REAL ESTATE LICENSEE UPDATE

WASHINGTON STATE DEPARTMENT OF LICENSING

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In This Issue

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Dos and Don'ts of Appraiser Communication

by David S. Bunton

Real estate professionals and appraisers both play an essential role in the process of buying or selling a home. It is critical that these two parties work together to ensure that an appraiser provides an independent, impartial, and objective opinion of value that accurately reflects the marketplace. However, we often hear from brokers and agents that they're unaware of how much interaction they may have with an appraiser, what they're allowed to say, and what information they can provide. Some incorrectly believe that they are prohibited from speaking to an appraiser at all.

In reality, qualified and competent appraisers welcome any information that helps them do their job. Real estate professionals should feel empowered to supply relevant materials, including the terms of the sale, applicable comparable sales, and any evidence of notable renovations done to a home that might affect its value. Additional useful data could include records that categorize maintenance and upkeep done to a home, such as regular inspections or replacements of major appliances. These materials will help an appraiser arrive at an opinion of value that accurately reflects the market value of a home.

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Alexa, what was said during my open home?

by James Young

"Alexa, order cat litter." "Google, what is the capitol of Washington State?" Increasingly our homes and our mobile devices listen to everything that we say allowing devices to communicate with us intuitively. Any number of companies offer products with internet connectivity so that we can communicate with our pets or see who is approaching the front door with a package, and even granting entry with a digital lock! The number and type of service offered is almost endless.

However, as real estate brokers there are several possible concerns, since most of these devices are listening to and recording conversations within a certain distance. For example, what happens during an open house with a buyer's broker walking through a house with their client? Is that conversation being recorded? What about the video as well as the sound? Can a seller access those recordings for use in negotiations? These and other uses of technology can possibly land brokers in a strange legal situation where they did not know their conversation was recorded. Can a seller legally listen to and record these conversations?

Continued on page 7

Multifamily Lending Jumped 19 Percent to Record High $339.2 Billion in 2018

WASHINGTON, D.C. (September 26, 2019) - Favorable market conditions helped spur a 19 percent increase in multifamily lending in 2018 to a new high in dollar volume, according to the Mortgage Bankers Association's (MBA) annual report of the multifamily lending market.

Last year, 2,669 different multifamily lenders provided a record $339.2 billion in new mortgages for apartment buildings with five or more units. Forty-five percent of the active lenders made five or fewer multifamily loans over the course of the year.

"Borrowing and lending backed by multifamily rental properties set a new record in 2018, driven by strong property fundamentals, rising property values, low interest rates, and strong demand from both borrowers and lenders," said Jamie Woodwell, MBA's Vice President of Commercial Research and Economics. "We've seen these trends continue throughout 2019 and expect multifamily borrowing and lending will rise again both this year and next."

MBA's annual multifamily lending report is based on its surveys of multifamily lenders, as well as the Home Mortgage Disclosure Act (HMDA) data, which covers multifamily loans made by many smaller lenders, particularly commercial banks.

The $339.2 billion in originated multifamily mortgages went to a variety of investors. By dollar volume, the greatest share went to the Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac (42 percent).

The top five multifamily lenders in 2018 by dollar volume were Wells Fargo, CBRE Capital Markets, Inc., JP Morgan Chase & Company, Berkadia, and Walker & Dunlop.

MBA's report is the most comprehensive view available of the multifamily lending market and includes:

- A detailed summary of the $339.2 billion multifamily market,
- Profiles of distinct market segments, including the very small loan (loans of $1 million or less) lender segment,
- A breakout of 2018 multifamily lending volume by investor group,
- A listing of 2,669 lenders who made multifamily loans in 2018, including their lending volume, number of loans made and average loan size, and
- A listing of metropolitan areas and the volume of very small loans made in each area in 2018.

photo courtesy of Simon Stevenson

The report is based on data from the MBA's 2018 Commercial Multifamily Annual Origination Volume Summation and the Home Mortgage Disclosure Act (HMDA). The survey targets dedicated commercial/multifamily originators and covers $574 billion in commercial/multifamily loans in 2018. The HMDA data adds multifamily loans from banks, thrifts and other institutions that meet certain single-family origination thresholds. When combined, the two datasets provide the most complete assessment of the multifamily lending market available.

reproduced courtesy of the Mortgage Bankers Association. Please contact Adam DeSanctis for more information at adesanctis@mba.org

InnovateHousing 2019

At an event on November 5th in Seattle, the WCRER and Fannie Mae hosted InnovateHousing, a program examining how affordable housing and technology can come together to bring new ideas on the future of home. It was a widely attended event with panels on the future of real estate transactions, the future of construction, the future of housing finance, and how data privacy will effect how real estate professionals do business. If you missed it, you have a chance to see it at your leisure! Go to InnovateHousing2019.com for links to all of the sessions!

Real Estate Licensee Update
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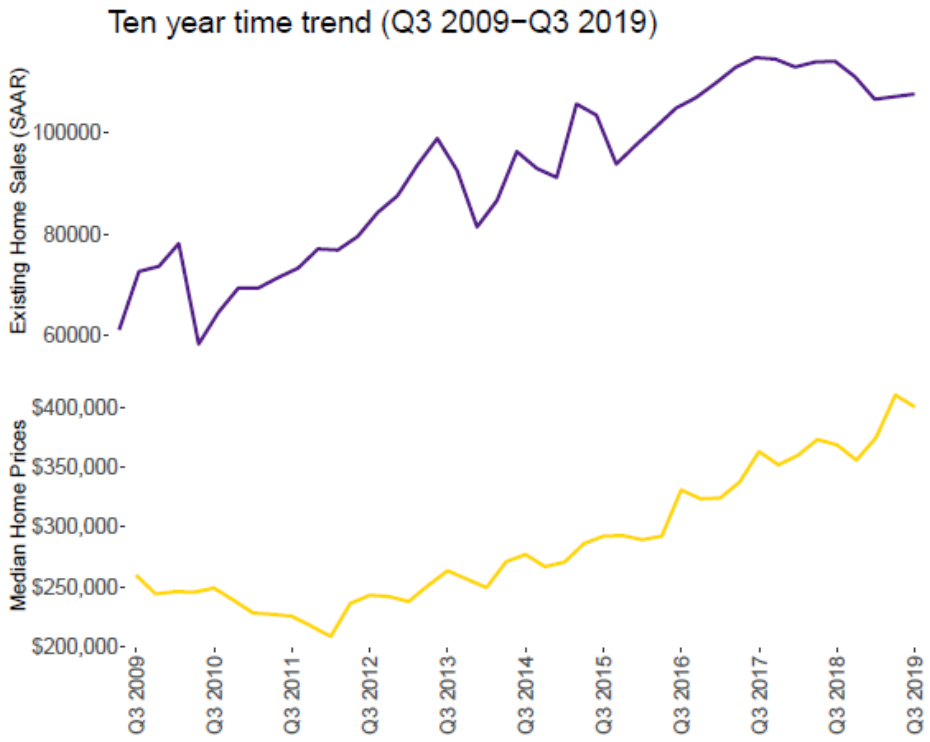
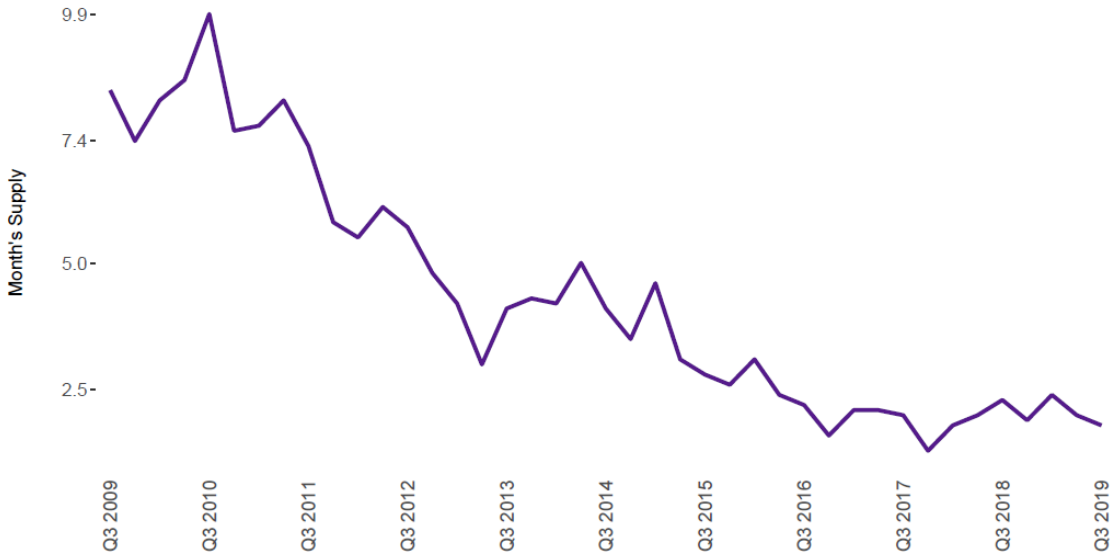
Washington Third Quarter Median House Price - $400,700

By James Young
Washington Center for Real Estate Research

The median price home sold in Washington during the third quarter was $400,700 which is 8.9 percent higher than a year earlier. Existing home sales increased slightly in the third quarter by 0.5 percent to a seasonally adjusted annual rate of 107,770 units. Compared to last year, sales declined 5.7% with a clear decline in inventory statewide.



Similarly, inventories of homes available for sale totaled 17,337 at the end of the quarter, a 21.9% decline from a year ago. This inventory level represented a 1.8 months supply, a situation where demand still greatly exceeds the supply of homes on the market. A balanced market is characterized by a 5-6 month supply of inventory. Overall, there is a high level of demand statewide and the shortage of properties on the market in the face of high demand suggests that prices should continue upward.



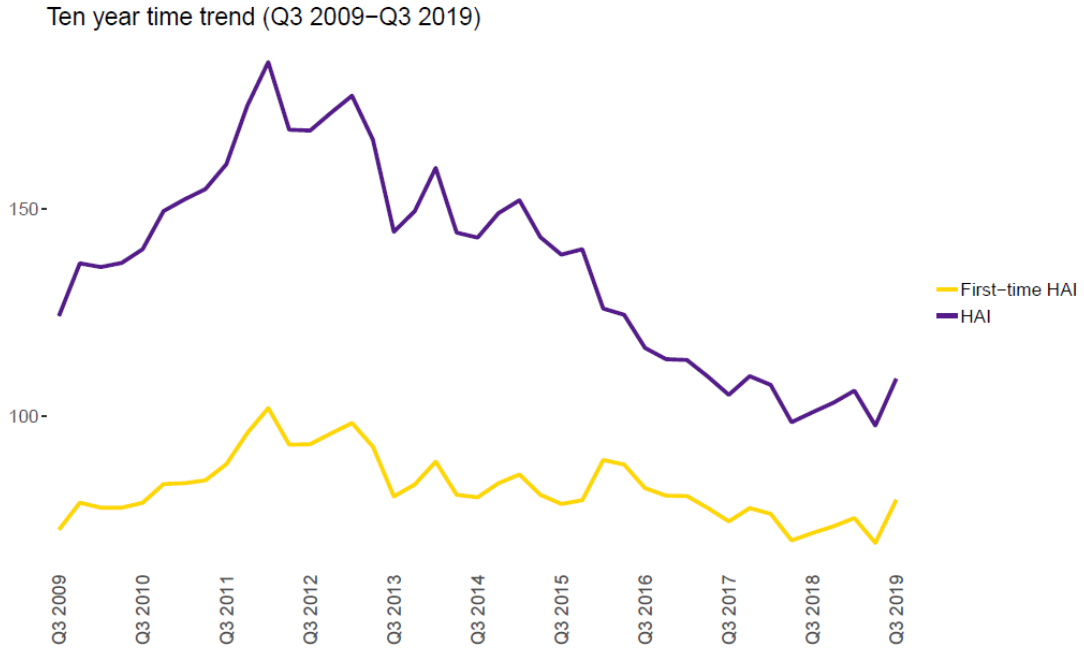
Breaking down trends by region reveals a high level of variance in house prices throughout the state. Somewhat expectedly, median prices were highest in King County at $673,600, with a year-on-year decrease over 2018 of 1.7 percent. The lowest median prices were found in Lincoln County at $125,600 with a low number of house sales recorded.

House prices in many other state markets rose significantly, with Spokane up 12.4 percent to a median of $284,200 and Whatcom County (Bellingham) rising 3.0 percent to $400,000. House prices in Pierce County rose by 6.1 percent recording a median of $379,000. House price growth continued outside of King and Pierce Counties with median prices in Snohomish County growing by 1.4 percent to $492,400 while in Skagit County prices grew by 4.3 percent to a median of $373,500. These figures indicate that the trend for moving to more affordable regions further away from the major employment centers in the Puget Sound is continuing. Further evidence for this can be found in Lewis County where prices rose 8.6 percent to a median of $266,700.

Reflecting trends in the wider Puget Sound region, Kitsap County rose 9.5 percent on a median price of $391,700, Mason County (Shelton) up 11.9 percent on a median price of $278,800. Jefferson County (Port Townsend) continued the trend of house price increases statewide posting a median price of $421,400 an increase of 17.2 percent from last year.

Other regional markets posted significant price increases with Benton and Franklin counties (The Tri-cities) posting a median price of $298,200, a 5.5 percent increase over the same period last year. Chelan County (Wenatchee) posted a median price of $364,700 (up 4.2 percent from the same period in 2018) and Walla Walla posting a median price of $263,300 (up 1.4 percent). Compared to last year, the Yakima median house price stood at $261,200 up 12.1 percent.

Housing affordability was improved slightly in the third quarter of 2019 due, in part, to seasonal price variations and record low interest rates. The index – where 100 means a middle-income family can just qualify for a median-priced home, given a 20 percent down payment and a 30-year fixed mortgage rate at prevailing rates was 109.0, up from 100.9 posted in the second quarter. This metric suggests that, given the same down payment and mortgage, a middle-income family can afford a home selling for 9.0 percent above the median.



Statewide, the first-time buyer index showed an increase of 17.3 points, ending the quarter at 79.8. Once again, this was due to record low interest rates and seasonal price variations. This index assumes a less expensive home than a typical family, lower down payment and lower income. Using the assumption that a first-time buyer household would earn 70 percent of the area median household income, our index reveals that they had 79.8 percent of the income required to purchase a typical starter home.

With the overall house price increases noted statewide in previous quarters, it is not surprising that the number of housing building permits has increased as construction activity increased markedly late in mid-2019. In the third quarter of 2019, a total of 11,993 building permits were recorded, an increase of 20.2 percent from the third quarter of 2018. Based upon results from previous quarters, this suggests developers are building at capacity and that seasonal trends in building activity, which are much stronger in rural areas where most permit increases were noted, returning to more normal levels.

While prices continue to increase, it is useful to note that prices on a statewide level only recently surpassed the 2007 peak. Statewide building permits for the year are estimated to remain slightly below the 2006 peak, indicating that as strong demand continues and macro-economic forces remain favorable for prices to rise in the coming year, particularly for population centers outside of the Puget Sound.

The WCRER produces home sales statistics in partnership with Washington Department of Licensing and the Washington Real Estate Commission. Sales, median home prices and affordability data for all Washington counties are available http://realestate.washington.edu/research/wcrer/reports/

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Employment Update

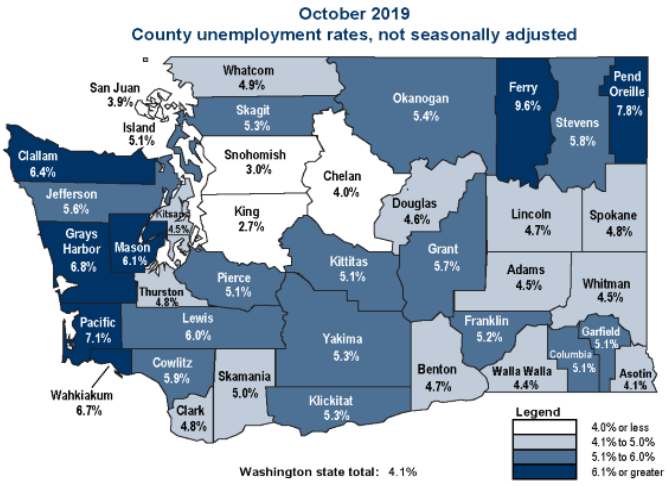
On a seasonally adjusted basis, preliminary estimates from the federal Bureau of Labor Statistics (BLS) indicate nonfarm employment in Washington fell by 1,600 in October 2019.

BLS estimates the private sector lost 1,500 jobs during the month and the public sector lost 100 jobs.

On a not seasonally adjusted basis, estimates for October 2018 through October 2019 indicate an increase in employment of 67,600 for the state. The private sector added 61,400 jobs while the public sector gained an estimated 6,200 jobs over the year.

Washington's preliminary seasonally adjusted unemployment rate for October 2019 is 4.5 percent. The revised estimated September 2019 unemployment rate is at 4.6 percent. The October 2018 unemployment rate was 4.4 percent.

BLS estimates of monthly job gains and losses are based on a survey of businesses. Preliminary estimates are subject to revision. September's preliminary estimated loss of 3,100 jobs was revised to a loss of 5,400 jobs



Source: Washington ESD

Resident civilian labor force and unemployment, seasonally adjusted United States and Washington state, September and October 2018 and 2019

	October 2019 (Preliminary)	September 2019 (Revised)	October 2018 (Revised)	September 2018 (Revised)
United States				
Unemployment rate				
Seasonally adjusted	3.6%	3.5%	3.8%	3.7%
Washington				
Unemployment rate	4.5%	4.6%	4.4%	4.4%
Resident labor force	3,922,300	3,907,100	3,822,100	3,813,300
Unemployed	178,300	179,000	169,600	168,500
Seattle/Bellevue/Everett				
Unemployment rate	3.0%	3.0%	3.3%	3.3%
Resident labor force	1,735,000	1,728,000	1,695,600	1,692,500
Unemployed	51,600	52,500	55,900	55,900

[1]Most of the employment numbers discussed in this report refers to jobs, not persons. For example, if a person holds two positions, these positions are counted as two jobs in the employment series. In the section titled "Unemployment," these positions refer to individuals, not jobs. In this case, a person holding two jobs is counted only once.

Source: Employment Security Department/LMEA; U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

The resident civilian labor force is the total number of people in the workforce, employed and unemployed, ages 16 and up.

The number of unemployed is the estimated number of people who currently do not have a job, are available for work and have actively looked for work in the last four weeks.

The unemployment rate is the ratio of the estimated number of unemployed divided by the civilian labor force.

An unemployment rate of 5 percent is considered full employment, as people moving jobs and seeking a change in employment type are common.

With a US unemployment rate of under 5 percent for Washington, under 4 percent for the US, and at 3.0% for the Seattle area, labor market conditions indicate that employment prospects are good.

Under these conditions, it would be expected that wages would increase with the shortage of workers available.

News Bytes

The Department of Licensing has guidance available on a variety of business practices that are important to all brokers to consider. Examples include:

Audit - https://www.dol.wa.gov/business/realestate/audits.html

Advertising - https://www.dol.wa.gov/business/realestate/advertising.html

Contracts and Agreements - https://www.dol.wa.gov/business/realestate/recontracts.html

Unlicensed Assistants - https://www.dol.wa.gov/business/realestate/assistants.html

The DOL website contains useful information not only on business practices, but also updates on possible legislation and rules governing licensed real estate professions.

2018 Home and Community Preferences: A National Survey of Adults Age 18-Plus

by Joanne Binette, Kerri Vasold, AARP Research, August 2018, Revised July 2019

Folks Just Want to Age in Place

There's no place like home. A new AARP survey of adults shows that 3 out of 4 adults age 50 and older want to stay in their homes and communities as they age—yet many don't see that happening for them.

While 76% of Americans age 50 and older say they prefer to remain in their current residence and 77% would like to live in their community as long as possible, just 59% anticipate they will be able to stay in their community, either in their current home (46%) or a different home still within their community (13%).

Age-in-Place Alternatives

Communities become a source of support and engagement for residents, particularly for older adults, who have an even stronger desire to age in place. The AARP survey finds many adults age 50 and older are willing to consider alternatives such as home sharing (32%), building an accessory dwelling unit (31%) and villages that provide services that enable aging in place (56%).

The survey uncovers some interesting nuances concerning the topic of home sharing that do not differ between younger and older adults. On the one hand, half of all adults age 18 and older say they would not consider home sharing (28%) or are unsure (23%) about it. Yet of that group, 3 in 5 (58%) say they would in fact consider the option if they needed help with everyday activities like household chores or transportation, and half (50%) would also consider it simply for companionship.

Most adults age 18 and older (63%) own their own homes, but about one-third expect their homes to need major modifications to accommodate aging needs. Rather than making such changes, about 24% of people age 50 and older say they plan to relocate to a new area altogether, according to AARP.

What Adults Want

On that topic, there's the question of where to live. The survey asked respondents what they valued in a community when making those decisions. Considered extremely or very important to about 60% of Americans were the factors of affordable housing, transportation for people with special needs, and fair policies that provide equal opportunities. Equally critical were jobs and job training with flexibility for older adults and people with disabilities, AARP found.

When it comes to volunteering, about half of the survey respondents said transportation to volunteer activities and the opportunity to participate in decision making was vital. About 50% also said having easy access to local volunteer opportunities, activities and training was extremely or very important in a community.

With regard to outdoor spaces and buildings, well-maintained and convenient hospitals and other health care facilities as well as safe parks were features identified as the most important. Respondents also said well-maintained streets and easy to read traffic signs were also important in communities.

The likelihood of Americans staying in their current residence and never moving increases with age. However, AARP discovered that although the desire to stay in their community and residence remains high among adults age 50 and older, intensity has dropped since 2010.

Transportation is a big issue for older Americans, as their ability drive can change over time and become a safety issue. Nearly all adults age 50 and older (90%) drive themselves. The survey shows that older Americans also rely on walking, public transportation or someone else to drive.

Ride-share services, such as Uber and Lyft, can be an alternative, but although 94% of Americans age 50 and older have heard of ride-share options, just 29% have ever used it and 68% are not likely to in the next year. Most cite lack of need and concerns about privacy and safety as reasons for not using a ride-share service.

Similarly, most adults (88%) have heard of self-driving cars and are familiar with them but are not willing to ride in them. Younger people and those with a disability are more willing to ride in a driverless car, AARP discovered.

The survey results suggest a need to educate people about the benefits of ride-share services and other options to help them maintain their independence and stay engaged in community life.

Social Isolation Among the Generations

As for feeling connected, 3 in 10 adults report lacking companionship, feeling left out or feeling isolated from others, AARP finds. Experiences of social isolation are more prevalent among younger adults than the older ones surveyed. Most adults (94%) surveyed age 50 and older indicated they had someone they could call for help day or night if they were in trouble, but lower-income and some minority respondents were less likely to say they did.

Methodology

Data for this study was collected by NORC using its online AmeriSpeak Panel that is representative of the U.S. population. Surveyed online and by telephone in March and April of 2018, the total sample of 2,287 adults included a nationally representative sample of adults age 18+ (1,947), with multicultural oversamples of African American/Blacks (470 total), Hispanic/Latinos (439 total) and LGBT (409 total). A portion of the multicultural samples came from the national survey sample. The survey was conducted in English and Spanish.The Home and Community Preferences Survey provides data and insights that raise awareness of the importance of making our communities "great places for all ages" and serves as a tool for change in our communities. For more information, contact Joanne Binette at jbinette@aarp.org. For media inquiries, contact media@aarp.org.

Appraisal Rule Changes

Certain home sales of $400,000 and below will no longer require an appraisal, under a new rule that takes effect today. Homes that qualify for the appraisal exemption can receive an evaluation instead.

This is the first time in 25 years that federal regulators have increased the property value limit of the homes that require an appraisal as part of the selling process. Federal regulators cited price appreciation in residential real estate transactions for the change.

The new rules likely apply to about 40% of home sales, regulators estimate. For properties that do qualify for the exemption, the agencies require institutions to obtain an evaluation that provides an estimate of the market value of the real estate property.

The new exemption does not apply to loans sold or guaranteed by the Federal Housing Administration, Department of Housing and Urban Development, Department of Veterans Affairs, Fannie Mae, or Freddie Mac; all will still require an appraisal.

The previous rule stated that appraisals were not required on home sales of $250,000 and below. The Federal Deposit Insurance Corp., the Office of the Comptroller of the Currency, and the Board of Governors of the Federal Reserve approved the new threshold over the last two months, and the rule appeared in the Federal Register, making it official on October 9.

Continued from page 1 - Alexa, what was said during my open home?

As with many questions surrounding digital technology, the answers to these legal questions are both simple and complex. Laws surrounding recording of a conversation vary considerably between states. Some states require one party to consent to recording a conversation while other states require all parties to provide consent. "In Washington State, RCW 9.73.030 prohibits any person from intercepting or recording private conversations without the parties' consent." said Justin Haag from NWMLS. He continued, "The 'statewide' listing agreement published by Northwest MLS provides an acknowledgment from the seller that RCW 9.73.030 prohibits the seller from intercepting or recording conversations of persons in the property without first obtaining their consent."

While the above statement seems relatively straightforward, there may be public places where a recording device used for other purposes may inadvertently pick up a conversation. Justin Haag added, "Regardless of the law, the best practice is to keep conversations about negotiation strategies to a minimum while inside or immediately outside the property. Have the conversations in a private place such as a car or in the broker's office."

The Department of Licensing does not have specific guidance on electronic surveillance. However, given the proliferation of digital and video doorbells, smart mobile devices, and digital personal assistants, brokers should be aware that conversations with their clients may be recorded without their consent. Short of requiring potential purchasers to sign a waiver when viewing a property, it may be best for brokers to educate their clients on the fact that conversations may be recorded and that sharing sensitive information should wait until after the viewing is over so that privacy is insured. Sellers who have these devices in their homes should also consider putting up signs to inform buyers and brokers that video and audio surveillance is ongoing in the house.

Could your client's digital personal assistant or doorbell land you in trouble?

Continued from page 1 - Do's and Don'ts: Appraisal Communication

However, real estate professionals are legally barred from any communication with an appraiser that is intended to unduly influence the outcome of the appraisal. While it might be obvious that coercing an appraiser is off-limits, it is always a good idea for agents and brokers to make sure an appraiser or regulator couldn't interpret their communications as an attempt to improperly influence an appraisal. An example of improper communication would be asking an appraiser to provide a valuation that matches the asking price of a particular home. Another example could be telling an appraiser he or she will not receive future assignments if the appraisal does not facilitate a transaction.

And communication between appraisers and real estate professionals doesn't have a specific cut-off point, either. A broker or agent who has questions or concerns about an appraiser's final report may take formal steps to communicate those concerns and ask for reconsideration of the appraisal report. For instance, a broker can submit additional comparable sales through the lending institution for the appraiser to consider. A broker can also request that the appraiser correct any errors in the report, such as the miscalculation of the number of bedrooms in a home or the total square footage. The appraiser can be asked to provide additional detail explaining how he or she arrived at certain conclusions and the ultimate opinion of value. However, a broker cannot dispute an appraisal simply because he or she is not pleased with the outcome.

At the most basic level, it's important for real estate professionals to recognize that it's the duty of competent and qualified appraisers to provide credible opinions of value for homes. Any information that assists an appraiser in that objective is not only allowed, it is welcomed.

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Disciplinary Actions

February 2019

Jeff Ehlert - Sedro Woolley

Findings:
- Unprofessional conduct - Failure to disclose civil judgment.

Action:
- Real Estate Managing Broker License revoked for 10 years.

Tyler Carlson - Spokane

Findings:
- Unprofessional conduct - Convicted of theft, and trafficking in stolen property 1st degree.

Actions:
- Heightened supervision for 5 years.
- No MLS access code for 5 years.
- Eligible to apply for managing brokers' license in 5 years.
- Any Designated Broker must agree to Restrictions on license.

Tamberyne Bernard - Renton

Findings:
- Unprofessional Conduct – Created and submitted fraudulent real estate offers.

Actions:
- Real Estate Broker License Revoked for 3 years.
- Fined $7,500 due to the department in 6 months of reapplying and issuance of Broker's license.

April 2019

John Turner - Portland, OR

Findings:
- Unprofessional conduct - Revoked Oregon License for mismanaging client's security deposits and trust accounts.

Action:
- Real Estate Broker License revoked for 10 years.

June 2019

James T. Rodgers - Seattle

Findings:
- Unprofessional conduct - Civil judgment from 2017.

Actions:
- Can't apply for Managing Broker license until 2024.
- Heightened supervision until 2024.
- No controlling interest in any real estate firm.
- Must not have signatory authority or control over a real estate firm's trust accounts until 2024.
- Must provide a copy of the Agreed Order with Department of Licensing to all designated brokers he works under. Each designated broker must provide notice to the Department within 10 days of hire that they have read the Agreed Order, and to ensure compliance with restrictions.

July 2019

Cory Escott - Vancouver

Findings:
- Unprofessional conduct - Convicted of 1 count of Criminal Trespass in 1st degree and 1 count of Theft in 3rd degree.

Action:
- Revoked Real Estate License for 10 years.

Tracie Dalke - Kirkland

Findings:
- Unprofessional conduct - Previous criminal history.

Actions:
- Heightened supervision until 2023.
- No MLS access or unsupervised access to homes while on heightened supervision.

August 2019

Holly Loeza - Federal Way

Findings:
- Unprofessional conduct - Engaged in the business of buying, selling, listing, leasing, soliciting, or advertising for sale manufactured homes in Washington without having a dealer's license. Misleading consumers.

Actions:
- Real Estate Broker License revoked for 10 years.
- Fined $5,000 due within 1 year.

Frank DeCaro - Spokane

Findings:
- Unprofessional conduct - Failure to pay money associated with rental properties.
- Default Judgment entered against and failed to notify the Department.
- Failure to return a security deposit to renters for property he managed.

Actions:
- Real Estate License revoked for 7 years.
- Fined $5,000, not imposed unless re-applies for a Real Estate License.
- Must not be involved with property management for a period of 5 years from date of being re-licensed.