



WASHINGTON STATE DEPARTMENT OF
LICENSING

TERESA BERNTSEN, DIRECTOR
Spring 2019

Real Estate Closing Scam Alert!

The nature of real estate transactions, electronically transferring large amounts of money between parties, makes them a prime target for criminals. Given that closing can be a frantic process, many fraud cases are not discovered until it is too late and there is little recourse to recover the money. While there are variations in these scams, the incidents of email fraud and deception around real estate closings have been increasing in all 50 states over the past few years.

- **Malware Scam** – This is where a broker, title company employee, or lender accidentally downloads malware as an attached file on to their computer. The hacker then monitors their computer and searches for upcoming real estate closings, monitoring emails and other correspondence. Hackers will contact the buyer very shortly before the deadline to wire the money and tell you to send the money to a different bank account. Of course, the communication will be from the legitimate title company they have been in communication with, so clients never suspect a thing until their money is gone. In this case, the fraudster temporarily takes control of the computer then removes any traces of an email going out.
- **Spear Phishing** – In the case of spear phishing, hackers collect from various computers and then send innocuous emails pretending to be involved in the sales transaction process, often impersonating a broker, lender, or title company. For example, a client receives an email from an address that is very similar to the broker's email address and asking for something minor, such as a photo of a driver's license. Once the client sends it, then the fraudster starts asking for more information to develop trust and eventually sends bogus wire transfer details. They may also send links that allow malware to download on the client's computer leading to infection of computers for everyone involved in the closing process.

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What homebuyers want in 2019

NAHB surveyed nearly 4,000 home buyers — those who have either recently purchased a home or plan to purchase a home within the next three years — ranking 175 features based on how essential they are to a home-purchasing decision.

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Commercial/Multifamily Originations Increase 12 Percent in the First Quarter, 2019

WASHINGTON, D.C. (May 14, 2019) - Commercial and multifamily mortgage loan originations rose 12 percent in the first quarter compared to the same period last year, according to the Mortgage Bankers Association's (MBA) Quarterly Survey of Commercial/Multifamily Mortgage Bankers Originations. In line with seasonality trends, originations the first three months of the year were 34 percent lower than the fourth quarter of 2018.

"The momentum seen in 2018's record year of borrowing and lending continued in the first quarter of this year," said Jamie Woodwell, MBA's Vice President of Commercial Real Estate Research. "First quarter volumes were higher for nearly every property type, and double-digit growth in loan volume for Fannie Mae and Freddie Mac led the increase among capital sources. Low interest rates and strong property values continue to make commercial real estate an attractive market for borrowers."

Compared to a year earlier, a rise in originations for industrial, health care and hotel properties led the overall increase in commercial/multifamily lending volumes. By property type, industrial (73 percent), health care (41 percent), hotels (14 percent), retail (9 percent) and multifamily (9 percent) all saw year-over-year gains by dollar volume. The dollar volume of office property loans was unchanged.

Among investor types, the dollar volume of loans originated for Government Sponsored Enterprises (GSEs - Fannie Mae and Freddie Mac) increased by 14 percent year-over-year. Life insurance company loans increased 7 percent, commercial bank portfolios increased 6 percent, while loans originated for Commercial Mortgage Backed Securities (CMBS) decreased 4 percent.

As is typical in the first quarter, originations decreased in comparison to last year's fourth quarter, with total activity falling 34 percent. Among property types, declines were seen in health care (49 percent), hotels (45 percent), multifamily (40 percent), retail (32 percent) and office space (30 percent). Industrial properties bucked the overall trend, rising 17 percent from the fourth quarter of 2018.

Among investor types, the dollar volume of loans for GSEs decreased 43 percent, originations for commercial banks decreased 34 percent, loans for life insurance companies decreased by 28 percent, and loans for CMBS decreased 22 percent.



photo courtesy of Simon Stevenson

To view the full report of MBA's Quarterly Survey of Commercial/Multifamily Mortgage Bankers Originations, please visit: <https://www.mba.org/Documents/Research/1Q19CMFOiginationsSurvey.pdf>.

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Real Estate Licensee Update

Volume XII, No. 1, Spring 2019

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.

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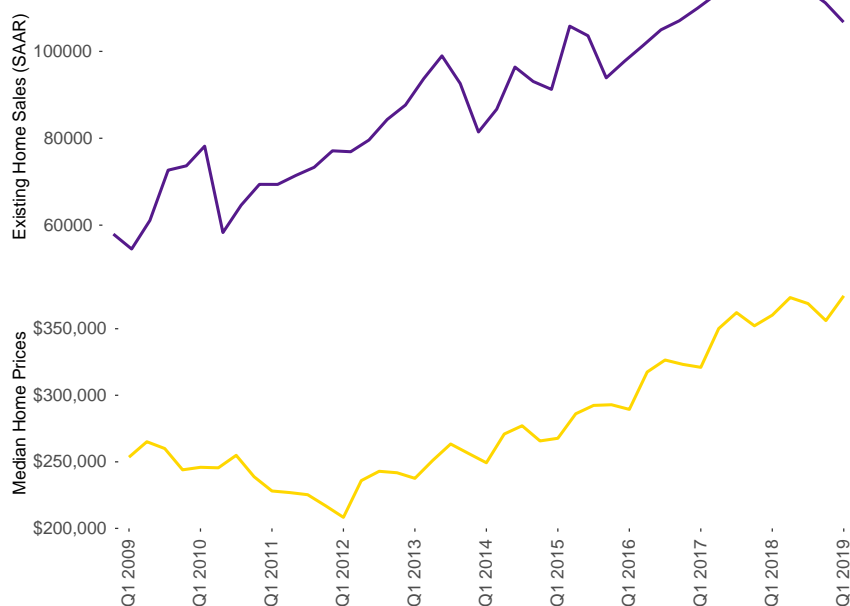
Washington First Quarter Median House Price - \$374,700

By James Young

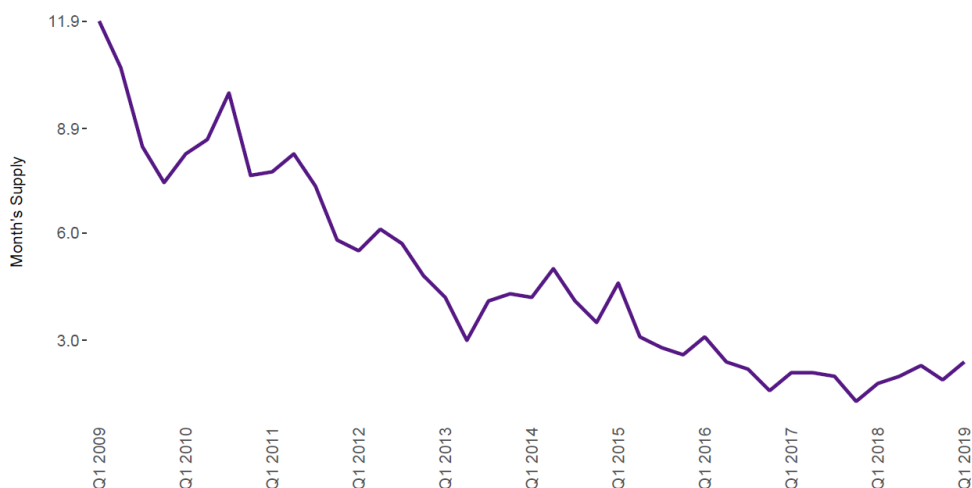
Washington Center for Real Estate Research

The median price home sold in Washington during the first quarter was \$374,700 which is 4.0 percent higher than a year earlier. Existing home sales fell in the first quarter by 4.0 percent to a seasonally adjusted annual rate of 106,740 units compared to last quarter, and fell 5.6 percent compared to a year earlier.

Ten year time trend (Q1 2009–Q1 2019)



Similarly, inventories of homes available for sale totaled 13,672 single-family homes at the end of the quarter, a 3.5% decline from the previous quarter and a 14.1 percent increase from a year ago. This inventory level represented a 2.4 month supply, a situation where demand exceeds the supply of homes on the market.



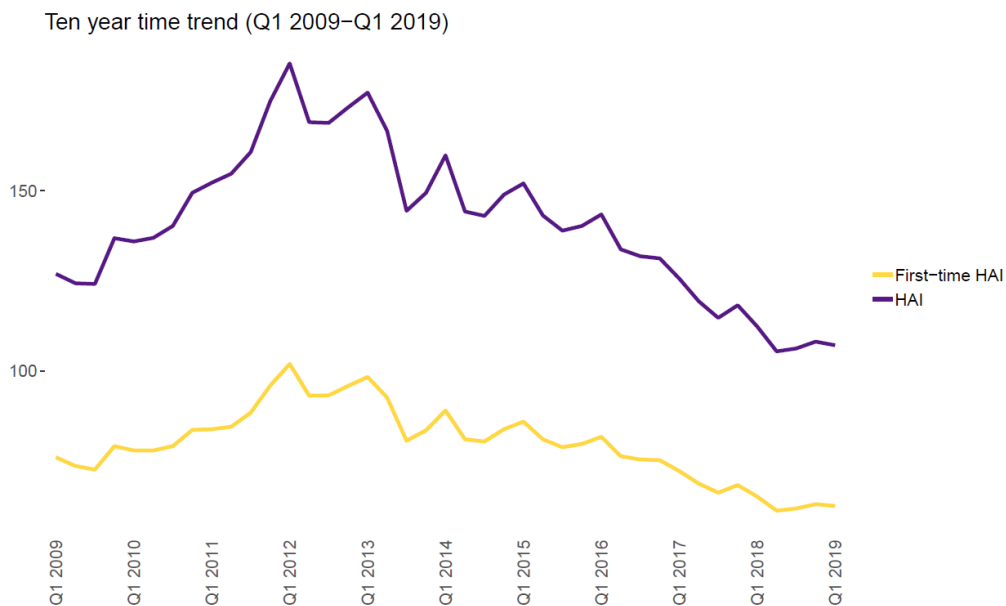
Breaking down trends by region reveals a high level of variance in house prices throughout the state. Somewhat expectedly, median prices were highest in King County at \$656,600, with a year-on-year decrease over 2018 of 2.4 percent. The lowest median prices were found in Lincoln County at \$140,000 with a low number of house sales recorded.

House prices in many other state markets rose significantly, with Spokane up 13.5 percent to a median of \$255,600 and Whatcom County (Bellingham) rising 6.0 percent to \$382,500. House prices in Pierce County rose by 6.6 percent recording a median of \$354,600. House price growth continued outside of King and Pierce Counties with median prices in Snohomish County growing by 1.6 percent to \$479,800 while in Skagit County prices grew by 1.0 percent to a median of \$345,700. 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 20.6 percent to a median of \$251,900.

Reflecting trends in the wider Puget Sound region, Kitsap County rose 8.6 percent on a median price of \$354,400, Mason County (Shelton) up 5.9 percent on a median price of \$239,500. Jefferson County (Port Townsend) continued the trend of house price increases statewide posting a median price of \$387,500 an increase of 7.1 percent from last year.

Other regional markets posted significant price increases with Benton and Franklin counties (The Tri-cities) posting a median price of \$291,500, a 9.0 percent increase over the same period last year. Chelan County (Wenatchee) posted a median price of \$326,100 (up 2.3 percent from the same period in 2018) and Walla Walla posting a median price of \$241,700 (up 7.7 percent). Compared to last year, the Yakima median house price stood at \$230,500 up 14.7 percent.

Housing affordability was improved slightly in the first quarter of 2019 due, in part, to seasonal price variations. 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 107.1, up slightly from 106.1 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 7.1 percent above the median.



Statewide, the first-time buyer index showed an increase of 0.8 points, ending the quarter at 62.5. 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 households would earn 70 percent of the area median household income, our index reveals that they had 62.5 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 declined as construction activity increased markedly late in 2018. In the first quarter of 2019, a total of 9,378 building permits were recorded, an decrease of 12.0 percent from the first 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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Staff Profile: Interview with Tim Allen, Education Manager

By James Young

Starting in September last year, Tim Allen assumed the role of Education Manager for the Department of Licensing (Real Estate Programs). While new to the DOL, Mr. Allen brings a wealth of experience to this role having worked in higher education for many years as both a teacher and senior administrator. James Young from the WCRER had a chat with Mr. Allen to provide some insight into what might be happening with real estate education in the future.

Interviewer: Hi Mr. Allen. On behalf of myself, welcome to the Department of Licensing and the role of Education manager and the world of real estate!

Mr. Allen: Thanks. I am excited to be here.

Interviewer: Please tell us a little about yourself and what led you to the education programs at the DOL?



Mr. Allen: This is certainly different for me. While I have been an educator all of my career, I have had many different roles, such as being a teacher of pharmacy, a program coordinator, and President of Everest and Charter College in Tacoma. Some may see this role as a departure from my career track in administration, but I see this as one that allows the development of programs that will shape the lives of almost everyone in Washington. If you love teaching and want to make an impact, there is no better job. After all, you cannot live without real estate and professionals in real estate need to be educated!

Interviewer: From my experience, there is nothing better than seeing students get an important concept and learn how to use it.

Mr. Allen: Absolutely! But I get that feeling from talking to administrators and teachers as well. Teachers need to step back sometimes and learn how to communicate concepts in new and different ways for changing audiences. School administrators sometimes get far removed from the classroom and set their teachers on autopilot. As a result, courses can get stale. I see my role as starting a conversation where schools provide better outcomes for their students and the real estate industry as a whole.

Interviewer: Hearing that comment I cannot help but think that there might be some questions as to what this conversation might look like. Many providers have run successful courses for a long time and might be wary of being involved in a conversation like you have described. Can you clarify that comment?

Mr. Allen: Sure. My job is not to tell them what to do. My job is to assist the providers in understanding what education actually is. There is a big difference between being a service provider and being an educator. A lot of that comes down to structure and how learning outcomes are defined. If you define learning outcomes as getting someone through an exam with a passing grade, nothing more and nothing less, then are you really educating them? Are you helping them be successful professionals? Those are questions that need to be discussed. I do not have the answers to those questions. However, I see my job as assisting providers in becoming better educators. As educators, we need to move beyond getting students to simply pass a class and instead get students curious about what becoming a real estate professional looks like. That needs to be structured from the administration level downward and my job is to assist schools in making that happen.

Interviewer: Assuming from your previous answer that you see your job as facilitating the educational process as a whole, what do you see as the biggest challenge facing the real estate education sector in Washington?

Mr. Allen: The biggest challenge is making sure that the owners and administrators in provider organizations take ownership of the educational process. For example, it is common for college instructors to be peer reviewed and have an educational specialist from the institution come in to critically assess how a college instructor teaches their courses. Educational organizations do that because they have a stake in the educational outcomes of the whole school down to the course and instructor level. This is about more than getting test scores. It is about quality educational outcomes and assisting instructors on how to do move beyond test scores at an institutional level. A key question that I would have on this for administrators is, when was the last time you observed your instructors teaching in a classroom and evaluated them yourself, regardless of whether there was a problem with tests?

Interviewer: That is an interesting concept and I suppose it is related to encouraging students to go beyond the pass/fail nature of the licensing process. In saying that, passing a set of examinations does represent a successful outcome for many. What does success look like for you in meeting these challenges?

Mr. Allen: Success is spurring the conversation. If everyone is talking (the DOL, the providers, the administrators, instructors, and the students) with a goal of getting better at doing what we do, then we will be successful. The idea is that we light a fire under real estate students. The examinations cover a lot of ground and the courses process a lot of people. However, the longer term goal of any educator is to put themselves out of a job once someone leaves your course! You want students to come out as motivated self-learners who are intellectually curious. We want students to be motivated in continuing their own educational growth within the industry once they are finished with the licensing process.

Interviewer: This leads to my next question dealing with the differences between continuing education courses and licensing courses. Aren't these two different things?

Mr. Allen: Of course, they are different in many ways and the role of education from a licensee perspective is very different. You have experienced brokers who want to take courses that are relevant to them as opposed to being required to take courses on a variety of subjects. That conversation is more akin to how do we make it easier for licensees get courses that target their specific interest. This is where technology can play a role with webinars, networked online class spaces (that allow for networking), and other forms of digital learning. The idea is that if you make learning convenient where brokers are allowed to customize course content, it is a win-win for everyone. This is also a way that you can entice brokers into the industry by showing a pathway to prospective licensees on how they can follow their specific interests in the future.

Interviewer: Are there any final thoughts you would like to share with our readers?

Mr. Allen: All of us at the DOL and within the real estate industry want to encourage the highest levels of competency and professionalism. By having conversations about outcomes educators, brokers and the industry want from the real estate education process, everyone will achieve their goals. My job is to facilitate that outcome.

Interviewer: Thanks for speaking with me today.

Mr. Allen: My pleasure.

Distracted Driving: Are you part of the problem?

SAN FRANCISCO, April 09, 2019 -- Today Zendrive, the world's largest driving behavior analytics company, released its annual Distracted Driving Snapshot. For the report, the company analyzed anonymized data from 1.8 million drivers covering 4.5 billion miles of road across three months and surveyed 500 people about distracted driving attitudes. Pedestrian fatalities are at a 30-year high, primarily due to distracted driving, which also increases the risk of all types of collision by 83%. According to Zendrive's study, the Distracted Driving epidemic is even worse than last year. At every hour of the day, drivers nationally are 10% more distracted than 2018, with an increase apparent in every single state and city analyzed. The most common distractions include talking, texting, navigating, and selecting music.

When comparing this year's data to the 2018 report, the company found that the number of 'Phone Addicts' doubled in the last year, and overall, 'Phone Addicts:'

- Spend 3x more drive time actively using their phones
- Actively ignore the road 28% of the time they're driving
- Are on the road 1.5x more times than the general population
- Are more of a public danger than drunk drivers

The company also conducted a consumer survey to supplement the hard data, aimed at gaining insights into driver perceptions of distracted driving. The survey found that people know distracted driving is a problem, but aren't concerned enough to change their behavior:

- 85% of respondents acknowledged distracted driving is a problem
- 90% claimed to be safe drivers, but...
- 47% admitted to using phones 10% or more of the time while driving, classifying them as 'Phone Addicts.'

The least safe drivers are ignorant of the danger they pose, which means any of us could be a threat to those around us and not know it.

"Using the phone while driving is one of the most dangerous things you can do on the road," said Jennifer Smith, Executive Director of Stopdistractions.org. "Distracted driving has become a full-fledged epidemic. Families are torn apart every day by drivers who are not paying attention to the road because of a phone in their hand. Zendrive's 2019 Distracted Driving Report shows that phone addiction is only getting worse; it's time for everyone to start paying attention to the road. Put those phones away."

"Distracted driving has become this generation's drunk driving," said Jonathan Matus, Zendrive CEO and co-founder. "In today's culture, the 'Phone Addict' driver persona has become widespread and extremely dangerous. Because the most distracted drivers aren't aware of their own danger, we encourage everyone to set up their autoresponders so they can keep their eyes off their phone and on the road."

To help people concentrate on the road, Zendrive is launching the #TextYouLater challenge. Participants are encouraged to set up their driving autoresponders (through "Do Not Disturb While Driving" mode on iOS devices, and through "Android Auto" on Android devices), take a screenshot, then tweet their pledge while tagging their friends to do the same. Autoresponders reduce distractions like texting and calls, two of the most common activities found in the study, and can make the roads safer.

Zendrive's 2019 Distracted Driving Snapshot is the third in an annual series of reports. To learn more and to download the complete report, visit zendrive.com. State- and city-specific driving data, as well as supporting graphs and images, are available upon request.

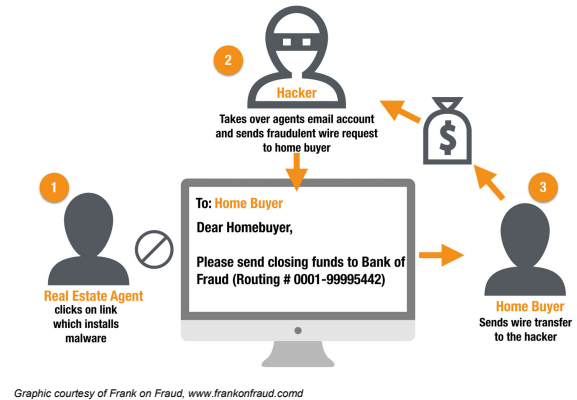
For further information, contact: Launchsquad for Zendrive, zendrive@launchsquad.com

Closing Scams continued from page 1

Unfortunately, these scams are usually only discovered when the title company or closing agent informs the buyer or financial institution that they did not receive the anticipated funds. By the time the police or investigators are called in, the fraudsters have vanished without a trace.

This may seem a daunting task. However, there are some tips to use so that your clients can spot these scams and many ways to prevent them. Here are a few basics:

- Encourage clients to do as much in person, or over the phone, as they can.
- Use an encrypted email server or service
- Look for the common things that are associated with a compromised email, such as misspellings, poor grammar, a sense of urgency, and emails sent outside of normal business hours.
- Be suspicious of emails that contain changes in payment type, such as changing from a certified check to a wire transfer, or account numbers at the very last minute.
- Advise your clients to never open any attachments from a broker, lender or title company unless they are specifically expecting it. Opening attachments can transfer malware onto their computers.
- Clients should never use any of the contact information provided in an email with the "new" wiring instructions. They should confirm instructions with a phone call to their title company, lender, or real estate broker.



While all of this may seem scary, brokers are in a unique position to prevent their clients from being scammed during the closing process. Why? Because brokers are the ones involved in the process that get to know the clients personally and have the opportunities to educate their clients on how the transaction process works. With the personal relationship, your client may feel comfortable calling you instead of a call center for a lender or some unknown individual at a title company if they are suspicious or are worried about fraud.

Every broker knows that buying a home is an exciting time and that part of their role is to guide their clients through an unfamiliar and complicated process. While technology has made many aspects of real estate brokerage a lot easier, guiding clients through the closing process is perhaps one of those instances where the old-fashioned way is best. It also might provide an opportunity to build closer contact and long-term trust by assisting with closing.

What buyers want in 2019 continued from page 1

Housing trends across the board include a continued decline in the average home size and decreased demand for upscale features such as three-plus-car garages. In 2018, according to information from the U.S. Census Bureau, the average home declined to 2,576 square feet — down from its peak at 2,689 square feet in 2015 — driven in part by increased production in townhouses, which comprised 14% of new home starts.

"Builders are trying to meet demand where it's hottest, and that is at the lower price points," Rose Quint, AVP of survey research at NAHB, noted regarding the increase in townhouse production. "To that end, they are building more townhomes and smaller detached homes. Townhomes take up less land, and that automatically brings the price down."

Recent trends show new homes have been downsizing since 2016; fewer have four or more bedrooms, or three or more bathrooms. These data "show that builders are trying to respond to the crisis around housing affordability," Quint added.



NAHB's survey also includes key information on types and location of homes desired by buyers, including generational differences. Suburbs are the most desirable home location (64%), followed by a rural setting (24%) and the central city (11%). Millennials are the most likely to want to buy a home in a central city (23%), compared to Gen X buyers (11%), baby boomers (8%) or seniors (3%).

Kitchen and Bath Trends to Watch

According to NAHB's survey, 86% of home buyers prefer their kitchen and dining room to be completely or partially open. Top finishes include stainless steel appliances (67%), granite or natural stone kitchen countertops (57%) and white kitchen cabinetry (32%).

Nino Sitchinava, principal economist at Houzz, shared similar findings from its consumer research for kitchens and master bathrooms. "White upon white is the new style that is emerging," she stated — both for the kitchen and bathroom — in terms of cabinets and countertops, as well as gray on white.

Other rising trends include: farmhouse styles incorporating ample amounts of wood; engineered quartz countertops for color flexibility; vinyl and resilient flooring, especially for aging in place; wireless controls, and open interior and exterior spaces in the kitchen; and higher-end fixture installations in the bathroom, such as wall-mounted sinks, faucets and toilets.

Additional details on the NAHB data are featured in the full 300-page report, *What Home Buyers Really Want* (2019 edition).

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.

Disciplinary Actions

February 2019

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.

January 2019

Rintha Knox - Pasco

- Findings: Unprofessional Conduct – Creation and recording of new easement while in last stages of Real Estate transaction. Failed to inform the Complainants. Attempted to record easement without the knowledge of the Complainants to bring a high value for high commission.
- Action: Real Estate Broker License Revoked for 6 years.

December 2018

Denise Owen - Lynden

- Findings: Unprofessional Conduct – Submitting fake offers to artificially escalate purchase price on homes.
- Action: Real Estate Broker License Revoked for 10 years; and assessed a fine of \$5,000.

Christopher Bierrum - Seattle

- Findings: Unprofessional Conduct – Submitting fake offers to artificially escalate purchase price on homes.
- Actions: Real Estate Broker License Suspended for 5 years, with 3 months to be imposed beginning October 1, 2018 through January 1, 2019, with the remaining 4 years and 9 months to be stayed for a period of 5 years starting on October 1, 2018. Pay a fine of \$15,000 to the Department by March 1, 2019. Can't apply for a Real Estate Managing Broker license during the 5 year stay. Must be under heightened supervision by his Designated Broker or Branch Manager until January 21, 2021. Must complete the education courses by October 1, 2019.

Brian Bragg - Wenatchee/Republic

- Findings: Unprofessional Conduct – Forging signatures on real estate documents.
- Action: Real Estate Broker License Revoked for 3 years

John B. Elliott - Tacoma

- Findings: Unprofessional Conduct – Judgment for security deposits and lease agreements
- Action: Real Estate Managing Broker License Revoked for 5 years