



REAL ESTATE LICENSEE UPDATE

WASHINGTON STATE DEPARTMENT OF
LICENSING

CHRISTINE GREGOIRE, GOVERNOR
VOLUME IV, ISSUE 3

ALAN HAIGHT, ACTING DIRECTOR
SUMMER 2011

In This Issue

Washington's Newest Real Estate Commissioner 2

Buying and Selling A Home: A 2010 Survey of Recent Buyers and Sellers 3

Real Estate Market Roundup 4

Disciplinary Actions 6

Licensing Changes 8

We are committed to providing equal access to our services. If you need special accomodation, please call (360) 664-6526 or TTY (360) 644-0116.

Online Internet Storage: *Proprietary Software for Record Storage*

Our industry is moving faster than most of us can stay up with. One area is online internet storage also referred to as 'internet based storage space', 'remote file storage', 'virtual storage' or 'virtual hard drive.' Whatever you call it, it is all the same. You are allowing a third party to store your file and entrusting them with your livelihood.

Many of the first free online storage providers have found themselves out of business and the clients that depended on them left without a paddle. Today's marketplace has fewer free online storage firms and more offering storage for a fee. When considering virtual storage a real estate firm needs to be aware of some of the pitfalls that come with the territory.

Yes, it does sound wonderful not having all that paper filling up storeroom after storeroom, the idea of saving a tree and our planet from the mass of trash, but you need to consider your responsibilities to the public, licensees, the RCWs, and WACs, etc., and to your bottom line.

Some things you may want to address when you are ready to make this jump into cyber-land include:

Security: Online storage services should offer encrypted file transfer and password protection.

Backup: Make sure you have a scheduled backup for your data; this backup should not only be in cyberspace but also in house (this may or may not have a separate fee).

Protection: Saving your documents from natural disasters, fires, floods, computer threats, theft, etc. is great, but you also need to be sure to protect yourself from the firm that is protecting your files.

Things to think about if/when you go virtual:

- Who is responsible for the lease?
- Who is lessee responsible to?
- What happens if the company storing my files goes out of business?
 - If the Designated Broker (DB) that bought the online storage leaves, will the firm still have access?
 - What happens to the files if the firm doesn't pay the bill for storage?
 - What if the software company has internal software issues and cannot access files?
 - What are the possibilities of being hacked?

"This is the wave of the future and with proper safeguards in place, the state and firms can accommodate the market trend and the virtual world."

These are questions that need to be asked before you purchase online storage. As a firm/DB when releasing your files into cyberspace you are providing some control of those files and your business to an outside entity. This may or may not create harm to the public and to your firm.

WAC 308-124C-105 required records... (d) All required records shall be maintained at one location where the firm is licensed. This WAC clearly states that records are to be maintained at one location. In the virtual world this is anywhere there is access to a computer. How is the firm going to address this dilemma at the licensed location?

Online Internet Storage continued on 2

WASHINGTON'S NEWEST REAL ESTATE COMMISSIONER

Governor Christine Gregoire appointed Bellevue real estate managing broker David Azose as the newest member of the Washington Real Estate Commission. David's term on the Commission became effective on February 16, 2011 and expires on August 14, 2013.

Azose has been involved in the real estate industry since 1977, having worked in all aspects of commercial real estate including purchasing, selling, development, redevelopment, syndication, leasing and management. As owner and President of Morris Piha Real Estate Services, Azose currently oversees a staff including property managers, real estate leasing and sales specialists, and secretarial and accounting personnel. Additionally, Azose's knowledge and experience in real estate has led him to provide court-appointed receiver and an expert witness services on various real estate matters.



Azose is a member of the Washington State Commercial Association of Realtors® and the Rental Housing Association of Puget Sound. He is currently serving as a director of the Commercial Brokers Association, and was a past president of The Samis Board, The Seafair Board, and Washington State Commercial Association of Realtors®. He has also served on the executive committee of the Washington Realtors®, and a 4-year term for the Mercer Island Planning Commission. He has been a board member of the local Campfire Board, serving as a Vice President. In the past he has been honored in the Puget Sound Business Journal for "Who's Who in Commercial Real Estate." Azose has taught a class in Real Estate Investing at Discovery University in Seattle.

With his passion and experience in the real estate industry, Azose's goal in joining the Real Estate Commission is to give back to the real estate industry some of his experience and expertise to help other real estate professionals. As a Commercial Real Estate Broker, he intends to provide the Real Estate Commission with his opinions and perspective as it relates to rules, practices, and licensing issues.

Given the current state of the real estate market as well as the trend of social networking and the Internet, Azose believes that, "the future of the industry is changing rapidly due to technological advances and changes in the way we communicate and conduct our business." He hopes to see the real estate industry embrace these changes and integrate the use of technology and social mediums to improve the quality and service to consumers, the general public, and the real estate industry.

Online Internet Storage continued from 1

This is the wave of the future and with proper safeguards in place the state and firms can accommodate the market trend and the virtual world. (Firm/DB should always have backups of their files at the licensed location).

Our goals are all the same to serve and protect our clients. We need to remember that sometime what may be the easy way to do a job may not be the best way. When deciding how, when and where you want to keep your files you will need to look at both in and out of cyberspace for your answers. Do your research, before you buy.



Real Estate Licensee Update Volume IV, No. 3 Summer 2011

The *Real Estate Licensee Update* is produced semi-annually. The information in this update is being made available to you as an educational service by the Washington Real Estate Commission and does not constitute legal or professional advice. The commission, nor any agency, officer, or employee of the state of Washington, warrants the accuracy, reliability, or timeliness of any information in this publication. Any opinions expressed in the articles are those of each author. It is the responsibility of each licensee to know, and comply with the laws relating to real estate.

Real Estate Commission Contact Information:

2000 W 4th Ave • PO Box 9021
Olympia, WA 98507 • (360) 664-6526

Real Estate Commission Chair:

Ralph Osgood, asst. director, DOL

Real Estate Commission Members:

David Azose, Bellevue
Cate Moyé, Spokane
George Pilant, Tacoma
Jess Salazar, Federal Way
Jeff Thompson, Kennewick
Kyoko Matsumoto Wright, Mountlake Terrace

Real Estate Unit Staff

Jerry McDonald, administrator
Terry Rodgers, asst. administrator
Art Abrahamson, audit manager
Ralph Birkedahl, appraiser manager
Dolores Casitas, education manager
John Guthrie, timeshare and camp resort manager
Karen Jarvis, regulatory and enforcement manager
Rhonda Myers, home inspector manager
Debbie Wright, licensing manager

Production and Circulation Staff:

Jerry McDonald, administrator
Terry Rodgers, asst. administrator
Dolores Casitas, editor
Karen Jarvis, editor
Washington Center for Real Estate Research
staff at WSU, copy/design

Buying or Selling a Home in Washington: A 2010 Survey of Recent Buyers and Sellers

Glenn E. Crellin, Director, Washington Center for Real Estate Research

The Washington Center for Real Estate Research recently completed the first survey of homebuyers and sellers in the state since 2002. This is an abbreviated summary of the results. The complete Executive Summary is available on the WCRER website (www.wcrer.wsu.edu).

The survey sample was drawn to represent all home sales during calendar year 2009. To achieve a sample which was representative of the entire market, not just those sales which took place with the assistance of real estate licensees, an externally developed mailing list was used. Despite some initial frustration with the list's accuracy, in the final analysis a statistically reliable sample of buyers and sellers was obtained.

The Buyers

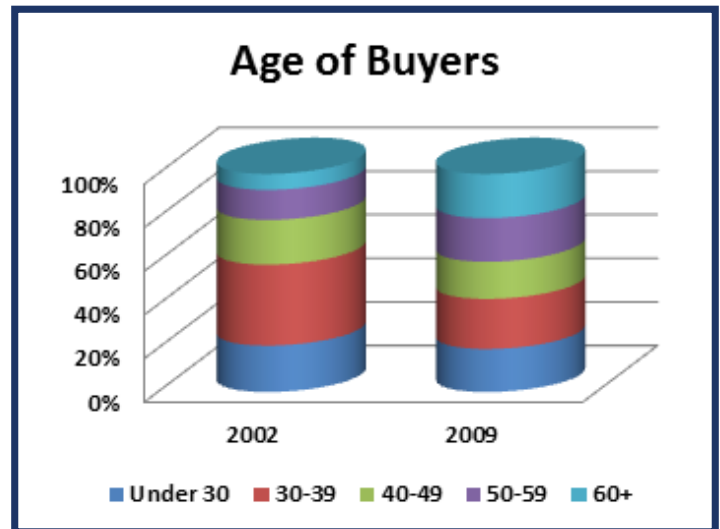
The typical home buyer in Washington during 2009 was a married couple in their 40s, without children. They were purchasing the home in the greater Seattle area, and had a median income of \$79,900. Roughly a third purchased their first home. As useful as this snapshot may be, it does not adequately describe the diverse marketplace.

Compared to prior studies, older purchasers were more prevalent in 2009, as shown in the adjacent graph.

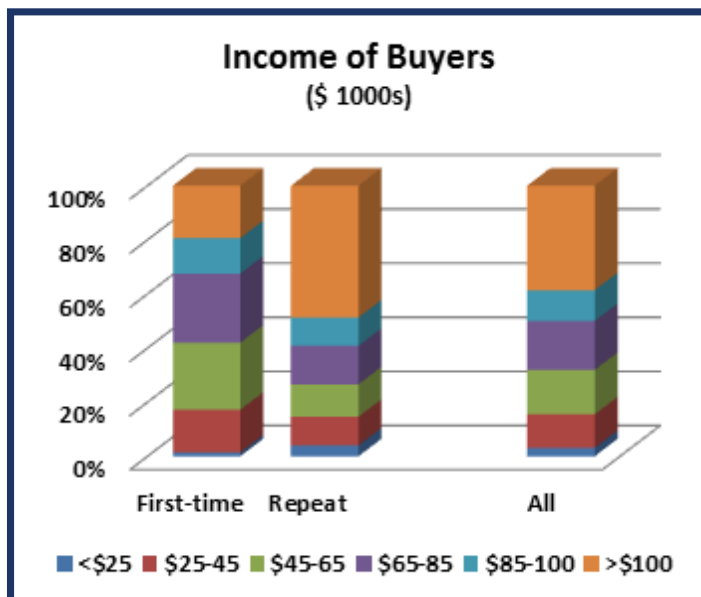
Household composition has also seen significant change in the last decade. Traditional families (two adults with children) represented only 23.3 percent of purchasers in 2009, compared to 37.4 percent in 2002. Most of the change was attributable to a jump in two-adult households without children.

Since the 2010 survey reflected a market when stimulus incentives were in place, especially a tax credit for first-time home buyers (defined as anyone who had not owned

a home in the previous three years), it was expected that first-time buyers would predominate among respondents. They did not. Roughly one-third of buyers were purchasing their first home compared to 40.2 percent in 2002. A national study of home buyers in 2010 produced a strikingly different result, with half the buyers purchasing their first home, a number that was even a bit higher in the West.



Income levels differed significantly between first-time and repeat buyers. While a larger proportion of repeat buyers had incomes below \$35,000, nearly half had incomes in excess of \$100,000, well above the overall median income throughout the state. The median income for buyers in the survey was \$84,400. As expected, incomes were highest in the greater Seattle and other urban markets. Purchasers of newly-built homes also tended to have higher incomes.



The Homes

Homes constructed in the last 10 years represented over one-third of the homes sold, and homes constructed prior to 1970 represented a similar share of the market. Nearly 20 percent of the purchases were new construction. This is consistent with historic national patterns.

The vast majority (83.6%) of the homes were single-family detached structures. Condos represented about 7.9 percent of the total. Homes with 3 bedrooms and 2 baths are most prevalent. New construction tended toward more bedrooms and baths. The well-documented downsize trend did not have traction until 2010 sales.

The median price home sold to respondents to the survey was \$250,000, remarkably close to the WCRER median



Know Your Continuing Education Requirements

On July 1, 2010 the continuing education requirements for active real estate licensees changed as part of the implementation of the revised RCW 18.85 real estate licensing law. After a year, there is still confusion about what is required to renew a license. Hopefully these reminders will smooth your renewal experience.

Broker

First Renewal—licensed prior to July 1, 2010

- 30-hour Real Estate Practices
- 30-hour elective Continuing Education (including 3-hour “Core” and 3-hour “Transition” courses)

First Renewal—licensed since July 1, 2010

- 30-hour Advance Real Estate Practices
- 30-hour Real Estate Law
- 30-hour elective Continuing Education (including 3-hour “Core” course)

Not first Renewal

- 30-hour elective Continuing Education (including 3-hour “Core” and 3-hour “Transition” courses)

Managing Broker

Licensed as “Broker” prior to July 1, 2010

- 30-hour elective Continuing Education (including 3-hour “Core” and 3-hour “Transition” courses)

Licensed as Managing Broker since July 1, 2010

- 30-hour elective Continuing Education (including 3-hour “Core” course)

price estimate for 2009 of \$250,400. The typical home purchased was 1,800 square feet on a lot of 6,650 square feet.

The Home Search

Despite the economic crisis, the motivations of most buyers in 2009 were consistent with prior time periods. Buyers were tired of renting, wanted the general tax advantages of homeownership and wanted to take advantage of the affordability of homes as a result of the price declines. Repeat buyers were looking for larger homes. A separate question indicated the first-time buyer tax credit was a significant factor in at least the decision to purchase during 2009.

From the point of view of real estate licensees, the data on the purchase process is especially important. For both first-time and repeat buyers, real estate agents were a part of the purchase for over 85 percent of buyers. Since national statistics repeatedly indicate that FSBO represent about 15 percent of the market, these results are consistent. Purchases out of foreclosure were still low in 2009, but have certainly increased in the meantime.

Significantly, even more potential buyers consulted with real estate licensees even if they ultimately purchased directly from a builder or owner, without benefit of professional assistance.

Real estate agents were used as an information source during the purchase process more than any other source, the Internet placed second and yard signs were third. The old standby, newspapers, has fallen to sixth place overall as a source used in the search, with only 2.7 percent of buyers considering it a significant source of information. This is bad news indeed for the already struggling print media.

Although many sources of information are used during the search process, regardless of community type, distance moved, or age of purchaser the initial source of information about the home ultimately purchased was most often

the real estate agent. Listening to buyers and using their market knowledge gives real estate licensees an edge to satisfy clients. The question then becomes, how do buyers and agents get together? Referrals top the list—this includes repeat business from former clients and their referrals, but also includes referrals from the agent’s friends, neighbors and relatives. Who you know matters in creating a relationship, but what you know becomes more important sustaining that relationship. The licensees buyers stick with know the market, know the neighborhood and know how the real estate business works.

One purpose of the survey was to identify weaknesses in real estate licensee performance. One potential problem area for licensees working with buyers was in the area of disclosures. Washington law presumes that a real estate licensee working with a buyer is an agent of that buyer, but relying on the presumption is dangerous. Most real estate firms would prefer that the brokers working on their behalf secure a buyers representation agreement from their clients, but roughly a third of respondents indicated they were never even asked to execute either a disclosure statement or a brokerage agreement. This represents a very significant reduction in disclosure understanding since 2002. Many of those buyers who did remember an agency disclosure indicated it had been signed at the point a purchase and sale agreement was being prepared, long after the representation had begun. Other disclosures (lead paint and property condition) are somewhat better understood and remembered by buyers, but even here, no more than eight in 10 first-time buyers remember receiving or having the disclosure explained. Again, this is a potential liability weakness for real estate licensees.

All in all, buyers who relied on the services of a real estate licensee received satisfactory service, but the degree of satisfaction was lower than

Real Estate Market Roundup

Glenn E. Crellin, Director, Washington Center for Real Estate Research

In the last issue I asked, “Are we there yet?” It is now apparent the answer was, “No.” Home sales remain sluggish, even though they have recovered a bit since the tax credits expired, prices continue to suffer the ravages of persistently high levels of foreclosure. Now the Washington legislature has addressed issues regarding foreclosures and short sales, but it remains to be seen how effective those fixes may be. Stories abound of a generation of renters, but other studies indicate potential buyers are just waiting for the market to really hit bottom. Once again the specter of a double dip in the housing market is in the headlines. No wonder substantive recovery remains elusive.

Sales and Construction Activity

Washington’s housing market is sending mixed signals. The seasonally adjusted annual rate of home sales during the first quarter of 2011 was 88,490 units. That represents the second straight quarter of increasing sales activity, but the sales rate remained below the level seen a year earlier when the tax credit was still in play. When the credit expired last year the sales rate plunged to within a whisker of the low rate at the worst of the cycle, so sales are clearly not out of the woods. Adding to the problems, a significant share of market activity is distressed properties, pre-foreclosure and REO (properties which have been turned over to the lender).

Building permit activity is also mixed. The number of permits during the first quarter reported to the Census Bureau by permit issuing jurisdictions in Washington was 23 percent below the same time last year. That alone wasn’t surprising. The surprise was that single-family permit activity was actually stronger than apartment construction, even though developers are announcing many new multifamily projects throughout the state. Announcements precede building permits by weeks or months. It is expected that multifamily construction will begin to outpace single-family permits in the next few months, at least in percentage terms.

Home Prices

The determination is when the market hits bottom is driven largely by prices. There are a wide variety of data sources telling parts of the story. WCRER reported a median price, statewide of \$228,200 during the first quarter. That represents a decline of 7.2 percent from the prevailing price a year ago. The median fairly describes what is selling in the market, but changes

in median do NOT represent what may have happened to the price of individual homes, because no attempt is made to match sales of the same home over time, or even to match the characteristics of the homes sold. Appreciation (depreciation) is better measured by the Federal Housing Finance Agency or the S&P/Case Shiller indices. Although both represent repeat sales measures, they don’t necessarily tell the same story.

Media outlets have adopted the S&P measure for routine reporting. However, few understand that the measure was developed as a tool to help investors purchase derivative securities tied to housing markets, without actually purchasing any housing. Accordingly, the 20 cities included in their composite index are heavily concentrated in the markets which led the bubble, and ultimately burst. Their data for March indicated the likelihood of a “double-dip” in home prices, with the index dropping 0.8 percent in the last month, and 3.6 percent in the last year. S&P identified Seattle as one of the bright spots in March, increasing 0.1 percent, but the annual data was less rosy, declining 7.5 percent. Only four of the 20 areas declined more in the last year.

The FHFA data is more comprehensive, reporting statistics for each metropolitan area in the country. Their national measure indicates home values declined 5.5 percent in the last year and 17.5 percent since the first quarter of 2006. For comparison with the S&P data, the Seattle market declined 6.0 percent in the last year. The accompanying graph shows the one-year and five-year appreciation performance for Washington’s metropolitan areas for the first quarter of 2011.

Affordability

Buyers should be flocking to the housing market, driven by record high affordability. Affordability is measured by



the relationship between home prices, mortgage interest rates, and family or household income. The all-buyer index assumes a median income family purchases a median price home with a typical 20 percent downpayment, taking out a 30-year mortgage. The statewide index indicates the median income family as 52% more income than the minimum required to qualify for a median price home. Likely increases in mortgage interest rates will require continued significant reductions in home prices to keep affordability this high. The fact that buyers are not active in the market indicates many of them are assuming significant price declines are still on the horizon.

First-time buyers, typically have lower incomes and less access to cash for a downpayment, making things more difficult. Proposed changes to FHA downpayment requirements would make the opportunities to buy homes

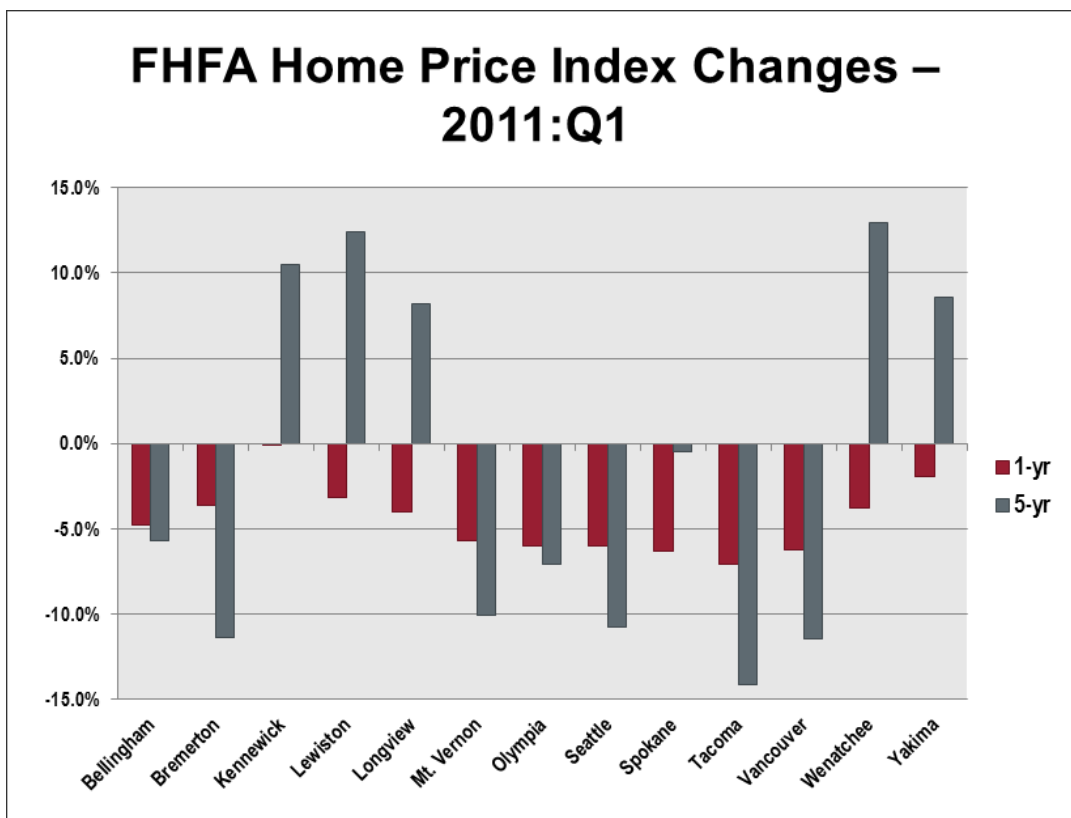
even more challenging. The current first-time buyer index assumes a 10 percent downpayment (even though FHA loans are currently available for 3.5 percent down), purchase of a less expensive home (85 percent of median), using a more limited income assumptions [70 percent of median HOUSEHOLD income (including single-person households)]. While this index is also a record high, at 84.4 it illustrates the challenges faced by first-time buyers, especially in more costly markets.

Delinquency and Foreclosure

Increased numbers of Washington homes are in the foreclosure pipeline (a process which takes at least 120 days to complete, once the initial notice has been recorded). On a more positive note, the Mortgage Bankers Association reports that fewer homes are delinquent,

but not in foreclosure, indicating the market may be beginning to stabilize. Regardless, it will be a while before the shadow inventory of distressed properties has worked through the marketplace and true stability returns.

Media reports would lead casual observers to believe that every home with a mortgage is underwater, with a loan balance greater than the value of the home. That is a serious misconception. In Washington, fewer than 17 percent of mortgages have negative equity, compared to 23 percent nationally. Nevertheless, Washington homeowners have lost considerable equity during the recession.



[WCRER statistical reports are produced quarterly. A 1-page snapshot is released about the 15th of the second month after the end of a quarter, with a more comprehensive report prepared for subscribers shortly thereafter. Washington Real Estate Licensees can receive an electronic subscription to the full report at no charge by sending their name, e-mail address, real estate license number and current license expiration date to wcrer@wsu.edu .]

Disciplinary Actions

January 2011

Lacey – Lilia I. Campos

Finding: Respondent convicted of four counts of theft in the First Degree involving moral turpitude, dishonesty and corruption related to the practice of real estate.

Action: License is revoked for five years.



Vancouver – James C. Slaight

Finding: Respondent failed to report a judgment by Clark County Superior Court concerning Department of Financial Institutions violations.

Action: Forfeiture of managing broker's license for three years and issuance of a broker's license as a replacement. One year suspension of the real estate broker's license stayed for three years and ordered to take 33 clock hours of education in real estate law and ethics.

March 2011

Puyallup – Christopher L. Leighton

Finding: Respondent convicted of second degree theft in Pierce County involving moral turpitude, dishonesty and corruption related to the practice of real estate.

Action: License is revoked for 10 years from date of conviction.

Federal Way – Steven Weidenbach

Finding: Convicted of telephone harassment; failed to notify the Department of the conviction; failed to notify the Department of five other criminal complaints; suspension of his Washington Education Certificate.

Action: \$500 fine; license suspended for two years, stayed.

April 2011

University Place – Jon Parsons, James Cox, 1st Option Realty Group, LLC

Finding: Respondents operated a firm, providing real estate brokerage services without a real estate firm license or a designated broker license as required by law.

Action: Cease and Desist operating a real estate firm until such time as the firm becomes properly licensed.

Colbert – James Joseph Spring

Finding: Respondent committed violations of unprofessional conduct. Failed his responsibility as a broker to hold property management monies in trust and converted such monies to his own use.

Action by default order: License revocation for 10 years.

May 2011

Tacoma – Dan A. Merten

Finding: Respondent committed violations of unprofessional conduct and failure to cooperate with the Department.

Action by default order: License revocation for 10 years.

June 2011

Tacoma – Scott M. Haymond

Finding: Respondent committed violations of unprofessional conduct as it relates to the real estate profession from a previous conviction of Structuring Currency Transactions.

Action by final order of the Director: License revoked for 10 years.

Effective July 1, 2011, our counter hours changed to 8:30 - 4:30

Interested in joining our listserv to keep up to date? Go to:

<http://listserv.wa.gov/cgi-bin/wa?A0=REAL-ESTATE>

"Home Buyers Survey" continued from page 4

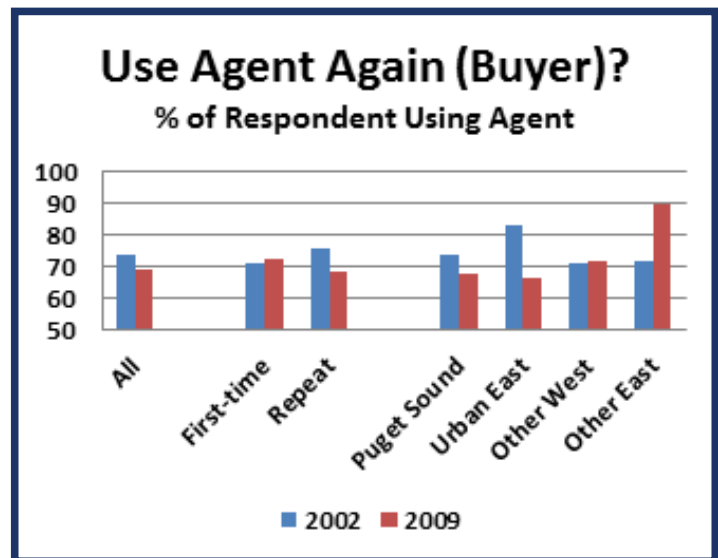
in 2002. Perhaps the buyers were looking to their agent to help them secure even lower purchase prices in the distressed marketplace.

Selling Previous Home

Access to sellers was limited to buyer respondents who also sold their previous residence, so the universe was significantly reduced. These buyers tended to be moving to larger homes than they owned previously. Somewhat more than half of previous owners sold their former home using the services of a real estate professional. The sluggish real estate market resulted in a significant proportion holding on to the previous home as an income property or still trying to sell. Successful FSBO sales represented about ten percent of repeat buyers.

Sellers were generally quite satisfied with the service provided by their real estate agents, with over 75 percent agreeing with positive performance statements, and only 30 percent agreeing with a negative statement. It is worth noting that the average listing period was just under five months, considerably longer than in 2002, but consistent with market conditions in 2009. FSBO sellers were also generally satisfied with their decision, but many of those sellers were dealing with friends or relatives as buyers, minimizing the true marketing expertise required. Nevertheless, many FSBO sellers indicated they encountered either major or minor problems during

the transaction. Roughly 31 percent of FSBO sellers were certain they would rely on a real estate licensee for their next sale, 38 percent would go the FSBO route again, and the remainder were undecided. Since a motivating factor to many of the FSBO sellers was not paying a commission, it is critical that real estate licensees demonstrate the value their services bring to the transaction in terms of higher prices, time savings or simply stress reduction.



Licensing Changes

Many readers of this newsletter will likely already be familiar with two licensing changes occurring in 2011 that have been approved by the Real Estate Commission. The first change is the implementation of the simulation format for the national portion of the Managing Broker licensing examination, which took effect July 6, 2011. The simulation format helps to provide accurate assessment of higher order thinking related to important issues facing experienced real estate professionals; that is, testing more than just recall. The realistic scenarios that are used for the simulations are based on the job analysis that helped to define content for both the Broker and Managing Broker licensing examinations. The DOL's testing provider, Applied Measurement Professionals (AMP), has more information on their website (www.goAMP.com) about the job analysis, the simulation format, and other items of interest.

The other change relates to how course providers communicate to the Department of Licensing that students have completed their required coursework. AMP has worked with DOL to create a solution that will

eliminate the need for students to bring a Candidate Examination Document (CED) to the testing center on the day of the test. The implementation of the AMP Portal for examination eligibility tracking (also known as the electronic eligibility database, or EED) will eliminate the issues that have arisen in the past with candidates who did not bring the CED to the testing center, and therefore were not allowed to test. In addition to that advantage for students, this new process will help make the process for obtaining a real estate license more efficient. Use of the AMP Portal for examination eligibility tracking offers the school three methods of entering course completion information: one-at-a-time entry; bulk upload of multiple records; or automated transmission via a web service. Schools can use any combination of these methods to enter student course completion information. Further instruction on the use of the system will be offered to course providers soon, and AMP will continue to work with school representatives to be sure they are prepared to use the AMP Portal for examination eligibility tracking when it is activated in September.