Administrator
(360) 664-6525
Email: jmcdonald@dol.wa.gov

ORDER OF AGENDA: OPEN SESSION

CALL TO ORDER: Kathleen Drew Assistant Director/Chair 9:00 a.m.

A. Attendance
B. Approval of Agenda
C. Approval of December 6, 2016 Minutes
D. Annual Report
E. Update on new On-line System (Solar)
F. Update on Advertising Guidelines
G. Education Proposals
H. WCRER UW Report and Introductions
I. ARELLO
J. PSI/AMP (Exam Vendor) Update
K. Budget (includes previous action item)
L. Miscellaneous Updates
    a. WAC's needing to be modified for on-line system
    b. Fingerprint Card acceptance
M. Open Forum/Other Business
N. Review of Action Items
O. Adjourn

EXAM PROVIDER PRESENTATION/EDUCATION INFORMATION - Approximately 2pm

AGENDA:

1. How to write simulation questions. Larry Fabrey PSI/AMP Senior Vice President, Psychometrics
2. Pre-license Education. Colin Pippin-Timco, Education Manager, Real Estate Education Unit

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(360) 664-6525
Email: jmcdonald@dol.wa.gov

ORDER OF AGENDA: OPEN SESSION

CALL TO ORDER: Kathleen Drew Assistant Director/Chair 9:00 a.m.

A. Attendance: Commissioners Present: Dave Azose, Cate Moye, Jess Salazar, Jeff Thompson, Kyoko Wright, Commissioners Excused: George Pilant

   Staff Present: Terry Rodgers, Colin Pippin-Timco, Bill Dutra, Stacy Harms

B. Approval of Agenda – The agenda was approved as presented.
C. Approval of Minutes – the minutes were approved as presented.
D. WCRER Report – The report from the Washington Center for Real Estate Research was presented by Terry Rodgers. The new Director will begin January 1, 2017. Cate Moye asked about the budget for WCRER. Terry responded that we have enough in the account to continue funding this project thru the next biennium, however if things continue the way they have (funds swept by the legislature) we may not be able to sustain that level of commitment.
E. Audit Presentation – Investigator Manager Bill Dutra gave the presentation. Bill presented a detailed description of the audit process. He stated the department has 9 auditor positions, but only 6 auditors at the present time and we are in the process of looking for candidates. He answered questions from the commissioners.
F. Update on Advertising Guidelines – Cate Moye reported that her committee, discussed the Advertising Guidelines used by British Colombia. Terry Rodgers shared with commissioners the advertising guideline pamphlet distributed by the Real Estate Association in Alberta Canada. Commissioner Moye asked the department to guidelines for Washington based upon Alberta's. Terry Rodgers reported the department will very likely enlist the services of a professional writer to produce a Washington version which will be printed and posted on real estate's web site.

G. Education Update – Colin Pippin-Timco reported on the results of a survey he developed. The comments he received from the survey supported an alignment of the courses to the content outline of the real estate exam. This will provide applicants with a clearer link of the minimum competencies of the profession to job survey/analysis. Several educators present in the audience agreed that the curriculum does not cover important competencies managing brokers need to know.

H. Budget Report – The report covers the Real Estate Research account, Real Estate Education account and the Real Estate Commission account**.** The Real Estate Research Fund may have funding issues in the future due to the legislature sweeping half a million dollars It was suggested that it might be used to create some educational videos to post to the web. Kathleen requested the development of a 6 year revenue projection and analysis to be presented at the next meeting. She suggested we might get help from the agency forecast team. It was mentioned that the Realtors project the market may drop off in the next year. Kathleen suggested collecting data on the number of agents doing one or less transactions a year. Cate Moye raised the question of how "teams" are impacting the numbers. It was noted that offices seem to be getting smaller. Cate Moye recommended everyone read the danger report, on the future of the real estate industry. The report can be found on the National Association of Realtors website. The Real Estate Commission Fund (our operating budget) has been swept the past four years, the last one, half a million dollars, so the fund balance is worrisome, especially when we are looking at replacing our operating system. We have an annual allotted budget of 11.5 million dollars and a fund balance of 3.6 million.

I. Previous Action Items
   a. States that require license number on advertising – Terry Rodgers reported that Jerry McDonald reached out to other states and as yet has not found any states that require license numbers on advertising. It is a federal law that license numbers are on purchase and sale agreements.
   b. Feedback on funding Challenge w/WCRER – This item was addressed earlier under item "H".

J. Update on Solar – Julie Japhet, business and technology manager and Jay Minkler gave a presentation on Solar, our new online renewal project. The old interface for brokers was shut down on November 2, 2016 and we went live with "Solar" Real Estate renewals are scheduled to go live in January. Tech help is available including videos are being created to walk people through the new process. Almost 4000 brokers have already entered their information into the system which will eventually have ability to transfer and eventually print licenses. There was much discussion about the future ability to transfer licenses.

K. Open Forum/Other Business
   a. Jeff Thompson reported on information he learned at the last ARELLO conference including processes and regulations used in real estate programs in other states, some of which were of great interest to the commissioners, especially requirements for designated broker classes.
   b. Bob Mitchel reported the Realtors Association will be part of a work group with the AGs office regarding actions against a property management companies who deny application due to a criminal background checks. He also mentioned future legislation to ensure real estate agents are classified as independent agents.

L. Review of Action Item – Real Estate program was requested to create a six-year-out revenue forecast.
M. Adjourn (approximately 11:20 am)

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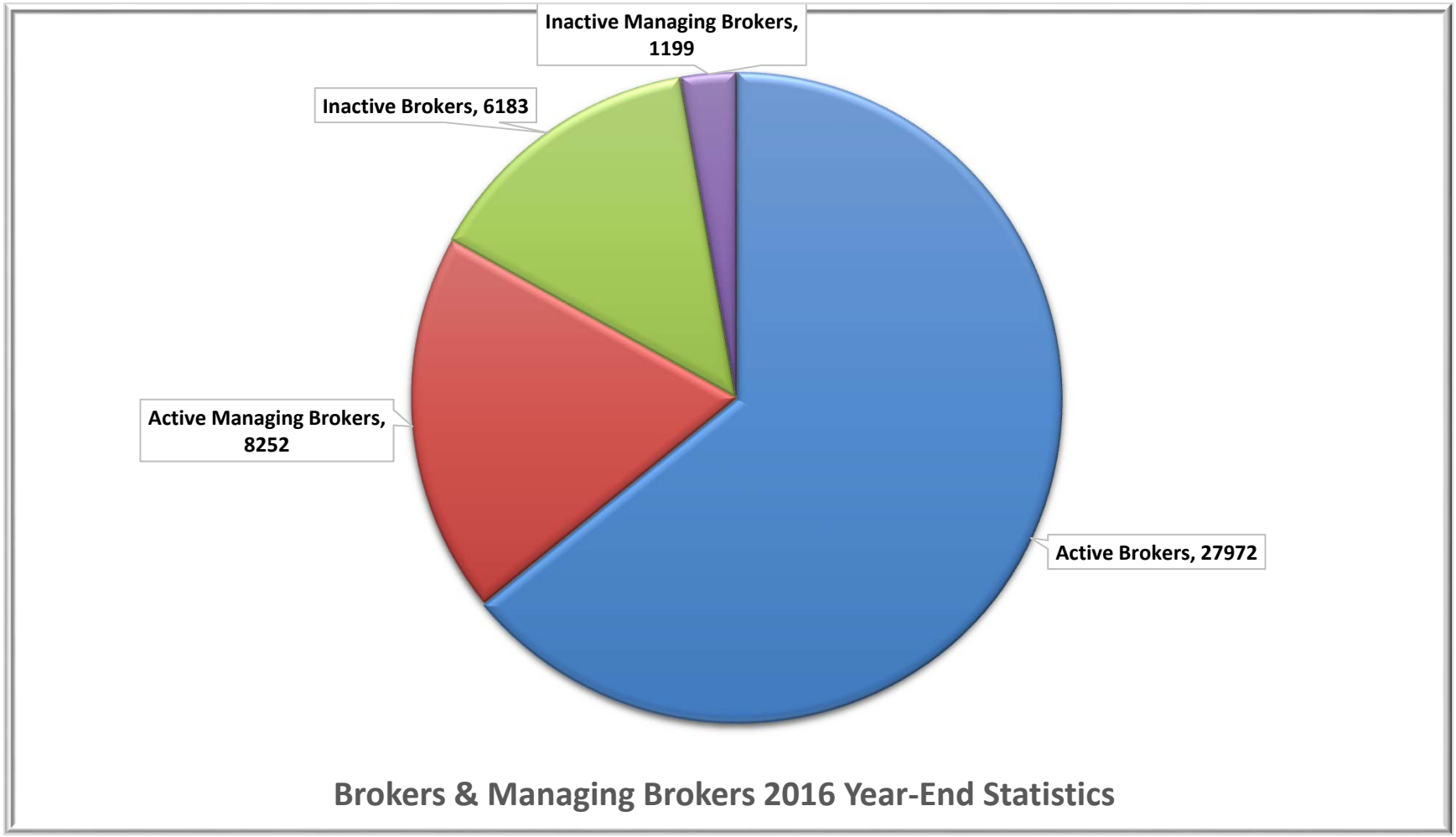
WASHINGTON STATE DEPARTMENT OF LICENSING

Real Estate Commission Meeting

Year-End Staff Report - 2016

Brokers & Managing Brokers



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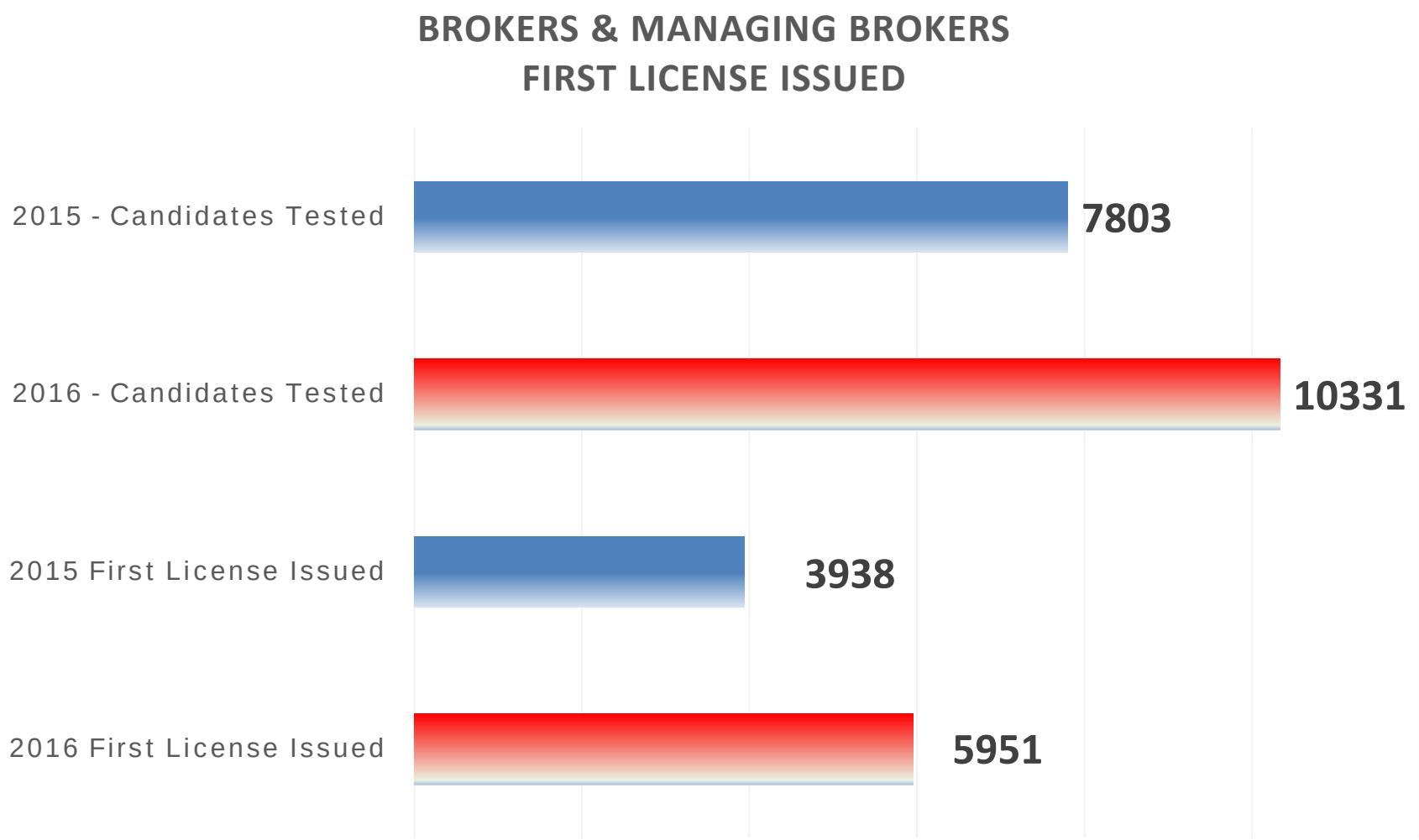
First Licenses & Exam Candidates



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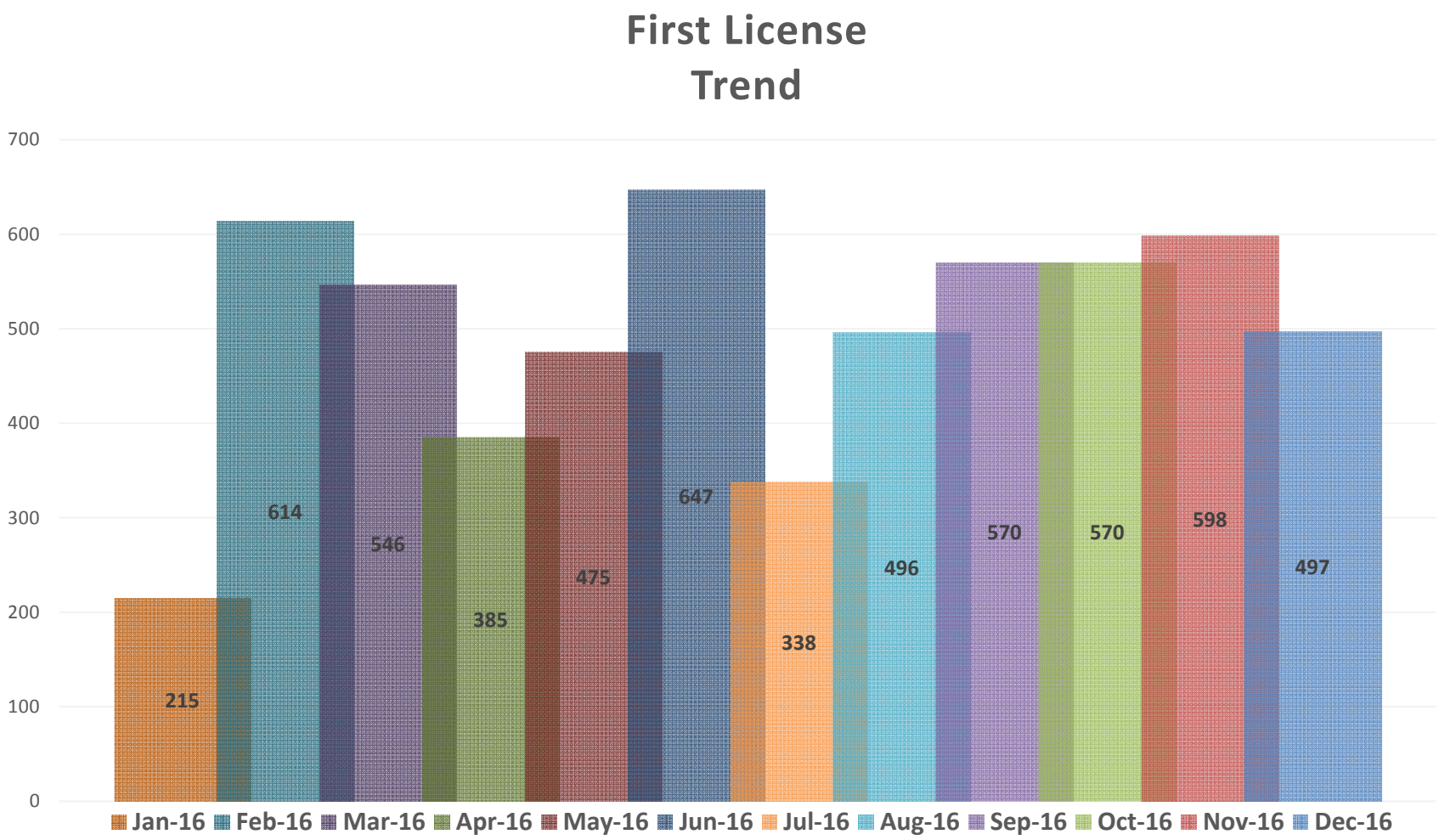
First License Trend



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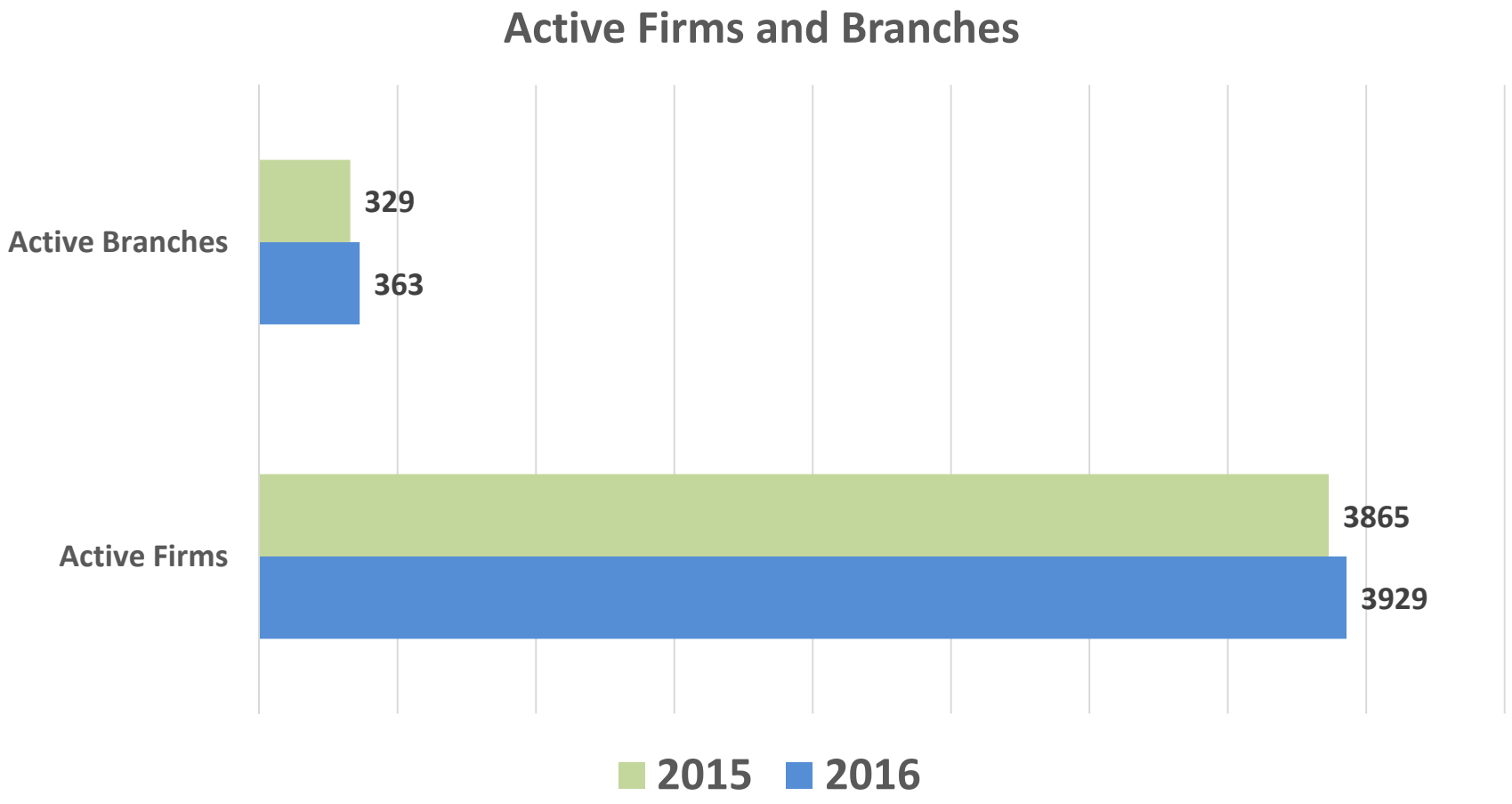
Active Firms & Branches



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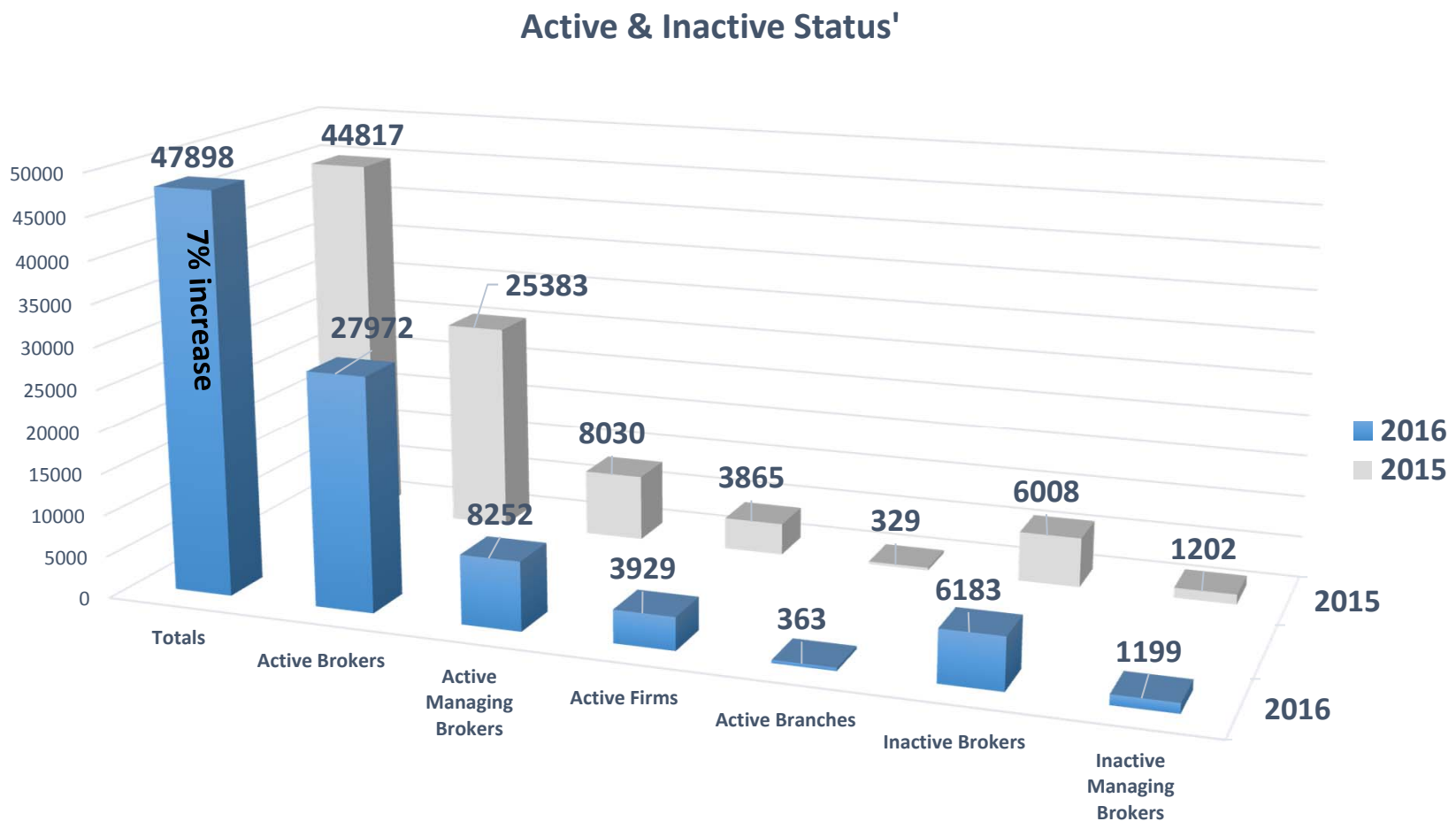
2015 – 2016 Summary



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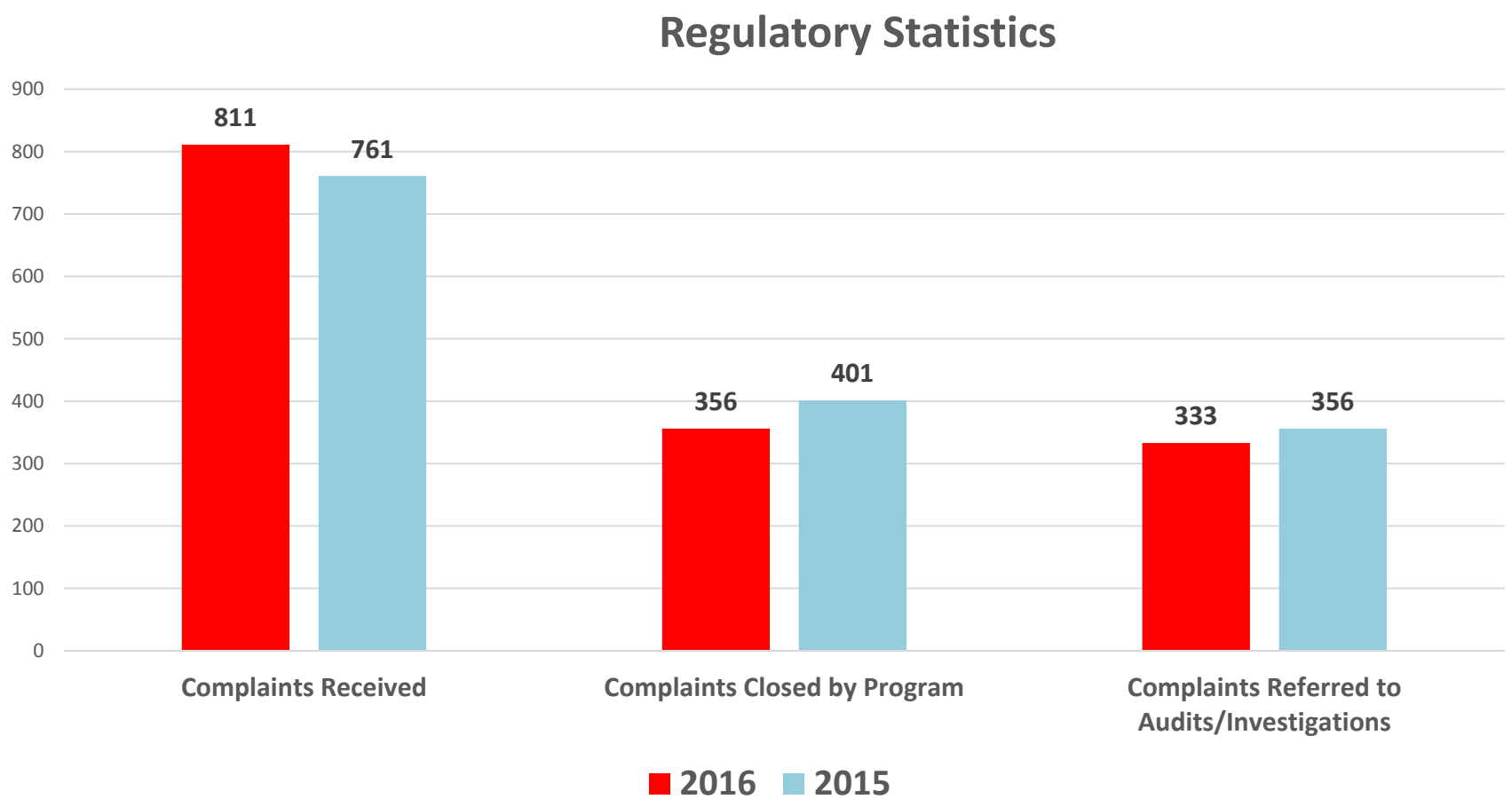
Real Estate Regulatory Statistics



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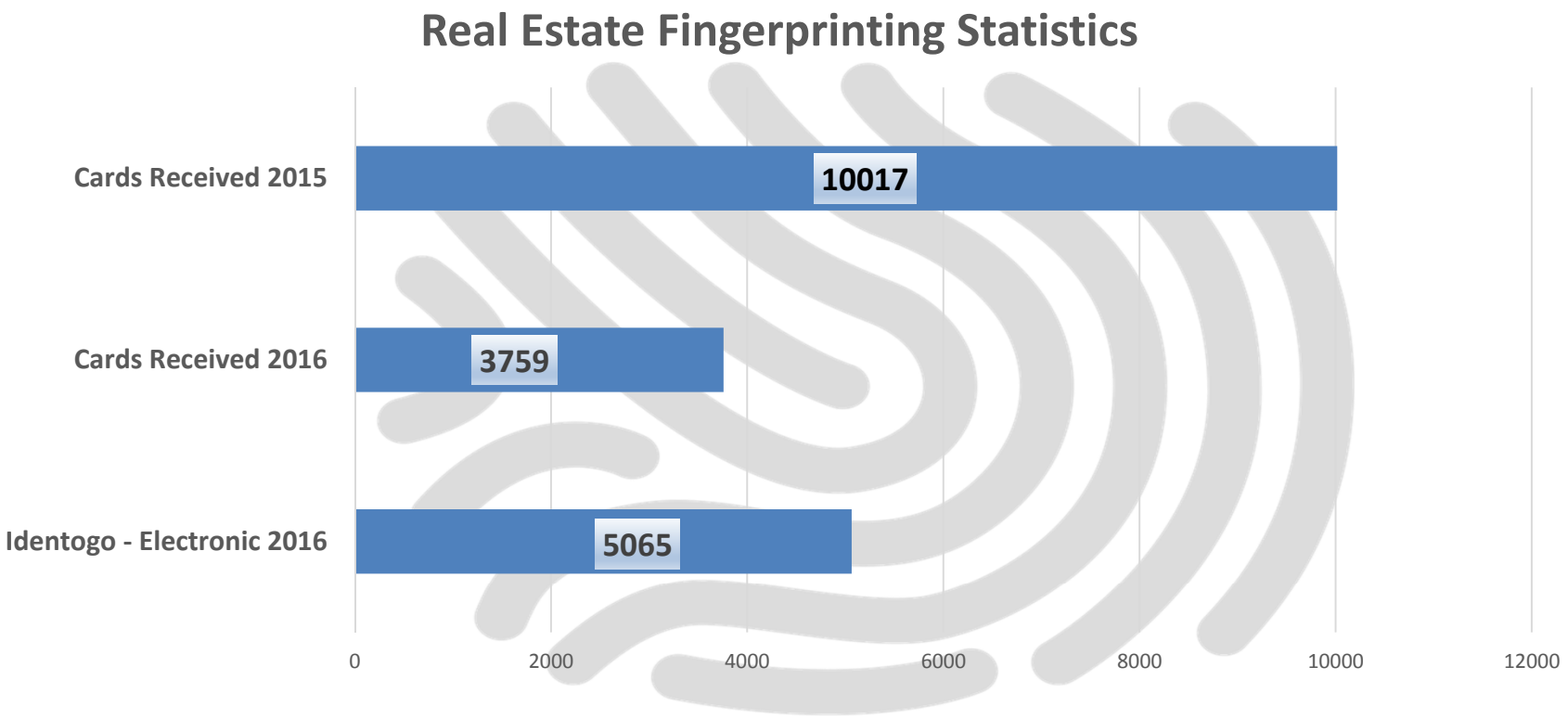
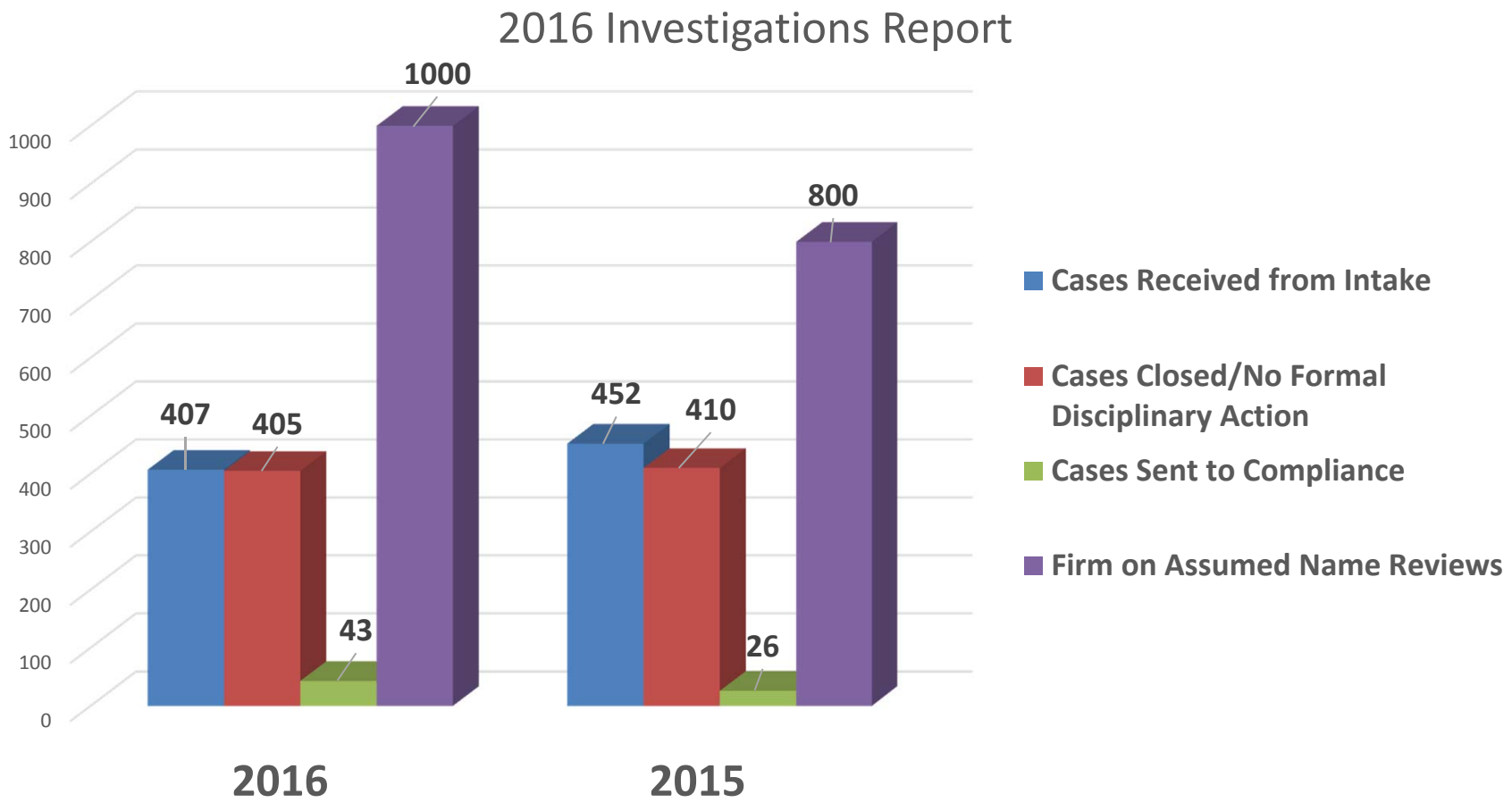
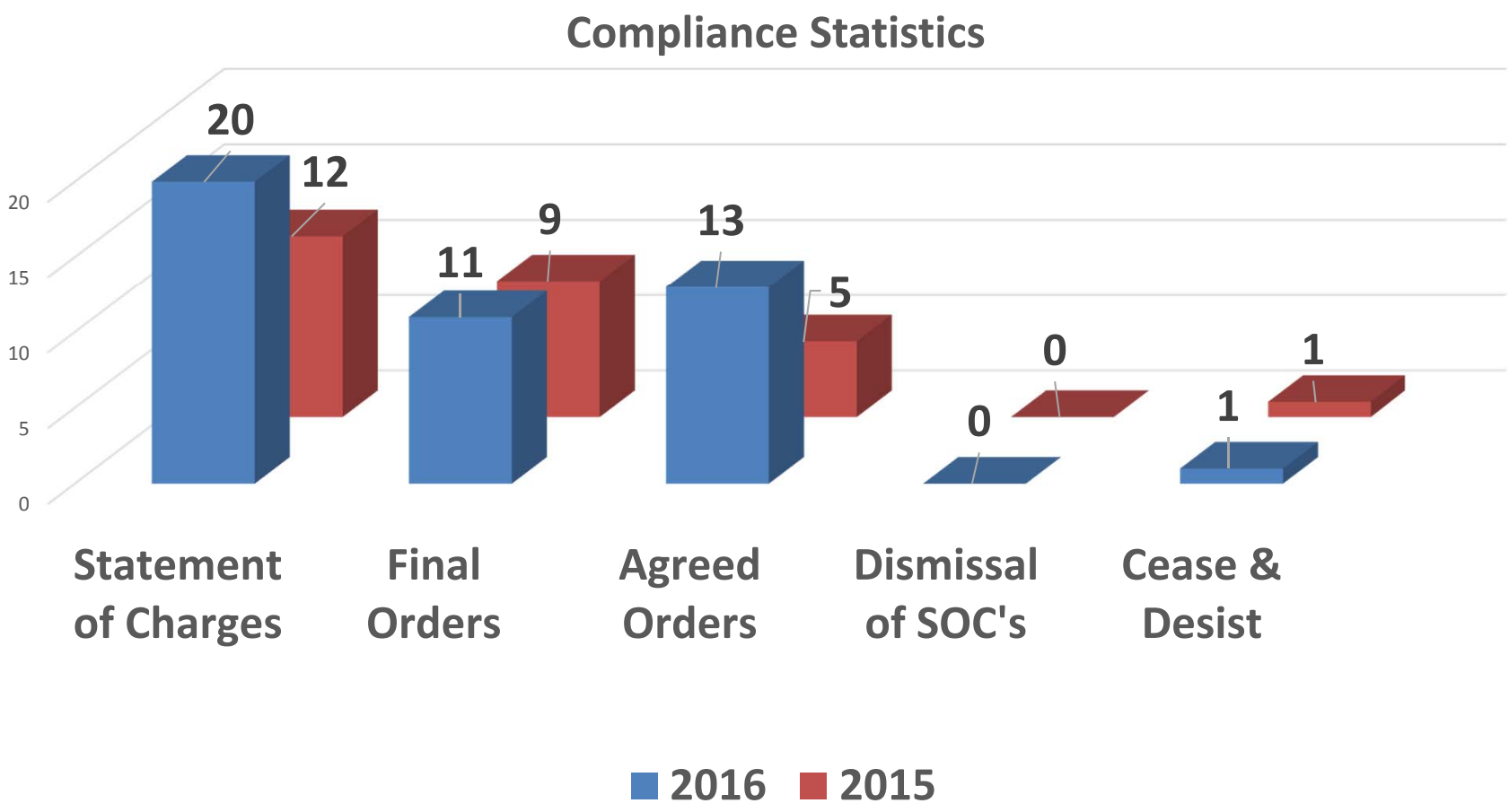
Fingerprinting Statistics



Real Estate Investigations Statistics



Compliance Statistics



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Real Estate Audits Statistics

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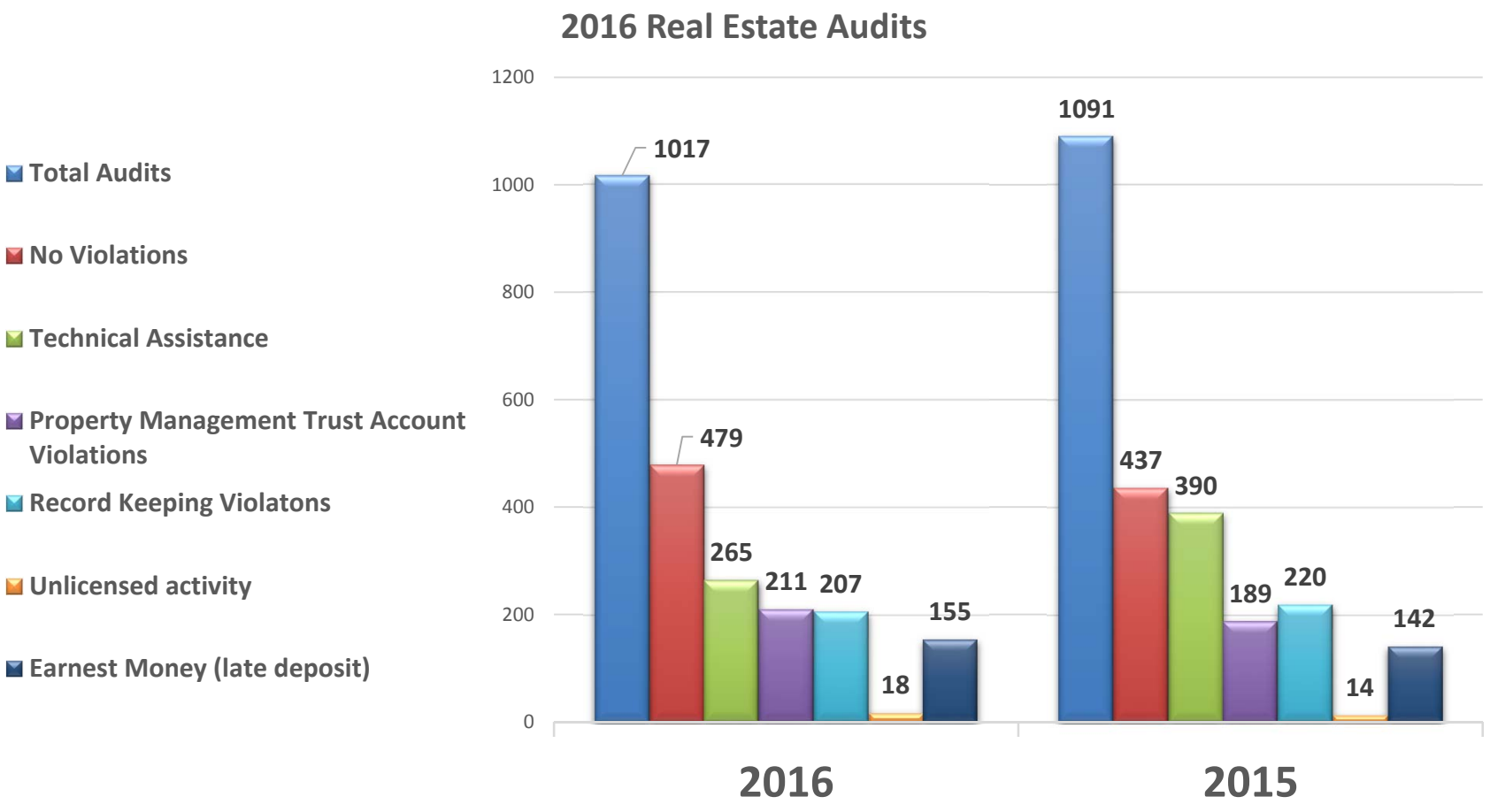

Real Estate Education Report

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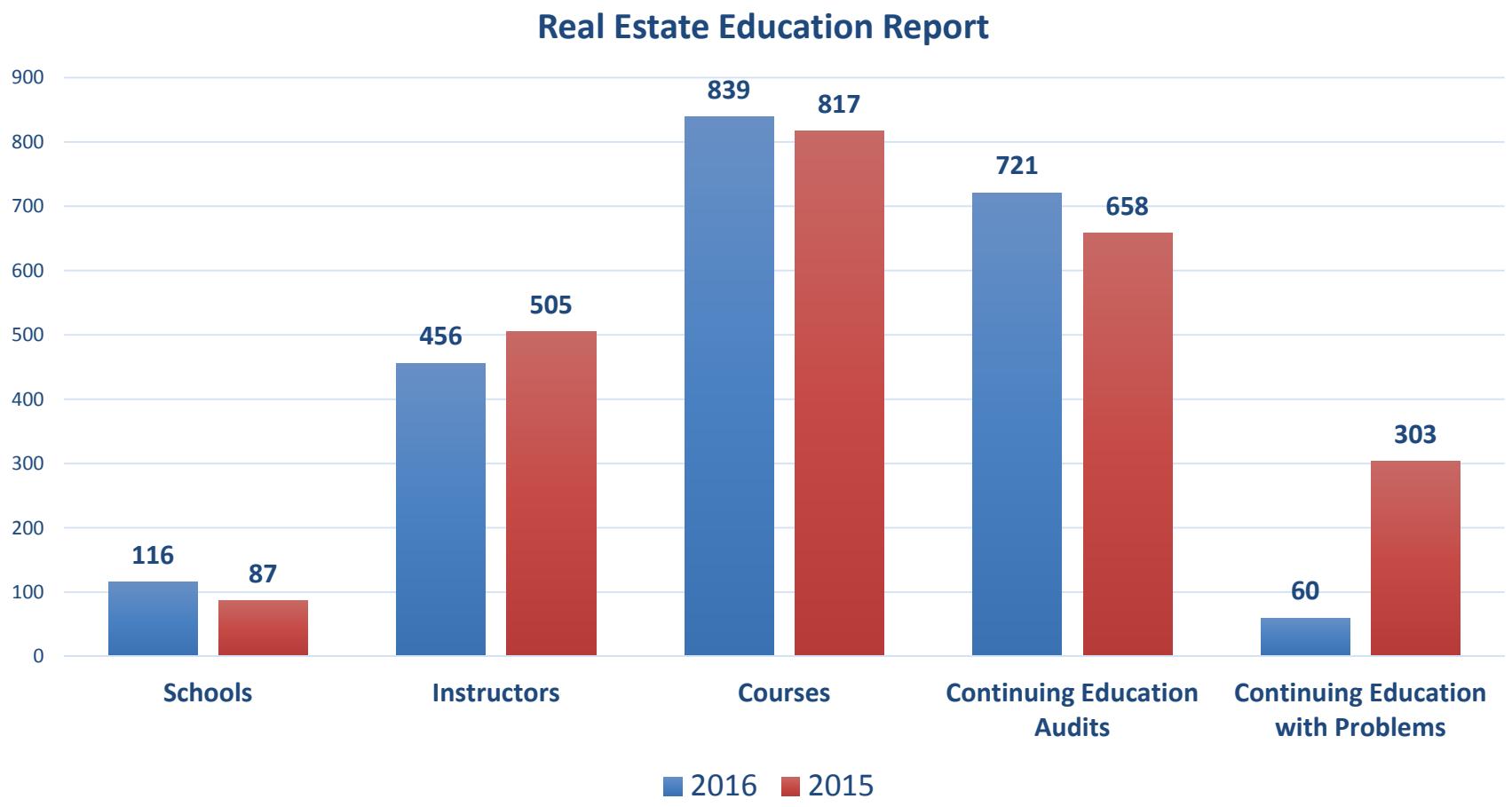

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STATE OF WASHINGTON
DEPARTMENT OF LICENSING
PO Box 9020 Olympia, Washington 98507-9020

March 16, 2017

TO: Washington Real Estate Commission

THROUGH: Jerry McDonald
Administrator, Real Estate Programs

FROM: Colin Pippin-Timco
Education Manager, Real Estate Programs

SUBJECT: Education Update

Curricular Review Process

Summary

As discussed at the last meeting of the Washington Real Estate Commission (Commission), there remains a lack of alignment between the Real Estate Program's (Program) mandated curricula and the PSI/AMP National Real Estate Exams, which the Program currently employs as the qualifying exams for brokers and managing brokers. Based upon contractor recommendations, as well as a common sense approach to curricular review, the Program has reassessed the route it had originally intended to take in updating the mandated curricula to align with PSI/AMP exams, specifically in regards to updating the managing broker curricula first. As such, the Program has chosen to develop a DRAFT updated version of the broker prelicensing curricula (Real Estate Fundamentals and Real Estate Practices). The rational for this is adjustment is twofold:

1. Many of the comments in the field survey conducted for review of the managing broker curricula articulated a need to address fundamental (broker prelicensing) education; and
2. In terms of sequencing, that is to ensure that students have the necessary knowledge and information before being instructed in some objectives, it makes more sense to begin at the beginning (broker prelicensing).

Recommendation

- Forward DRAFT broker prelicensing curricula to Education Subcommittee for review

JM:cp-t

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WASHINGTON STATE DEPARTMENT OF LICENSING
REAL ESTATE PROGRAMS
EDUCATION UNIT

REAL ESTATE FUNDAMENTALS & PRACTICES COURSE CURRICULUM

UPDATED: [XXXX]

Developed by Cathy Fromme, Ed.D, in conjunction with the Washington State Department of Licensing, Real Estate Education Unit.

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ATTRIBUTION

The Washington State Department of Licensing (Department) and the Washington State Real Estate Commission (Commission) would like to thank Applied Measurement Professionals (AMP), a PSI Services LLC (PSI) business, for providing the template and other reference materials for the development of this curriculum. AMP/PSI's *A National Job Analysis of Real Estate Licensees (August 2015)* served as the foundation for this edition of the Department and Commission's curriculum. As such, the detailed content outline for the Salesperson[1] Multiple-Choice Examination has been fully adopted in this edition of the curriculum, with minor changes to account for Washington State laws and rules, as well and regionally-specific real estate-related topics and issues.

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[1] Washington, being an all-broker designation state, uses the designation "Broker" synonymously with the AMP/PSI designation of "Salesperson."

INTRODUCTION

Since the mid-1970's, the Washington State Department of Licensing (Department) has maintained a set of curricula specifically for the licensing of real estate professionals. This set of curricula was most recently updated in 2009 creating two course curricula, Washington Real Estate Fundamentals and Practices.

Throughout 2016, the Department and the Washington State Real Estate Commission (Commission) engaged in a dialogue regarding the need to update real estate curricula to meet evolving industry needs, course participant needs, requirements of new legislation and rule making, and further promote the competency of licensees.

As a result of this ongoing dialogue and a strong stakeholder response in favor of updating curricula, the Department and the Commission utilized the following data points and resources to guide the eventual content determinations for this final 2017 edition of the Washington Real Estate Fundamentals and Practices Course Curriculum:

- An alignment review of RCW, WAC and other legislative mandates
- An assessment of course outcomes based on licensing examination pass-rates and subject-level results from January 2015-September 2016
- An assessment of real estate compliance data
- An identification of new key issues/trends and out-of-date content/topics based on stakeholder input via survey process conducted September 2016[2]
- An assessment of alignment with testing provider role delineations/job analyses, specifically the 2015 National Salesperson[3] Multiple Choice Examination Content Outline

Finally, please note that the required topic areas and educational objectives that have been traditionally spread over two curricula in previous editions have been combined in a single curriculum for the 2017 edition of the Washington Real Estate Fundamentals and Practices Course Curriculum.

This 2017 edition of the Washington Real Estate Fundamentals and Practices Course Curriculum was recommended for adoption by the Commission on [XXXX], 2017, and was adopted by the Director of the Department on [XXXX], 2017.

[2] This survey process was initially conducted in preparation for review of the Managing Broker Curricula. However, a review of survey results highlighted an express need to address the prelicensing Broker Curricula.
[3] Washington, being an all-broker designation state, uses the designation "Broker" synonymously with the AMP/PSI designation of "Salesperson."

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RECOMMENDED LEARNING LEVELS

Recommended Learning Levels:
Washington State Real Estate Fundamentals and Practices B1/B2

Not all subjects are as important as others. Not all subjects require the same level of learning.

In developing the recommendations for this edition of the Washington Real Estate Fundamentals and Practices curricula, the Washington State Department of Licensing (Department) and Washington State Real Estate Commission (Commission) also analyzed the recommended topics with respect to desirable learning levels.

Learning levels, known as "Bloom's Taxonomy," are described in the designations below. These designations are used to identify the learning level recommended for a particular set of topics. A higher learning level designation assumes that students have also achieved lower designated learning levels.

The educational objectives of the Washington Real Estate Fundamentals and Practices curriculum is intended to make a person minimally competent in the practice of real estate. This course focuses on the following topic areas:

- Agency Relationships and Contracts
- Real Property Ownership/Interest
- Finance
- Real Property
- Marketing Regulations
- Property Management
- Real Estate Calculations
- General Washington State Rules
- Washington State Licensing Requirements
- Washington State Statutes and Rules Governing the Activities of Licensees
- Real Estate Brokerage Relationships in Washington State

Given the difficulty to attain deep learning levels with only 90 clock hours of classroom instruction and still cover all required topic areas, topics in this curriculum should be taught at the B-1 knowledge and B2 comprehension levels. Additionally, while it is not required to teach subjects in the sequence shown in this curriculum, every education provider must ensure that the courses taught meet the basic learning objectives required to ensure that prospective licensees are minimally competent.

B-1 Knowledge

Knowledge is defined as the remembering of learned material. This may involve the recall of a wide range of material, from specific facts to complete theories, but all that is required is the

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remembering of the appropriate information.

Examples: Know definitions of common terms, basic concepts, methods and procedures and principles.

B-2 Comprehension

Comprehension is defined as the ability to grasp the meaning of material. These learning levels go one step beyond the simple remembering of material and represent the lowest level of understanding.

Examples: Understand and interpret facts and principles.

B-3 Application

Application is defined as the ability to use learned material in new situations.

Examples: Apply laws and theories to practical situations. Demonstrate correct usage of a method or procedure.

B-4 Analysis

Analysis refers to the ability to study or determine the nature and relationship of the parts.

Examples: Distinguish between fact and inference and evaluate the relevancy of data.

B-5 Synthesis

Synthesis refers to the ability to put parts together to form a new whole. Learning outcomes in this area stress creative behaviors, with major emphasis on the formulation of new patterns or structures.

Examples: Propose a plan for an experiment, integrate learning from the different areas into a plan for solving a complex problem.

B-6 Evaluation

Evaluation refers to the ability to determine the significance or worth of something by careful study.

Examples: Form a valid opinion through weighing of evidence.

Tasks

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RECOMMENDED HOURLY BREAKDOWN

Required Clock Hours:
Washington Real Estate Fundamentals and Practices .....Total: 90 Clock Hours

Though course providers may choose to employ any hourly breakdown that meets the required clock hours for Washington State Real Estate Fundamentals and Practices (90 clock hours), the following hourly breakdown is recommended. The breakdown was developed using topic-coverage ratios for the examination questions in the both the Salesperson[4] Multiple-Choice Examination and the Washington State Broker Simulation Examination.

Recommended Hourly Breakdown

Topic Area I: Agency Relationships and Contracts 19
Educational Objective 1: Agency Relationships.....4
Educational Objective 2: General Legal Principles, Theory and Concepts about Contracts.....5
Educational Objective 3: Purchase Contracts (Contracts between Seller and Buyer).....5
Educational Objective 4: Service / Listing Contracts (Contracts between Licensee and Seller or Buyer) 5

Topic Area II: Real Property Ownership/Interest 9
Educational Objective 1: Rights of Ownership 0.5
Educational Objective 2: Types of Ownership (estates in land).....1.5
Educational Objective 3: Leasehold Interest 0.5
Educational Objective 4: Forms of Business Ownership 0.5
Educational Objective 5: Private Restrictions on Real Property/Land Use and Matters Affecting Ownership.....3
Educational Objective 6: Government Powers and Control of Land Use 3

Topic Area III: Finance.....10
Educational Objective 1: Basics Concepts and Terminology.....3
Educational Objective 2: Methods of Financing (Mortgages, Trust Deeds, Promissory Notes).....2
Educational Objective 3: Financing Instruments.....1.5
Educational Objective 4: Government Oversight.....3
Educational Objective 5: Lending Process 0.5

Topic Area IV: Real Property 9
Educational Objective 1: Methods of Legal Description of Land 0.5
Educational Objective 2: Methods of Measurement.....0.5
Educational Objective 3: Property Valuation 2

[4] Washington, being an all-broker designation state, uses the designation "Broker" synonymously with the AMP/PSI designation of "Salesperson."

Educational Objective 4: Methods of Valuation (Performed by an Appraiser).....2
Educational Objective 5: Conveyance of Real Property.....4

Topic Area V: Marketing Regulations (Purchase and Rental) 7
Educational Objective 1: Property Advertising (including Fair Housing) Disclosures.....2
Educational Objective 2: Licensee Advertising.....2
Educational Objective 3: Fair Housing.....3

Topic Area VI: Property Management.....5.5

Topic Area VII: Real Estate Calculations 9

Topic Area VIII: General Washington State Rules.....3.5

Topic Area IX: Washington State Licensing Requirements.....5.5

Topic Area X: Washington State Statutes and Rules Governing the Activities of Licensees.9

Topic Area XI: Real Estate Brokerage Relationships in Washington State 3.5

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REQUIRED TOPIC AREAS AND EDUCATIONAL OJECTIVES

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TOPIC AREA I: AGENCY RELATIONSHIPS AND CONTRACTS

Upon completion of this unit, the learner will know and be able to:

Educational Objective 1: Agency Relationships

Identify and describe common concepts relating to agency and brokerage relationships, and identify the services of various types of real estate companies.

Specifically, the learner will know and be able to identify and describe:

a. The process of establishing agency

i. Common terms related to establishing agency (e.g., agency, brokerage relationships, principle, fiduciary responsibility/relationship/duties)
ii. Services a licensee can provide a prospective purchaser that would establish an agency relationship, and why an agreement to pay compensation does not necessarily create an agency relationship
iii. The parties involved in agency
iv. Differences between clients and customers
v. The relationship between the affiliated broker, the managing/designated broker, and the firm, especially in regards to establishing agency

b. Liabilities/conflicts of interest of each type of agency/relationship

i. Buyer agency
ii. Implied (buyer) agency
iii. Seller agency
iv. Consensual dual agency
v. Split or assigned or designated/appointed agency
vi. Sub-agency
vii. Non-agency (facilitation)
viii. Cooperation and compensation
ix. Tenant representation
x. Landlord representation

c. Rights, duties, and obligations of the parties

i. Common terms related to rights, duties, and obligations of the parties (e.g. disclosure, confidential information, vicarious liability, imputed knowledge)
ii. Responsibilities to principal and third parties
iii. The obligation to disclose certain information, and notification of disclosure
iv. Disclosure requirements of a broker when acting as a principal
v. Ethical behavior

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d. Termination and remedies for non-performance
   i. Consequences for breaching fiduciary duties

e. Disclosure as it relates to representation

Educational Objective 2: General Legal Principles, Theory and Concepts about Contracts

Identify and describe the common concepts relating to contracts, and identify possible problem areas such as modifying a signed contract, canceling a contract, attaching additional pages to a contract, and common law issues.

Specifically, the learner will know and be able to identify and describe:

a. Express and implied contracts.

b. Unilateral and bilateral contracts

c. Validity of a contract

d. Void and voidable contracts

e. Notice of delivery and notice of acceptance, and the phrase "time is of the essence"

f. Executory and executed contracts

g. Enforceability of a contract

h. Addenda to contracts

i. Electronic signatures and paperless transactions, and the legitimacy of electronic copies versus original copies

j. Statute of limitations

k. Statute of frauds

l. Assignment and novation

m. Discharged or terminated and terminated contracts

n. Rights of both parties in the event of default by either party

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Educational Objective 3: Purchase and Sale Agreements (Purchase Contracts) (Contracts between Seller and Buyer)

Identify and describe the most common types of contracts used in residential sales transactions and their functions. Identify and describe the purpose of a purchase and sale agreement, and identify the basic provisions of this common contract. Identify and describe steps to terminating a purchase and sale agreement, and identify the remedies for breach of this common contract.

Task:
Accurately complete a mock purchase and sale agreement and various addenda for a residential transaction and a vacant residential lot.

Specifically, the learner will know and be able to identify and describe:

a. General principles and legal concepts
- i. The reason(s) for creating a transaction file, and the types of information it should contain.
- ii. The importance of communication with all parties
- iii. The necessity to review the content of forms, as forms change periodically
- iv. The relationship between the affiliated broker, the managing/designated broker, and the firm, especially in regards to purchase and sale agreements

b. Purchase and sale agreements (purchase contract) (contract of sale, purchase and sale agreement, etc.)

c. Options (contractual right to buy)
- i. The various components of the agreement (e.g., clauses related to time limitations, damages for breach, contingencies, refunds)
- ii. The use of a good faith deposit to secure an option on a property:
  1. The deposit amount to be expected based upon market conditions (buyer's or seller's market)
  2. The deposit amount to advise a client to consider
  3. Appropriate/legal handling of funds (e.g., escrow and closing or refund.)

d. Basic provisions, purpose, and elements
- i. The conditions that are necessary for a purchase and sale agreement to be enforceable
- ii. The necessity of obtaining and using a correct legal description in a purchase and sale agreement, and when a street address is not sufficient
- iii. Appropriate methods of addressing the following circumstances in the written agreement:
  1. A pending divorce action
  2. Partnership or corporate sellers or buyers
  3. Builder or seller guarantees
  4. Pending foreclosure action
  5. Pending personal bankruptcy of seller
  6. Sales involving estates

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iv. The appropriate circumstances to consult your managing/designated broker when completing a purchase and sale agreement.
v. The appropriate circumstances to seek competent legal assistance when completing a purchase and sale agreement.

e. Conditions for termination/breach of contract

i. The ways a purchase and sale agreement can be terminated
ii. Remedies for breach of a purchase and sale agreement

f. Offer and acceptance (counter offers, multiple offers, negotiation)

i. The process or mechanism of making an offer, and the process of negotiation and counter-offer
ii. Elements of structuring an offer to represent the clients' best interest, as well as appealing to the other party
iii. The concept of "effective" representation (agency)
iv. Presenting offers, counter-offers, and multiple offers, including short-sales
v. The opportunities and challenges of multiple offer situations when representing a seller, and the duty a seller's broker has to present an offer
vi. The opportunities and challenges of multiple offer situations when representing a buyer, and the duty a buyer's broker has to present an offer
vii. When representing the buyer, the desirability of having financing pre-approval before presenting a buyer's offer
viii. The process of how offers become contracts
ix. Appropriate circumstances to consult your managing/designated broker during the negotiation process
x. Successful sales techniques and their relationship to consumer protection
xi. Situations where Federal, state or local fair housing laws impact the negotiation process
xii. Both permitted and unlawful activities for unlicensed personal assistants

g. Contingencies

i. Standard contingency clauses relating to the purchase of real property
ii. The role of home inspection, and difference between a home inspector and a structural pest inspector.

h. Addenda

i. The fine line between multiple contract addenda and unauthorized practice of law

i. Duties and obligations of the parties

i. The buyers' and sellers' responsibilities from sale to closing
ii. The broker's responsibilities to facilitate closing

j. Handling funds of others (trust/escrow funds, earnest money, delivery)

i. How funds, including deposits, will be handled in a closing, or a cancellation/termination
ii. Acceptable forms of earnest money and proper handling procedures

DRAFT

iii. The interpleading process.

Educational Objective 4: Service / Listing Contracts (Contracts between Licensee and Seller or Buyer)

Identify and describe the different types of and concepts relating to listing agreements, and identify the information that should be gathered prior to completing a listing agreement.

Task

Accurately complete a mock exclusive right to sell listing agreement.

Specifically, the learner will know and be able to identify and describe:

a. General principles and legal concepts

i. The reason(s) for creating a transaction file, and the types of information it should contain
ii. The ways in which a compensation agreement may differ from a listing agreement
iii. The relationship between the affiliated broker, the managing/designated broker, and the firm, especially in regards to listing agreements

b. Basic and provisions, purpose, and elements

i. The legal description of property
ii. The key clauses related to representation, rights and responsibilities, termination, commission, etc.

c. Duties and obligations of the parties

i. Common and uncommon methods of determining who has title to the property to be listed
ii. When the seller must be provided a copy of the listing agreement
iii. Who has the authority to sign, modify, or cancel a listing agreement
iv. The steps a listing broker can take to avoid agency conflicts when contacted by a prospective buyer about a listing
v. The steps that should be taken to guard against dual agency

b. Conditions for termination/breach of contract

i. The ways a listing agreement can be terminated
ii. Remedies for breach of a listing agreement

c. Remuneration/Consideration/Fees

i. Who is entitled to initiate an action for payment of a commission under a listing
ii. The various methods for determining broker's compensation
iii. How a broker may be entitled to a commission following expiration of a listing agreement

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d. Types of service/listing contracts

i. The differences between common types of listings (e.g., exclusive agency listing, exclusive right to sell listing, open listing, net listing)

ii. How multiple listing associations deal with the agency issue through an offer of cooperation and compensation

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TOPIC AREA II: REAL PROPERTY OWNERSHIP/INTEREST

Upon completion of this unit, the learner will know and be able to:

Educational Objective 1: Rights of Ownership

Identify and describe rights of ownership as they relate to real estate.

Specifically, the learner will know and be able to identify and describe:

a. Ownership
- i. Land
- ii. Real estate
- iii. Real property
- iv. Personal property
- v. Common rights (e.g., surface rights, subsurface rights, air rights, water rights)

b. The "bundle of legal rights"
- i. Possession
- ii. Control
- iii. Exclusion
- iv. Enjoyment
- v. Disposition

c. Sources of law relating to real property in the United States

Educational Objective 2: Types of Ownership (estates in land)

Identify and describe the separation of rights of possession and use under different forms of ownership, and identify factors that influence home ownership. Identify and describe the various types of estates in land and provide examples of estates in each group, and identify common forms/types of housing.

Specifically, the learner will know and be able to identify and describe:

a. Estates in land
- i. Fee simple
- ii. Determinable fee
- iii. Fee simple subject to condition subsequent
- iv. The conventional life estate and the difference between remainder interests and reversion interests

DRAFT

b. Ownership in severalty

c. Define forms of co-ownership including
   i. Community property
   ii. Joint tenancy
   iii. Tenancy by the entirety
   iv. Tenancy in common
   v. Dower and curtesy
   vi. Trusts
   vii. Land trusts

d. Forms/types of housing
   i. Fee simple home
   ii. Condominiums (condos)
   iii. Cooperatives (co-op)

Educational Objective 3: Leasehold Interest

Identify and describe common concepts relating to leasehold interests

Specifically, the learner will know and be able to identify and describe:

a. Basic concepts and terminology
   i. How leases are both a conveyance and a contract.

b. Types of leases
   i. The four types of leasehold tenancies
      1. tenancy for years
      2. tenancy from period to period
      3. tenancy at will
      4. tenancy at sufferance

c. Basic elements and provisions of leases
   i. The basic elements of a valid lease
   ii. The basic provisions in a residential lease

d. Rights and duties of the parties

e. Remedies for default/non-performance
   i. The various ways in which a leasehold agreement may be terminated
   ii. Describe the terms default and eviction regarding residential leases

Educational Objective 4: Forms of Business Ownership

Identify and describe ways in which business organizations can hold ownership of real property.

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Specifically, the learner will know and be able to identify and describe:

a. Forms/types of businesses
- i. Sole Proprietorship
- ii. Corporation
- iii. General or Limited Partnership
- iv. LLC

a. Forms/types of ownership
- i. Joint ventures
- ii. Cooperatives
- iii. Condominiums
- iv. Syndications
- v. Real estate investment trusts

Educational Objective 5: Private Restrictions on Real Property/Land Use and Matters Affecting Ownership

Identify and describe common private restrictions on real property/land use. Identify matters that may affect ownership of real property/land use.

Specifically, the learner will know and be able to identify and describe:

a. Provisions of homestead laws

b. Judgements

c. Encumbrances

d. Liens
- i. The common types of liens (e.g. voluntary, involuntary, statutory, equitable, general, specific)
- ii. The effects of a lien as an encumbrance on title to real property
- iii. Lien priority

e. Easements, rights of way, and licenses
- i. The creation and termination of easements (e.g., necessity, prescription, condemnation)
- ii. Licenses and their effect on real property

f. Preexisting Leases

g. Encroachment

h. Deed conditions, covenants, and restrictions

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i. Property/home owners associations

a. Tax liens

b. Construction liens (mechanic's liens and material-men's liens)

Educational Objective 6: Government Powers and Control of Land Use

Identify and describe the powers of government that may limit ownership of real property, and identify examples of typical restrictions.

Specifically, the learner will know and be able to identify and describe:

a. Americans with Disabilities Act (ADA)

b. Land use restrictions and regulations (i.e., zoning)
   i. The aspects of police power that enable public use and control of land
   ii. Explain land use control through direct public ownership
   iii. The purposes and typical provisions of a comprehensive plan
   iv. Common problems with private land use control through deed restrictions

c. Property taxation
   i. The manner by which a governmental body determines and assesses the amount of property taxes
   ii. The differences between general taxes and special assessment taxes

d. Subdivision / planned unit regulations (e.g., condominiums, cooperatives, planned unit developments)

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TOPIC AREA III: FINANCE

Upon completion of this unit, the learner will know and be able to:

Educational Objective 1: Basic Concepts and Terminology

Identify and describe common concepts and terms related to real estate finance.

Specifically, the learner will know and be able to identify and describe:

a. The differences between lien theory and title theory

b. Equity

c. Loan-to-value ratio

d. Term and payment

i. Various loan payment plans
ii. The priorities involved in recording mortgages and deeds of trusts
iii. The reasons for prepayment penalties
iv. How taxes and insurance are handled at closing, including proration, prepayment, and reserve accounts.
v. Describe the difference between “buying subject to” and “assuming” a mortgage or deed of trust.

e. Principal and interest

i. Interest and amortization and the various methods by which interest is computed

f. Direct and indirect costs

i. Points
ii. Discounts

g. Return on investment/rate of return

Educational Objective 2: Methods of Financing

Identify and describe the various sources of real estate financing.

Specifically, the learner will know and be able to identify and describe:

a. Government programs

i. The significant elements, requirements, and differences between the various government-insured and -guaranteed loans (e.g., FHA, VA, USDA)

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b. Conventional
   i. The differences between conventional, insured, and guaranteed loans

c. Owner-financed

d. Land contract/contract for deed

Educational Objective 3: Financing Instruments (Mortgages, Trust Deeds, Promissory Notes)

Identify and describe common concepts relating to financing instruments, and identify various forms of mortgages and other forms of financing.

Specifically, the learner will know and be able to identify and describe:

a. Basic Elements and provisions of financing instruments
   i. Security instrument
   ii. Financing instrument

b. Mortgage and other forms of financing
   i. Purchase money mortgages
   ii. Blanket mortgages
   iii. Wrap-around mortgages
   iv. Open-end mortgages
   v. Adjustable rate mortgages
   vi. Graduated payment mortgages
   vii. Reverse annuity mortgages
   viii. Personal lines-of-credit
   ix. Construction loans
   x. Sale and leaseback
   xi. Installment/owner contracts
   xii. Sources of special financing programs available for first-time buyers

c. Deed of trust
   i. The significant differences of a mortgage and a deed of trust

d. Promissory note

e. Legal Principles
   i. Usury

f. Non-Performance
   i. Foreclosure
   ii. Default
   iii. Forfeiture

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Educational Objective 4: Government Oversight

Identify and describe the financing legislation that affects mortgage lending, and identify the influence of government in mortgage lending, including the Federal Reserve System, the secondary mortgage market, and the Rural Housing Service.

Specifically, the learner will know and be able to identify and describe:

a. Real Estate Settlement Procedures Act (RESPA)
   i. Practices that are permissible and non-permissible under RESPA

b. Regulation Z
   i. The importance of Regulation Z in residential financing

c. Truth-in-Lending Act

d. Antitrust
   i. The reasons for antitrust laws, how they affect real estate brokers, and the penalties for violating them

e. Mortgage fraud

f. Equal Credit Opportunity Act (ECOA)

g. Dodd-Frank Act (TILA-RESPA Integrated Disclosure (TRID) rule)

h. National Flood Insurance Program

Educational Objective 5: Lending Process

Identify and describe common concepts related to the lending process, and identify the role of qualification and preapproval from a lender in the home search/closing process. Identify and describe the guidelines used for this process.

Specifically, the learner will know and be able to identify and describe:

a. Pre-approval and Pre-qualification
   i. Debt ratios
   ii. Credit scoring
   iii. Credit history
   iv. The influence of the value of the property when qualifying the buyer
   v. The maximum price a buyer can pay for a home
   vi. The role of credit scoring in loan underwriting and obtaining buyer credit

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b. Parties to the Lending Process

i. Loan originator
ii. Underwriter
iii. Mortgage broker

c. Short sale

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TOPIC AREA IV: REAL PROPERTY

Upon completion of this unit, the learner will know and be able to:

Educational Objective 1: Methods of Legal Description of Land

Identify and describe the necessity of obtaining and using a correct legal description of land. Demonstrate familiarity with different measurements and terminology used. Demonstrate proficiency in using the various land units and measurements.

Specifically, the learner will know and be able to identify and describe:

a. Metes and Bounds

b. Rectangular Survey

c. Lot and Block

Educational Objective 2: Methods of Measurement

Identify and describe common methods of measurement as they relate to real estate.

Specifically, the learner will know and be able to identify and describe:

a. Structures
   i. Space
   ii. Volume

b. Livable Area

c. Land Measurement

Educational Objective 3: Property Valuation

Identify and describe common methods for determining the value of a property, and identify the parties involved in determining what a property is worth. Identify and describe the methods of property valuation that may be performed by a broker, and identify how a seller's representative would go about suggesting a listing.

Task

Accurately complete a comparative market analysis (CMA) worksheet and explain the major components of the CMA.

Specifically, the learner will know and be able to identify and describe:

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a. Basic concepts and terminology

i. Common concepts related to property valuation (e.g., owners wishes, market conditions, time to sell, leverage, equity, basis, capital gain)
ii. The uses of real property, including the concept of "highest and best use"
iii. Why the value of real property does not remain the same
iv. The advantages, disadvantages and purposes of real estate investment
v. The tax benefits of real estate ownership, investment, exchanges, depreciation and installment sales
vi. The purpose and effect of tax credits

b. Influences and characteristics affecting value

i. Market
ii. Supply and demand and factors that affect supply and demand
iii. The differences between market value, market price and cost
iv. The effects of different financing terms on the market value of a property
v. The difference between reproduction cost and replacement cost
vi. The basic concepts of depreciation and what aspects of property this affects
vii. Types of construction, e.g., modular construction, frame built construction, manufactured home, etc.
viii. How zoning laws affect the market value of real property

c. Comparative Market Analysis (CMA) (performed by a real estate licensee)

i. The three approaches to value (e.g., market data, cost, income)

d. Broker Price Opinion

e. Real Property

i. Common terms related to real property (fixtures, trade fixtures, personal property, chattel)
ii. The legal tests of a fixture

Educational Objective 4: Methods of Valuation (Performed by an Appraiser)

Identify and describe the methods of property valuation that may be performed by an appraiser and the overarching concepts of an appraisal. Describe how the role of the appraiser differs from the role of the real estate licensee in the evaluation process. Explain the differences between an appraisal and a market analysis (CMA).

Specifically, the learner will know and be able to identify and describe:

a. Sales Comparison (Market Data) Approach

b. Cost Approach

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c. Income Analysis Approach

d. Appraisal Process / Procedure

Educational Objective 5: Conveyance of Real Property

Identify and describe the term "title" as it pertains to real estate. Identify and describe the concept of the "unauthorized practice of law." Identify and describe the role of the real estate licensee in the escrow closing process.

Specifically, the learner will know and be able to identify and describe:

a. Definition of clear (marketable) title
- i. Chain of title
- ii. Title examination procedures
- iii. The methods by which title may be transferred

b. Matters affecting title
- i. Explain the basic requirements for a valid conveyance
- ii. How the Uniform Commercial Code affects a real estate transfer

c. Recordation
- i. The differences between constructive notice and actual notice
- ii. The importance of recordation in a real property transaction

d. Title insurance
- i. The purpose of title insurance.
- ii. Common types of title insurance policies

e. Deeds
- i. The various forms of deeds and their essential elements

f. Will

g. Court-Ordered Sale
- i. Foreclosure

h. Settlement procedures (closing the transaction)
- i. The term closing/escrow/settlement as it relates to a real estate transaction
- ii. Events and processes in the closing of a residential transaction (e.g., loan application, lender verifications, the appraisal, inspections, loan underwriting, title insurance, commitment, loan approval, document preparation, escrow signing, recording, disbursement of funds, possession)
- iii. The participants in a closing and who is authorized to perform these services under the Escrow Agent Registration Act

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iv. The Internal Revenue Service requirements in the closing process including FIRPTA and 1099 reporting.
v. Real property excise tax requirements and affected real property transactions
vi. How closing dates and different financing methods affect closing costs

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TOPIC AREA V: MARKETING REGULATIONS (PURCHASE AND RENTAL)

Upon completion of this unit, the learner will know and be able to:

Educational Objective 1: Property Advertising (including Fair Housing) Disclosures

Identify and describe the necessity for disclosure of material facts and material defects, and identify the elements of a Seller Property Condition Disclosure Form

Specifically, the learner will know and be able to identify and describe:

a. Environmental concerns
   i. Lead-based paint
   ii. Radon

b. Property Condition

c. Material Facts

d. Seller Property Condition Disclosure Form

Educational Objective 2: Licensee Advertising

Identify and describe the legislation affects real estate advertising, and identify real estate practice activities controlled by antitrust laws

Specifically, the learner will know and be able to identify and describe:

a. Antitrust

b. Do-not-Call List

c. CAN-SPAM Act

d. Social Media and Internet

Educational Objective 3: Fair Housing

Identify and describe relevant Federal fair housing and non-discrimination statutes, Executive Orders, and regulations, and understand the administration and enforcement of fair housing

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requirements including the protected classes. Differentiate between illegal discrimination and legal discrimination, and identify discriminatory conduct by members of the real estate industry, in the provision of brokerage services, and in residential real estate-related transactions. Identify and describe appropriate conduct and behavior when showing property and presenting offers regarding Fair Housing Laws.

Task
Accurately compose two advertisements demonstrating compliance with Federal fair housing and non-discrimination statutes, Executive Orders, and regulations.

Specifically, the learner will know and be able to identify and describe:

a. The 1866 Civil Rights Act

b. Title VI of the Civil Rights Act of 1964 and as amended in 1988

c. Title VIII of the Civil Rights Act of 1968 (Federal Fair Housing Act)
   i. The categories forming the basis for discrimination under the Fair Housing Law and why a listing should be refused under each category.

d. Sections 109 of Title I of the Housing and Community Development Act of 1974

e. Protected Classes
   i. Title II of the Americans with Disabilities Act of 1990 and the major provisions of the Americans with Disabilities Act regarding housing and real property transactions.

f. Executive Order 11063 (1962), as amended by 12259 (1983)

g. Redlining

h. Blockbusting

i. Steering

j. Advertising
   i. Discriminatory advertisements, statements, and notices

k. Property Management
   i. Illegal discrimination and legal discrimination in the rental of a dwelling

l. Exemption to the Fair Housing Laws, including senior housing.

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m. Local, state, and federal agencies responsible for the enforcement of the Fair Housing Laws

i. Other rights and remedies provided to consumers in real estate transactions and appropriate state and federal agencies offering assistance

ii. Penalties for those who violate the Fair Housing Laws

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TOPIC AREA VI: PROPERTY MANAGEMENT

Upon completion of this unit, the learner will know and be able to:

Identify and describe the basic purpose of property management, including the legal and fiscal responsibilities and duties of a property manager to tenants and to property owners.

Specifically, the learner will know and be able to identify and describe:

a. General principles of property management agreements

b. Basic provisions, purpose, and elements of property management agreements

c. Types of Contracts

d. Duties and Obligations of the Parties

e. Market Analysis and Tenant Acquisition

f. Accounts and Disbursement

g. Property Maintenance and Improvements

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TOPIC AREA VII: REAL ESTATE CALCULATIONS

Upon completion of this unit, the learner will know and be able to:

Demonstrate basic computational skills as they relate to real estate, including but not limited to:

- Use of fractions and decimals
- Calculations using percentages (base and rate)
- Calculations using interest rates (simple and compound)

Demonstrate the ability to apply these techniques to tasks related to real estate such as:

- Calculation of area (e.g., lot size, home square footage)
- Pro-rations and escrow calculations
- Mortgage math: loan amortization/calculation of monthly payments

Demonstrate the ability to use a calculator/personal computer to perform computational tasks.

Specifically, the learner will demonstrate the ability the ability to apply the above skills and techniques to the following calculations:

a. Compensation, commission, and fees

b. Valuation/market sales price and yields

c. Net to seller, cost to buyer (credits & debits
   i. The seller's proceeds for a residential sale
   ii. The buyer's cash requirements to close

d. Tax and other pro-rations

e. Points

f. Loan-to-value ratios

g. Measurement
   i. square footage
   ii. acreage
   iii. volume

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h. Property management/investment

i. Rate of return

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TOPIC AREA VIII: GENERAL WASHINGTON STATE RULES

Upon completion of this unit, the learner will know and be able to:

Identify and describe general purposes of the Washington real estate license law, and describe the differences between license laws/status and administrative rules and how they are created.

Specifically, the learner will know and be able to identify and describe:

a. Definitions

b. Powers and duties of the Real Estate Commission and Director

c. Investigations and sanctions
   i. Disciplinary actions
   ii. Procedures (hearings and appeals)
   iii. Penalties

d. Real Estate Research Center

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TOPIC AREA IX: WASHINGTON STATE LICENSING REQUIREMENTS

Upon completion of this unit, the learner will know and be able to:

Identify and describe laws and rules relating to the licensing of real estate professionals in Washington.

Specifically, the learner will know and be able to identify and describe:

a. Activities requiring a license

b. Activities not requiring a license

c. Eligibility for licensing
- i. Requirements
- ii. Application procedures
- iii. Applicants from other jurisdictions

d. Types of Real Estate industry licenses
- iv. Broker
- v. Managing Broker
  1. The role of the managing broker regarding supervision of affiliated licensees
- vi. Designated Broker
- vii. Real Estate Firm
- viii. Real Estate Branch
- ix. Appraiser (e.g., State Registered Trainee, State Certified General, State Certified Residential, and State Licensed)
  1. The primary purpose for state license law requirements for licensed and certified appraisers.

e. License maintenance, renewal and fees
- i. The required procedures when a licensee leaves a brokerage firm voluntarily, or the managing broker terminates the licensee

f. License use and status/licensee information

g. Education requirements
- i. Prelicensing
- ii. First active renewal (Postlicensing)
- iii. Continuing education
- iv. Current Issues in Washington Residential/Commercial Real Estate (CORE)

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v. Managing Broker Prelicensing
vi. Inactive status education requirements

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TOPIC AREA X: WASHINGTON STATE STATUTES AND RULES GOVERNING THE ACTIVITIES OF LICENSEES

Upon completion of this unit, the learner will know and be able to:

Identify and describe laws and rules relating to the practice of real estate in Washington. Demonstrate familiarity with the relevant Washington State statutes against discrimination including (but not limited to) the Washington Law Against Discrimination (RCW 49.60) and state licensing law.

Specifically, the learner will know and be able to identify and describe:

a. Brokerage firm's relationship with affiliated licensees

b. Prohibited conduct/reasons for disciplinary action
   i. Licensees' requirements regarding presenting of written offers, counteroffers, and addenda
   ii. The major sections of the Residential Seller Property Condition Disclosure in Washington and identify potential trouble spots for sellers
   iii. The necessary process/checklist to follow at each step of a conventional real estate transaction to avoid common areas of difficulties or mistakes

c. Compensation

d. Handling of monies and trust accounts
   i. The purpose of a broker's trust account
   ii. Depositing requirements and disbursement procedures

e. Recordkeeping, documents and audits
   i. Requirements for transaction recordkeeping and subsequent delivery to the firm

f. Brokerage firms office requirements
   i. The basic office requirement for operating a real estate company in Washington

g. Property management
   i. The Residential Landlord Tenant Act
   ii. The various elements of a property management agreement outlined in the Washington Administrative Code

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TOPIC AREA XI: REAL ESTATE BROKERAGE RELATIONSHIPS IN WASHINGTON STATE

Upon completion of this unit, the learner will know and be able to:

Identify and describe concepts relating to agency and brokerage relationships in Washington laws and rules.

Specifically, the learner will know and be able to:

a. Agency disclosure requirements identified in the Revised Code of Washington and the Washington Administrative Code.
   i. Disciplinary actions the Director of the Department of Licensing may impose if a licensee's conduct is not consistent with the agency disclosure representation

b. The material contained in the "Law of Real Estate Agency" pamphlet and related disclosure forms.

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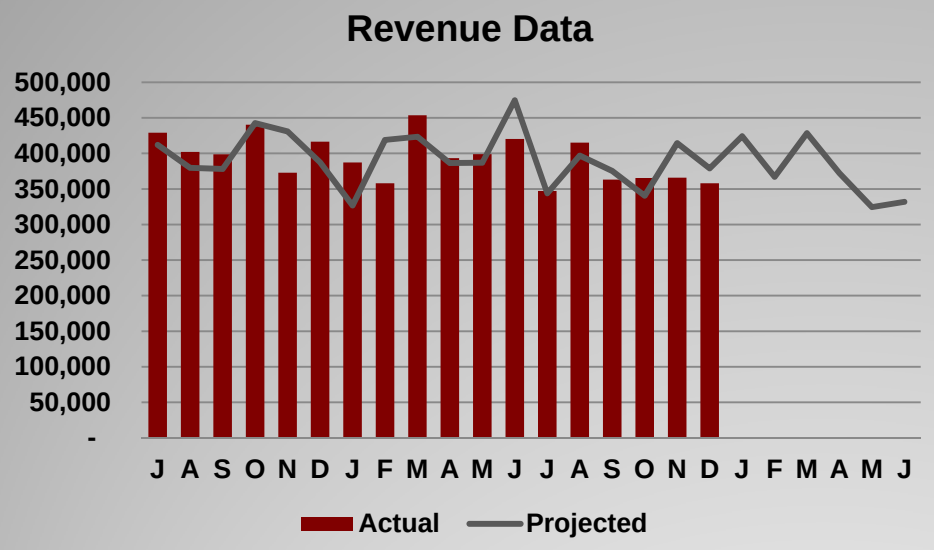
As of 2/24/2017:

K5430-WCRER – Main Contract o Contract amount $410,000.00 o Cost Code (WCRER Account - $10 fee) o Effective 7/1/2015 – 6/30/2017 o September 2016 completed – no invoice received o December 2016 completed – no invoice received
K5600-WCRER - Newsletter o Contract amount 41,866.00 o Cost Code (RE Education Account) o Effective 3/22/2016-6/18/2018 o Behind in publications
K5670-WCRER - Additional Research o Contract amount 43,000.00 o Cost Code (RE Education Account) o Effective 4/15/2016-4/01/2017 o Received invoice in July 2016 - work not completed o Statement of work not completed

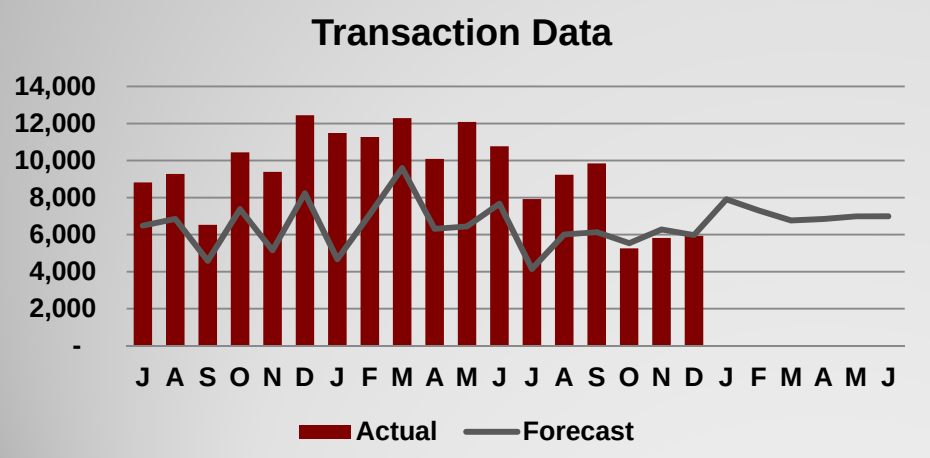


Real Estate Commission - 026

Actual data as of December 31, 2016

Budget Data

	Actuals to Date	Biennial Estimates
Allotted	$7,843,285	$11,536,000
Expended	7,181,996	10,430,888
Variance	**$ 661,289**	**$ 1,105,112**

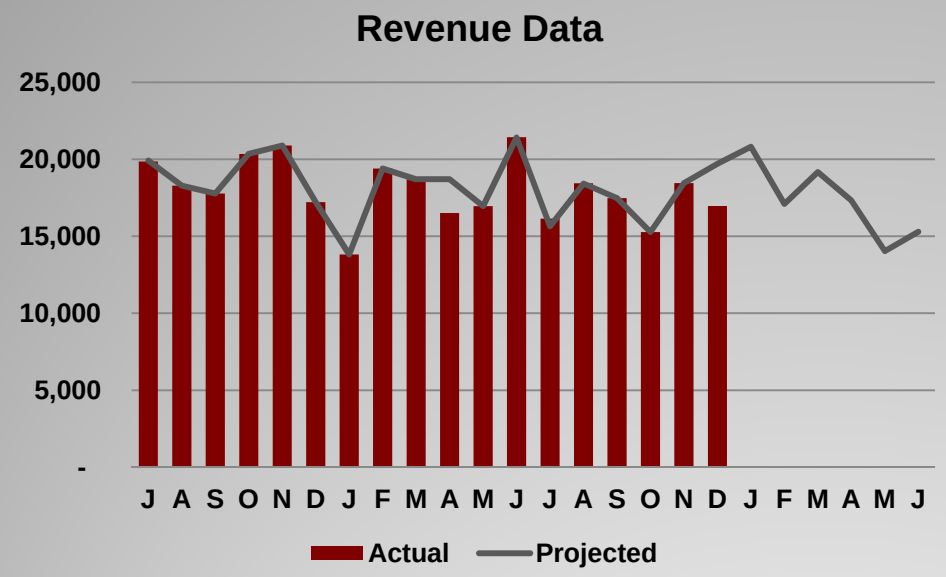


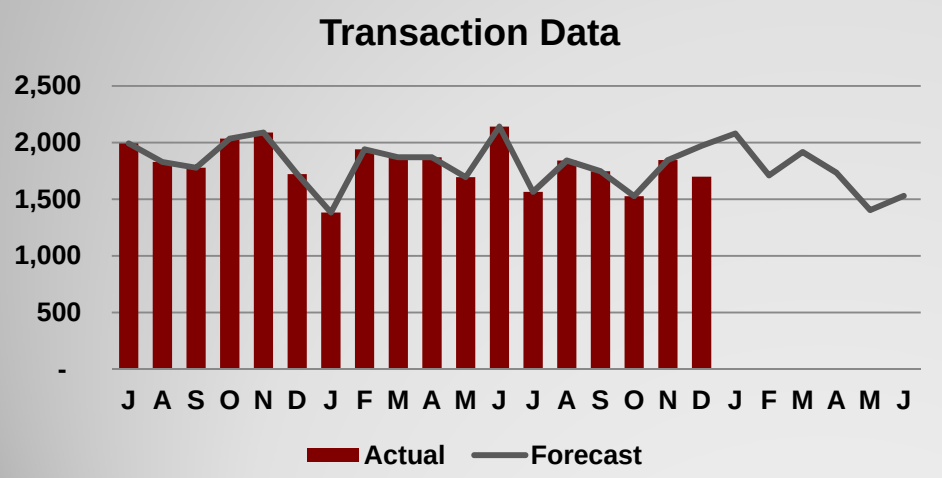
Fund Balance Data

Beginning Balance	$4,041,080
Add: Collected to-date	7,085,537
Less: Expended to-date	7,181,996
Less: Legislative Sweep	500,000
Current Fund Balance	**$3,444,621**

Established by RCW 18.85.220 – This account is the operating or business account for real estate. All licensing fees paid to the department is placed into this account.

BPD Real Estate Program
Data thru December 2016





Real Estate Research – 06R

Actual data as of December 31, 2016

Budget Data

	Actuals to Date	Biennial Estimates
Allotted	$156,876	$415,000
Expended	208,883	415,000
Variance	**($52,007)**	**$0**

Fund Balance Data

Beginning Balance	$968,673
Add: Collected to-date	323,900
Less: Expended to-date	208,883
Less: Legislative Sweep	500,000
Current Fund Balance	**$583,690**

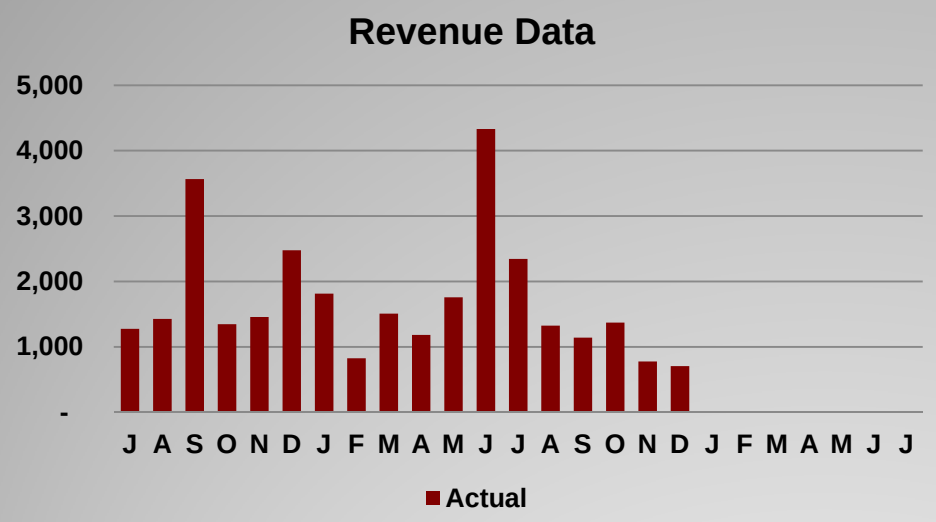
Established by RCW 18.85.461 – This account is for research connected to the practice of real estate. Funding from this account comes from a $10.00 fee attached to each license renewal. The department contracts with Washington Center for Real Estate Research-Washington State University each biennium for their services.

BPD Real Estate Program
Data thru December 2016

Real Estate Research – 06R

Real Estate Research - Fund 06R	Forecast FY 2017	Forecast FY 2018	FY 2019	Forecast FY 2020	FY 2021
Beginning Fund Balance	**$ 1,033,427**	**$ 438,353**	**$ 570,982**	**$ 477,351**	**$ 609,980**
Revenue Forecast	$ 214,353	$ 238,203	$ 215,795	$ 238,203	$ 215,800
Total Revenues	$ 214,353	$ 238,203	$ 215,795	$ 238,203	$ 215,800
Total Resources	**$ 1,247,780**	**$ 676,555**	**$ 786,778**	**$ 715,553**	**$ 825,780**
Legislative Sweeps	$ 500,000				
Expenditures	$ 309,427	$ 105,573	$ 309,427	$ 105,573	$ 309,427
Total Anticipated Costs	**$ 809,427**	**$ 105,573**	**$ 309,427**	**$ 105,573**	**$ 309,427**
Fund Balance	**$ 438,353**	**$ 570,982**	**$ 477,351**	**$ 609,980**	**$ 516,353**

BPD Real Estate Program
Data thru December 2016



Real Estate Education – 04F

Actual data as of December 31, 2016

Budget Data

	Actuals to Date	Biennial Estimates
Allotted	$95,220	$276,000
Expended	68,747	177,120
Variance	**$26,473**	**$ 98,880**

Established by RCW 18.85.317 – The purpose of this account is to carry out the director's education programs. Funds come from interest on trust accounts (25% to RE Education and 75% to Housing Trust Fund) and all fines collected from licensees. Funds are used for training programs such as the distressed property video.

Fund Balance Data

Beginning Balance	$656,196
Add: Collected to-date	30,628
Less: Expended to-date	68,747
Current Fund Balance	**$618,077**

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