

# SENATE BILL REPORT

## SB 5050

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As of January 21, 2021

**Title:** An act relating to real estate firms and brokers.

**Brief Description:** Concerning real estate firms and brokers.

**Sponsors:** Senator Hasegawa.

**Brief History:**

**Committee Activity:** Business, Financial Services & Trade: 1/21/21.

**Brief Summary of Bill**

- Directs real estate firms and managing brokers to pay their brokers in a reasonable time period after receiving commissions.
- Provides brokers with options to pursue grievances regarding the untimely payment of commissions, including the option to file a complaint with the Department of Licensing (DOL).
- Ensures that a finding of failure to pay commissions in a reasonable time period is a violation subject to disciplinary action by the DOL.

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### SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

**Staff:** Clinton McCarthy (786-7319)

**Background:** A real estate broker, associate broker, or salesperson is required to obtain a state license from the Department of Licensing (DOL). To receive a license, an individual must meet certain requirements, including passing the license examination established by the Washington Real Estate Commission and having a minimum amount of training. To receive a broker's license, the applicant must have at least two years of experience as a salesperson. A real estate broker is a person who:

- sells, lists, or buys real estate for others;

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- negotiates for others the purchase, sale, exchange, lease, or rental of real estate, business opportunities, or a manufactured home in conjunction with the land on which the home is located;
- advertises or holds themselves out to the public as engaged in these activities; or
- engages, directs, or assists in procuring prospects or in negotiating or closing any transaction which results in these activities.

To be licensed, a broker must complete 90 hours of instruction and pass a broker's licensing examination. To renew a license, a broker must pay a renewal fee and complete an additional 90 hours of instruction. A broker is only licensed to one firm and is supervised by managing and designated brokers. Prompt delivery to managing brokers of required records and complete copies of transactions is required. During the first two years of a broker's licensure, a managing broker must provide a heightened level of supervision.

The director of DOL has the authority to take disciplinary action against any broker and may impose sanctions or fines specified in statute. Examples of violations include:

- violating any lawful rules made by the director;
- making or promoting false statements to induce a person to act;
- knowingly committing any material fraud, misrepresentation, or concealment when another party relies upon the word of the licensee;
- accepting the services of an unlicensed broker; and
- conversion of any money, contract, deed, or note to the licensee's own use.

**Summary of Bill:** Real estate firms and managing brokers are directed to pay their brokers and managing brokers the portion of commissions due to the brokers within a reasonable time period. Brokers that do not receive their commissions in a timely manner may file a complaint with DOL. They may also bring a civil action in superior court to recover commissions, enjoin future violations, or for an order requiring DOL to suspend or revoke a license from a licensee.

When DOL receives a complaint, they must investigate to see if a violation has occurred, and take action pursuant to statute if a violation is found to have occurred.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

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

**Staff Summary of Public Testimony:** PRO: This bill just brings fairness to the system. Some brokers withhold commissions, go out of business, and start up again. Right now, managing brokers can close a company during a lawsuit and open another and retain the

money that they stole.

This bill helps protect brokers from bad actors.

**Persons Testifying:** PRO: Senator Bob Hasegawa, Prime Sponsor; George Yang, Boeing Company; Jie Liu, Skyline Properties, Inc; Yanjun Liu, citizen; Xiaoping Liu, Real Estate.

**Persons Signed In To Testify But Not Testifying:** No one.