

HOUSE BILL REPORT

SB 5442

As Reported By House Committee On:
Commerce & Labor

Title: An act relating to real estate broker's records.

Brief Description: Increasing the defined amount of "nominal deposit" affecting real estate brokers.

Sponsors: Senators Kline, Roach and Wojahn.

Brief History:

Committee Activity:

Commerce & Labor: 3/24/99, 3/29/99 [DP].

Brief Summary of Bill

- The maximum amount of client funds a real estate broker must deposit into a pooled interest-bearing account is raised from \$5,000 to \$10,000. The interest from that account goes to the Housing Trust Fund and the Real Estate Education Fund.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 8 members: Representatives Clements, Republican Co-Chair; Conway, Democratic Co-Chair; B. Chandler, Republican Vice Chair; Wood, Democratic Vice Chair; Hurst; Lisk; McIntire and McMorris.

Staff: Douglas Ruth (786-7134).

Background:

Real estate brokers sometimes receive funds from buyers or sellers to hold while a transaction is closing, such as earnest money. Brokers are required to deposit these funds in interest-bearing accounts at a financial institution. For client funds greater than \$5,000, brokers must place the funds in a separate account for the particular client, unless the parties to the transaction agree to place it in a pooled account. The interest from a separate account, less service fees, goes to the client.

For client funds less than \$5,000, brokers must deposit the funds in a pooled interest-bearing account. The interest from this account is paid to the Washington Housing Trust Fund and the Real Estate Education Account. Seventy-five percent of the accrued interest goes to the Housing Trust Fund, which finances loans or grants to provide housing for persons and families with special housing needs and low incomes. Twenty-five percent of the accrued interest goes to the Real Estate Education Account which funds programs for the education of real estate licensees and others in the real estate industry.

Summary of Bill:

Real Estate brokers must deposit client funds up to \$10,000, rather than \$5,000, into a pooled account which accrues interest for the Housing Trust Fund and the Real Estate Education Fund.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill will increase the amount of funds in the Housing Trust Fund. This is needed. These are the most flexible funds in the Housing Trust Fund. While the funds received from capital appropriations may only be used for construction, money from trust accounts can be used for construction or operational expenses. With the recent increases in the price of homes and the decrease in interest rates, an increase in the lid for pooled accounts is needed to keep up with the housing market. Due to decreasing interest rates, the monthly average amount going to the Housing Trust Fund has decreased over time. It is very difficult to know how much the increase in the maximum amount will actually generate. Capturing the interest from the trust accounts was the original source of funding for the Housing Trust Fund. The cap on these accounts has not been increased since the fund's creation. The use of the funds is overseen by a board of brokers and the Department of Community, Trade, and Economic Development. A client's funds are kept in a pooled account for as long as it takes to close a sale. This is normally 30-40 days. The bill does not change how the funds generated from the interest on trust accounts are distributed. Seventy-five percent will continue to go to the Housing Trust Fund and 25 percent to the Real Estate Education Fund. The perinatal treatment services program (Mom's program), which provides assistance to low-income mothers, is an example of a program that is assisted by the Housing Trust Fund.

Testimony Against: None.

Testified: Majken Ryherd Keira, Washington Low Income Housing Congress; Pat Fealy, Diamond Real Estate; Diane Smith, Executive Director of Mom's House; and Bob Mitchell, Department of Licensing, Real Estate Program.