

## Introduction

A clients' trust account is a bank account set up by a principal broker or property manager to keep clients' monies separate from the licensee's personal and business funds.

The main purpose of a clients' trust account is to protect clients' funds. The trust account status provides protection from creditor attachments, legal actions, and judgements against a licensee.

If a principal broker or property manager mixes money belonging to a client with personal or business funds, it is called commingling. **Commingling is a violation of Oregon Real Estate License Law** and could be grounds for disciplinary action against a licensee.

## Open an Account

**Every property manager, and every principal broker managing rental real estate, must open and maintain at least one clients' trust account.** All monies received on behalf of a property owner must be deposited into a clients' trust account.

If the property manager or principal broker receives and holds tenant security deposits on behalf of a property owner, those funds must be deposited into a separate clients' trust account designated for security deposits.

As a principal broker or property manager, you must do the following when setting up a clients' trust account. (All forms can be found at [www.oregon.gov/rea](http://www.oregon.gov/rea).)

- Open the clients' trust account at a "bank" as defined in ORS 696.010. The name of the bank account must include one of the following: "Clients' Trust Account;" "Client Trust Account;" "Clients' Trust Account - Security Deposits;" or "Client Trust Account SD."
- Establish yourself as an authorized signer on

the account. **Note: The property owners cannot be signers on the clients' trust account.**

- Have a bank representative sign a completed "[Notice of Clients' Trust Account and Authorization to Examine](#)" form.
- Get checks for the account pre-numbered or, if computer generated, numbered consecutively.
- Arrange with the bank to have any service charges paid out of a general business account or billed to the principal broker or property manager. (Example of service charges: check orders, nonsufficient funds, monthly service charges, or minimum balance charges.)
- Notify the Agency that you opened a clients' trust account by entering the account information into eLicense within 10 business days. This includes uploading a copy of the completed "Notice of Clients' Trust Account and Authorization to Examine" form.

## Maintain an Account

OAR 863-025-0025 through 863-025-0028 states the requirements for maintaining clients' trust accounts.

- Pay out funds from the trust account only if there are sufficient funds in the ledger account against which the payment is being made.
- Pay yourself any earned management fees at least once a month unless a different schedule is agreed to specifically in the property management agreement.
- Do not pay funds based on a wire or electronic funds transfer deposited into the clients' trust account until you make arrangements for written verification of when funds are received into the account by wire or electronic transfer.
- Provide the appropriate financial records to the Agency upon request to show there was a sufficient credit balance in the applicable ledger account at the time of any disbursement made from a clients' trust account.
- Do not allow debit cards to be issued on any

clients' trust account.

- Reconcile each trust account monthly. See "3-Way Reconciliation" below.

## 3-Way Reconciliation

A 3-way reconciliation of each clients' trust accounts must be completed monthly within 30 days of the bank statement date. Reconciliations can help catch math and data entry errors. They can also give you an opportunity to spot potential irregularities in deposits and withdrawals.

You need 3 records for a 3-way reconciliation:

- Bank statement.
- Receipts and disbursements journal, or check register.
- Owners' ledgers, for property management clients' trust accounts, or tenant ledgers, for security deposit accounts.

The following instructions are for performing a 3-way reconciliation using the Agency's "Trust Account Reconciliation" form, which can be found on the Agency's website at [www.oregon.gov/rea](http://www.oregon.gov/rea).

### Part I - Reconcile to Bank Statement

1. Find the statement date and the bank account balance on the bank statement and enter both into Part I on page 1 of the reconciliation form.
2. Identify any outstanding deposits made before or on the statement date but not showing on the statement. Enter those deposits into Schedule A on page 2 of the reconciliation form.
3. Enter the total for Schedule A into Part I of the form.
4. Identify any outstanding checks that were written before or on the statement date but have not cleared the bank yet. Enter those checks into Schedule B on page 2 of the reconciliation form.
5. Enter the total for Schedule B into Part I of the form.
6. Add the bank statement balance to the total

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outstanding deposits, then subtract the total outstanding checks. Enter that total into Part I.

## Part II - Reconcile to Receipts and Disbursements Journal

1. Find the balance on the receipts and disbursements journal or check register on the same date of the bank statement.
2. Enter that balance into Part II on page 1 of the reconciliation form.

## Part III - Reconcile to Owners' Ledgers or Tenants' Ledgers

1. Enter all positive balances from all the owners' tenants' ledgers (for security deposit accounts) as of the date of the bank statement into Schedule C on page 2 of the reconciliation form. *Please note: If the clients' trust account only contains the funds for one owner, the balance from the receipts and disbursements journal or check register may be used in Part III instead.*
2. Add up them up, and enter the total into Part III on page 1 of the reconciliation form.

## Totals of Parts I, II, & III Must Be Equal

Once the form is completed, **the totals of Parts I, II, and III must be the same.** If they are not the same, you must find where the error is.

- Confirm each bank statement entry, each entry in the receipts and disbursements journal or check register, and the ledger entries.
- If there are any adjustments needed, clearly identify and explain in the space provided on the form. **You must resolve all adjustments prior to the next month's reconciliation,** or document your good faith effort to do so.

## Sign & Date Reconciliation

As the principal broker or property manager, you must review and attest to the accuracy and completeness of each 3-way reconciliation by signing and dating the reconciliation form.

## Clients' Trust Account Reconciliation Review

The Oregon Real Estate Agency conducts random reviews of clients' trust accounts each month. If your clients' trust account is selected for review, you will need to submit the following:

- A copy of the 3-way reconciliation for the month requested.
- A copy of the bank statement for the month requested.
- A copy of the receipts and disbursements journal, or check register, that includes a record of the daily balances for the month requested.
- A list of outstanding checks and deposits for the month requested.
- A list of the individual owner ledger balances, or a list of the individual tenant ledgers for security deposit accounts.
- A copy of the "Notice of Clients' Trust Account and Authorization to Examine" form.

**You are required by law to have these documents as part of your records whether or not your clients' trust account is reviewed.**

## Close an Account

**Notify the Agency within 10 days** of the closing of a clients' trust account by logging in to eLicense and removing the account. All records for the clients' trust account must be kept for 6 years from date the property management agreement ends.

## Resources

- [www.oregon.gov/rea](http://www.oregon.gov/rea), Business Management, "Client's Trust Accounts"
- [ORS 696.010 & 696.241 through .245](#)
- [OAR 863-025-0005 through -0090](#)
- [Trust Account Reconciliation video](#), YouTube



Your Guide to

# Clients' Trust Accounts - Property Management

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September 2020