3 Hour CURRENT ISSUES RESIDENTIAL

Objectives:

TOPIC AREA I: FORMS AND LOAN PROGRAMS

Upon completion of this unit, the learner will know and be able to:

Educational Objective 1: Forms and Loan Programs Identify and discuss the forms that are currently causing issues for agents in the field, emphasizing purpose, standards of practice, and pitfalls, as well as specific loan program updates affecting the industry.

Specifically, the learner will know and be able to effectively utilize the following forms in a residential real estate transaction where appropriate:

a. Escalation Clause (15 Min) i. Benefits and pitfalls: Students will learn when it is appropriate to use an escalation addendum and when it may not be appropriate to use, and how to identify when the benefits outweigh the disadvantages in a transaction and how to use this tool correctly.

b. Evidence of Funds (5 Min) i. Students will gain competency in using evidence of funds on all transactions (unless buyer is required to provide no cash for closing).

c. Sales Involving Contingent Buyers (Understanding the complexity of buyer's selling current house to purchase sellers property) (20 Min)

i. Contingency on selling and closing the buyer's property is the most complicated process. Provide a basic explanation on of how these processes work together and their overall effectiveness in the transaction.

ii. The learning could include: • How to use • Risks associated with buyer waiver • Risk to the seller if buyer's earnest money is low • Inconvenience to the seller waiting for the sale to close • Uncertainty of closing

iii. Explanation of the importance of the seller seeing the pending purchase and sale agreement for the buyer's pending sale contingency transaction.

d. Inspection Clause (20 Min)

i. Students will receive information regarding the overall function of the inspection addenda e. Inspection Response (10 Min) i. Students will receive information regarding the mandatory notice process.

ii. Students will be given effective methods for drafting the inspection response request for seller concessions.

f. Terms of closing and possession (10 Min) i. Students will review information relating to timeframes for closing and possession.

g. The learner will also know what updates the Veteran's Administration has adopted with regard to the VA loan program with regard to: (15 Min)

i. VA closing costs a. What closing costs the veteran borrower can and cannot pay

h. VA Loan limit – specific to the broker's area i. Explain that loan limits are established by area and provide resources to students so as the students may verify the information.

TOPIC AREA II: LEGISLATIVE UPDATE

Upon completion of this unit, the learner will know and be able to:

Educational Objective 1: Common Concepts Identify and describe Identify and describe common concepts relating to Washington State residential real estate legislative issues.

Specifically, the learner will know and be able to identify and describe:

a. Real Estate Excise Tax Legislation (ESSB 5998) • Change in excise tax from a flat fee to a graduated rate structure • What types of properties are exempt from this rate structure • Change in time period concerning controlling interest transfer or acquisition

b. Business and Occupation Tax Rates • Services industries affected by new legislation

c. Clarification on Protected Classes • Review the Federal Protected Classes (https://www.eeoc.gov/) • Review the additional Washington State Protected Classes (https://www.hum.wa.gov/fairhousing)

d. Landlord Tenant Law Update (2019-2020 Legislative Session) • Update on HB 1440, timely notice for rent increases • Update on SB 5600,timely notice for economic evictions (rent payment) • Update on HB 1462, timely notice for building demolition, major rehabilitation or change in building's use.

TOPIC AREA III: BUSINESS PRACTICES UPDATE AND PROFESSIONAL STANDARDS

Educational Objective 1: Understanding the basis of professional Cooperation with fellow licensees as well as the public.

Specifically, the learner will know and be able to identify and describe:

a. Professional cooperation with fellow licensees as well as the public.

b. Managing Broker responsibilities with regard to actually managing a firm or branch office or as a team leader.

c. Timely presentation of all written offers (RCW 18.86.030(1)(c)) i. What is meant by the requirement to present all written offers, written notices and other written communications? ii. Definition of "a timely manner"

d. Multiple Offer Scenarios i. Evaluating offers based on a buyer's ability to close on terms acceptable to seller. ii. Avoiding evaluating offers based on discriminatory information or protected classes. iii. Seller and Buyer options when facing multiple offer situations. iv. Time is of the essence when presenting offers v. Best practices in multiple offer situations

Hourly Breakdown

Recommended Hourly Breakdown

Topic Area I: Forms and Loan Program Updates 1.50

Topic Area II: Legislative Update 0.50

Current Issues in Washington Residential Real Estate Course

Topic Area I: Forms and Loan Programs

Topic Area II: Legislative Update

Topic Area III: Business Practices Update and Professional Standards

Benefits and pitfalls of the Escalation Clause

In a "seller's market" where properties are selling quickly and there is high competition to purchase a property, a potential buyer may want to include with the purchase agreement, an escalation clause. An escalation clause, or escalator, is a clause in purchase agreement that lets a property buyer offer to pay $X, BUT, if the seller receives another offer that's higher than this buyer's offer, this buyer agrees to increase his/her offer to a higher price of $Y.

This can be a very helpful tool to help a buyer in a competitive market, but there are also many details involved with this clause that could be potential pitfalls

How does an escalation clause work? While escalation clauses can be written in many different ways, the basic components of a general escalation include: 1. The original offer of purchase price

2. The price to be escalated above any other competitive bid 3. The maximum amount that the purchase price can reach in case of multiple offers

Example Mr. and Mrs. Smith's offers $300,000 to purchase a home. They are very motivated to buy this house, so they ask their broker to include an escalation clause that, in the case of a higher competing offer, will increase Smith's offer in increments of $2,000 above the competing offer.

They want the escalation clause to go up to a maximum of $320,000. But, if no other competing offers are submitted, the Smith's offer remains at $300,000. In this example, buyer Jones also wants this house and offers the seller $310,000, So the Smith's offer automatically escalates by $2,000 above their offer, bringing Smith's offer to $312,000. Then, another offer comes in from the William's, who offer $325,000 for the home, Because the Smith's maximum of $320,000 is exceeded, and it is higher than the Jones' offer, the William's now have the top offer.

In some cases, the sellers may choose not to accept offers with an escalation clause, prefer that every buyer makes their offer with the exact price they're willing to pay. But, in many cases sellers prefer to have offers with the escalation clause as it can motivate multiple buyers to outbid one another, and speeding the decision-making process and paperwork.

Multiple Offers

Unless there is apparent reason, such as a highly competitive seller's market, it may not be wise to include an escalation clause. The escalation clause should only be used when the buyer is realistically concerned that there will be multiple offers, or when

the buyer is highly motivated and expects to pay a higher price than he original offered price.

This is because the buyers who submit an offer with an escalation clause are letting the seller know upfront, the maximum price the buyer is offering for the property.

So, if there are no other offers, the seller can accept the offered price, but since the seller can see in the escalation clause that the buyer would pay more if there were competing offers, the seller is likely to make a counteroffer to the buyer at a higher, escalated price. The seller is not guaranteed the buyer will agree to the higher counter offer, as the price is not automatically escalated (being no competing offers). But the seller can see the maximum price in the escalation clause, which implies that they likely will.

In this kind of situation, the buyer is giving up negotiating power and is potentially leaving money on the table when using an escalation clause with no competitors.

One-day Review vs Multiple Rounds of Offers

In a seller's market, it may be wise for the seller to include a form of "offer-review" process in the listing agreement. For example, if the property is listed on Monday, all offers will be reviewed the following Wednesday and the seller and their broker will make the final decision on that day, rather than on the actual day they are submitted. This kind of review process is ideal for the escalation clause, so that a motivated buyer has the chance to automatically outbid other offers instead of the all-ornothing type offer.

Another variation of the review process is for the sellers to take a back-and-forth approach, collecting offers from buyers for one week, and then respond to the best offers saying "Send us your highest and best offer."

However, this technique is not favored by many buyers and brokers because of its lack of clarity. Before writing an offer on a property with this kind of review process, it is wise for the buyer's broker to inquire as to the specific details and make sure the buyer is aware and prepared for this kind of review process.

It is legal for a seller's broker, with the seller's permission, to reveal to all potential buyers what the top initial offer is, and to ask everyone to beat it. But, including an escalation clause on the initial offer in this kind of multistage situation often places the buyer in a weak position in the second round, because the escalation clause reveals the buyer's maximum offer.

Escalation clauses can cause a lot of stress for home buyers. As a buyer's broker it is best to first research the circumstances of the seller's process of reviewing offers, and advise buyers snot to be tempted to escalate their maximum offer price above what they are comfortable paying. At the same time, if inventory and interest rates are low, aggressively pursuing a desired property at a good price is necessary for their offer to be accepted.

It is important for the listing broker to attach a complete copy of the competing offer anytime a seller accepts a buyer's escalation offer, and escalates the price. The better and clearer approach for the seller is to counter the buyer's offer with a purchase agreement that establishes a fixed price and eliminates the escalation addendum.

The listing broker should still provide the buyer with a copy of the competing offer to justify seller's counter offer, but this process makes the delivery of the offer part of the negotiation and not a contract until or unless accepted by the buyer.

Evidence of Funds

The listing broker can protect the seller's interests by including in the listing that buyers

sign Form 22EF "Evidence of Non-Contingent Funds", the form that indicates that the buyer has the funds for the down payment and closing.

If buyer has a Form 22A in the agreement, there is a contingency protecting buyer if buyer is unable to get financing. But, almost every buyer is required to bring some amount of cash to closing, such as cash for a down payment and/or closing costs.

Paragraph 1 of Form 22EF requires the buyer to prove to the seller that he/she has the required cash to bring to closing and is not relying on a gift, or the sale of personal property or some other contingent method to fund the down payment and buyer's closing costs.

If buyer is unable to prove that he/she possesses the required cash, then the seller may terminate the transaction instead of having to wait for the sale to fail.

On the other hand, if the buyer IS relying on a contingent source of funds for the down payment or closing costs, then the buyer should use Form 22EF, paragraph 2 to identify that contingent source of funds and allow seller to accept or reject the offer based on this disclosure.

Form 22EF protects the seller by requiring the buyer to prove his/her ability to pay the down payment and closing cost before accepting the offer, and in essence, removing the property from the market.

The amount of earnest money should be substantial, so that the buyer is committed to the sale. If a small amount is accepted, the buyer could potentially find another

property and walk away from the sale losing only a small amount, leaving the seller with lost time, and potential buyers.

It is the seller’s decision, not listing broker, whether a counteroffer is made and what terms are included in the counteroffer, but sellers advised by their listing brokers of the benefits of Form 22EF are wise to accept this advice.

Sales Involving Contingent Buyers and complexity of buyer selling current house to purchase sellers property

Home Sale Contingency

The sale of the buyer’s current home is a common contingency clause frequently included in an offer to purchase real estate. With a home sale contingency, the closing of the transaction depends upon the sale of the buyer’s home.

If the buyer's house sells by the specified date, the contract and closing moves forward. But, if it doesn't sell by the specified date, the contract is terminated.

In a Sale and Settlement (closing) Contingency, as the name implies, the sale closing is dependent upon the buyer selling and settling an existing home. It is commonly used when the buyer has not yet received and accepted an offer to purchase on the current home.

This kind of contingency allows the seller to continue to market the home to other potential buyers, with the stipulation that the buyer will be given the opportunity to remove the sale and settlement contingency within the specified period (typically 24-48 hours) if the seller receives another offer.

If the buyer cannot remove the contingency, the contract is terminated, the seller can accept the other offer, and the earnest money deposit is returned to the buyer.

A Settlement (closing) Contingency is used when the buyer has already accepted an offer on his/her property, has a contract in hand and a settlement (closing) date scheduled. But, because the sale has not yet closed, this clause protects the buyer if the sale falls through for any reason.

In most cases, unless in writing and mutually agreed, this type of contingency prohibits the seller from accepting other offers on the property for a specified period. If the buyer's home closes by the specified date, the contract remains valid. If the home does not close, the contract can be terminated.

Considerations for Buyers

Buyers often need to sell their current home in order to free up their equity to purchase a new home, especially when buying a more expensive house. A sale contingency gives the buyer time to sell and close before committing to closing of the new home, and avoid owning two homes and having two mortgages at one time.

The home sale contingency can bring peace of mind to the buyer, but it doesn't avoid other costs of home buying. Buyers must still pay for inspections, bank fees, and appraisal fees, which are usually not refunded if the sale falls through due to their property not selling on time.

In addition, the buyer often has to pay more for the property than if they made the offer without the home sale contingency. This is because they are essentially asking the seller to take the risk on the buyer's ability to sell their current home, a factor outside of the seller's control.

Considerations for Sellers

A home sale contingency can be risky to the seller, because there is no guarantee that the buyer's home will sell. Even if the sales agreement allows the seller to continue to market the property and accept offers, the house is usually listed as "under contract," or "sold on contingency," making it less attractive to other potential buyers.

Many people looking for homes will avoid making an offer on a property that is sold with a contingency, because they don't want to waste their time or risk the disappointment of losing a property they became attached to.

Before agreeing to a home sale contingency, the seller's broker should investigate the potential buyer's current home to determine if the home is already on the market, and if it is listed at a marketable price.

If it is not listed, this could be a red flag indicating the potential buyer is not serious. If it's listed, is it priced competitively and how long it has been on the market? If it has been longer than average sale time for the area, the home may be priced too high, or the showing procedure may be difficult.

On the other hand, accepting an offer with a home sale contingency might be beneficial if the seller's property has been on the market a long time. If the seller has had trouble finding a buyer, a sale with a contingency gives an opportunity that the property will sell. In many cases, it is advisable to limit the amount of time the buyer has to sell his or her home to 1-4 weeks.

A limited time frame can motivate the buyer to adjust the list price to attract more buyers, and help the seller avoid losing time and potential qualified buyers in the event that the transaction does not close.

A seller can also include a clause that allows the seller to continue to market the property and accept offers from other buyers, giving the current buyer a specified amount of time (such as 72 hours) to remove the home sale contingency and continue with the contract. If the buyer does not remove the contingency, the seller can back out of the contract and sell to the new buyer.

Home sale contingencies protect buyers who want to sell one home before purchasing another. To protect the interests of both buyer and seller, the exact details of any contingency must be specified in the real estate sales contract. Because contracts are legally binding, it is important for all parties to review and understand the terms of a home sale contingency.

Inspection Clause

Including contingencies to a real estate sales contract is standard procedure in most cases, and a home inspection clause is one of the more common ones. This clause gives the buyer a way to exit the contract if the home inspector finds major problems with the house, such as electrical issues or a leaking roof.

There are several elements a buyer should include when writing the contingency, but the seller should also be prepared to add wording that can keep the sale moving forward.

Buyer Considerations

The buyer can benefit from adding a plan for a quick exit from the contract if the home inspector finds problems.

For example, the contract could be immediately voided by the buyer if the home inspector turns up issues with the house. But the buyer should be prepared to negotiate, as some sellers want to have the right to repair the problems, or wish to define which problems can lead to a voided contract, such as plumbing or electrical issues.

Another protective measure is to include wording that allows the buyer to exit the contract if big-ticket items are found to be at the end of their useful life. This usually applies to items that will cost several thousand dollars to replace such as a roof or furnace. It is also important to establish a reasonable time frame to complete the inspection, such as 10 -14 days. If the seller wants a fast inspection period, such as five days from the date you sign the contract, the buyer will need to quickly hire an inspector, and possibly have to pay a rush fee to come out within this limited time. The time frame typically means you have a specific number of days from the contract signing date to

provide a written inspection report to the seller, which sometimes takes the inspector a couple of days to prepare. A longer time frame allows the buyer to shop for the best inspector that fits into their budget and to receive the report in a timely fashion.

The buyer can benefit by making sure that this clause specifies that the entire house is to be inspected, rather than just selected systems such as electrical and plumbing, and that the seller make all areas of the house available for inspection, including the attic, to look for wiring or moisture issues.

Seller Considerations

The seller can benefit by including a clause in the contingency that allows the seller to have the right to cure any issues the home inspector finds, and set a base price limit. For example, you may write in the clause that the buyer is responsible to fix any problems that are estimated to cost less than $500, while the seller has the option to repair more expensive issues.

This means that the seller is not obligated to fix them, but has the opportunity to do so if they want the sale to continue. If the seller chooses not to make the repairs, he/she can void the contract or allow the buyer to do so.

Sellers can protect themselves from shoddy work or ridiculous repairs, by requiring that the home inspector be licensed, and that he not be employed or related to the buyers.

Wording should be included that allows the seller the opportunity to decrease the price of the house instead of paying for a repair. For example, if a roof repair is estimated at $1000, to decrease the cost of the house by $1000 in place of paying for the repair out of hand.

However, the buyer might prefer instead to have that money given to him/her at closing, so this may be an issue to be negotiated, and giving the buyer credit or cash back at

closing can often be easier for the seller than making the repairs. And, sometimes, bigger problems are discovered once the repair begins, such as water damage in a subfloor under warped floorboards, or other surprises that can increase the cost significantly.

Terms of Closing and Possession

Closing and possession refers to the legal transfer of ownership from the seller to the buyer. When the sale is recorded with the local government, and the purchase funds have been received by the seller, ownership of the home is transferred to the buyer and the buyer has the right to possess the home.

Alternatively, it's possible for the buyer to take possession of the home before or after the sale closes. For instance, the buyer may request to move into the home before the sale closes in order to start repairing the home. Or the seller may request some extra time in the home after the sale to complete their move.

When a homebuyer asks the seller to grant early possession before closing occurs it is usually because their apartment lease has ended or their old home has already sold, and they need a place to live immediately.

Sellers make the final decision as to whether an early possession makes sense for their transaction, but most listing agents discourage such situations because too many things can go wrong.

Having the possession date fall before or after the sale closes can result in some sticky legal situations for both buyers and sellers. If a buyer moves in early, and the sale does not go through, the seller may be forced to evict.

On the other hand, if the seller asks to stay in the home for some time after the purchase completes, the buyer will usually collect rent from the seller, and will need to make sure that the seller moves out in time for the buyer to move in. Caution should be exercised anytime the right of possession does not coincide with closing.

Updates to the VA Loan Program

A down payment is not required on VA loans. However, the veteran is responsible for closing costs. The veteran can pay them out-of-pocket, or receive seller and/or lender credits to cover them.

VA loan closing costs average around 1% – 3% of the loan amount on bigger home purchase prices, and 3% – 5% of the loan amount for less expensive homes.

The seller is allowed to pay all of the veteran’s closing costs, up to 4% of the home price. So, it is possible to avoid paying anything out of pocket to buy a home.

VA Closing Cost Examples

Below are some definitions and rough estimates of closing costs amounts for a VA loan. Keep in mind that the types of fees and their amounts vary greatly by geographic location. Your scenario might look a lot different. The best way to get a better estimate is to talk to a loan professional about your situation. But the following will give you a general idea of potential costs.

VA Upfront Funding Fee

This fee goes directly to the Veteran's Administration to defray the costs of the VA program. This is not a fee that is generally paid for in cash at closing, because usually, VA homebuyers opt to finance it into their loan amount. In that case, it doesn't increase out-of-pocket expense for the veteran.

1% Origination Fee

The VA caps the lender's compensation on VA loans to 1% of the loan amount. This fee is meant to compensate the lender in full. Fees for items such as processing and underwriting may not be charged if this 1% fee is charged to the veteran.

Discount points can be paid by the veteran, provided the fee goes directly to reducing the interest rate. Discount points are separate from the origination fee, because this money is used to buy a lower interest rate rather than to compensate the lender. For an in-depth look at origination fees and discount points.

Third Party Fees

Companies (other than the lender) that are involved in the transaction are called third parties. Examples are title and escrow companies, credit reporting agencies, and

appraisers. Their charges are called third party fees. Here are common fees and estimated amounts.

Appraisal | $500

The lender will request an appraisal straight from the VA website. VA will then select an approved VA appraiser. The VA appraiser will determine the value of the home as well as ensure it meets minimum property requirements for VA loans

VA Fees and Lender Fees

If you are using a VA streamline to refinance your home, an appraisal is not required and this fee will not apply. If your lender is requiring an appraisal on a VA streamline refinance, shop around for another lender.

Title Report/Title Insurance Policy | $300 – $2500+

This fee varies greatly because it is based on the purchase price of the home, the loan amount, and geographic location.

The title fee on a small purchase price may be only a few hundred dollars, while a high purchase price can soar well over $1,000. The title report and title insurance protects the lender and owner of the home in case someone claims ownership rights to the house, and wins in a court of law. If that were to happen for any reason, the title insurance company would reimburse the lender and owner of the home for the loss.

There are generally two types of title fees: 1) the lender's title policy which protects the lender, and 2) the owner's policy which protects the future owner. In some areas, the seller of the home pays for the owner's title policy, and the buyer pays the lender's policy. But, it depends on local customary practice.

Generally the owner's title policy is more expensive. In some cases the buyer pays for both the owner's policy and the lender's policy, in which case the title fee more than doubles.

For instance, if the lender's title policy is $450 and the owner's title policy is $650, and the buyer has to pay them both, it would turn out to be an $1100 fee. Make sure your purchase and sale contract defines which parties are paying which fees so there are no surprises at the end.

Recording Fee | $20 – $250

This fee is set by the county or jurisdiction where the home is located. "Recording" means that the sale or refinance becomes public record, so that the county knows who is responsible to pay taxes on the home, which banks have loans out on the home, etc.

Credit Report Fee | $35

This is a fee that is charged by a credit reporting agency. The lender must pull a credit report to determine your past credit history. The report usually shows three credit scores from the major credit bureaus — Experian, Equifax, and Transunion — and the middle score is used for qualification purposes. If you're wondering if you can qualify for a VA loan with your credit score

Flood Certification | $20

The lender will pull a flood certification, or "flood cert," on the property to determine whether it's in a flood zone. Most properties are not in a flood zone. But if yours is, you will need to purchase flood insurance (see "Prepaid Items" section below).

Survey Fee | $400

A company will survey the property to determine where all physical property lines are on the property. This is not typically required in many areas of the country, unless there are property line disputes or questions about boundaries.

Attorney Fees | $400+

Attorneys can help in negotiating and interpreting the sales contract as well as help with a timely closing. They are not required in every state. In states that require them, it's best to call around and find an attorney who knows real estate and is not too expensive. Note that the VA does not permit the veteran to pay an attorney for anything besides title work.

Prepaid Items

Prepaid items are those which the buyer pays in advance. Lenders require insurance policies and taxes to be paid when the home purchase closes. Unpaid taxes and insurance can lead to the home being seized by the government or destroyed by fire without compensation, both of which are bad for the lending bank (and you).

Flood Insurance | $300 – $1000+

This is an ongoing insurance policy, paid every year, on any home that is in a flood zone. The lender requires the home to be insured against flooding, which is not covered by the standard homeowner's insurance policy. You will pay the policy's first-year

premium at closing, which could add quite a bit to your upfront cash requirement. The insurance is based on the value of the home being insured, so it can vary greatly.

If the property is in a flood zone, determine the yearly premium and have that much extra on-hand by the time you close the loan.

Homeowner's insurance | $300 – $1000+

This is the standard insurance policy that protects against things like fire, trees falling on the home, etc. It does not cover flooding and may or may not cover earthquake-related damage. The cost is based on the value of the home being insured. The full year's premium will be due at closing.

The lender requires this prepayment because they want to make sure any damage done to the home will be repaired. Homeowner's insurance is just like any insurance policy — it renews every year and will need to be paid again each year. Usually, the lender collects 1/12th of the yearly premium with the mortgage payment, and pays the insurance company for you yearly.

Escrow Deposit/Tax and Insurance Reserves | $300 – $2500+

This fee varies greatly because it is determined by 1) the taxes and insurance on the home; 2) the time of year the sale closes, and; 3) when taxes are collected in the property's jurisdiction. These funds are required to "prime the pump" so to speak, so that when taxes and insurance become due, there's enough in reserve to pay them. The best way to estimate the upfront price tag, you'll need to get an estimate from your loan professional after the property is chosen and an estimated closing date is established.

Fees Not Allowed to be Charged to the Veteran

Some fees are not allowed to be charged, per VA loan guidelines.

Attorney Fee

If for anything besides title work.

Escrow Fee/Settlement Fee/Closing Fee

The VA does not allow the veteran to pay an escrow fee. The escrow fee varies greatly and can be quite expensive, so this is a great benefit to the VA loan. Although the veteran does not pay for the escrow fee, it's good to know what the escrow company does.

The escrow company is responsible for collecting and distributing all monies involved in the transaction. Escrow will receive the earnest money, any wired amounts from banks, down payments from the buyer,

closing cost assistance from the seller, etc. The escrow company then divvies out the money to the appropriate parties — real estate agent commission checks, the seller's current lender, the seller, etc.

In addition, the escrow company makes sure all parties sign all the final loan documents and sale documents. When it's all said and done, the escrow company sends documents to the county or jurisdiction to record the sale. Closing Protection Letter (CPL)

The CPL fee is often included in the escrow fee but sometimes charged separately. It is a letter that makes the title company responsible if escrow does not appropriate loan proceeds correctly.

Document Preparation Fee

The fee charged by escrow for preparing final loan documents.

Underwriting Fee/Processing Fee

Fees charged by the lender for processing and underwriting the loan.

Lock-in Fees

Fees charged by the lender to lock the interest rate.

Courier Fee/Postage Fees

Sometimes there are original documents that need to be hand-carried or sent via overnight service, and can't be emailed or faxed. In this case, the escrow company will often charge a courier fee to ensure these services are paid for. The veteran is not allowed to pay these fees, however. They must be covered by the lender.

Notary Fees

Fees charged by the escrow company to send a notary to the borrower for a signing appointment somewhere other than the escrow company's office.

Application Fee

This is a fee the lender sometimes charges upfront before the borrower takes an application. This is not allowed on VA loans.

When you apply for a VA home loan, you can rest assured the VA-approved lender won't charge you an application fee.

Tax Service Fee

This fee is paid to the mortgage company to ensure they pay the real estate taxes.

Mortgage Broker Fee

Sometimes charged by mortgage brokers when they broker a loan out to the lender.

This list of allowable and non-allowable fees above is not all-inclusive and there may be other fees on your purchase transaction that are not listed here.

In that case, it's best to contact your VA lender to find out if the charge is allowable on VA loans.

If you would like more information about closing costs, call (866) 313-3143 to speak with a mortgage professional who can offer free advice and help you understand your loan options, or, ask a knowledgeable loan officer.

VA Loan limit – Specific to the Broker's Area

2019 Conforming Loan Limits for Washington State

The table below shows conforming loan limits for all Washington counties, and for all four property types.

Note: a "1-unit" property is a single-family home with one resident.

The "2-unit" column applies to duplex-style properties with two separate residents, and so on. If you're buying a single-family home or condo in Washington State, refer to the "1-unit" conforming loan limit column.

County 1-Unit 2-Unit 3-Unit 4-Unit

ADAMS $484,350 $620,200 $749,650 $931,600

ASOTIN $484,350 $620,200 $749,650 $931,600

BENTON $484,350 $620,200 $749,650 $931,600

CHELAN $484,350 $620,200 $749,650 $931,600

CLALLAM $484,350 $620,200 $749,650 $931,600

CLARK $484,350 $620,200 $749,650 $931,600

COLUMBIA $484,350 $620,200 $749,650 $931,600

COWLITZ $484,350 $620,200 $749,650 $931,600

DOUGLAS $484,350 $620,200 $749,650 $931,600

FERRY $484,350 $620,200 $749,650 $931,600

FRANKLIN $484,350 $620,200 $749,650 $931,600

GARFIELD $484,350 $620,200 $749,650 $931,600

GRANT $484,350 $620,200 $749,650 $931,600

GRAYS HARBOR $484,350 $620,200 $749,650 $931,600

ISLAND $484,350 $620,200 $749,650 $931,600

JEFFERSON $484,350 $620,200 $749,650 $931,600

KING $726,525 $930,300 $1,124,475 $1,397,40

KITSAP $484,350 $620,200 $749,650 $931,600

KITTITAS $484,350 $620,200 $749,650 $931,600

KLICKITAT $484,350 $620,200 $749,650 $931,600

LEWIS $484,350 $620,200 $749,650 $931,600

LINCOLN $484,350 $620,200 $749,650 $931,600

MASON $484,350 $620,200 $749,650 $931,600

OKANOGAN $484,350 $620,200 $749,650 $931,600

PACIFIC $484,350 $620,200 $749,650 $931,600

PEND OREILLE $484,350 $620,200 $749,650 $931,600

PIERCE $726,525 $930,300 $1,124,475 $1,397,400

SAN JUAN $484,350 $620,200 $749,650 $931,600

SKAGIT $484,350 $620,200 $749,650 $931,600

SKAMANIA $484,350 $620,200 $749,650 $931,600

SNOHOMISH$726,525 $930,300 $1,124,475 $1,397,400

SPOKANE $484,350 $620,200 $749,650 $931,600

STEVENS $484,350 $620,200 $749,650 $931,600

THURSTON $484,350 $620,200 $749,650 $931,600

WAHKIAKUM$484,350 $620,200 $749,650 $931,600

WALLA WALLA$484,350 $620,200 $749,650 $931,600

WHATCOM $484,350 $620,200 $749,650 $931,600

WHITMAN $484,350 $620,200 $749,650 $931,600

YAKIMA $484,350 $620,200 $749,650 $931,600

How These Limits Are Set

Washington State conforming loan limits are determined by the Federal Housing Finance Agency (FHFA). The Housing and Economic Recovery Act of 2008 (HERA) requires the FHFA to monitor and track average home prices in the U.S., and to annually adjust the baseline jumbo loan limit as needed to reflect changes in national home values.

In other words, if prices go up considerably in a certain county, FHFA may increase the corresponding loan limits to keep pace with rising home values. That's what happened from 2018 to 2019. Conforming limits are usually set at 115% of the median home price for each area, though they can exceed this level in some high-cost areas.

The 2019 conforming limit for most counties in Washington State will be $484,350. The four exceptions to this baseline amount are King, Pierce, Snohomish counties. (See the table above for county-by-county details.)

In recent years, FHFA has used the median home values estimated by the Federal Housing Administration (FHA), which is part of HUD. So there are several federal housing agencies involved in determining loan limits.

Why They Were Increased for 2019

In October 2018, we predicted that federal housing officials would increase the Seattle jumbo loan threshold in response to significant home-price gains that occurred during the year. That prediction turned out to be accurate. In fact, the FHFA raised limits across most of the country.

November 2018 news release from FHFA:

"As a result of generally rising home values, the increase in the baseline loan limit, and the increase in the ceiling loan limit, the maximum conforming loan limit will be higher in 2019 in all but 47 counties or county equivalents in the U.S.

So the vast majority of counties across the U.S. will see higher caps in 2019, compared to 2018. Home prices nationally rose by an average of around 6.4% during 2018. In Washington, the median house value rose by around 6.1% as of November 2018, compared to a year earlier. That is why we are seeing higher Washington State conforming loan limits in 2019.

LEGISLATIVE UPDATE

The Washington Legislature of 2019 contains numerous changes to the real estate excise tax (REET) and became effective January 1, 2020.

Rates

The Legislature changed rate for most sales of real property from a flat 1.28% of the selling price to a graduated rate structure:

• 1.1% of the selling price below $500,000; • 1.28% of the selling price between $500,000 and $1,500,000; • 2.75% of the selling price between $1,500,000 and $3,000,000; and • 3.0% of the selling price over $3,000,000.

ESSB 5998, § 1. Local REET rates (most commonly 0.5%) are added to the state rate. The new combined state and local REET rates for Seattle, Tacoma, Spokane, Vancouver, Bellevue, and most of urban and suburban Washington will be 1.6%, 1.78%, 3.25%, and 3.5%.

However, the change does not address whether the selling price thresholds are applied on a parcel-by-parcel, transaction-by-transaction, or other kind of aggregate basis.

Based on this change, you may expect the Department of Revenue to combine more than one property or parcel into one selling price. The transfers would be part of one agreement instead of multiple.

For example, a shopping mall that is made up of multiple parcels could be sold for one price.

Or, the Department of Revenue could combine the parcels that consist of parties transferring or acquiring the controlling interest in the entity. For example, an LLC could own property throughout the state of Washington.

The question to ask is whether or not a seller should combine multiple sales, and if so, under what circumstances? For example, should a residential developer aggregate the sale of multiple homes across a series of months to totally unrelated buyers?

The type of transaction is not regarded by the Department of Revenue under the new legislation. The department also has very little in terms of guidance on how they can exercise their powers, which will be covered later.

It is important to note that the graduated rates do not apply to timberland or agricultural land sales. These types of land are still subject to the 1.28% flat state REET rate and any additional local rates. ESSB 5998 § 1.

Preferential rates for timberland and agricultural land seem to be due to the use of property whenever it is sold. The purchaser is not under any obligation to use the property in the same way as the seller. So, agricultural land can be sold to a purchaser and used for residential or commercial development while benefitting from the preferential rates.

Controlling Interest Changes

REET is currently imposed on transfers or acquisitions of controlling interest, of 50% or more, when an entity owns real property in Washington. The current law imposes REET within a 12-month period.

Under the new legislation, REET will be imposed for an extended period of 36 months for a controlling interest that is transferred or acquired.

The changes are designed to lessen the ability of a party to plan around the REET. However, confusion, surprise, and even frustration are likely for sellers with minority interests due to the expanded controlling interest provisions. Sellers with minority interest in a legal entity that owns real property in Washington may be subjected to REET. This will depend on the transactions of other parties that could have occurred up to three years before or after the sale.

Also, the sale of controlling interests may be taxed at effect rates greater than 6%. For the transfer of a controlling interest, REET is measured as the full value of the real property that is owned by an entity. REET is not measured as the selling price of interests in the entity.

Legal entities must file annual reports with the Washington Secretary of State that disclose transfers of one-sixth or more of the entity. This requirement is in place to help track and enforce the new provisions regarding controlling interest. ESSB 5998, § 7. Entities that fail to report transfers where REET is due, the entity may be liable for both the REET plus an additional evasion penalty of 50%.

New Department of Revenue Powers to Recharacterize Transactions

When implementing the REET changes, the Legislature expected taxpayers to structure their transactions in a way that reduces or avoids taxes. In order to combat losses in revenue, the Legislation allows for the Department of Revenue to "disregard the form of the transaction or series of transactions and determine the proper tax treatment based on the substance of the transaction or transactions." ESSB 5998, § 6.

However, there are no provisions or guidance on how the Department of Revenue should use this authority. They are encouraged, but not required, to offer guidance to the public on broad powers that tax the "substance" of transactions. Overall, there is considerable ambiguity in the new legislation.

Consider this example:

In January 2020, Member A sells 25% interest in an LLC with $10 million of real property owned in Seattle. Member C purchases the interest for $2.5 million. REET is not applied to the sale because 50% of the LLC was not sold or purchased by Member A or Member C.

Almost three years later, in December of 2022, Member B sells 25% interest in the same LLC to Member C for $2.5 million. Now, REET will apply to the sale because Member C has acquired 50% of the LLC within a 36-month period. Member C acquired 25% from Member A in 2020 and 25% from Member B in 2022. Also, Members A and B are liable for $319,050 in REET, which accounts for 6.39% of the consideration received for their membership interests.

Business and Occupation Tax Rates Services Industries New legislation

Updates

During the 2019 session, the Washington Legislature produced four bills that increase business and occupation (B&O) taxes on service businesses (E2SHB 2158), "specified financial institutions" (SHB 2167), international investment managers (ESB 6016), and travel agents and tour operators (ESSB 6004). All four bills are currently awaiting a signature from the governor.

Service B&O Tax Increases

As of January 1, 2020, a "workforce education surcharge" will be imposed by Washington on "select advanced computing businesses" and other "specified persons." The surcharge falls under the "service and other" B&O tax classification and is equal to 0.3%, 0.5%, or 1.0% of gross income taxed. E2SHB 2158, § 74.

Also "specified financial institutions" will be required to pay an "additional tax" in the amount of 1.2% of the gross income taxed under the "service and other" B&O tax classification. SHB 2167, § 1. This will also take effect on January 1, 2020.

A "specified financial institution" is defined as a financial institution or company owned by a financial institution that is a member of a "consolidated financial institution group/" They must also report at least $1 billion in annual net income for the previous calendar year on their consolidated financial statement that is filed with the Federal Financial institutions Examination Council. SHB 2167, § 2.

This bill is expected to bring in $133 million from 20 taxpayers that are not based in Washington during 2019-2021, according to the Washington Department of Revenue. Businesses that pay B&O taxes under the "service and other" classification at the current 1.5% rate will not pay their tax at one of seven possible rates.

The new surcharges and additional B&O tax for specified financial institutions are now a complicated mix of service and other B&O tax as well as surcharges and "additional tax."

• 3.7% for "specified financial institutions" that are a member of an affiliated group o (a) with at least one member engaged in the business of advanced computing and o (b) that had worldwide gross revenue of more than $100 billion during the current or preceding calendar year. o The 3.7% rate reflects the current 1.5% B&O tax, a 1.2% additional B&O tax on specified financial institutions, and a 1% workforce education

surcharge. • 3.2% for "specified financial institutions" that are a member of an affiliated group o (a) with at least one member engaged in the business of advanced computing and o (b) that had worldwide gross revenue of more than $25 billion during the current or preceding calendar year. o The 3.2% rate reflects the current 1.5% B&O tax, a 1.2% additional B&O tax on specified financial institutions, and a 0.5% workforce education surcharge. • 3% for "specified financial institutions" that do not have a member of its affiliated group in the business of advanced computing or with $25 billion or less in worldwide gross revenue on a consolidated basis during the current or preceding calendar year. • 2.5% for taxpayers that are not specified financial institutions that are a member of an affiliated group o (a) with at least one member engaged in the business of advanced computing and o (b) that had worldwide gross revenue of more than $100 billion during the current or preceding calendar year. o The 2.5% rate

reflects the current 1.5% B&O tax plus a 1.0% workforce education surcharge. • 2% for taxpayers that are not specified financial institutions that are a member of an affiliated group o (a) with at least one member engaged in the business of advanced computing and o (b) that had worldwide gross revenue of more than $25 billion during the current or preceding calendar year. o The 2.0% rate reflects the current 1.5% B&O tax plus a 0.5% workforce education surcharge. • 1.8% for taxpayers that are not specified financial institutions and select advanced computing businesses that are "primarily engaged" within Washington in any combination of 43 enumerated service businesses. o The 1.8% rate reflects the current 1.5% B&O tax plus a 0.3% workforce education surcharge. • 1.5% for taxpayers that are engaged in service and other activities that are not taxed in any of the preceding categories (for example, taxpayers that are not "primarily" engaged in an enumerated service). o This reflects the current 1.5% B&O tax rate and no surcharge.

It is not clear whether the rate will apply to anyone besides taxpayers whose primary activity is clearly excluded from the surcharge, such as hospitals, commercial mobile

services, or wired telecommunications services. The 43 enumerated services are broad, leaving gray areas.

There is also a $7 million per year cap provided by the legislation on the surcharge paid by an affiliated group. The group must have at least one member that is engaged in the business of advanced computing and have a worldwide gross revenue of more than $25 billion during the current or preceding calendar year. E2SHB 2158, § 74.

There is a $4 million minimum surcharge for affiliated groups, which is very strange. The constitutionality of this surcharge is questionable.

For example, it is not likely to be constitutional for Washington to impose a $4 million minimum "surcharge" on a Chinese-affiliated group that has $25 billion in worldwide gross income, but only $1 million in Washington gross income.

The Legislature has adopted two hurdles for taxpayers that may be troubling. This legislation could be difficult for taxpayers that struggle to comply with the new surcharge regime. First, the normal rule of statutory construction is reversed. The Department of Revenue, Board of Tax Appeals, and courts are required to construe ambiguities in the surcharge in favor of the application of taxation. E2SHB 2158, § 74.

Second, the Department of Revenue's determination of surcharges is "presumed to be correct" by the legislation. Their determination will only be corrected if the taxpayer establishes an error by "clear, cogent, and convincing evidence." This is a higher standard of proof what applies to other excise taxes. Senator Jamie Pedersen intervened, so the rule of construction and the higher burden of proof will not apply until after 2021.

International Investment Managers

Starting July 1, 2019, Washington will raise B&O tax rates on most international investment managers. These tax rates will increase more than 550%, from 0.275% to 1.8%. This includes the new B&O tax

"surcharge" on service businesses. "Qualifying international investment managers" (i.e., Russell Investments) will retain the 0.275% rate. ESB 6016, § 2.

If a qualifying international investment manager does not maintain more than 25% of its employees in Washington, it will lose the preferential rate. The Department of Revenue must claw back an amount that equals the entire economic benefit of the lower rate in addition to interest, but not penalties, going back to the shorter of

(a) the current calendar year plus the previous nine calendar years or

(b) July 1, 2019. ESB 6016, § 3.

Travel Agents and Tour Operators

Travel agents and tour operators will have an increased B&O tax rate as of July 1, 2019. The tax rates will increase more than 225%, from 0.275% to 0.9%. This rate will apply to taxpayers that have more than $250,000 in annual taxable gross income. ESSB 6004, § 1.

It is unclear whether annual taxable gross income for this bill is decided by the prior year or the current calendar year. The bill is also inconsistent on providing that the lower rate applies to taxpayers with an annual taxable amount for the prior calendar year that was $250,000 or less and the higher rate is applicable for taxpayers with an annual taxable amount for the calendar year that is more than $250,000.

It is possible that the Legislature omitted "prior" inadvertently when describing the classification for the higher rate. Otherwise, there would be a possibility that taxpayers could be subject to the lower rate when based on the gross income from the year prior and the higher rate based on the current year.

Clarification on Protected Classes

Discrimination in the employment context: Which groups get federal protection?

There are protection extended by Congress for specific groups that have faced hardships historically when it comes to obtaining employment, housing, and other public accommodations.

Unfair treatment does not always constitute a violation of the law. In the context of employment, courts are not considered "super-personnel" departments that second guess all employment decisions (see, e.g., Johnson v. Weld County (10th Cir. 2010); Chapman v. AI Transp. (11th Cir. 2000). According to civil right statues, only actions that are based on someone's membership in a protected class are prohibited.

What are the protected classes?

There are several protected classes under federal law. Employers cannot discriminate based on:

o Race o Color o National origin o Religion o Sex o Age o Disability

The law does not require employers to take a person's membership in one of the groups listed above into account in every situation.

An employer could, for example, make an employment decision and consider membership in a protected class if there is a business necessity for doing so. Also, membership in a protected class can be a bona fide occupational qualification.

There may be criteria involved for someone to be considered a member of a protected class. For example, it may be necessary to meet criteria to be considered a qualified individual with a disability in order to receive reasonable accommodations in the workplace.

History of the Protected Classes

The earliest protected classes were race and color. In 1866, the Civil Rights Act prohibits discrimination in civil rights or immunities that are based on race or color. It also barred discrimination in making contracts based on race and color, which includes employment contracts.

In the 20th century, protected classes grew. The Civil Rights Act of 1964 prohibited discrimination in employment based on race, color, national origin, sex, and religion. The Equal Employment Opportunity Commission (EEOC), which is a federal agency that enforces Title VII and civil rights acts that apply to employment.

In 1967, the Age Discrimination in Employment Act (ADEA) added to the list of protected classes. This act applies to those age 40 and older. It has typically been interpreted narrowly by the federal courts and requires more than a year or two In age difference between employees in order to be supported as age discrimination.

In 1973, disability was added to the list of protected classes by the Rehabilitation Act. The act prohibits discrimination based on disability in federal employment. In 1990, the Americans with Disabilities Act (ADA) provided similar protections to employees in the private sector. In 2008, the definition of those covered by ADA was expanded further by the Americans with Disabilities Amendments Act.

Protections Against Harassment

Title VII does not specifically reference harassment or a hostile work environment. It prohibits employers from discriminating against employees or applicants based on their race, color, national origin, sex, or religion. In Meritor Savings Bank (1986), the Supreme Court decided that harassment and a hostile work environment may include non-economic harms, including name calling or inappropriate touching.

Even if harassment does not meet the level of economic harm like a demotion or firing, it is still covered under Title VII.

In Meritor Savings Bank, the Supreme Court extended the reach of the harassment protections under Title VII to include only instances where harassment is so severe that it alters the terms and conditions of employment.

Harassment decisions are decided by courts on a case-by-case basis to determine whether the harassment was severe or pervasive enough to meet the standard. T

ypically, multiple incidents of harassment are necessary to meet the standard. The instances are very limited when specific racial slurs or a hanging noose were considered sufficiently severe.

Ongoing evolution of Sex as Protected Class

In 1989, the Supreme Court recognized sex stereotyping as a form of prohibited sex discrimination in Price Waterhouse v. Hopkins. Ms. Hopkins was denied a position as a partner by Price Waterhouse based on a decision by the partnership committee that said Ms. Hopkins did not behave how they expected a woman to in the workplace. Ms. Hopkins received feedback that she should behave more femininely, including how she walked, talked, and dressed. This discrimination was found to undermine the purpose of Title VII by the Supreme Court.

Sex stereotyping is a critical part of the recent developments when it comes to protected classes. The EEOC and two federal courts concluded that Title VII prohibits discrimination that is based on sexual orientation, classifying it as a form of sex discrimination.

Sexual orientation discrimination has been concluded to be based on stereotypes regarding who an individual should be attracted to on the basis of their sex. In Baldwin v. Department of Transportation (2015), the EEOC noted that "'sexual orientation' as a concept cannot be defined or understood without reference to sex."

All federal courts do not agree with this interpretation, however. So the issue is largely unresolved on a national level when it comes to the private sector. The EEOC's 2015 decision is applicable to federal government employees.

In 2017, the Department of Justice released a brief in Zarda v. Altitude Express, Inc., (883 F.3d 100 (2d Cir. 2018)) that disagrees with the EEOC and argues that sex does not include sexual orientation. However, the DOJ's position was rejected by the Second Circuit in 2018. The Second Circuit concluded that Title VII bars sex discrimination that includes discrimination based on sexual orientation.

Conclusion

Federal law provides certain protections against discrimination for protected classes. The understanding of protected classes has evolved greatly over the last century and may continue evolving through courts and federal legislation. Typically, the process is started by societal responses to new issues involving discrimination.

Additional Washington State Protected Classes In Washington, discrimination based on these protected classes is prohibited.

• Sex. • Race and color. • Religion and creed. • National origin. • Sexual orientation. • Gender identity and gender expression. • Disability and the use of a trained dog guide or service animal. • Honorably discharged veteran or military status.

Landlord Tenant Law Update (2019-2020 Legislative Session)

2019 Washington State updates to the Landlord Tenant Act June 14, 2019

The legislature passed SB 5600, HB 1440, HB 1138, and HB1462 at the end of the Washington Legislative session, and the governor signed the legislature into law. The legislation involves rewrites of the current Landlord Tenant laws, and the new laws are effective as of July 28, 2019. These laws are greatly in favor of tenants.

The Rental Housing Association of Washington provided an online summary of the changes, which are extensive.

The Washington Landlord Tenant Act amended SB 5600 in the following ways:

o The eviction process has been amended to create a fund to pay monetary judgements for tenants that are reinstated

o The notice period for a pay or vacate notice has been extended from three to 14 days before landlords can file summons and complaint for an unlawful detainer. The bill's language does not mandate a grace period before a landlord can issue a pay or vacate notice for nonpayment of rent in a particular month.

o The definition of rent includes recurring charges in the rental agreement and utilizes. Non-recurring charges, such as deposits, damage fees, late fees, and attorneys' fees, are excluded from this definition. However, payment plans for security deposits are allowed under the definition of rent.

o If a tenant defaults, the landlord can treat the default as rent owing if an installment payment plan for nonrefundable fees or security deposits are established at the beginning of tenancy.

o Landlords are prevented from obtaining a writ of restitution to remove tenants from a unit for charges that are not contained in the new definition of rent. This applies even if the charges are still owed, but they may be pursued through other civil actions, like small claims court.

o A new easy to read pay or vacate notice in statue was created to modernize the language of the standard form Summons and Complaint. This requires the Attorney General's office to maintain a website that provides common notices in

the 10 most common languages in Washington. The site must also provide references for legal services for tenants.

o The requirement for a court order to serve an unlawful detainer summons and complaint by posting was removed. Landlords can post the summons and complaint after three attempts at personal service. A judge will address issues of appropriate service before making a judgment. Service by posting only allows for a writ of restitution still. It does not create jurisdiction for monetary judgements.

o Language that requires a tenant to place the amount of a monetary judgement into the court registry to stop execution of a writ of restitution was removed.

o The amount that can be awarded in a monetary judgment for an unlawful detainer is capped at $75. Late fees owed may be pursued through other civil actions.

o The standards a judge can use to award reasonable attorneys' fees were created. The judgement must be for more than the amount of two month's rent or $1,200, whichever is greater, if parties appear for a show cause hearing. Attorneys' fees may be awarded if a tenant is reinstated. If the tenant files a motion for reinstatement but is not reinstated by the court, they may not be awarded attorneys' fees.

o Tenants with a judgement that finds them guilty of unlawful detainer may request reinstatement of tenancy from the court. They can set up a payment plan to pay off any monetary judgement. Reinstatement of tenancy is allowed if the tenant is on a rental agreement and pays the full monetary judgement within five days.

o There are seven factors that a judge must apply to determine reinstatement and terms of a payment plan.

▪ The tenant's willful or intentional failure to pay rent ▪ Whether the nonpayment was caused by exigent circumstances that are not likely to recur ▪ The ability of the tenant to pay rent ▪ Payment history of the tenant ▪ Whether the tenant is otherwise in substantial compliance with the

rental agreement ▪ Hardship of the tenant if evicted ▪ Conduct related to other notices in the past six months

o Judicial discretion can be used for reinstatement only for nonpayment of rent instead of violations of the lease agreement. Tenants cannot be award reinstatement if they have received three pay-or-vacate notices in the past year.

o Payment plans for monetary judgement between landlords and tenants have to be paid in full within 90 days. A $50 penalty was created and applies to the tenant for subsequent unlawful detainers after reinstatement is awarded.

o Tenants must pay off a month's rent in the monetary judgment within five days to remain eligible for the payment plan. Tenants must pay the cumulative amount of a month's rent within 30 days of reinstatement. Then, they must pay the cumulative amount of at least one month's rent within 60 days of reinstatement. Finally, the balance must be paid within 90 days. If a tenant defaults on any benchmark for the payment plan, the landlord can execute the writ of restitution from the original unlawful detainer with three days' notice to the tenant.

o A tenant must be current on new rent owed during their payment plan period or the landlord can execute the writ from the unlawful detainer. When a judgement is ordered after the 15th of the month, the tenant may prorate the first month's new rent into their payment plan, using the existing benchmarks for timely payments.

o Landlords can submit a request to have the entire monetary judgement paid by the Department of Commerce Landlord Mitigation Program. The Department of Commerce has 30 days to approve the claim and an additional 15 days to pay the landlord. Tenants are responsible for paying the state, which is outside of the landlord-tenant relationship.

o If the Landlord Mitigation Program has insufficient funds, the landlord can execute the writ to remove the tenant. They can hold the request for payment to be made by the state on a first come, first served basis when funds are replenished.

o $1 million has been appropriated by the 2019 State Legislature for the capital budget for the Landlord Mitigation Program. Further budgetary funds will need to be appropriated by future legislatures in the supplemental budget process and in future budget cycles.

Additional changes to the Washington Landlord Tenant Laws were made with the approval of HB 1440, HB1138 and HB1462.

HB 1440 increases the rent notices form from 30 to 60 days for any amount of rent. The law is statewide and prohibits the increase from taking effect before the term of the rental agreement is complete.

HB 1138, or the Residential Landlord Tenant Act (RLTA), includes language that updates the regulatory framework for the legal termination of a lease agreement by a member of the Armed Services, their spouse, or dependent. A member of the Armed Service and their spouse or dependent can give a 20-day notice if they have to break their lease obligation due to specific circumstances. These circumstances may include being released from active duty, assigned to a new permanent change of station more than 35 miles from their current location, or receiving deployment orders.

HB 1462 requires 120-days' notice from a landlord to terminate month-to-month tenancies if the termination is for substantial rehabilitation for the property, a change of use, or demolition. Substantial rehabilitation is defined as, "extensive structural repair or extensive remodeling of premises that requires a permit such as a building, electrical, plumbing, or mechanical permit, and that results in the displacement of an existing tenant". Change of use is defined as conversion from residential to non-residential, or to another form of residential use.

Change of use does not include displacing a tenant so that an owner or their immediate family can occupy a unit. If a property owner is in violation of this policy, they may be liable in a civil action for up to three times the monthly rent.

SB 5600, HB 1440, HB 1138, and HB1462 all provide significant changes to the Washington State laws.

Reading these bills and taking an updated class from the Rental Housing Association of Washington (RHAWA) or the Washington Multifamily Housing Association (WMFHA) can help you stay up to date on this information and all forms being used.

Tenants have obtained more rights under these bills, and it is important to understand them in order to protect yourself and tenants.

BUSINESS PRACTICES UPDATE AND PROFESSIONAL STANDARDS

It is in the best interest of broker and licensees to have professional cooperation. It will not only help in building larger customer base but also to build and retain a good name in real estate market.

Getting involved in malicious or selfish acts that are considered as unethical are highly prohibited and disciplinary action can also be taken against such brokers.

For a successful and long term business, brokers and licensees need to work well with other brokers and licensees.

A successful real estate agency has and maintains good connections and references. When other real estate agencies have trust in your sincerity and good will, your reputation among clients will automatically increase.

Duties of Broker

Regardless of whether a broker is an agent, the broker owes to all parties to whom the broker renders real estate brokerage services the following duties, which may not be waived:

• To exercise reasonable skill and care;

• To deal honestly and in good faith;

• To present all written offers, written notices and other written communications to and from either party in a timely manner, regardless of whether the property is subject to an existing contract for sale or the buyer is already a party to an existing contract to purchase;

• To disclose all existing material facts known by the broker and not apparent or readily ascertainable to a party; provided that this subsection shall not be construed to imply any duty to investigate matters that the broker has not agreed to investigate;

• To account in a timely manner for all money and property received from or on behalf of either party;

• To provide a pamphlet on the law of real estate agency in the form prescribed in RCW 18.86.120 to all parties to whom the broker renders real estate brokerage services, before the party signs an agency agreement with the broker, signs an offer in a real estate transaction handled by the broker, consents to

dual agency, or waives any rights, under RCW 18.86.020(1)(e), 18.86.040(1)(e), 18.86.050(1)(e), or 18.86.060(2) (e) or (f), whichever occurs earliest; and

• To disclose in writing to all parties to whom the broker renders real estate brokerage services, before the party signs an offer in a real estate transaction handled by the broker, whether the broker represents the buyer, the seller, both parties, or neither party. The disclosure shall be set forth in a separate paragraph entitled "Agency Disclosure" in the agreement between the buyer and seller or in a separate writing entitled "Agency Disclosure."

Unless otherwise agreed, a broker owes no duty to conduct an independent inspection of the property or to conduct an independent investigation of either party's financial condition, and owes no duty to independently verify the accuracy or completeness of any statement made by either party or by any source reasonably believed by the broker to be reliable.

Multiple Offers

It is often that multiple offers are presented or anticipated on a single property. When dealing with multiple offers, sellers and buyers should prepare and evaluate offers based on a buyer's ability to close on terms acceptable to seller.

It is part of broker's duty to inform the buyer as to the multiple offers status of property and discuss how to improve chances of getting the offer approved. Buyers should make their offers competitive, not just a random offer.

To show seller that the particular buyer is seriously interested in closing, the buyer may deposit large amount of earnest money as part of down payment. Buyers may also make their offer stronger by attaching lender's loan pre-approval letter. Preapproval is different from pre-qualification, in pre-approval, the lender approves the loan for buyer. This enhances the offer's chance to be accepted.

It is the duty of broker to advise sellers how to deal with multiple offers on a particular property. Broker should guide seller to evaluate offers on the terms of buyer's ability to accept the terms of seller.

However, buyers or sellers should never prepare or evaluate offers based on discriminations or protected classes.

Doing so will result in violation of fair housing law. Brokers should always stay vigilant in dealings and should never allow or become part of any discriminatory decision.

When the buyer is told by the broker that the property is getting multiple offers, the buyer may wish to make a stronger offer by using different tactics: 1. Make offer highly competitive. The buyer should know his or her maximum budget limit, and give his or her best offer.

2. Make more than usual earnest money deposit to assure the seller that buyer will not back off.

3. Provide evidence of funds, such as a pre-approval loan letter from his or her lender. Pre-approval letter shows that credit for buyer is already approved.

4. If the buyer is willing to pay cash, he or she should attach documents that prove that the buyer can instantly pay due to good bank balance.

5. If the buyer can use Escalation clauses or Addendums. It is the duty of the licensee to fully explain what an Escalation clause is and how it works. Simply it means that the buyer agrees to pay a set amount more than his or her original offer IF a higher offer is placed by another buyer.

For instance, Buyer Mr. X offers $200,000 for a property and with help of broker adds an escalation clause that in the case of a higher competing offer the buyer will increase his offer in increments of $5,000 above the competing offer. His escalation clause goes up to a maximum of $230,000. If no other offers are submitted, Mr. X's offer remains at $200,000.

If a buyer Mr. Y offers the seller $210,000, then Mr. X's offer would automatically escalate to $5,000 above that, bringing Mr. X's offer to $215,000. If a buyer Mr. Z offers $233,000 for the property, then Mr. X's maximum of $230,000 will be eclipsed, and Mr. Z will have the top offer.

Apart from clauses, buyers can also use any document or form that will make their offer more attractive.

In sellers' market, when multiple offers are generated on a particular property, counter offers are the often result.

The broker should guide the seller as to the best procedure when multiple offers are made. The seller can opt back and forth, or allow more time to get offers from additional buyers, and then analyze all of the offers. All offers may have different particulars and need to be evaluated properly. If the seller does not like any of the offers, the seller can make a counter offer to any buyer.

Counter offer may include:

1. Total consideration (generally a higher price)

2. Increasing the size of the earnest money deposit

3. Refusals to pay for certain reports or fees

4. Changing service providers

5. Altering closing or possession date

6. Excluding personal property from the contract

7. Modifying contingency time frames

Sellers can make more than one counter offer, discussing on the points discussed above. In all of these activities, broker can help the seller determine which may be in his or her best interest. However, care must be taken that sellers do not accept multiple offers. Keep record of all counter offers and evaluate on the basis of buyer getting on seller's terms.

OPTIONAL COURSE CURRICULUM RESOURCE MATERIALS

a. Washington State Department of Licensing Real Estate Program Webpage: http://www.dol.wa.gov/business/realestate/index.html b. National Association of Realtors'® Federal Issues Tracker:

www.nar.realtor/political-advocacy/nars-federal-issues-tracker c. Washington Legislature Webpage

http://leg.wa.gov/ d. YouTube Video relating to Form 35 https://youtu.be/y-cFjX9LsXs d. Offer link to VA loan fact sheet:

https://www.benefits.va.gov/BENEFITS/factsheets/homeloans/VA_Guaranteed_Home_ Loans.pdf f. NAR's Pathways to Professionalism: https://www.nar.realtor/about-nar/governing-documents/code-of-ethics/pathways-toprofessionalism g. NAR's Buyer's and Seller's Guide to Multiple Offer Negotiations: https://www.nar.realtor/about-nar/policies/professional-standards-and-code-of-ethics/abuyers-and-sellers-guide-to-multiple-offer-negotiations h. Inspection Addendum: YouTube video regarding inspection addendum for reference option: https://www.bing.com/videos/search?q=youtube+insepction+addendum&view=detail &mid=FF7B847A0A0FA24D28D6FF7B847A0A0FA24D28D6&FORM=VIRE i. Forms a. 35E Escalation Addendum b. 22EF Evidence of Funds c. 90K Buyers Pending Sale of Contingency Notice

d. 22B Buyers Sale of Property Contingency (Addendum to Purchase Sale Agreement) e. 22Q Buyers Pending Sale of Property Contingency Addendum f. 38A Backup Buyers Addendum g. 90L Buyers Request for Sellers Consent-Contingent Sale h. 39 Second Buyer Addendum i. 35 Inspection Addendum j. 35R Inspection Response j. National Association of Realtors Buyers and Sellers Guide to Multiple Offer

Negotiations https://www.nar.realtor/about-nar/policies/professional-standards-and-code-of-ethics/abuyers-and-sellers-guide-to-multiple-offer-negotiations k. Real Estate Excise Tax Legislation

a. Washington Realtors Legislative Update 2019 Part 1