

# Washington Real Estate Exam Prep Workbook

Second Edition

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# PREFACE

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## STATE-SPECIFIC PORTION REVIEW

The state-specific portion for brokers contains 30 questions for Broker candidates and 44 questions for Managing Broker candidates. The questions reflect the current Washington real estate laws, rules, and regulations. The following are topics covered in the state-specific portion.

### **General Rules (Broker 4–5 Items; Managing Broker 6 Items)**

Topics include definitions; powers and duties of the Real Estate Commission and director; investigations and sanctions; and the Real Estate Research Center.

### **Licensing Requirements (Broker 8 Items; Managing Broker 9 Items)**

Topics include activities requiring a license; eligibility for licensing; types of licenses; license maintenance, renewal, and fees; license status; and education requirements.

### **Washington Statutes and Rules Governing Licensee Activity (Broker 13 Items; Managing Broker 18 Items)**

Topics include brokerage firm's relationship with affiliated licensees; prohibited conduct/reasons for disciplinary action; compensation; handling of monies and trust accounts; recordkeeping, documents, and audits; brokerage firm's office requirements; property management; supervision of affiliated licensees; and advertising rules.

### **Real Estate Brokerage Relationships (Agency) (Broker 4–5 Items; Managing Broker 7 Items)**

Topics include types of agency; disclosure of real estate relationships; agency duties; and written consent of parties.

### **Scenarios in Real Estate Practice (Managing Broker Only 4 Items)**

Topics include property management and supervision.

Note: The content in this book is either quoted or adapted from the Washington state real estate license lawbook ([www.dol.wa.gov/business/realestate/docs/relawbook.pdf](http://www.dol.wa.gov/business/realestate/docs/relawbook.pdf)).

The Law Relating to Licensing of Real Estate Brokers and Managing Brokers includes

- Chapter 18.85 RCW: Real estate brokers and managing brokers, and
- Chapter 308-124 WAC: Real estate brokers and managing brokers—General provisions.

The real estate license law and Commission rules may be accessed online at [www.dol.wa.gov](http://www.dol.wa.gov).

For additional information about the Washington real estate licensing exam, reference the Washington State Candidate Information Bulletin <http://documents.goamp.com/Publications/candidateHandbooks/WAREP-handbook.pdf>

# UNIT 1

## General Rules

### LEARNING OBJECTIVE

*When you have completed this unit, you will be able to accomplish the following.*

- › **Discuss** the membership and the responsibilities of the Real Estate Commission.

#### I. DEFINITIONS

##### A. Definitions

1. Advertising means any attempt in any media, oral or written, to induce a person to use the services of a real estate firm, broker, managing broker, or designated broker.
2. Broker means a natural person acting on behalf of a real estate firm to perform real estate brokerage services under the supervision of a designated broker or managing broker.
3. Commission means the Real Estate Commission of the state of Washington.
4. Department means the Washington Department of Licensing.
5. Designated broker means:
  - a. a natural person who owns a sole proprietorship real estate firm; or
  - b. a natural person with a controlling interest in the firm who is designated by a legally recognized business entity—such as a corporation, limited liability company, limited liability partnership, or partnership real estate firm—to act as a designated broker on behalf of the real estate firm, and whose managing broker’s license receives an endorsement from the Department of “designated broker.”

6. Director means the director of the Department of Licensing.
7. Licensee means a person holding a license as a real estate firm, managing broker, or broker.
8. Managing broker means a natural person acting on behalf of a real estate firm to perform real estate brokerage services under the supervision of the designated broker, and who may supervise other brokers or managing brokers licensed to the firm.
9. Real estate brokerage services means any real estate services offered or rendered directly or indirectly to another for compensation—or the expectation of compensation—or by a licensee on the licensee's own behalf.
10. Real estate firm or firm means a sole proprietorship, partnership, limited liability partnership, corporation, limited liability company, or other legally recognized business conducting real estate brokerage services in the state of Washington and licensed by the Department as a real estate firm. The firm may operate more than one office. An office not the main office of the firm is considered a branch office, which must be supervised by a managing broker.

## II. POWERS AND DUTIES OF THE REAL ESTATE COMMISSION AND THE DIRECTOR

### A. The Real Estate Commission

1. Washington State real estate licensing law is administered by the Washington State Department of Licensing.
2. Real estate license law consists of laws passed by the state legislature and rules promulgated by the director of the Department of Licensing.
3. The director is a member of the Real Estate Commission and acts as its chairperson.
4. The Washington Real Estate Commission has six other members appointed by the governor for six-year terms.
  - a. The Commission meets a minimum of four times a year.
5. The Commission advises the director in matters related to real estate activity in the state.
6. A vacancy on the Commission is filled by the governor for the remainder of the term.
7. Commissioners must have a minimum of five years of real estate experience in Washington, or three years of investigative experience.

### B. Real Estate Commission duties and responsibilities

1. Advising the director of licensing in the director's duties
2. Electing a vice-chair to serve in the director's absence
3. Holding education conferences for the good of the industry
4. Conducting examinations for real estate licensure
5. Establishing procedures for the referral of real estate inspectors by real estate licensees



**C. Director duties**

1. Issuing rules and regulations governing the activities of real estate licensees
2. Instituting regulations requiring criminal background checks for all applicants for licensure
3. Enforcing all rules and regulations related to real estate licensees and their activities
4. Imposing disciplinary sanctions
5. Establishing requirements for licensing of applicants licensed in other states
6. Instituting a real estate education program and approving education providers
7. Establishing rules for acceptable, legal advertising by real estate licensees

**III. INVESTIGATIONS AND SANCTIONS****A. Violations**

1. The director may take disciplinary action against any real estate licensee, independently or upon receiving a verified written complaint.
2. Actions that warrant disciplinary actions or sanctions include the following:
  - a. Obtaining a license through fraud, misrepresentation, or concealment
  - b. Violating any of the provisions of the license law or regulations
  - c. Being convicted of forgery, bribery, extortion, embezzlement, obtaining money under false pretenses, or similar offenses
  - d. Knowingly making, authorizing, or publishing false statements
  - e. Knowingly being a party to any material fraud, misrepresentation, concealment, trick, or scheme when another party relied upon the word or conduct of a licensee
  - f. Conversion of any money or documents held in trust for another
  - g. Commingling any funds held in trust for another with a broker's own funds
  - h. Engaging in any fraudulent or dishonest dealings or any crime of moral turpitude
  - i. Failing to adequately supervise staff or associated licensees in their conduct with other licensees and the public
  - j. Practice of a business or profession beyond the scope of practice, as defined by law or by rule
  - k. Conviction of any misdemeanor or felony relating to the practice of one's profession or business
  - l. Discrimination in hiring or in real estate practice against any person protected under local, state, or federal anti-discrimination laws

- m. Failing to disclose one's interest in a property involved in a real estate transaction
  - n. Failing to disclose one's license status to parties in a real estate transaction
  - o. Failing to properly hold, maintain, and disburse funds held in trust according to the law or rules
  - p. Accepting or taking compensation or commission, without proper disclosures, from more than one party
  - q. Accepting or charging any undisclosed commission, rebate, or direct profit on expenditures made for a principal
  - r. Accepting commissions as a broker or managing broker from anyone except the licensed firm with whom the broker or managing broker is affiliated
  - s. Any conduct in a real estate transaction which demonstrates bad faith, dishonesty, untrustworthiness, or incompetence
  - t. Other specific unlawful practices as defined in the license law or regulations
3. When a real estate licensee has a controlling interest or financial interest in a title insurance company, the licensee may not
- a. directly or indirectly give any fee or payment of any kind to another licensee as an inducement to place title insurance business with that company; or
  - b. accept payment or compensation of any kind from that company for directing business to the company; and may not deter information on other title insurance companies to be delivered to other real estate licensees
4. A real estate licensee may not require a consumer to obtain title insurance from a title insurance agent in which the real estate licensee has a financial interest as a condition of the licensee's providing real estate services to the consumer

## **B. Procedures (hearings and appeals)**

1. The Uniform Regulation of Business and Professions Act, chapter 18.235 RCW, governs unlicensed practice, the issuance and denial of licenses, and the discipline of licensees under the license law. Under the provisions of that Act, the director and the Commission have the authority to
- Adopt, amend, and rescind rules to carry out the Commission's responsibilities
  - Investigate complaints or reports of unprofessional conduct, and conduct hearings
  - Issue subpoenas, and administer oaths in connection with investigations and hearings
  - Take depositions and use discovery procedures as needed
  - Compel attendance of witnesses
  - Conduct audits of contracts, documents, and other records required to be maintained by the Commission

- Take emergency action ordering summary suspension of a license or restrictions on a licensee's practices
  - Appoint a presiding officer or authorize the office of administrative hearings to conduct hearings
  - Use individual members of the Commission to direct investigations, but not to participate in the hearing of the case
  - Establish contracts for professional services in the investigative process
  - Grant or deny license applications or impose sanctions after providing the accused licensee the opportunity for an adjudicative proceeding
  - Designate individuals to sign subpoenas and statements of charges
  - Establish panels of three or more members of the Commission to perform any duty within the Commission's jurisdiction
  - Contract with licensees or other organizations to monitor or supervise licensees whose professional or business activities are restricted
2. When the director receives a statement of misconduct or an accusation against a licensee, they initiate an investigation to determine whether the facts warrant any formal action.
  3. If the facts warrant formal action, the director will set a time and place for a hearing and provide the licensee with a verified statement of the investigative findings 20 days before the hearing.
  4. The director, the accused, and the person(s) making the accusation(s) may all be represented by attorneys at the hearing.
    - a. The hearing is conducted by the director, by an appointed presiding officer, or by an administrative law judge.
    - b. The hearing will proceed even if the accused licensee is not present.
  5. If the director determines that a reasonable preponderance of evidence does not support any violation of the law or rules, they will dismiss the case and notify all parties of that dismissal.
  6. If the director determines that a reasonable preponderance of evidence supports the accusation(s), they may issue an order of sanctions against the licensee.
  7. The order of the director takes effect 10 days after a copy is mailed to the licensee.
  8. Within 30 days of the director's order, a licensee who is disciplined or sanctioned may file an appeal in superior court and must submit a bond of \$1,000 to the clerk of court within 15 days of an appeal.
  9. The licensee may receive a transcript of the hearing for a fee.
    - a. If the fee is not paid within 15 days of the mailing of the transcript, the licensee's appeal is dismissed.

**C. Penalties**

1. Any violation of the license law is a gross misdemeanor and can be prosecuted by a county attorney or by the attorney general.
2. If, as a result of a hearing, the director finds sufficient evidence to sanction a licensee, the director may:
  - a. deny a license or a license renewal;
  - b. issue a censure or a reprimand, or suspend a license for a fixed or indefinite term;
  - c. revoke a license indefinitely or for an interval of time;
  - d. levy a fine not to exceed \$5,000 for one offense (each repeated violation may be counted as one offense); or
  - e. restrict or monitor the licensee's brokerage activities, and/or require that the licensee complete an education course in an area of study related to the law or rule violated by the licensee.
3. The director may suspend the license of any natural person who has been reported to the director for nonpayment or default on a federally or state-guaranteed education loan or service-conditional scholarship.
4. The director shall immediately suspend the license of any broker or managing broker who has been certified as an individual who is not in compliance with a support order or a visitation order.

**IV. REAL ESTATE RESEARCH CENTER****A. Purpose and funding**

1. The Washington State Real Estate Research Center is funded by a \$10 fee charged for each original real estate license and each renewal of a real estate license, including inactive licenses.
2. The fees are deposited into a real estate research center account and may only be spent on purposes stated in the license law for that center.
3. The research center is located at the Runstad Center for Real Estate Studies—in the College of Built Environments—at the University of Washington in Seattle.
4. The purposes for the research center are to provide real estate research, value-added services, education services, and project-oriented research to real estate licensees, real estate consumers, real estate service providers, institutional consumers, public agencies, and communities in Washington and the Pacific Northwest area of the U.S.
5. The research center may:
  - a. conduct research on affordable housing and strategies for affordable housing in the state;
  - b. conduct studies in all areas directly or indirectly related to real estate and urban and rural economics;
  - c. disseminate findings and results of real estate research through various available media;

- d. provide information and research to assist the Real Estate Commission in its mission;
- e. provide information of interest to the public and distribute that information through colleges, universities, and appropriate state agencies;
- f. encourage economic growth in the state;
- g. support the professional development and continuing education of real estate licensees;
- h. study and recommend changes to state laws related to real estate; and
- i. develop a vacancy rate standard for low-income housing in the state.

# UNIT 1 REVIEW QUESTIONS

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## True/False Questions

1. A managing broker is the sole proprietor or owner of a real estate firm responsible for the actions of all brokers licensed under the managing broker.  
A. True  
B. False
2. A Real Estate Commissioner must have a minimum of three years' experience in real estate brokerage activity to serve on the Commission.  
A. True  
B. False
3. One of the duties of the director of licensing is to establish regulations governing the issuing of real estate licenses for persons licensed in another state.  
A. True  
B. False
4. The Commission has the responsibility of establishing rules for the referral of real estate inspectors by real estate licensees.  
A. True  
B. False
5. Accepting or charging an undisclosed commission may result in a disciplinary action or sanction against a real estate licensee.  
A. True  
B. False
6. A violation of the real estate license law is considered a felony in Washington.  
A. True  
B. False
7. A designated broker deposits an earnest money deposit into the firm's bank operating account. This practice is legal and not subject to any disciplinary action.  
A. True  
B. False
8. The director may fine a real estate licensee up to a maximum of \$5,000 for all offenses discovered in an investigation and validated in a hearing.  
A. True  
B. False
9. A licensee must file an appeal within 30 days of a sanction from the director resulting from a disciplinary hearing.  
A. True  
B. False
10. The Washington Real Estate Research Center collects funds to assist applicants for a real estate license to pay examination fees and licensing fees under certain conditions.  
A. True  
B. False

**Multiple-Choice Questions**

1. Real estate commissioners are
  - A. appointed by the Governor.
  - B. elected by all real estate licensees.
  - C. selected through state-wide elections.
  - D. chosen by a state real estate association.
2. Establishing the method, times, and places of Washington real estate licensing examinations is a duty of
  - A. a state real estate association.
  - B. local real estate boards.
  - C. county governments.
  - D. the Commission.
3. The director may initiate an investigation into a licensee's conduct
  - A. once they receive an order from a superior court.
  - B. upon receiving a verified complaint from a member of the public.
  - C. upon an order from the attorney general.
  - D. after receiving a phone call about a licensee's activities.
4. Which of the following actions by a licensee may result in a disciplinary action or sanction?
  - A. Not disclosing their personal interest in a property
  - B. Refusing a listing when a seller requires actions that could be discriminatory
  - C. Disclosing that they are receiving compensation from more than one party in a transaction
  - D. Recommending that a buyer contact a professional home inspector
5. A licensee does not commit a violation of the license law and rules if they
  - A. receive a fee directly from a seller.
  - B. receive a fee directly from a buyer.
  - C. receive a commission from their designated broker.
  - D. receive a commission directly from a cooperating broker.
6. A newly licensed broker agrees to represent a cousin in the purchase of a large commercial tract in an area zoned light industrial. After several failed attempts by the broker at negotiating with the owner of that property, the cousin loses interest. Several months later the cousin files a complaint with the Commission. Upon investigation, the director might conclude
  - A. that the broker has violated the law by attempting to practice beyond the broker's area of competence.
  - B. that the broker violated the law by misrepresentation.
  - C. that the broker was guilty of fraud.
  - D. that the broker was guilty of conversion.
7. When an investigative hearing is conducted, who may be represented by an attorney?
  - A. Only the Commission and the accused licensee
  - B. Only the accused licensee
  - C. Only the complaining party and the accused licensee
  - D. The complaining party, the Commission, and the accused licensee
8. A licensed broker appeals an order of revocation from the Commission as an investigative hearing found him guilty of discriminating against a minority buyer in a real estate transaction. The broker requests a copy of the entire hearing transcript and agrees to pay to the Commission the required fee for the transcript. He neglects to send the fee or transfer funds for the fee to the Commission until 20 days after receipt of the transcript. In this situation, the director may decide to
  - A. charge a daily interest rate on any fee not paid within 10 days of the mailing of the transcript.
  - B. add an additional fee of no less than \$50.00 for the transcript.
  - C. dismiss the broker's appeal.
  - D. fine the broker up to \$1,000.

9. The Washington Real Estate Research Center
  - A. drafts new laws for the state legislature.
  - B. provides operational funds for Washington real estate course providers.
  - C. provides legal counsel to the Commission.
  - D. conducts studies and research on real estate related issues.
10. The Washington Real Estate Research Center is funded
  - A. by a fee on original license applications and renewals.
  - B. through contributions from the real estate industry,
  - C. from the state's general treasury.
  - D. by a tax on residential real estate transactions.



# UNIT 2

## Licensing Requirements

### LEARNING OBJECTIVE

*When you have completed this unit, you will be able to accomplish the following.*

- › **Summarize** the types of Washington real estate licenses and their requirements.

#### I. ACTIVITIES REQUIRING A LICENSE

##### A. Requirements

1. A real estate license is required before any firm, managing broker, or broker can perform real estate services directly or indirectly for another for a fee or compensation, on behalf of another person for compensation, or for a licensee on the licensee's own behalf.
  - a. Those services include:
    - i. listing, selling, purchasing, optioning, leasing, or renting of real property or a real property interest or interest in a cooperative, or of any mobile home in conjunction with the purchase of land
    - ii. negotiating or offering to negotiate the purchase, sale, lease, or rental of any real property interest or interest in a cooperative for another person
    - iii. advertising or in any way holding out that one is engaged in real estate brokerage services
    - iv. advising, consulting, or counseling sellers, buyers, landlords, or tenants in connection with a real estate transaction
    - v. issuing a broker's price opinion

- vi. collecting, holding, or distributing funds connected with the exchange or rental of real property or a real property interest, and
  - vii. performing property management services, including maintenance, administration, financial services, or supervision of services.
2. Real estate licensees employed by a town, city, or county, and who are conducting real estate transactions on behalf of the town, city, or county, may hold active licenses.
    - a. Their designated and managing brokers are not responsible for their real estate transactions on behalf of their town, city, or county employer.

## B. Exemptions

1. Washington law states that those who are not required to obtain a real estate license before engaging in real estate brokerage activity include:
  - a. a person conducting real estate activity on their own account;
  - b. a member or employee of a group conducting real estate business on its own account;
  - c. an attorney-at-law, attorney-in-fact, or certified public accountant not conducting any real estate activity outside the scope of their respective responsibilities;
  - d. a receiver, trustee, or administrator acting under the order of a court;
  - e. local, state, or federal governmental employees involved in property for a right of way or eminent domain;
  - f. a person providing a referral who does engage in real estate brokerage activities and whose compensation is not contingent on the receipt of compensation by the licensee or the real estate firm;
  - g. operators of facilities offering individual storage units;
  - h. title or escrow firms not directly involved in other real estate brokerage activity;
  - i. investment counselors not involved in real estate brokerage activity; and
  - j. common interest community managers who are not involved in the purchase or rental of specific properties.

## C. Personal assistants

1. A personal assistant who works under the instruction or direct supervision of a real estate licensee is not required to obtain a real estate license.
  - a. A personal assistant may:
    - i. act as a greeter at an open house and distribute literature (but may not answer questions from prospective clients or customers);
    - ii. act as a courier, pick up keys, and deliver documents (but may not discuss the content of the documents);

- iii. perform clerical duties, schedule appointments, submit information to multiple listing services, and pick up loan documents;
  - iv. obtain public information for a licensee;
  - v. write and place advertising with the approval of the licensee;
  - vi. make keys, install lock boxes, and place signs on property;
  - vii. gather information for a comparative market analysis;
  - viii. transport people to appointments (but may not answer questions about property or show property);
  - ix. compute commission checks, collect and deposit rent, security deposits, or earnest money;
  - x. perform or schedule repair or maintenance on property; and
  - xi. provide information on real property or a business opportunity only if that information is prepared and provided in writing and approved in advance by a licensee.
- b. A personal assistant may NOT
- show properties, answer questions, or interpret information about the property, its price, or its condition
  - interpret information about listings, financing, contracts, closing, or any other information relating to a transaction
  - negotiate price or terms, or fill in legal forms related to a transaction
  - hold or disburse trust funds
- c. An unlicensed assistant may not perform any act which intends to circumvent or results in the circumvention of real estate licensing laws.

## II. REQUIREMENTS FOR LICENSING ELIGIBILITY

### A. Requirements

1. To be eligible for a real estate license in Washington, an individual applicant must:
  - a. be at least 18 years of age
    - i. for the broker's license and managing broker's license. (Because of the experience requirement, an applicant for a managing broker's license will be at least 21 years of age);
  - b. have a high school diploma or its equivalent;
  - c. complete the real estate education requirement of the license;
  - d. have been actively licensed for any time period required for the license;

**14** Unit 2 Licensing Requirements

- e. pass the licensing examination required for the license;
- f. submit the appropriate application and fees to the Department of Licensing for the license; and
- g. meet the requirements set forth in the license law if it is a firm and corporation applying for a license.

**III. TYPES OF LICENSES****A. Broker**

1. A broker's license is the *entry level* license for a Washington real estate licensee.
  - a. An applicant for a broker's license must:
    - i. complete 90 hours of prelicense education with courses completed within two years of applying for the license;
    - ii. pass examinations for each course taken for the 90-hour requirement; and
    - iii. pass a state-administered broker prelicense examination; an applicant for a broker or managing broker license must apply for the license within one year of the date of passing the examination.
  - b. An applicant applying for their first broker's license must submit to a fingerprint background check with the Department's authorized vendor.
  - c. Applicants for a broker's license may commence working on or after the postmark date of delivery to the Department
    - i. notice of passing the prelicense examination;
    - ii. the license application form;
    - iii. verification that the Department's authorized vendor fingerprint process was followed; and
    - iv. license fees.
  - d. The completed application form serves as an interim license for a period of up to 45 days unless grounds exist to take disciplinary action against the licensee.

**B. Managing broker**

1. A managing broker's license may be granted to a broker with at least three years of experience.
  - a. An applicant for a managing broker's license must:
    - i. have a minimum of three years of experience as a full-time broker in Washington, or another state within the past five years;
    - ii. complete 90 hours of prelicense education in approved courses of at least 30 hours, and pass the course examinations in each course; and
    - iii. pass a state-administered examination for the managing broker's license.

**C. Designated broker**

1. A *designated broker* is a managing broker who is registered with the Department as the broker in charge of a real estate firm or firms.
2. A designated broker must be a managing broker registered with the Department for a specific firm.
3. A designated broker may act as a designated broker for more than one firm, provided they are registered with the Department for each firm.
4. A designated broker receives a printed endorsement on their managing broker's license for each firm for which they are the designated broker.
5. The address on the designated broker's endorsement from the Department will be the address of the location where the designated broker is the managing broker.
6. A licensed firm must appoint a broker as designated broker of the firm to enable a real person to manage affiliated brokers in the firm and the firm's other responsibilities.

**D. Temporary broker's permit**

1. The director may issue a temporary designated broker's permit to the senior broker in a firm or another licensee in the event a designated broker is deceased or incapacitated.
2. The permit is valid for a period not to exceed four months.
3. The purpose of the permit is to complete any pending transactions of the firm.

**E. Real estate firm**

1. All listings, contracts and agreements, and transaction records are the property of the real estate firm.
2. To be licensed, the firm must:
  - a. designate a managing broker as the designated broker of the firm;
  - b. provide the Commission with the names of all owners of the firm;
  - c. assure that no person subject to a disciplinary order has any controlling interest in the firm; and
  - d. not adopt a name that is the same or similar to the name of any other brokerage firm, or that implies that the firm is a nonprofit entity.
3. A firm's license expires two years from the date of the initial issuance of the license.
  - a. With the renewal application the firm must present proof of a current master business license renewed by authority of the secretary of state.

**F. Corporate, partnership, or limited liability license requirements**

1. Depending on the corporate structure, an officer, partner, general partner, member, or manager of a firm must be designated as the designated broker of the firm and must qualify for a managing broker's license.

2. The firm must furnish to the director proof of the identity and honesty of those applying for the license through fingerprinting or other means as determined by the director.
3. A corporation, partnership, or limited liability company may be licensed as a real estate firm.

#### **G. Persons holding out-of-state real estate licenses**

1. Persons from other states who hold a real estate license equivalent to Washington's license(s) may conduct real estate services.
  - a. Such persons must:
    - i. enter into a written cooperation agreement with a Washington firm through its designated broker and furnish that broker with a copy of their real estate license;
    - ii. consent to jurisdiction in Washington for any action taking place in their real estate practice in Washington;
    - iii. include the name of the Washington firm, managing broker, or broker on all advertising; and
    - iv. provide the Washington firm with all documents and records for any transaction for a period of three years.

### **IV. LICENSE MAINTENANCE, RENEWAL, AND FEES**

#### **A. License**

1. The director issues to each active licensee a license certificate and a pocket identification card.
2. The licenses of brokers and managing brokers must be maintained by their firm.
3. When a broker or managing broker terminates their affiliation with a firm, the broker or managing broker license ceases to be in force.
  - a. The designated broker of the firm must surrender the affected license to the director.
  - b. The director will issue a new license for the broker or managing broker with a new firm when that broker or managing broker submits the appropriate application and fee to the director.

#### **B. Renewal and fees**

1. Each real estate license must be renewed every two years from the date of the original license.
2. Licensees may renew online at the Department of Licensing's website.
  - a. Education requirements and fees required with renewals are listed on the website.
3. Brokers and managing brokers must complete 30 hours of continuing education courses within the two-year period.
4. Licensees may carry over up to 15 hours of any extra education hours into the next renewal period.
5. A renewal fee, as required by the Commission, must be paid with each license renewal.

6. The director will cancel any license of a licensee that does not pay the renewal fee within one year of the renewal date.
7. A licensee may reinstate a license within two years of its cancellation by completing the requirements for an original broker's license.
8. No examination is required for the renewal of a license.
9. Fingerprint background checks are required for every active renewal every six years.
  - a. If the Department background check was within the last six years, then no new background check is required to activate a license.

## V. LICENSE STATUS

### A. Authorizations

1. A real estate license authorizes only the person named on the license.
2. A license may be used only at the level authorized by the license.
3. A real estate firm may practice in one or more assumed names and must acquire a separate firm license for each assumed name.
4. All real estate brokerage activities, including advertising of listings and properties, must be conducted in the name of the licensed firm or one of its assumed names.
5. It is unlawful to act as a broker or managing broker, or for a firm to practice real estate brokerage without first acquiring the appropriate real estate license.
6. No real estate broker, managing broker, designated broker or firm may collect compensation for real estate brokerage services without first proving that the person or firm was licensed by the Department prior to engaging in real estate brokerage activity.
7. The holder of an inactive license is prohibited from conducting real estate brokerage services.
  - a. An inactive license may be renewed on the same terms and conditions as an active license, except that the person with an inactive license is not required to complete continuing education courses.
8. Failing to renew an inactive license results in cancellation of the license.
  - a. A broker holding an inactive license for more than three years who wants to activate the license must complete a 30-hour real estate course within one year before activating the license.

**VI. EDUCATION REQUIREMENTS****A. Required courses**

1. An applicant for a broker's license must complete 90 hours of approved prelicense education in courses of at least 30 hours covering real estate fundamentals and practice, taken within two years of applying for the license.
  - a. The applicant must pass an examination in each course.
2. An applicant for a managing broker's license must complete 90 hours of approved prelicense courses of at least 30 hours covering real estate brokerage management, business management, and advanced real estate law, taken within three years of applying for the license.
  - a. The applicant must pass an examination in each course.
3. For the first renewal of a broker's license, a broker must complete 90 hours of approved coursework.
  - a. The coursework must include 30 hours in advanced practices, 30 hours in real estate law, a three-hour core course, and 27 elective hours.
  - b. All of the coursework must have started after the date of issue of the broker's license.
4. For subsequent renewals of a broker's license, a broker must complete a minimum of 30 hours of approved continuing education courses.
  - a. The broker must complete the three-hour core course within the two-year renewal period.
  - b. At least 15 hours must have been completed within 24 months of the renewal date.
  - c. An additional 15 hours may have been completed within 48 months of the renewal date.
5. To renew a managing broker license, the managing broker must complete 30 hours of approved continuing education courses.
  - a. The managing broker must complete the three-hour core course within the two-year renewal period.
  - b. At least 15 hours must have been completed within 24 months of the renewal date.
  - c. An additional 15 hours may have been completed within 48 months of the renewal date.
  - d. However, the courses must have been started after the date of issue of the managing broker license.



# UNIT 2 REVIEW QUESTIONS

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## True/False Questions

1. A state employee negotiating the purchase of real property for a highway right-of-way is required to have a real estate license.  
A. True  
B. False
2. An individual offering to negotiate the purchase of a tract of land for a relative for a fee must hold a real estate license.  
A. True  
B. False
3. A real estate assistant may pass out information at an open house and answer questions about the house from prospective buyers.  
A. True  
B. False
4. To be eligible for a broker's license, an applicant must be 18 years of age or older.  
A. True  
B. False
5. Only real, natural persons may hold a real estate license in Washington.  
A. True  
B. False
6. A managing broker may register as the designated broker for more than one firm.  
A. True  
B. False
7. Individuals holding a real estate license must renew the license every two years, while a real estate firm renews its license every four years.  
A. True  
B. False
8. An applicant for a managing broker's license must provide evidence of having been actively licensed for a minimum of three years within the last five years.  
A. True  
B. False
9. A broker renewing a license for the first time must complete 30 hours of real estate continuing education.  
A. True  
B. False
10. The three-hour core course is only required for the first renewal of a broker's license.  
A. True  
B. False
11. A property owner's brother who charges a fee to the owner to market the owner's commercial property is not required to hold a real estate license.  
A. True  
B. False
12. A member of a community association who is not involved in the sale or rental of any properties in the community is not required to hold a real estate license.  
A. True  
B. False
13. An unlicensed personal assistant working under the supervision of a managing broker may write and place advertising for properties with the approval of the managing broker.  
A. True  
B. False
14. An unlicensed personal assistant working for a managing broker talks over the phone with a prospective buyer about the amenities, price, and disclosed problems of a property listed by the firm. The personal assistant is in violation of the license law.  
A. True  
B. False

**20** Unit 2 Licensing Requirements

15. An applicant for a broker's license must apply for a license within two years of the date of passing the required prelicense examination.
- A. True
  - B. False
16. When a designated broker of a firm dies, the firm must acquire a new designated broker within 10 days to continue operating as a brokerage firm.
- A. True
  - B. False

**Multiple-Choice Questions**

1. A banker agrees to advise one of his customers for a fee of \$1,000 about certain properties the customer is considering buying. To perform this service, the banker
  - A. must be licensed as a broker.
  - B. may receive the fee as part of his services as a personal banker.
  - C. must apply for a temporary real estate license.
  - D. must receive the fee from a designated broker.
2. A managing broker's personal assistant is permitted to
  - A. answer questions about the listing to a prospective buyer.
  - B. transport a prospective buyer to the property and show the property.
  - C. assist the buyer in completing a form purchase and sale agreement.
  - D. provide information on a new listing to a multiple listing service.
3. To be eligible for a real estate license in Washington, an individual must be
  - A. 18 years of age.
  - B. 19 years of age.
  - C. 20 years of age.
  - D. 21 years of age.
4. An individual must pass a state-administered examination in order to qualify for
  - A. only the broker license.
  - B. the broker and managing broker license.
  - C. only the managing broker license.
  - D. renewal of a real estate license.
5. To qualify as a managing broker, an applicant must
  - A. have two years of experience as a full-time broker within the past five years.
  - B. have five years of experience as a full-time broker within the past three years.
  - C. have three years of experience as a full-time broker within the past six years.
  - D. have three years of experience as a full-time broker within the past five years.
6. When a broker or managing broker terminates their relationship with a real estate firm
  - A. the designated broker of the firm surrenders the affected license to the director.
  - B. the broker or managing broker personally carries their license to another firm.
  - C. the broker or managing broker must wait a minimum of six weeks before practicing real estate.
  - D. no application or fee is required for the broker or managing broker to transfer to another firm.
7. A corporation licensed as a real estate firm
  - A. may register its CEO or CFO as the supervising authority over all brokerage activity.
  - B. must register a person with a managing broker's license as its designated broker.
  - C. may not be a partnership or a limited liability company.
  - D. may use any name of its choice as the licensed name of the firm.
8. When a Washington broker advertises their services, the license
  - A. may advertise in their own name if the broker states their license number.
  - B. may not advertise under any of the firm's assumed names.
  - C. must advertise and act under the licensed name of the firm with which the broker is affiliated.
  - D. must include the name of the firm's designated broker.
9. For the first renewal period after a broker's license is issued, a broker must complete
  - A. 30 hours of continuing education courses.
  - B. one three-hour core course only.
  - C. 90 hours of continuing education courses.
  - D. 15 hours of continuing education courses, plus the three-hour core course.

10. When renewing her managing broker license, a managing broker realizes that she has taken more continuing education courses than required for renewal. In this case
  - A. the managing broker may carry over up to 15 hours into her next renewal period.
  - B. the managing broker may carry up to 30 hours completed within the last two years into her next renewal period.
  - C. the managing broker may only carry additional hours the next renewal period if she completed those hours prior to the issue of her managing broker license.
  - D. the managing broker may not carry any hours into the next renewal period.
11. An individual must hold a real estate license to
  - A. provide a broker's price opinion for a consumer.
  - B. operate a facility providing individual storage units.
  - C. provide advice on real estate investments.
  - D. act as community association manager.
12. A state agency purchasing properties for eminent domain
  - A. must do so under the supervision of a licensed managing broker employed by the agency.
  - B. may do so only through a brokerage agency agreement with a licensed real estate firm.
  - C. may purchase the properties through the efforts of its own employee or employees.
  - D. must apply for a temporary real estate license issued by the director of licensing.
13. An applicant for an initial broker's license in Washington must have completed the required prelicense education
  - A. within the year prior to applying for the broker's license.
  - B. within three years of applying for the broker's license.
  - C. within the 90 days prior to applying for the broker's license.
  - D. within the two years prior to applying for the broker's license.
14. An applicant for a broker's license assists her sister in finding a property to purchase before the issue of her broker's license. In this case
  - A. the applicant may receive compensation directly from her sister once her license is issued.
  - B. the applicant may receive compensation from her affiliated brokerage firm once she is licensed.
  - C. the applicant may not receive a fee or compensation for that assistance.
  - D. the applicant may receive compensation from her affiliated brokerage firm only if the transaction closes after her license is issued.
15. An applicant for a managing broker's license must complete the required hours of prelicense education
  - A. within three years of applying for the license.
  - B. within two years of applying for the license.
  - C. within one year of applying for the license.
  - D. within five years of applying for the license.
16. A real estate firm that intends to conduct brokerage activities under an assumed name
  - A. may do so without any additional license so long as the firm holds a license under its formal business name.
  - B. must acquire a separate firm license for each assumed name.
  - C. may use multiple assumed names so long as the firm acquires one license for all assumed names.
  - D. may do so by informing the director in writing of the use of each assumed name.

# UNIT 3

## Washington Statutes and Rules Governing Licensee Activity

### LEARNING OBJECTIVE

*When you have completed this unit, you will be able to accomplish the following.*

› **Explain** the duties and responsibilities of designated brokers and managing brokers.

#### I. BROKERAGE FIRM'S RELATIONSHIP WITH AFFILIATED LICENSEES

##### A. The firm's responsibilities

1. The firm holds the licenses of brokers and managing brokers.
2. Licenses of brokers and managing brokers must be available at the location appearing on each of the individual licenses.
3. A designated broker may establish one or more branch offices for the firm and, for a fee, acquire duplicate licenses for the branches to be displayed in each branch.
  - a. A branch office is not required for any brokerage activity conducted on property within 35 miles of a licensed office or branch office.
4. A branch manager must be licensed as a managing broker.
5. The relationship between a firm and a broker may be terminated unilaterally by a designated broker or a managing broker, or by the licensed broker.
  - a. The designated broker must give immediate notice of the termination to the state Department of Licensing (DOL).
  - b. The notice must be accompanied by the broker's license.

- c. Once the license is surrendered, the licensee ceases to represent the designated broker, and the license will become inactive.
6. If a designated broker terminates a broker's services for a violation of the license law, the designated broker must immediately file a written statement of the facts with the director of licensing.

## II. PROHIBITED CONDUCT/REASONS FOR DISCIPLINARY ACTION

### A. Notification to the Commission

1. Unlawful conduct or activities previously identified in this course under *disciplinary actions* may be reasons for the director to sanction a firm, broker, or managing broker.
2. Negligent or intentional delay in the performance of acts required by a real estate agreement harms the public interest and is considered a violation of the license law.
3. When a broker is notified that they are a defendant in any criminal complaint, indictment, or conviction (including a plea of guilty or nolo contendere), the broker must notify the Department within 20 days.
4. A licensee must notify the Department within 20 days of any court order, verdict, or judgment against the licensee in any court in which the subject matter relates to the licensee's real estate activity or business.
5. A designated broker or managing broker will be held responsible for inadequate supervision of an affiliated licensee whose conduct violates the law unless:
  - a. the licensee's conduct violated policies or procedures established in writing by the designated broker or managing broker;
  - b. the designated broker has established reasonable procedures for the firm for the supervision of licensees;
  - c. the designated broker or managing broker tried to change or mitigate the unlawful conduct upon learning of a violation; or
  - d. the designated broker and/or the managing broker did not participate in the violation, ratify the violation, or attempt not to know of the violation.

### B. Unprofessional conduct

1. The Uniform Regulation of Business and Professions Act (RCW 18.235), which applies to professions including real estate, names certain unprofessional conduct as grounds for an audit or investigation.
2. The Commission may sanction a broker for such unprofessional conduct as:
  - a. the commission of any act involving moral turpitude, dishonesty, or corruption relating to the practice of the broker's profession or operation of the broker's business
  - b. misrepresentation or concealment of a material fact in obtaining, renewing, or reinstating a license

- c. advertising that is false, deceptive, or misleading
- d. incompetence, negligence, or malpractice that results in harm or damage to another, or creates an unreasonable risk of harm or damage to another
- e. the suspension, revocation, or restriction of a license to engage in any profession by a competent authority in any state, federal, or foreign jurisdiction
- f. failure to cooperate with the disciplinary authority in the course of an authorized investigation, audit, or inspection
- g. not furnishing any documents or papers requested by the disciplinary authority (in this case the Real Estate Commission) or not providing a written explanation of a complaint when requested by the authority
- h. not responding to a subpoena issued by the disciplinary authority
- i. not providing authorized access during regular business hours to representatives of the disciplinary authority conducting an investigation or audit
- j. failure to comply with an order issued by the disciplinary authority
- k. violating any provisions of laws or rules made by the disciplinary authority
- l. aiding or abetting an unlicensed person to practice when a license is required
- m. practice or operation of a profession beyond the scope of practice as defined by law or rule
- n. misrepresentation in any aspect of the conduct of the profession
- o. failure to adequately supervise or oversee auxiliary staff to the extent that consumers may be harmed or damaged
- p. conviction of any gross misdemeanor or felony relating to the practice of the profession
- q. interference with an investigation or disciplinary action by willful misrepresentation of facts, by threats or harassment, or by financial inducements to a consumer or witness
- r. engaging in any unlicensed practice

### C. Required disclosures in a personal real estate transaction

1. A real estate licensee must disclose to all parties that the licensee holds a real estate license in any transaction in which the licensee is a principal.
  - a. The disclosure must be made in writing and applies even if the licensee acts through a third party.
  - b. Failure to do so may result in disciplinary actions by the Commission.

### III. COMPENSATION

#### A. Payment of commissions

1. It is unlawful for a firm or broker to pay all or any part of a commission or other compensation for real estate services to an unlicensed person.
2. It is unlawful for a licensed real estate firm to pay all or any part of a broker's commission to any broker not licensed with that firm.
  - a. A broker may only be compensated from their own firm.
3. A broker or managing broker may not pay any of their compensation to any person, licensed or not, except through the firm's designated broker.
4. A firm's compensation may be paid by the seller, the buyer, a third party, or by sharing the compensation between firms.
5. Payment of compensation does not establish any agency relationship.
6. A firm may be compensated by more than one party for brokerage services in a real estate transaction if those parties agree in writing at or before the time of signing an offer in the transaction.
7. Real estate compensation is negotiable between the broker and the broker's client.
  - a. There are no "standard" commission rates.
  - b. The designated broker of a license firm establishes the firm's commission rates or fees and any other compensation owed to the firm.

#### B. Sharing of commissions with manufactured housing retailers

1. There is one exception: a commission may be shared with a manufactured housing retailer on the sale of manufactured housing in conjunction with the sale or lease of land.

#### C. Compensation for real estate assistants

1. A broker or managing broker must pay an unlicensed assistant a regular salary.
2. A broker or managing broker may not share a percentage of commissions from actual transactions with a real estate assistant who is not licensed as a broker.

### IV. HANDLING OF MONIES AND TRUST ACCOUNTS

#### A. Deposit of trust funds

1. Trust funds are all client funds held by a designated broker pending the closing of a real estate sale or transaction, or funds collected on behalf of a client to be disbursed to or for the client.
2. A designated broker is responsible for trust funds even if the funds are held by an attorney or an escrow agent.



3. Trust funds may not be used or disbursed to any other person than the client.
4. Trust funds must be held in a federally chartered or approved bank, or a Washington state banking institution.
5. A broker or managing broker must deliver any funds or anything of value received in trust to the appropriate managing broker, branch manager, or their designated broker within two business days of the client's/customer's signature, or sooner if the terms of the client/customer contract require it.
  - a. Once received, trust funds must be deposited in the firm's registered trust account no later than the next business day, unless an earnest money agreement specifies a later date or a specific event.
    - i. Cash must always be deposited the next business day after receipt for any purpose in a real estate transaction.
6. Deposits of \$10,000 or less are to be deposited into a pooled-interest account, with 75% of the interest (minus bank fees) paid into the Washington housing trust fund and 25% of the interest paid into the Washington real estate education account.

## B. Commingling

1. Trust funds must be segregated from the firm's operating accounts or broker's personal accounts.
  - a. No firm or personal funds may be deposited into a trust account.
    - i. A broker may deposit a minimal amount of their own funds into a trust account to open the account or to keep the account from closing.
  - b. No trust funds may be deposited into a broker's business operating account or personal account.
  - c. Bank fees may not be paid from the trust account; a bank must take or bill bank fees from the firm's operating accounts.
  - d. Funds may be taken from the trust account only if they pertain to a specific real estate transaction.
  - e. Commissions must be paid out of the firm's operating account, not the trust account.

## C. Checks received

1. All checks received as earnest money, security or damage deposits, rent, lease payments, contracts, or mortgage payments must be made payable to the real estate firm as licensed.
  - a. By written agreement from the parties, a check may be made payable to a seller, escrow agent, or lessor.
    - i. The brokerage firm must keep a copy of that agreement.
  - b. Generally, when a personal check is used as payment, it is made payable to the selling firm or an escrow agent of the buyer's choice.

**D. Administration of trust accounts**

1. An individual ledger showing deposits and disbursements must be established for each individual client.
2. The outstanding trust account balance must at all times be equal to the total liability due to all clients (total funds not yet paid to the appropriate clients).
3. The designated broker must prepare a monthly reconciliation of the firm's trust account ledgers and the trust account bank statement for each trust account registered with the firm.
4. Disbursements may be made by check or electronic payment, and the specific transaction related to the transaction must be identified.
5. Commissions owed to another real estate firm may be paid from the real estate trust account.

**E. Trust account records**

1. The designated broker must keep records required by law for all trust accounts, including:
  - a. records of all receipts,
  - b. check register,
  - c. duplicate bank deposit slips,
  - d. clients' accounting records showing all monies received and disbursed, and
  - e. reconciled bank accounts and canceled checks for all trust accounts.

**V. RECORDKEEPING, DOCUMENTS, AND AUDITS****A. Brokers active in another jurisdiction**

1. If a broker is actively licensed in another jurisdiction (state), the broker must maintain a trust account and transaction records for a period of three years in one location in Washington.
  - a. The office may be that of a licensed broker, an escrow agent, an attorney-at-law, or a title firm used for all transactions by the broker in Washington.
2. A broker active in another jurisdiction and practicing in Washington through a recognition agreement may store records out of state.
3. The trust account and transaction records must be available to representatives of the Department of Licensing for a period of three years.
4. Records must be accessible to a party in a transaction for any records retained for that party.

**B. Designated broker responsibilities**

1. The designated broker is responsible for the custody, accuracy, and safety of all required real estate records.
2. The designated broker must deliver to all parties to a transaction all documents related to a transaction, including closing statements.
3. The designated broker must provide to the Department accessibility to all required records and provide copies of records requested by the director or the director's authorized representative for any audit or investigation.
4. The responsibilities for the maintenance and availability of records applies to both the business entity (corporation, partnership, limited liability company), and to the natural person designated and licensed to act for that entity.
5. The designated broker may delegate duties to branch managers and to managing brokers.
  - a. The designated broker must maintain up-to-date written assignments of delegations of managing brokers and branch manager duties.
  - b. The delegation agreements must be signed by all parties to the agreement.

**C. Records other than trust account records**

1. A designated broker must maintain a transaction folder containing all documents and records for each real estate transaction, including all agreements, contracts, documents, leases, closing statements, and correspondence.
  - a. The broker is not required to keep a copy of deeds related to transactions.
2. Records must be maintained and available to an authorized representative of the director for a period of three years at an address where the firm is licensed.
3. Physical records of transactions closed for at least one year may be stored at a remote location, provided a listing of all records by transaction is maintained at an address where the firm is licensed.
4. Records may be stored on permanent storage media or electronically, provided the records cannot be altered and that a record can be copied and printed in its original form.
5. All records required to be maintained must be made available by the designated broker or managing broker for any authorized Commission audit or investigation.

**VI. BROKERAGE FIRM'S OFFICE REQUIREMENTS****A. Firms and locations**

1. Any main or branch office of a real estate broker must identify the name of the firm as licensed by the Commission, visible to the public, at the address appearing on the firm's license.
2. The licenses of main and branch offices must be displayed in an area available and visible to the public.

3. A broker may conduct real estate business in a location in which the broker operates another business if the businesses are separated so that there is no confusion to the public; real estate records must be separated from records of any other business.
4. Two real estate firms may operate out of a location with a common entrance and mailing address if the two firms are clearly identified to the public and are separated within the office facility, and there is no confusion of the public about their separate identities.
5. When a designated broker changes the firm's primary office location:
  - a. A designated broker, managing broker, or firm must give notice in writing to the director of any change of business location or records depository location.
  - b. Upon the surrender of the original license for the business and a payment of a fee as prescribed by the director by rule, the director will issue a new license covering the new location.

#### **B. Other services**

1. A broker may provide other services outside of their brokerage responsibilities if the broker provides full, written disclosure of the broker's relationship to persons providing the service (such as carpet cleaning or pressure washing) and the fees charged for the services.
2. The owner or client must agree, in writing, to the brokers' providing other services. The broker may provide these services for a client while working under an agency agreement with the client.

### **VII. PROPERTY MANAGEMENT**

#### **A. Property management agreement**

1. A written agreement signed by a property owner and the representative of a brokerage firm is required before the firm may engage in property management.
2. The agreement must cover the brokerage's authority, compensation, and reporting responsibilities.
3. All properties rented or leased by the firm through property management services must be supported by a written, signed management agreement.

#### **B. Summary reports**

1. The property management firm must provide each owner a summary statement including:
  - a. the balance from the previous statement;
  - b. rent receipts, other receipts, itemized expenses, and owner contributions;
  - c. the ending balance; and
  - d. the number of units rented or square footage of a nonresidential property.
2. The designated broker must keep copies of these summary statements with their records.

**C. Property management trust accounts**

1. A real estate firm that receives funds from a party in a property management agreement must hold those funds in a registered trust account.
2. The funds may not be used for any person or purpose other than that laid out in the property management agreement.

**D. The management agreement**

1. All properties managed by a brokerage firm must be supported by a written management agreement signed by the owner and the designated broker.
  - a. The broker must retain and maintain copies of each management agreement and any reports required by those agreements.
2. A property management agreement must state the following:
  - The firm's compensation
  - The type of property, and the number of individual units in the project, or the square footage if the property is not residential
  - If the firm is authorized to collect and disburse funds and for what purposes
  - Authorization, if any, to hold security deposits and how those deposits may be disbursed
  - The frequency of submitting summary statements to the owner
3. All properties rented or leased by the firm must be supported by a written rental or lease agreement.
4. Each owner of a property managed by a brokerage firm must be provided a summary statement as provided for in the management agreement for each property managed, showing the following:
  - Balance carried forward from the previous summary statement
  - Total rent receipts
  - Owner contributions
  - Other itemized receipts
  - Itemization of all expenses paid
  - Ending balance
  - Number of units rented or square footage of non-residential properties

5. The firm may provide other services to owners of managed properties if the broker provides full disclosure to the owner in writing of the broker's relationship with any and all persons, the nature of the services, and the fees paid.
  - a. The owner must grant permission for such services.
6. Any amendment or modification to the property management agreement must be written and signed, and retained by the broker.

#### **E. Trust funds**

1. A real estate firm that receives funds from a party in a property management agreement must hold those funds in a registered trust account.
2. The funds may not be used for any person or purpose other than that laid out in the property management agreement.
3. Property management trust accounts are exempt from the interest-bearing requirement of other trust accounts.
  - a. However, if agreed to in writing, an interest-bearing account may be established with the interest paid to the property owner.
4. Mortgage payments on behalf of the owner may not be paid from a trust account by a financial institution if the funds in the account belong to more than one client of the firm.
5. Security and damage deposit funds may be disbursed by the owner at the end of a tenancy according to the lease agreement.
6. A single check may be paid monthly to the real estate firm for commissions and fees if the check is supported by a schedule of commissions identified to each individual client.

### **VIII. SUPERVISION OF AFFILIATED LICENSEES**

#### **A. General supervisory responsibilities**

1. The designated broker is responsible for the supervision and conduct of any broker, managing broker, or branch manager who is licensed under the designated broker.
2. In addition to the designated broker, a branch manager is responsible for the supervision and conduct of any broker or managing broker operating under the branch manager at a branch office.
3. Only a broker or branch manager licensed as a managing broker may supervise other brokers in a firm or office.
4. A designated broker or managing broker must review all brokerage service contracts involving any broker in the firm licensed for less than two years.

A broker with less than two years' experience is required by Commission rules to timely submit all brokerage service contracts and documents to the designated broker or managing broker as directed by the firm's contract review policy.

- a. The reviews must be completed within five business days of mutual acceptance of the brokerage service contracts.

- b. Documented proof of review must be maintained by the firm at their record locations.
5. No agreement or contract may be made that takes away the responsibilities of a designated broker or a managing broker.
6. Neither an independent contractor agreement nor any other employment contract with an individual licensee releases a designated or managing broker from the duty to supervise that licensee.

## B. Supervision of teams

1. Brokers may form real estate teams in a firm under a designated broker.
  - a. A team may include a group of brokers who cover for each other without any broker in a position of authority.
  - b. A team may consist of two spouses.
  - c. A team may also have a hierarchy with one or more brokers directing the actions of other brokers.
  - d. Some teams may include licensed or unlicensed assistants.
2. When a team consists only of two spouses working together, neither broker must have a managing broker's license.
3. A managing broker's license is required of any broker who supervises or controls the actions of other brokers on a team.
  - a. If any team member supervises or controls the actions of other licensed team members and their provision of brokerage services, the supervising team member must have a managing broker's license.
  - b. If the team member actually supervises or controls other licensed members of the team, even if a written team description includes no mention of supervision or control, that team member must have a managing broker's license.
4. The managing broker of the team is responsible for the supervision and control of the other licensed members of the team.

## IX. ADVERTISING RULES

### A. Advertising rules

1. The license law defines "advertising" as any attempt by publication or broadcast, whether oral, written, or otherwise to induce a person to use the services of a real estate firm, broker, managing broker, or designated broker.
2. Any advertisement must be "clear and conspicuous," meaning that the representation or term being used is of such a color, contrast, size, or audibility that it is readily noticed and understood.
3. It is a violation of the license law to make, print, publish, or distribute false statements, descriptions or promises that induce any person to act on those statements if the statements or descriptions by a licensee or the licensee's principal were known to be false or should have been known to be false.

4. A real estate brokerage firm must operate under their licensed name or assumed name.
  - a. All advertising or solicitations for brokerage services, including any manner of internet advertising, must include the firm name or an assumed name as licensed by the Commission.
  - b. Any advertisement that does not include the name of the firm as licensed with the Commission is considered "blind advertising" and is unlawful for a broker.
5. Brokers and managing brokers who advertise using a name, title, or brand without obtaining an assumed name licensed by the Commission must
  - a. always use and display the firm's license name or the firm's licensed assumed name in a clear and conspicuous manner in conjunction with the use of that name, title, or brand;
  - b. not use a name, title, or brand which suggests a legal entity separate and distinct from the firm (such as "Inc," "LLC," "Corp," "firm," or "company");
  - c. not use a name, title, or brand commonly understood to reference a firm or an office (such as "realty," "realtors," "firm," or "real estate");
  - d. receive advance written approval from the firm's designated broker to use an unlicensed title or brand.



# UNIT 3 REVIEW QUESTIONS

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## True/False Questions

1. A real estate firm may pay a commission directly to a cooperating broker in another firm involved in a real estate transaction.
  - A. True
  - B. False
2. When a broker is indicted in a criminal action naming the broker as a defendant, the broker must notify the Department of that indictment within 20 days.
  - A. True
  - B. False
3. When a broker signs an independent contractor agreement with a designated broker to affiliate with a firm, the broker releases the designated broker from any direct responsibility for the broker's conduct or activities in real estate.
  - A. True
  - B. False
4. A licensed real estate firm may pay a commission directly to a manufactured home retailer when the purchase of a manufactured home is in conjunction with a transaction for the purchase or lease of land.
  - A. True
  - B. False
5. A broker may pay an unlicensed real estate assistant only a regular salary which is not a commission related to a specific real estate transaction.
  - A. True
  - B. False
6. A designated broker must establish a non-interest-bearing real estate trust account in a federally chartered or Washington state bank for the deposit of any funds belonging to clients.
  - A. True
  - B. False
7. Firms may hold physical records of closed transactions over one year old at a remote location from the firm's licensed address.
  - A. True
  - B. False
8. Washington law prohibits two real estate firms from having locations at the same address with a common entrance.
  - A. True
  - B. False
9. Under certain conditions stated in the license law, a real estate designated broker may conduct other businesses at the same physical location as his brokerage firm.
  - A. True
  - B. False
10. Property management trust funds are not required to be deposited into an interest-bearing account, but may be deposited in an interest-bearing account if the owner agrees in writing and interest is paid to the owner.
  - A. True
  - B. False
11. A firm must establish a branch office for transactions on property that is not within 25 miles of a licensed office or branch office.
  - A. True
  - B. False
12. A branch manager must be licensed as a managing broker.
  - A. True
  - B. False
13. A designated broker may not be held accountable for the unlawful actions of an affiliated broker if the broker violated policies published in writing by the designated broker and the firm has procedures in place for the supervision of affiliated brokers.
  - A. True
  - B. False

14. When a listing broker intentionally delays presenting a seller client with a buyer's written offer in the hope of receiving a higher offer from another buyer, the broker may be guilty of violating the license law.  
A. True  
B. False
15. The fact that a Washington broker's appraisal license in a neighboring state has been suspended has no effect on the broker's Washington real estate license.  
A. True  
B. False
16. Not providing authorized access during regular business hours to the representatives of the director of licensing conducting an investigation or audit is an unprofessional practice that may result in sanctions by the Commission.  
A. True  
B. False
17. A designated broker may pay a commission directly to a cooperating broker from another firm at the closing of a transaction.  
A. True  
B. False
18. It is unlawful for a designated broker to pay an unlicensed assistant a percentage of the broker's commission from a sales transaction.  
A. True  
B. False
19. When a purchase contract stipulates that the buyer's earnest money will be held by an attorney, the broker representing the seller in the transaction is not responsible in any way for those funds.  
A. True  
B. False
20. Bank fees charged to a firm's registered trust account may not be paid directly from the trust account.  
A. True  
B. False
21. A designated broker must prepare a reconciliation of the firm's trust account ledgers and the account bank statement at least every six months.  
A. True  
B. False
22. A designated broker must retain trust account records and transaction records for a period of three years at an address where the firm is licensed.  
A. True  
B. False
23. Two real estate firms may share the same office space and desks so long as the names of both firms as licensed by the Commission are prominently displayed at the location.  
A. True  
B. False
24. A licensed real estate firm may manage residential properties for an owner or owners only through a written management agreement signed by the owner or owners and the designated broker.  
A. True  
B. False
25. A designated broker or managing broker must review a purchase contract submitted by a broker with less than two years' experience within seven days of receiving the contract.  
A. True  
B. False
26. Washington law permits a real estate brokerage firm to advertise under an assumed name without any permission or licensing of that name by the Commission.  
A. True  
B. False

**Multiple-Choice Questions**

1. The supervision of real estate licensees at a firm's branch office is the responsibility of
  - A. both the designated broker and the managing broker.
  - B. only the designated broker.
  - C. only the managing broker.
  - D. each individual licensee under an independent contractor agreement.
2. A broker with a buyer brokerage agreement with a buyer client delays showing the buyer some properties that meet the buyer's criteria in hopes that the buyer will choose a more expensive home yielding a higher commission for the broker's firm and the broker. The broker's action
  - A. may harm the public interest and violate the license law.
  - B. is permissible as the broker is responsible for the profitability of their firm.
  - C. is permissible if the broker's firm also represents sellers of homes of interest to the buyer.
  - D. is unethical but not a violation of the license law.
3. Unless a written agreement from the parties to a transaction states differently, checks received as earnest money, security or damage deposits, rent, or lease payments are deposited into
  - A. a broker's operating account.
  - B. a title company's escrow account.
  - C. an attorney's escrow account.
  - D. a real estate firm's registered trust account.
4. A broker's trust account balance must always be equal to
  - A. the total amount of earnest money deposited into the account.
  - B. the total amount of any liabilities to clients named in the account register.
  - C. the total amount of all security deposits, damage deposits, and rent payments deposited into the account.
  - D. the total of the previous month's balance as shown on the bank statement for the account.
5. A designated broker must maintain transaction records for a minimum of
  - A. one year after closing.
  - B. five years after closing.
  - C. three years after closing.
  - D. a length of time until the records have been audited by the Department.
6. A firm's main office and each of its branch offices must display
  - A. the firm's name and phone number only.
  - B. the firm's name only.
  - C. any name by which the firm may do business.
  - D. the firm's name or assumed name as it appears on its license.
7. When two separately licensed real estate firms operate branch locations out of the same location
  - A. their records may be held in the same place.
  - B. their physical operations must be separated and clearly identified.
  - C. they may share office space to reduce expenses.
  - D. a branch manager licensed to one firm may supervise both offices under a written agreement with each firm.
8. Washington law permits a broker to practice property management
  - A. through an oral agreement for a term of six months or less.
  - B. through a signed, written agreement establishing the responsibilities of the broker and owner, and the term of the agreement.
  - C. through an oral agreement for a term of nine months or less.
  - D. through a written letter from the owner granting permission for the firm to engage in property management.

9. A broker working at a branch office delays delivering earnest money checks from offers on a listing to his managing broker on several occasions. The managing broker
  - A. may be found to have provided inadequate supervision unless the firm or the managing broker has a written policy requiring delivery of earnest money checks within two business days.
  - B. will not be held responsible because the designated broker is responsible for the actions of the firm's licensees.
  - C. cannot be held responsible for the broker's actions if the broker works as an independent contractor of the firm.
  - D. will not be held responsible if the firm has an active errors and omissions policy.
10. A designated broker or a delegated managing broker must review any real estate brokerage contract from a broker
  - A. licensed under two years.
  - B. licensed under three years.
  - C. who has transferred from another firm within the past two months.
  - D. who has transferred from another firm within the past three months.
11. A designated broker or a managing broker may terminate the relationship of the firm with an affiliated broker
  - A. only with the written authority of the Commission.
  - B. only after a period of two years for any newly licensed broker.
  - C. at any time before the first renewal of a newly licensed broker.
  - D. unilaterally.
12. When a broker is notified that they are a defendant in any criminal complaint, the broker must notify the Department of Licensing
  - A. within 5 days.
  - B. within 10 days.
  - C. within 15 days.
  - D. within 20 days.
13. A designated broker may pay compensation
  - A. directly to a broker from another firm who has cooperated in the sale of a home listed by the designated broker's firm.
  - B. from their firm's commission to an unlicensed office manager of their firm.
  - C. only to a licensed broker or managing broker affiliated with the designated broker's firm.
  - D. to a home inspector from their firm's trust account.
14. When a purchase agreement calls for the buyer's earnest money deposit to be held in trust by an attorney
  - A. the law holds the attorney primarily responsible for the trust funds.
  - B. the trust funds are the responsibility of a third-party trustee.
  - C. the Commission accepts responsibility for the trust funds
  - D. the listing broker is responsible for the security and record of trust funds even if held by an attorney or escrow agent.
15. In order to open a trust account and to keep the account from closing because of minimum balance requirements, a designated broker
  - A. may deposit a minimum amount of the broker's own funds into the registered trust account.
  - B. may retain up to \$500 monthly of the broker's own funds in the trust account.
  - C. may retain up to \$750 monthly of the broker's own funds in the trust account.
  - D. may retain up to \$1,000 monthly of the broker's own funds in the trust account.
16. A broker active in another state practicing in Washington through a recognition agreement
  - A. must arrange for all records to be stored with a Washington brokerage firm or attorney.
  - B. may store records out-of-state only if duplicate records are maintained with a Washington brokerage firm
  - C. may store records of transactions in Washington in that broker's out-of-state location.
  - D. must assign responsibility for record keeping to a Washington licensed designated broker.

17. Physical records of transactions closed for at least one year
  - A. must be retained for an additional three years by the firm.
  - B. may be converted to electronic media if physical records are retained in the firm's primary licensed location.
  - C. must be converted to permanent storage media.
  - D. may be stored at a firm's remote location.
18. A broker who provides services outside of their brokerage responsibilities
  - A. may provide those services to a brokerage client with the written permission of the client.
  - B. may not provide those services to a client engaged with the broker in an agency relationship.
  - C. must have a special written exception agreement from the Commission to offer those services to clients.
  - D. is not required to disclose the nature of the services or acquire permission from clients or consumers to offer the services.
19. A designated broker whose firm engages in multiple property management relationships with property owners
  - A. must have a signed, written agreement supporting each property the broker manages.
  - B. may have one general management agreement supporting the broker's work for multiple properties.
  - C. may work under an oral property agreement for any residential property.
  - D. may manage a property without any formal agreement.
20. A property management between a designated broker and a property owner may provide for all of the following EXCEPT
  - A. the firm's compensation.
  - B. authorization for the firm to collect and disburse funds, and for what purposes.
  - C. authority for the broker to represent the owner in the sale of the property.
  - D. the frequency of the broker's submitting summary statements to the owner.
21. A designated broker or a managing broker must review any brokerage service contracts involving any broker in the firm licensed for less than two years
  - A. within two business days of mutual acceptance of the brokerage service contracts.
  - B. within three business days of mutual acceptance of the brokerage service contracts.
  - C. within seven business days of mutual acceptance of the brokerage service contracts.
  - D. within five business days of mutual acceptance of the brokerage service contracts.
22. The requirement for a designated or managing broker to review brokerage service contracts of brokers licensed less than two years
  - A. applies only to firms of more than 25 affiliated brokers and managing brokers.
  - B. may not be taken away by any employment or independent contractor agreement.
  - C. may be eliminated through a managing broker's employment contract with a firm.
  - D. may be waived by special authorization from the Commission.
23. When a husband and wife, both licensed as brokers, form a real estate team in a brokerage firm
  - A. the designated broker must appoint a managing broker to supervise the team.
  - B. neither broker is required to hold a managing broker's license.
  - C. one of the spouses must hold a managing broker's license.
  - D. both brokers must hold a managing broker's license.
24. A branch manager of a firm's branch office
  - A. must be directly and daily supervised by the firm's designated broker.
  - B. must operate under the direction of a managing broker appointed by the designated broker.
  - C. is only responsible for the administrative functions of the branch office.
  - D. is responsible for the supervision of any broker or managing broker operating under that branch manager.

25. Advertising by a real estate brokerage firm on the internet, through electronic media, or on social media
- A. must include the firm name or assumed name as licensed by the Commission.
  - B. is exempt from license law rules regarding print or television advertising.
  - C. may be made in the name of the individual broker or managing broker.
  - D. must be approved in advance by the Real Estate Commission.
26. When a managing broker wants to advertise using a brand name without obtaining an assumed name licensed by the Commission, all the following apply EXCEPT
- A. the brand name must be used in conjunction with the firm's name as licensed by the Commission.
  - B. the advertisement may not use a legal entity suggesting a separation from the firm.
  - C. the managing broker must obtain written permission from the firm's designated broker.
  - D. the managing broker is not required to seek approval or permission for using that name.

# UNIT 4

## Real Estate Brokerage Relationships (Agency)

### LEARNING OBJECTIVE

*When you have completed this unit, you will be able to accomplish the following.*

› **Discuss** a broker's duties to clients and the disclosure of agency relationships

#### I. TYPES OF AGENCY (DUAL, SELLER AGENCY, BUYER AGENCY, OTHER)

##### A. General definitions

- “Agency relationship” means the agency relationship created by the law or by written agreement between a real estate firm and a buyer and/or seller relating to the performance of real estate brokerage services.
- “Agent” means a broker who has entered into an agency relationship with a buyer or seller.
- “Principal” means a buyer or a seller who has entered into an agency relationship with a broker.
- “Real estate brokerage services” means the rendering of services for which a real estate license is required.
- “Subagent” means a broker who is engaged to act on behalf of a principal by the principal's agent where the principal has authorized the broker to appoint subagents.

## B. Types of agency

The real estate agency law in Chapter 18.86 RCW provides definitions describing agency relationships and the types of agency established and recognized in Washington.

- **Buyer's Agency:** "Buyer's agent" means a broker who has entered into an agency relationship with only the buyer in a real estate transaction, and includes subagents engaged by a buyer's agent.
- **Dual Agency:** "Dual agent" means a broker who has entered into an agency relationship with both the buyer and the seller in the same transaction.
- **Seller's Agency:** "Seller's agent" means a broker who has entered into an agency relationship with only the seller in a real estate transaction, and includes subagents engaged by a seller's agent.
  - a. The seller's agent may enter a listed property into the community's multiple listing service which offers subagency in the seller agency relationship with brokers from other firms who show the listed property to prospective buyers.

## C. Non-agency: The non-agent facilitator

- A broker may choose to work with a consumer, either a buyer or a seller, a landlord or a tenant, as a non-agent facilitator.
- The broker does not represent the party in an agency relationship.
- The broker may only perform ministerial acts for the consumer.
- Ministerial acts are routine acts performed for a consumer that do not involve discretion, judgment, or advice. Ministerial acts may involve activities such as assistance in finding a home inspector or lender, or doing paperwork for a consumer.

## II. DISCLOSURE OF REAL ESTATE RELATIONSHIPS

### A. Disclosure of material facts

1. In Washington, a broker must disclose all existing material facts known by the broker and not readily known to any party in a transaction.
  - a. This obligation applies even if the broker represents a seller and is not a violation of the broker's loyalty to the seller.
2. A material fact is any fact that is relevant or could be relevant to a person making a decision in the transaction.
  - a. A material fact is any information that may substantially adversely affect the value of a property or a party's obligations to fulfill obligations in a real estate transaction.
  - b. Information must be disclosed to the buyer if the information would affect either the buyer's decision to pay or how much the buyer would pay.
  - c. Disclosure of information that would affect a seller's decision must also be disclosed to the seller.



3. This duty of disclosure of material facts cannot be waived and applies whether the broker is hired as an agent for one of the parties or acts as a non-agent.
4. Negligent misrepresentation is a failure to disclose a material fact out of ignorance when the broker should have known otherwise.
5. Intentional misrepresentation occurs when a broker knows of a material fact or defect and does not disclose the fact or defect to the parties in the transaction.
6. Washington State's agency law states that any fact that affects the physical condition of, or title to a property is considered a material fact and must be disclosed.
  - a. Incidents such as a property being the site of a murder, suicide, or other death; rape or other sex crime; assault or other violent crime; robbery or burglary; gang-related activity; or political or religious activity may stigmatize a property.
  - b. Because these do not affect the physical condition of, or title to, the property, they are not considered material facts.

#### **B. Disclosure of agency relationship**

1. The latest a broker may disclose their available and existing brokerage relationships is before any party signs an offer in a real estate transaction handled by the broker. At that time the broker must disclose to all parties to whom they provide real estate state brokerage services whom they represent—whether they represent the buyer, the seller, both parties, or neither party.
  - a. This disclosure may be in the written agreement between the buyer and the seller and titled *Agency Disclosure*.
  - b. The disclosure may also be provided as a separate written document titled *Agency Disclosure*.

#### **C. Disclosure by seller's agent**

1. An agent for a seller should disclose to the seller:
  - a. all offers, unless instructed otherwise by the seller;
  - b. the identity of any buyer and any relationship the agent has with the buyer, or any interest of the agent in the seller;
  - c. the buyer's ability to complete the sale or purchase the property at a higher price;
  - d. the agent's best judgment as to the fair market value of the house; and
  - e. the buyer's intent to resell the property for a profit.

#### **D. Disclosure by buyer's agent**

1. An agent for a buyer should disclose to a buyer:
  - a. defects or deficiencies in the property known to the agent;
  - b. sales provisions and financing that do not meet the buyer's needs;

- c. the lowest price the buyer should pay based on comparable sales, regardless of the listing price;
- d. how long the property has been on the market; and
- e. the seller's reasons for selling, if known.

### **E. Presumption of buyer agency**

1. In Washington, when a broker begins working with any buyer, there is a presumption of buyer agency.
  - a. As soon as a broker begins helping a prospective buyer find a house, that broker and their designated broker represents that buyer, even if the broker merely discusses housing needs with the prospective buyer at an open house.
  - b. The agency relationship will exist whether or not a written buyer agency agreement is executed.
  - c. However, a broker cannot sue for a commission from the buyer unless there is a written buyer agency agreement.
2. There are exceptions to the presumption of buyer agency when:
  - a. a licensee is a seller's agent through a written agency agreement with a seller;
  - b. the licensee is a seller's agent through a subagency agreement with a seller's agent;
  - c. the licensee has a written agency agreement with both parties and is a dual agent in the transaction;
  - d. the licensee is a seller or one of the sellers; and
  - e. the parties agree otherwise in writing.

### **F. Non-agent facilitator**

1. The licensee has the option of working as a non-agent facilitator.
  - a. The licensee works with either a buyer or a seller—but most often with a buyer.
  - b. The licensee does not represent either party as an agent.
  - c. The licensee overcomes the presumption of buyer agency through a written agreement with the buyer.
  - d. The licensee must provide the buyer the agency law pamphlet before any written agreement.

### **G. Presumption of designated agency**

1. There is a presumption of designated agency in a real estate transaction in which different licensees affiliated with the same designated broker work with different parties to a real estate transaction.
2. The broker in this case is a *dual agent*.

3. The designated broker assigns one affiliated licensee to represent the seller as the seller's designated agent and assigns a different affiliated licensee (from the same firm) to represent the buyer as the buyer's designated agent.
4. Each licensee will solely represent that party with whom they have an agency relationship, unless all parties agree in writing that each licensee is a dual agent.
  - a. Otherwise, only the designated broker is considered a dual agent.
5. The individual who is working with the buyer or the seller will act as that party's designated or assigned agent.
6. Designated agency is also known as assigned or split agency.

#### H. Duration of agency duties

1. An agency relationship begins at the time that a broker undertakes to provide real estate brokerage services to a principal, and continues until the earliest of the following:
  - the completion of performance by the broker;
  - expiration of the term agreed upon by the parties;
  - termination by mutual agreement of the parties;
  - termination of the relationship by notice of either party to the other.
2. Unless otherwise agreed to in writing, a broker owes no further duty upon termination of an agency relationship than the duties of not disclosing confidential information and accounting for all money and/or property received during the agency relationship.

#### I. Vicarious liability

1. A principal is not liable for an act, error, or omission by an agent or subagent of the principal arising out of an agency relationship unless
  - a. the principal participated in or authorized the act, error, or omission; or
  - b. the principal benefited from the activity and the court determines it is highly probable that a claimant would be unable to enforce a judgment against the agent of subagent.
2. A broker is not liable for an act, error, or omission of a subagent unless the broker participated in or authorized the act, error, or omission.

#### J. Imputed knowledge and notice

1. Unless otherwise agreed to in writing, a principal does not have knowledge or notice of any facts known by an agent or subagent of the principal that are not actually known by the principal.
2. Unless otherwise agreed to in writing, a broker does not have knowledge or notice of any facts known by a subagent that are not actually known by the broker. The law does not limit the knowledge imputed to the designated broker or any managing broker responsible for the supervision of the broker of any facts known by the broker.

### III. AGENCY DUTIES

#### A. Chapter 18.86 RCW: Real Estate Brokerage Relationships

1. The law establishes minimum duties to all parties in a transaction.
2. The duties in the law are statutory duties, not fiduciary duties.
  - a. The statutory duties supersede the duties of an agent to a principal in the common law.
  - b. Unless agreed to in writing, the agent owes the principal only the duties stated in the law.

#### B. Duties to all parties

1. To exercise reasonable care
2. To deal honestly and in good faith
3. To disclose all material facts
4. To account for all money or property received from any party
5. To disclose the broker's agency relationship with any party
6. To provide to all parties a pamphlet on the law and real estate agency

#### C. Minimum duties to seller

1. Unless additional duties are agreed to in writing by the seller's agent, the agent owes a seller the duties to all parties and a duty:
  - a. to be loyal to the seller by taking no action that is against the seller's interest;
  - b. to timely disclose any conflict of interest;
  - c. to advise the seller to seek expert advice on matters related to the transaction that are beyond the agent's expertise;
  - d. not to disclose confidential information from or about the seller even after the agency is terminated; and
  - e. to make a continuous effort to find a buyer for the property until it is under contract.
2. The showing of properties not owned by the seller to prospective buyers, the listing of competing properties for sale, or the representation of more than one seller by different brokers affiliated with the same firm in competing transactions does not in itself breach the duty of loyalty to the seller or create a conflict of interest.
3. The seller's agent should provide the seller with the Residential Real Property Disclosure Statement required by law.
  - a. The law requires the seller to deliver the disclosure statement no later than five days from the acceptance and signing of the purchase contract.

- b. The buyer may waive a right to the disclosure statement.
  - i. The buyer has three business days to approve and accept the disclosure statement or rescind the purchase and sale contract.
- 4. The property disclosure statement is not a warranty as to the condition of the property.
  - a. A real estate broker cannot be held liable for statements in the disclosure statement unless the broker is aware of undisclosed property defects or encourages a seller not to disclose those defects.

#### D. Minimum duties to buyer

1. Unless additional duties are agreed to in writing by the buyer's agent, the agent owes the buyer, in addition to the duties to all parties, the duty:
  - a. to be loyal to the buyer and take no action that is against the buyer's interest;
  - b. to timely disclose any conflict of interest;
  - c. to advise the buyer to seek expert advice on matters related to the transaction that are beyond the agent's expertise;
  - d. not to disclose confidential information from or about the buyer, even after termination of the agency agreement; and
  - e. to make a good faith and continuous effort to find a property for the buyer. The agent is not obligated to show additional properties if the buyer is under a purchase contract, or to show properties that are not part of a written agreement to pay compensation to the agent.
2. The showing of property in which a buyer is interested to other prospective buyers and/or the representation of more than one buyer by different brokers affiliated with the same firm in competing transactions does not in itself breach the duty of loyalty to the buyer or create a conflict of interest.
3. The buyer's agent should inform the buyer of the seller's responsibility to deliver to the buyer the Residential Real Property Disclosure Statement within five days of the acceptance and signing of the purchase contract.
  - a. The buyer may waive a right to the disclosure statement.
    - i. The buyer has three business days to approve and accept the disclosure statement or rescind the purchase and sale contract.
4. The buyer's agent may complete a pre-printed purchase agreement with the buyer in making an offer to purchase a property.
  - a. The buyer's agent may not draft on their own any purchase agreement; the buyer's agent may not engage in any unauthorized practice of law.

### E. Duties of a dual agent

1. A dual agent owes both parties to a transaction the duties owed to all parties, and unless additional duties are agreed to in writing by the agent, the duties stated in the law for the seller and buyer, respectively.
2. A dual agent must do the following:
  - take no action that is adverse or detrimental to either party's interest in a transaction;
  - timely disclose to both parties any conflict of interest;
  - advise both parties to seek expert advice on matters relating to the transaction that are beyond the dual agent's expertise;
  - not disclose confidential information from or about either party, except under subpoena or court order, even after the termination of the agency relationship.

## IV. WRITTEN CONSENT OF PARTIES

### A. Written consent of parties

1. The license law requires a brokerage firm to act for a principal or a consumer only through informed consent provided in a written, signed agreement.
2. A principal must give consent through an agreement signed by both the principal and a broker on behalf of the firm
  - a. for the brokerage firm and its brokers to act as agents for the principal;
  - b. for a broker to appoint subagents to act on the principal's behalf.
3. A broker may not act as a dual agent in a transaction without the written consent of both parties to the transaction.
4. Each party in a transaction in which the broker is a dual agent must give written consent to be represented by a designated agent of the firm when another broker in the firm is the designated agent representing the other party in the transaction.
5. When an agent acts as a non-agent facilitator, the consumer must provide written consent through an agreement detailing the duties to be performed by the non-agent facilitator.

# UNIT 4 REVIEW QUESTIONS

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## True/False Questions

1. A broker representing a seller must disclose all material facts about a property known to the broker to all parties except when the disclosure would violate the broker's duty of loyalty to the seller.  
A. True  
B. False
2. Washington law presumes that a designated broker represents the seller in any residential brokerage activity.  
A. True  
B. False
3. Once an agency relationship is terminated, a broker's duty of confidentiality to a client ceases to exist.  
A. True  
B. False
4. A seller's agent may not show properties competing with the seller's property due to the agent's duty of loyalty to the seller.  
A. True  
B. False
5. When representing any party in a transaction, an agent has a responsibility to advise her client to seek expert advice in any matter related to the transaction that is beyond the agent's expertise.  
A. True  
B. False
6. Washington law requires that a real estate licensee provide a buyer a written disclosure of agency law and practice before the buyer signs an offer to purchase a home.  
A. True  
B. False
7. Washington law requires that a real estate agent disclose all material facts only to a prospective purchaser in a real estate residential sales transaction.  
A. True  
B. False
8. A broker's duty to buyers requires a buyer's agent to show additional properties to a buyer after the buyer has executed a purchase contract with a seller.  
A. True  
B. False
9. A dual agent may only disclose confidential information about a client after the termination of the agency relationship.  
A. True  
B. False
10. When a designated broker assigns separate individual brokers from the broker's firm to represent a seller and a buyer in the same transaction, only the designated broker is considered a dual agent.  
A. True  
B. False

**Multiple-Choice Questions**

1. A broker representing a seller in a real estate transaction must disclose known material facts
  - A. only to the seller.
  - B. only to the buyer.
  - C. to the buyer if asked about the material fact.
  - D. to all parties in the transaction.
2. A broker must disclose whom they represent in a real estate transaction
  - A. in writing before a person signs an offer to purchase a property.
  - B. orally to all parties concerned before a person signs an offer to purchase a property.
  - C. only if asked by either party in a transaction.
  - D. by providing the agency law pamphlet to a buyer.
3. A broker acting as a dual agent for both parties in a transaction must disclose to the buyer
  - A. the seller's reasons for selling.
  - B. defects or deficiencies in the property and known to the agent.
  - C. the lowest price the seller is willing to accept for the property.
  - D. the details of offers previously made on the property.
4. Washington law presumes that a broker showing properties to a buyer is a
  - A. seller's agent.
  - B. buyer's agent.
  - C. dual agent unless they have a listing agreement with a seller.
  - D. dual agent unless they have a buyer brokerage agreement.
5. In a split agency transaction, a designated agent
  - A. represents both parties in the transaction.
  - B. may never act as a dual agent.
  - C. acts as a facilitator for one party in the transaction.
  - D. represents only one party in the transaction.
6. A broker's duty to account for all money and any property received from any party in a transaction
  - A. applies only if the broker represents the seller.
  - B. applies only if the broker represents the buyer.
  - C. applies only if the broker acts as a facilitator.
  - D. applies to all parties in a transaction.
7. A non-agent facilitator
  - A. does not represent any party in a transaction.
  - B. represents both parties in a transaction.
  - C. may act through an oral agreement with both parties.
  - D. has no responsibility to disclose information about agency.
8. The duty to disclose all material facts known by a broker
  - A. applies only to a broker acting under a seller agency agreement.
  - B. applies only to a broker acting under a buyer agency agreement.
  - C. applies whether a broker is hired as an agent for one of the parties in a transaction or acts as a non-agent.
  - D. does not apply if an agent represents neither party in a transaction, acting only as a non-agent to the parties.
9. When a broker represents a buyer under a buyer agency agreement
  - A. the broker may show a property of interest to their client to other interested parties.
  - B. the broker may not show a property of interest to the client due to the duty of loyalty to the buyer.
  - C. no other broker in the firm may show another prospective buyer a property of interest to the broker's client.
  - D. the broker is obligated to show additional properties to the buyer even if the buyer is under contract to purchase from a seller.
10. A brokerage firm may practice dual agency in a purchase transaction
  - A. with the oral permission of all parties in the transaction.
  - B. only with the written permission of both parties to a transaction.
  - C. with only the written permission of the seller.
  - D. with only the written permission of the buyer.



# UNIT 5

## Scenarios in Real Estate Practice (Managing Broker Only)

### LEARNING OBJECTIVE

*When you have completed this unit, you will be able to accomplish the following.*

- › **Explain** the duties of a managing broker in property management and in the supervision of other brokers.

#### I. PROPERTY MANAGEMENT

##### A. General review of managing broker responsibilities

1. The license law and the Commission's rules state that a managing broker's responsibilities include the following:
  - a. assuring all real estate broker services in which they participate are in accordance with the license law and Commission rules
  - b. cooperating with the Department of Licensing in any investigation, audit, or licensing matter
  - c. following the designated broker's written policy on brokerage matters, including the referral of home inspectors
  - d. delivering transaction documents and brokerage service contracts to the designated broker or delegated managing broker within two business days of mutual acceptance
  - e. following laws and rules regarding
    - i. safe handling of consumer/client funds and property
    - ii. timely delivery of customer/client funds or property

- iii. proper and legal advertising
    - iv. modifying or terminating service contracts on behalf of the firm.
  2. If delegated by the designated broker, a managing broker's responsibilities may also include ensuring the following:
    - a. monthly reconciliation of trust bank accounts is completed, up to date, and accurate
    - b. monthly trial balances are completed, accurate, and up to date
    - c. the trial balance and the reconciliation show the account(s) are in balance
    - d. policies or procedures are in place to account for safe handling of customer or client funds or property
    - e. required records are maintained and up to date
    - f. advertising is proper and legal
    - g. timely review of contracts
    - h. brokerage service contracts are modified or terminated appropriately on behalf of the firm
    - i. persons employed, contracted, or representing the firm that the managing broker has delegated authority to supervise are properly licensed
    - j. brokers and managing brokers submit their transaction documents to the designated broker or managing broker within two business days of mutual acceptance.

#### **B. Property management responsibilities**

1. A managing broker who manages a property management relationship with a client is responsible for any of the responsibilities listed above that may relate to property management functions and duties.
2. Generally, a managing broker engaged in property management will be engaged in duties such as the following:
  - a. collecting monthly rent from tenants
  - b. hiring maintenance personnel to work on the buildings and grounds of the property
  - c. showing apartments and living spaces, or commercial space, to prospective tenants
  - d. developing marketing materials to attract new tenants
  - e. performing routine building and property inspections
  - f. creating lease agreements and responding to issues or complaints of tenants.

## II. SUPERVISION

### A. Supervision of brokers by managing broker

1. A broker who supervises or exercises a right of control over other brokers in the performance of real estate brokerage services must be licensed as a managing broker.
2. The designated broker of the firm or a managing broker must supervise the conduct of brokers and managing brokers in compliance with the license law and Commission rules.
3. Listings, transactions, management agreements, and other contracts relating to providing brokerage services are property of the real estate firm.
  - a. All brokers are required to timely deliver to their appointed managing broker all funds and records required to be held or maintained by the real estate firm.
  - b. A managing broker is responsible for the funds and records only after they are received from an affiliated broker.
4. The managing broker must deliver to the designated broker all funds and records to be held and maintained by the firm.
  - a. The designated broker is responsible for the funds and records only after they are received from the managing broker.

### B. Delegation of authority by the designated broker

1. A designated broker may delegate through a written agreement the duties of safe handling of client funds, maintenance of trust accounts, and transaction and trust account records to a managing broker licensed to the firm.
2. The designated broker may also delegate to a managing broker the supervision of brokers in the firm. The delegated broker must keep a current record of all managing brokers and copies of all written agreements delegating the designated broker's authority to the managing brokers. Any agreement authorizing such duties must be signed by both the designated broker and the managing broker.
3. A managing broker delegated by the designated broker has the authority to amend, bind, create, rescind, terminate, or release real estate brokerage service contracts on behalf of the real estate firm.

### C. Specific supervisory duties of a managing broker

1. A managing broker must ensure that persons employed, contracted, or representing the firm that the managing broker has delegated authority to supervise are appropriately licensed by the Commission.
2. The managing broker must ensure that brokers and managing brokers submit their transaction documents to the designated broker or the managing broker within two business days of mutual acceptance of any contract.
3. During the first two years of a broker's licensure the managing broker must provide a heightened level of supervision.

4. The managing broker must ensure accessibility of the firm's offices and records to the director's authorized representative and must ensure that required records are available upon demand in any investigation or audit.
5. The managing broker is responsible for ensuring that all affiliated licensees are following the designated broker's written policies on the following:
  - a. the referral of home inspectors
  - b. the levels of supervision for all brokers and managing brokers
  - c. the review of all brokerage service contracts involving any broker licensed for less than two years.
    - i. The review must be completed within five business days of mutual acceptance.
    - ii. Documented proof of the reviews must be maintained by the firm at the location of the firm's records appropriate for those contracts.

# UNIT 5 REVIEW QUESTIONS

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## True/False Questions

1. Only the designated broker of a firm is responsible for the monthly reconciliation of trust bank accounts.  
A. True  
B. False
2. A managing broker must ensure that transaction documents and brokerage service contracts are delivered to the designated broker within two business days of mutual acceptance.  
A. True  
B. False
3. A managing broker working in property management for a firm is responsible for the proper and legal advertising of the owner's property.  
A. True  
B. False
4. A managing broker is usually not involved in handling tenant or customer complaints.  
A. True  
B. False
5. A designated broker may delegate a broker licensed less than two years to supervise brokers operating under a property management agreement.  
A. True  
B. False
6. A managing broker is responsible for client funds, documents, and records only after they are delivered to that broker by a broker engaged in the real estate transaction.  
A. True  
B. False
7. A managing broker must review the contracts of brokers licensed less than two years within three business days of the mutual acceptance of the contract.  
A. True  
B. False
8. A written agreement between a designated broker and a managing broker authorizing the managing broker to perform duties assigned by law to the designated broker must be signed by both the designated broker and the managing broker.  
A. True  
B. False

**Multiple-Choice Questions**

1. The law requires a broker in a real estate transaction to deliver the contract and any other related documents to the designated broker or a managing broker within
  - A. two calendar days of mutual acceptance of the contract.
  - B. two business days of mutual acceptance of the contract.
  - C. three business days of mutual acceptance of the contract.
  - D. five business days of mutual acceptance of the contract.
2. The law permits a managing broker to assume duties assigned to a designated broker
  - A. through a written agreement signed by both brokers.
  - B. through an oral agreement between the brokers.
  - C. only if the managing broker has been licensed as a managing broker for three years.
  - D. only if the managing broker has been licensed as a managing broker for two years.
3. The license law permits a managing broker to assume all duties for a firm EXCEPT
  - A. the monthly reconciliation of trust accounts.
  - B. the monthly completion of trial balances and reconciliations of trust accounts.
  - C. the review of real estate contracts.
  - D. the overall supervision of all brokers and managing brokers in the firm.
4. A managing broker appointed as a branch manager of a firm must provide heightened supervision of the brokerage activities of any broker
  - A. licensed less than two years.
  - B. licensed more than two years but recently affiliated with the firm.
  - C. who has recently been licensed as a managing broker.
  - D. who engages in commercial real estate transactions.
5. A managing broker must review brokerage service agreements from a broker licensed less than two years
  - A. within two business days from mutual acceptance.
  - B. within three business days from mutual acceptance.
  - C. within five business days from mutual acceptance of the agreement.
  - D. within seven business days from mutual acceptance.
6. Under authorization from the designated broker, a managing broker
  - A. may not be held responsible for ensuring cooperation with an audit or investigation.
  - B. is not required to provide documents or contracts requested in an authorized audit.
  - C. must assign the duty of providing documents in an audit to the designated broker.
  - D. is responsible for ensuring cooperation with an audit by the Commission.
7. A managing broker may modify or terminate service contracts on behalf of the firm
  - A. only under the direct supervision of the designated broker for each contract.
  - B. only if authorized through written authorization from the Commission.
  - C. if the contract does not involve a property management relationship.
  - D. if authorized in a written, signed agreement with the designated broker.
8. Ensuring that each broker in a firm is properly licensed by the Commission
  - A. is solely the responsibility of the designated broker.
  - B. is the responsibility of the office manager of each branch office.
  - C. is the responsibility of each individual broker only.
  - D. is the responsibility of a managing broker if authorized by the designated broker.

# ANSWER KEY

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## Unit 1

### True/False Questions

1. **B** The statement is false. A managing broker works under the designated broker of a firm, who is the sole proprietor or owner of the firm responsible for the actions of all brokers licensed under the designated broker.
2. **B** The statement is false. A Real Estate Commissioner must have a minimum of five years' experience in real estate brokerage activity or three years of investigative experience.
3. **A** The statement is true. The license law gives the director the authority to set regulations establishing the requirements for the licensing of persons already licensed in another state.
4. **A** The statement is true. Establishing rules for the referral of real estate inspectors is one of the duties of the Commission.
5. **A** The statement is true. A licensee must disclose any commission or compensation received for a real estate transaction.
6. **B** The statement is false. A violation of the license law is considered a gross misdemeanor which can be prosecuted by a county attorney or the state attorney general.
7. **B** The statement is false. When a broker does not deposit earnest money into a registered trust account, that action is a violation of the license law and subject to disciplinary action or a sanction from the director. A broker may not commingle earnest money or other trust funds with the broker's operating account.
8. **B** The statement is false. The director may issue an order for a fine of \$5,000 for each offense. One offense might be identified as a licensee, who has not renewed his license, practicing without a license for one day; a second day could require another \$5,000.
9. **A** The statement is true. When a sanction has been issued against a Washington real estate license, the licensee has 30 days to file an appeal with the clerk of a superior court.
10. **B** The statement is false. Fees from initial real estate licensing and renewals fund the research center, which is primarily involved in research related to real estate activity and the distribution of information from that research to the general public and persons or institutions involved in real estate activity in Washington.

### Multiple-Choice Questions

1. **A** In Washington, commissioners are appointed by the Governor, not elected or chosen by all licensees or a state association.
2. **D** Washington real estate license law states that the Commission is responsible for conducting real estate licensing examinations.
3. **B** The director initiates an investigation on their own authority or upon receiving a verified complaint. A licensee may appeal a sanction to a superior court. The attorney general may prosecute violations of the license law but does not initiate Commission investigations. A phone call does not establish grounds for an investigation.
4. **A** A licensee must disclose to all parties in a transaction any personal interest they have in property involved in the transaction. A licensee may not participate in any discriminatory activity that violates fair housing law. A licensee may receive compensation from more than one party if they disclose that compensation to all parties to a transaction. The Commission establishes rules regarding the referral of a home inspector but does not consider a recommendation for using an inspector a violation of law.

5. **C** A real estate licensee may only receive a commission from their designated broker or that broker's real estate brokerage firm. All the other answers are a violation of law, as the licensee receives a commission or fee from some other party.
6. **A** Practicing real estate beyond a licensee's area of competence is a violation of law. Misrepresentation occurs when a broker does not disclose all the material facts regarding a property. Fraud occurs when a broker is not truthful in a written document. Conversion is the using of another's monies for the broker's personal or business purposes.
7. **D** The license law permits all three to be represented by attorneys at an investigative hearing.
8. **C** The license law permits the director to dismiss an appeal if the fee for the hearing transcript is not paid within 15 days of the mailing of the transcript. There are no other provisions regarding the delay in the license law.
9. **D** The Center conducts research on real estate issues and provides information from that research to the public, real estate licensees, real estate institutions, colleges and universities, and other interested parties. It may recommend changes in law for the Commission to consider and propose to the state legislature. The Commission may approve some programs from the Center's funds for real estate programs, but the Center does not directly fund any real estate school or course provider. Legal counsel for the Commission is provided by the state attorney general.
10. **A** The answer is by a fee on original license applications and renewals. A \$10.00 fee on original license applications and all license renewals funds the Center. Funds from the Center must be distributed by approval of the Commission and only for the purposes set out by law for the Center. No other funds, contributions, or taxes support the work of the Center.

## Unit 2

### True/False Questions

1. **B** The statement is false. Government officials involved in the purchase of right-of-way or eminent domain property are exempt from real estate licensing requirements.
2. **A** The statement is true. To negotiate or offer to negotiate a real estate transaction for another person for a fee requires a real estate license, even if performing those services for a relative.
3. **B** The statement is false. Under the supervision and approval of a licensee, an assistant may provide written information about a property at an open house but must refer a prospective buyer to the licensee to answer the buyer's questions.
4. **A** The statement is true. The minimum age to obtain a broker's license in Washington is 18. An applicant for a managing broker's license must have at least three years' experience as a broker, and will be at least 21 years of age.
5. **B** The statement false. Firms such as corporations, partnerships, and limited liability companies may acquire a real estate license if they meet the licensing requirements for legal persons.
6. **A** The statement is true. A person licensed as a managing broker may register and serve as the designated broker for more than one firm. The manager must be registered as the designated broker for each firm with the Department.
7. **B** The statement is false. The renewal period for all real estate licenses is two years from the date of the issue of the original license by the Department.
8. **A** The statement true. The law requires that a person applying for a managing broker's license must be licensed for a minimum of three years within the last five years. There is no experience requirement for an applicant for a broker's license.
9. **B** The statement is false. For the first renewal of a broker's license, a broker must complete 90 hours of classwork, including the three-hour core course.



10. **B** The statement is false. The three-hour core course is required for each renewal of a broker and managing broker's license.
11. **B** The statement is false. A person who performs a real estate brokerage activity, including the marketing of a property, for another person for compensation or commission is required to hold a license. The broker is not entitled to an exemption since he is not marketing his own property.
12. **A** The statement is true. A community association manager who does not engage in real estate brokerage activities for any of the community association members or properties is exempt from real estate licensing.
13. **A** The statement is true. The license law permits personal assistants with the approval and under the supervision of brokers to place advertisements for properties.
14. **A** The statement is true. The law prohibits a personal assistant from discussing the price or amenities of a listed property unless the assistant holds a real estate license.
15. **B** The statement is false. The applicant must apply within three years.
16. **B** The statement is false. The license law states that the director of licensing may issue a temporary designated broker's permit to the senior broker or another licensee in the firm for a period of up to four months so that the firm may complete any pending transactions.
3. **A** The age requirement for a broker's license in Washington is 18 years of age. Because a managing broker's license requires three years of experience, a managing broker must be at least 21 years of age.
4. **B** The law requires that an applicant pass a state-administered examination for the broker license and for the managing broker license. To renew a license no examination is required.
5. **D** The law requires that a broker applying for a managing broker's license must have three years of full-time experience as a broker to qualify for a managing broker's license. The Commission will consider practical experience in a field related to real estate to meet this qualification.
6. **A** The law requires the designated broker to notify the director of the licensee's termination with the firm and to surrender the party's license to the director. The director will issue a new license to that party when the broker or managing broker submits an application and fee to register with another firm. There is no mandatory waiting period before the licensee may register with another firm and practice real estate.
7. **B** An officer with the corporation may be the designated broker only if they are licensed as a managing broker. The law includes specific requirements for corporations, partnerships, or limited liability companies to be licensed. A firm may only use a name for its real estate license that is not the same or similar as another licensed firm.

### Multiple-Choice Questions

1. **A** A banker performing real estate services for another for compensation is not exempt from real estate licensing. There is no temporary license for such activity, and a designated broker may not provide a fee or commission to an unlicensed person.
2. **D** The other answers are activities reserved only to persons holding a real estate license.
8. **C** Washington licensees may advertise and practice real estate under the name of the licensed firm which holds their licenses. A firm and its associates may advertise under a firm's assumed name provided that the Commission has issued a license for the firm under that assumed name. An advertisement is not required to include the designated broker's name.
9. **C** To renew a broker's license in the first renewal period, a broker must complete 90 hours of continuing education courses, including the three-hour core course.

10. **A** The answer is the managing broker may carry over up to 15 hours into her next renewal period. At least 15 hours must have been completed within the two-year renewal period.
11. **A** The other activities listed are exemptions to licensing under the license law.
12. **C** A local, state, or federal government employee may be involved in property for a right of way or eminent domain. The license law permits an exception to licensing for government agencies involved in right of way or eminent domain transactions.
13. **D** An applicant for a broker's license must complete 90 hours of prelicense education with courses completed within two years of applying for the license.
14. **C** No real estate broker, managing broker, designated broker, or firm may collect compensation for real estate brokerage services without first proving that the person or firm was licensed by the Department prior to engaging in real estate brokerage activity.
15. **A** An applicant for a managing broker's license must complete 90 hours of approved prelicense courses of at least 30 hours covering real estate brokerage management, business management, and advanced real estate law, taken within three years of applying for the license.
16. **B** All real estate brokerage activities, including advertising of listings and properties, must be conducted in the name of the licensed firm or one of its assumed names. A real estate firm may practice in one or more assumed names and must acquire a separate firm license for each assumed name.

### Unit 3 True/False Questions

1. **B** The statement is false. It is unlawful for a real estate firm to pay a commission directly to a licensee in another firm. A real estate broker may only receive a commission from her designated broker and firm. A firm may share a commission with the cooperating designated broker of another firm, who may then pay a commission to a broker licensed in that firm.
2. **A** The statement is true. If a broker is indicted or convicted as a defendant, he must notify the Department within 20 days. When a real estate broker is the subject of a court order, verdict, or judgment in any court in which the subject matter relates to the licensee's real estate activity or business, the licensee must notify the Department within 20 days.
3. **B** The statement is false. No agreement or contract, including an independent contractor agreement with a licensee, releases a designated broker or managing broker from her responsibilities for the conduct of the licensee. A designated broker supervises brokers and managing brokers licensed under her firm. A managing broker supervises brokers and managing brokers in her branch office.
4. **A** The statement is true. A firm may pay a commission in this situation. This is the only exception to the rule that a firm may not pay a commission to an unlicensed person.
5. **A** The statement is true. A broker may not pay an unlicensed assistant any commission or fee related to a specific transaction. The broker must pay the assistant only a regular salary.
6. **B** The statement is false. Except for trust accounts established for property management, a deposit of \$10,000 or less must be deposited into an interest-bearing account. 75% of the interest, minus bank fees, is paid into the Washington real estate housing fund and 25% is paid into the real estate education fund.

7. **A** The statement is true. Any physical record of a closed transaction over one year old may be held at a remote location provided that the firm maintains a list of all transactions at its address of record. All trust account and transaction records must be kept for a minimum of three years and available for review or audit by an authorized representative of the Department.
8. **B** The statement is false. Two real estate firms may share the same physical address, with a common entrance, if the two firms' offices are physically separated within the building, the licensed names of the companies are clearly identified within the building, and there is no confusion to the public as to the identity of the licensed firms.
9. **A** The statement is true. A broker may conduct another business at the location of his real estate firm if the businesses are clearly identified and separated, and if the records required by law for the real estate firm are separate from the records of any other business.
10. **A** The statement is true. Property management trust accounts are exempt from the requirement that trust funds be deposited into an interest-bearing account. However, the broker and the property owner may agree in writing to the funds being deposited into such an account. Interest must be paid to the property owner.
11. **B** The statement is false. A designed broker may establish one or more branch offices for the firm and, for a fee, acquire duplicate licenses for the branches to be displayed in each branch. A branch office is not required for any brokerage activity conducted on property within 35 miles of a licensed office or branch office.
12. **A** The statement is true. The license law requires that a branch manager of any firm be licensed as a managing broker.
13. **A** The statement is true. The designated broker may not be held accountable if the broker violated written policies of the broker; if the designated broker has adequate procedures for the supervision of affiliates; if the designated broker tried to change or mitigate the broker's unlawful conduct; and if the designated broker did not participate in the unlawful activity.
14. **A** The statement is true. Negligent or intentional delay in the performance of acts required by a real estate agreement harms the public interest and is considered a violation of the license law. The broker is obligated under the seller agency agreement to present all written offers to the seller as soon as possible.
15. **B** The statement is false. The suspension, revocation, or restriction of a license to engage in any profession by a competent authority in any state, federal, or foreign jurisdiction is considered unprofessional conduct and could result in disciplinary action by the Washington director of licensing.
16. **A** The statement is true. Not providing access during regular business hours for an audit is considered an unprofessional practice subject to disciplinary action.
17. **B** The statement is false. It is unlawful for a licensed real estate firm to pay all or any part of a broker's commission to any broker not licensed with that firm. A broker may only be compensated from their own firm.
18. **A** The statement is true. A broker or managing broker must pay an unlicensed assistant a regular salary. A broker or managing broker may not share a percentage of commissions from actual transactions with a real estate assistant who is not licensed as a broker.
19. **B** The statement is false. Trust funds (including earnest money) are all client funds held by a designated broker pending the closing of a real estate sale or transaction, or funds collected on behalf of a client to be disbursed to or for the client. A designated broker is responsible for trust funds even if the funds are held by an attorney or an escrow agent.
20. **A** The statement is true. Bank fees may not be paid from the trust account; a bank must take or bill bank fees from the firm's operating accounts. Funds may be taken from the trust account only if they pertain to a specific real estate transaction.

21. **B** The statement is false. The designated broker must prepare a monthly reconciliation of the firm's trust account ledgers and the trust account bank statement for each trust account registered with the firm. Disbursements may be made by check or electronic payment, and the specific transaction related to the transaction must be identified. Commissions owed to another real estate firm may be paid from the real estate trust account.
22. **A** The statement is true. Records must be maintained and available to an authorized representative of the director for a period of three years at an address where the firm is licensed. Physical records of transactions closed for at least one year may be stored at a remote location, provided a listing of all records by transaction is maintained at an address where the firm is licensed.
23. **B** The statement is false. Two real estate firms may operate out of a location with a common entrance and mailing address if the two firms are clearly identified to the public and are separated within the office facility, and there is no confusion of the public about their separate identities.
24. **A** The statement is true. All properties managed by a brokerage firm must be supported by a written management agreement signed by the owner and the designated broker. The broker must retain and maintain copies of all management agreements and any reports required by those agreements.
25. **B** The statement is false. A broker with less than two years' experience is required by Commission rules to timely submit all brokerage service contracts and documents to the designated broker or managing broker as directed by the firm's contract review policy. The reviews must be completed within five business days of mutual acceptance of the brokerage service contracts. Documented proof of review must be maintained by the firm at their record locations.
26. **B** The statement is false. A real estate brokerage firm must operate under their licensed name or assumed name. All advertising or solicitations for brokerage services, including any manner of internet advertising, must include the firm name or an assumed name as licensed by the Commission.

### Multiple-Choice Questions

- A** The designated broker of a firm is responsible for the conduct of all real estate licensees of the firm and for their supervision. The broker in charge of a firm's branch office must hold a managing broker license. The managing broker in charge of a branch office shares the responsibility of the designated broker for the conduct and supervision of licensees operating at that branch office.
- A** The public interest includes ensuring that both buyers and sellers are treated fairly and according to the terms of their brokerage agreements by their brokers. The license law states that negligence or intentional delay in performing acts required in a real estate agreement harm the public interest and are violations of the license law. The broker's action is both unethical and a violation of the law.
- D** Funds received in trust belonging to a firm's client are deposited into the firm's trust account. Funds may never be commingled with the firm's operating expense account. A written agreement from the parties to a transaction may permit the broker to deposit trust funds with a seller, lessor, or an escrow agent. In every case, the broker remains responsible for the safety and management of the funds.
- B** The total of all monies—earnest money, security deposits or damage deposits, rents, lease payments, etc.—still owed to any clients must be equal at all times to the trust account balance. A broker is required monthly to reconcile the trust account register with the account's bank statement as it is unlikely that the two totals will be the same at the time of the monthly reconciliation.

5. **C** A broker must maintain records including agreements, contracts, transaction-related documents, and closing documents for a period of three years at one of the firm's locations as licensed with the Department. Transaction records over one year old may be transferred and held at a remote location, provided that the broker maintains a list of the transactions at the office that maintains the records.
6. **D** The law requires that offices display the name of the firm as licensed by the Department, or an assumed name under which the firm has received a license from the Department.
7. **B** The law states the two firms must be clearly identified and separated so as not to confuse the public. They may not share office space or records. A branch manager must be licensed as a managing broker for a firm if they are to supervise one of its branch offices.
8. **B** A brokerage firm may not practice property management for another person through any oral agreement or simply through a signed letter from an owner.
9. **A** The funds must be deposited after receipt within one business day. The designated broker and the managing broker may be held responsible for inadequate supervision of the broker's conduct unless they have written instructions concerning the prompt delivery and deposit of earnest money checks. An independent contractor agreement and an errors and omissions policy do not relieve them of supervisory responsibilities.
10. **A** The license law requires this specific provision for supervision of brokers licensed under two years. There is no such provision for brokers who have transferred from another firm.
11. **D** The relationship between a licensee and the brokerage firm may be terminated unilaterally by the designated broker or a managing broker. The Commission has no authority to determine the termination of a broker's relationship with the firm.
12. **D** When a broker is notified that they are a defendant in any criminal complaint, indictment, or conviction (including a plea of guilty or nolo contendere), the broker must notify the Department within 20 days. A licensee must notify the Department within 20 days of any court order, verdict, or judgment against the licensee in any court in which the subject matter relates to the licensee's real estate activity or business.
13. **C** The designated broker may not pay a commission directly to a broker from another firm or to an unlicensed manager. The broker may not pay any compensation to a vendor from his firm's trust account.
14. **D** Trust funds are all client funds held by a designated broker pending the closing of a real estate sale or transaction, or funds collected on behalf of a client to be disbursed to or for the client. A designated broker is responsible for trust funds even if the funds are held by an attorney or an escrow agent.
15. **A** Trust funds must be segregated from the firm's operating accounts or broker's personal accounts. No firm or personal funds may be deposited into a trust account. A broker may deposit a minimal amount of their own funds into a trust account to open the account or to keep the account from closing. No trust funds may be deposited into a broker's business operating account or personal account.
16. **C** A broker active in another jurisdiction and practicing in Washington through a recognition agreement may store records out of state. The trust account and transaction records must be available to representatives of the Department of Licensing for a period of three years. Records must be accessible to a party in a transaction for any records retained for that party.

17. **D** Records must be maintained and available to an authorized representative of the director for a period of three years at an address where the firm is licensed. Physical records of transactions closed for at least one year may be stored at a remote location, provided a listing of all records by transaction is maintained at an address where the firm is licensed. Records may be stored on permanent storage media or electronically, provided the records cannot be altered and that a record can be copied and printed in its original form. All records required to be maintained must be made available by the designated broker or managing broker for any authorized Commission audit or investigation.
18. **A** A broker may provide other services outside of their brokerage responsibilities if the broker provides full, written disclosure of the broker's relationship to persons providing the service (such as carpet cleaning or pressure washing) and the fees charged for the services. The owner must agree, in writing, to the brokers' providing other services. The broker may provide these services for a client while working under an agency agreement with the client.
19. **A** A written agreement signed by a property owner and the representative of a brokerage firm is required before the firm may engage in property management. The agreement must cover the brokerage's authority, compensation, and reporting responsibilities. All properties rented or leased by the firm through property management services must be supported by a written, signed management agreement.
20. **C** Authority to represent the owner in a sale must be provided in a seller agency agreement with the owner. A property management agreement must state the firm's compensation; the type of property, and the number of individual units in the project, or the square footage if the property is not residential; if the firm is authorized to collect and disburse funds and for what purposes; authorization, if any, to hold security deposits and how those deposits may be disbursed; and the frequency of submitting summary statements to the owner.
21. **D** A designated broker or managing broker must review all brokerage service contracts involving any broker in the firm licensed for less than two years. A broker with less than two years' experience is required by Commission rules to timely submit all brokerage service contracts and documents to the designated broker or managing broker as directed by the firm's contract review policy. The reviews must be completed within five business days of mutual acceptance of the brokerage service contracts. Documented proof of review must be maintained by the firm at their record locations.
22. **B** No agreement or contract may be made that takes away the responsibilities of a designated broker or a managing broker. Neither an independent contractor agreement nor any other employment contract with an individual licensee releases a designated or managing broker from the duty to supervise that licensee. The license law does not give the Commission the authority to waive this requirement.
23. **B** A managing broker's license is required of any broker who supervises or controls the actions of other brokers on a team. If any team member supervises or controls the actions of other licensed team members and their provision of brokerage services, the supervising team member must have a managing broker's license. When a team consists only of two spouses working together, neither broker must have a managing broker's license.
24. **D** The designated broker is responsible for the supervision and conduct of any broker, managing broker, or branch manager who is licensed under the designated broker. In addition to the designated broker, a branch manager is responsible for the supervision and conduct of any broker or managing broker operating under the branch manager at a branch office. Only a broker or branch manager licensed as a managing broker may supervise other brokers in a firm or office.

25. **A** A real estate brokerage firm must operate under their licensed name or assumed name. All advertising or solicitations for brokerage services, including any manner of internet advertising, must include the firm name or an assumed name as licensed by the Commission.
26. **D** Brokers and managing brokers who advertise using a name, title, or brand without obtaining an assumed name license from the Commission must always use and display the firm's license name or the firm's licensed assumed name in a clear and conspicuous manner. Brokers and managing brokers who advertise using a name, title, or brand without obtaining an assumed name license from the Commission must with the use of that name, title, or brand; not use a name, title, or brand which suggests a legal entity separate and distinct from the firm (such as "Inc," "LLC," "Corp," "firm," or "company"); not use a name, title, or brand commonly understood to reference a firm or an office (such as "realty," "realtors," "firm," or "real estate"); and receive advance written approval from the firm's designated broker to use an unlicensed title or brand.
4. **A** The statement is true. A designated broker or an assigned managing broker must review all contracts from brokers licensed less than two years within five days of mutual assent to the contract.
5. **A** The statement is true. The license law states that an agent must not act beyond her area of expertise in a real estate transaction and must advise a client to seek advice from another party about any area related to the transaction that is beyond the agent's scope of expertise.
6. **A** The statement is true. The disclosure may be in a written agreement between the buyer and the agent entitled Agency Disclosure, or may be in a separate document entitled Agency Disclosure.
7. **B** The statement is false. A real estate agent must disclose all known material facts to every party in a real estate transaction, no matter whom the agent represents in the transaction. The duty to disclose material facts is a duty owed to all parties in the transaction and is not limited to disclosure to buyers.
8. **B** The statement is false. A broker representing a buyer has a duty to make a good faith and continuous effort to find a property for the buyer. The agent is not obligated to show additional properties once the buyer is under a purchase contract. The agent is also not obligated to show the buyers properties that are not part of a written agreement to pay compensation to the buyer's agent.

#### Unit 4 True/False Questions

1. **B** The statement is false. A broker must disclose all material facts known to the broker to all parties in a transaction. The disclosure does not violate the broker's loyalty to a seller. The duty to disclose material facts cannot be waived.
2. **B** The statement is false. Washington law presumes that a broker represents the buyer in residential brokerage activity. Exceptions occur to that presumption when a broker signs a seller representation agreement, is party to a written subagency agreement with a broker representing a seller, when the broker is the seller, or when the broker is a dual agent in a transaction.
3. **B** The statement is false. A broker acting as an agent to any party in a transaction must maintain confidentiality for that client even after a brokerage relationship with that party is terminated.
9. **B** The statement is false. A dual agent may not disclose confidential information from or about either party, except under subpoena or court order, even after the termination of the agency relationship.
10. **A** The statement is true. In this case of designated or split agency, only the designated broker of the firm is considered a dual agent. Each licensee will solely represent that party with whom they have an agency relationship, unless all parties agree in writing that each licensee is a dual agent. Otherwise, only the designated broker is considered a dual agent.

**Multiple-Choice Questions**

1. **D** Regardless of whom the broker represents, the law requires a broker to disclose any known material fact to all parties in the transaction. A material fact is any fact that is relevant or could be relevant to a person making a decision in the transaction.
2. **A** A broker's disclosure of their agency relationships must be disclosed in writing to all parties in the transaction, either through a written agreement entitled "Agency Disclosure," or through a separate document with the same title. Before a broker signs a non-agency facilitator agreement with parties to a transaction, the broker must provide all parties with an agency law pamphlet. A broker has a duty to all parties to provide the agency law pamphlet which explains the laws of agency but does not itself disclose the broker's agency relationships to any party.
3. **B** When acting as a dual agent, the broker also represents the interests of the seller. Disclosing the seller's reasons for selling, the lowest price acceptable to the seller, and details of other offers may violate the agent's obligations to the seller, including the duty of confidentiality.
4. **B** The law presumes a broker working with a buyer is a buyer's agent unless the broker has a written agency agreement with a seller, has a subagency agreement with the seller's agent, is an owner of the property, or a written agreement with the buyer states otherwise.
5. **D** Split (or designated) agency is presumed in a transaction in which a broker represents one party and another broker from the same firm represents another party in a transaction. The designated broker assigns different brokers to act as designated agents for the parties; each broker represents only one party to the transaction. The broker acts as a dual agent, and no broker acts as a facilitator. Designated agents may act as dual agents if both parties in the transaction agree in writing that each agent acts as a dual agent.
6. **D** The duty to account for all funds and property received in a transaction is a duty to all parties in a transaction, not just to one of the parties, and applies no matter whom the broker represents in the transaction.
7. **A** A non-agent facilitator works with both parties but represents neither party. The facilitator must have a written agreement to act as a facilitator. The broker must provide the agency law pamphlet before signing any written agreement.
8. **C** In Washington, a broker must disclose all existing material facts known by the broker and not readily known to any party in a transaction. This duty of disclosure of material facts cannot be waived and applies whether the broker is hired as an agent for one of the parties or acts as a non-agent.
9. **A** The showing of property in which a buyer is interested to other prospective buyers and/or the representation of more than one buyer by different brokers affiliated with the same firm in competing transactions does not in itself breach the duty of loyalty to the buyer or create a conflict of interest.
10. **B** A broker may act as a dual agent only with the written consent of both parties to a transaction.

**Unit 5****True/False Questions**

1. **B** The statement is false. While the designated broker is responsible for the reconciliation of trust bank accounts, the designated broker may through a written agreement delegate that responsibility to a managing broker.
2. **A** The statement is true. One of the specific duties of a managing broker specified in the law is the delivery of transaction documents and brokerage service agreements to the designated broker within two business days of mutual acceptance.



3. **A** The statement is true. The managing broker involved in property management for an owner must ensure that any advertising for the property is proper and legal.
4. **B** The statement is false. A managing broker may be called upon to deal with tenant complaints if other brokers or staff are unable to resolve the complaint issues.
5. **B** The statement is false. Any broker delegated to manage brokers or managing brokers must be licensed by the Commission as a managing broker.
6. **A** The statement is true. A managing broker is not responsible for contracts, documents, funds, or records held by a broker involved in a transaction until that broker delivers those materials to the managing broker. The managing broker is then responsible for delivery of those items to the designated broker of the firm or the designated broker's delegated broker responsible for receiving those items.
7. **B** The statement is false. A managing broker is responsible for reviewing contract documents submitted by a broker licensed less than two years within five days of the mutual acceptance of the contract.
8. **A** The statement is true. Both the designated broker and the managing broker must sign any written agreement authorizing certain duties to the managing broker. The managing broker must keep a record of all managing brokers authorized by the designated broker as well as copies of all the signed written authorizations.

### Multiple-Choice Questions

1. **B** A broker must deliver a contract and other documents to the managing broker within two business days of mutual acceptance.
2. **A** The designated broker may delegate duties to a managing broker through a written agreement signed by both brokers.
3. **D** The designated broker is the licensee responsible for the overall supervision of all brokers and managing brokers in a firm. The designated broker may delegate the other duties to a managing broker.
4. **A** A managing broker who is a branch manager must supervise the brokerage activities of all licensed brokers and managing brokers of the branch office. The law requires the managing broker to provide heightened supervision only of any broker licensed less than two years.
5. **C** A managing broker must review all brokerage service contracts involving any broker licensed less than two years within five business days from mutual acceptance.
6. **D** The designated broker may through a written agreement give the managing broker the authority to cooperate with a Commission audit or investigation, among other duties.
7. **D** If delegated by the designated broker through a signed, written agreement, a managing broker may modify or terminate brokerage service contracts on behalf of the firm.
8. **D** A managing broker must ensure that all personnel required to be licensed are properly and currently licensed by the Commission.

