

1 REAL ESTATE AGENCY
2 BEFORE THE REAL ESTATE COMMISSIONER
3

4 In the Matter of the Real Estate License of)
5)
6 Karen Chase) ORDER ON DEFAULT
7)
8)
9 _____)

1.

10 1.1 On September 15, 2014, the Real Estate Commissioner issued, by certified mail,
11 a notice of intent to revoke the property manager license of Karen Chase (Chase). The Real
12 Estate Agency (OREA) sent the notice of intent to Chase's last known address of record with
13 the OREA. The notice of intent was also mailed to Chase by regular first class mail in a
14 handwritten envelope.

15 1.2 Chase signed for the certified mailing on September 17, 2015. The mailing in the
16 handwritten envelope was not returned. Chase requested a hearing within 20 days of
17 receiving the Notice of Intent to Revoke. On October 21, 2014, Chase notified OREA that she
18 was withdrawing her request for a hearing. Chase is therefore in default.

19 1.3 Copies of the entire investigation file are designated as the record for purposes
20 of default, including any submission from respondent and all information in the administrative
21 file relating to the mailing of notices and any responses received.

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23 Based upon the foregoing and upon a review of the above described investigation
24 reports, documents and files, the Real Estate Commissioner makes the following:

25 FINDINGS OF FACT

26 AND

27 CONCLUSIONS OF LAW

28 2.1 Chase was licensed as property manager and associated with the registered
29 business name OIG Property Management LLC (OIG) since October 25, 2010. OIG is located
30 in St. Helens, Oregon.

1 2.2 Previously, Chase's husband, Stephen Chase (S. Chase) managed Riverside
2 Property Services, Inc. (Riverside), a property management company that was also located in
3 St. Helens, Oregon. S. Chase's property managers' license was suspended for six months in
4 2008, and his license was revoked on January 1, 2011. Chase formed a new company called
5 OIG Property Management, LLC and took over property management agreements from
6 Riverside.

7 2.3 Chase was reprimanded by OREA on January 3, 2011, for multiple reasons, one
8 of which was failing to supervise the activities of S. Chase while S. Chase was Chase's
9 unlicensed employee. Chase's stipulated order specified that she would not employ or
10 otherwise allow S. Chase to have any association with Riverside Property Management or
11 Riverside Property Services, Inc., or any property management company owned or operated
12 by Chase.

13 2.4 In early 2014, S. Chase formed and ran a property maintenance company called
14 OIG Property Maintenance and the office was located in the same building as OIG.

15 2.5 On March 29, 2014, OREA opened an investigation against Chase based on a
16 complaint received from Nadyne Ichimura. The complaint alleged that Chase's company, OIG
17 owed Ichimura money and had failed to provide adequate accounting for her properties.

18 2.6 On May 5, 2014, Chase stated to OREA investigator Peter Bale (Bale) she used
19 S. Chase's company, OIG Property Maintenance, to perform maintenance on properties OIG
20 managed.

21 2.7 On July 23, 2014, Chase told Bale that her husband, S. Chase helped her with
22 OIG's bookkeeping, "as she was not able to do it all."

23 **Violation:** By having S. Chase perform bookkeeping for OIG and allowing S. Chase to
24 work on owners' properties for OIG, Chase violated ORS 696.301(13) (2013 Edition), which
25 states a licensee may be disciplined if they have violated a term, condition, restriction or
26 limitation contained in an order issued by the commissioner.

27 2.8 On April 21, 2014, investigator Bale requested from Chase three-way
28 reconciliations for the clients' trust accounts (CTA) ending in #0787 and #xx52 held by OIG.
29 On May 1, 2014, Attorney Jack Graham (Graham), on behalf of OIG wrote to Bale that, "the
30 financial documents requested did not exist, or could not be found."

1 2.9 Investigator Bale interviewed Chase on May 5, 2014. During her interview,
2 Chase said that at one point she brought her sister in to do the bookkeeping for OIG. Chase
3 said the three-way reconciliations were never done as they did not fully understand what was
4 required.

5 **Violation:** By failing to reconcile the CTAs, Chase violated ORS 696.301(3) as it
6 incorporates OAR 863-025-0025(20) and (21) (6-15-10, 4-15-11, 9-1-11, 9-14-12, 4-1-13
7 Editions), which states a property manager must reconcile each clients' trust account and
8 security deposits account within 30 calendar days of the date of the bank statement and the
9 reconciliation must contain three separate components and the amounts must balance.
10 Additionally, by failing to reconcile the CTAs, Chase demonstrated incompetence or
11 untrustworthiness in violation of ORS 696.301(12) (2011 and 2013 Editions), which states a
12 real estate licensee may be disciplined if they have demonstrated incompetence or
13 untrustworthiness in performing any act for which the licensee is required to hold a license.

14 2.10 On July 1, 2014, OIG provided the May 2014 three-way reconciliation for owners'
15 CTA ending in #0787. The owners' ledger balance on the reconciliation was \$32,371.75 and
16 the check register balance was \$32,371.75. The adjusted bank balance was \$22,826.02,
17 which indicated a shortage of \$9,545.73 in the bank account.

18 **Violation:** By having the shortage of \$9,545.73 in the bank account ending in #0787 per
19 the reconciliation documents, Chase violated ORS 696.301(3) as it incorporates OAR 863-
20 025-0025(20)(b)(4-1-13 and 5-15-14 Editions), which states the three components of the three-
21 way reconciliation must be equal to and reconciled with each other. If any adjustment is
22 needed, the adjustment must be clearly identified and explained on the reconciliation
23 document. Additionally, Chase demonstrated incompetence or untrustworthiness by allowing
24 a shortage in the CTA in violation of ORS 696.301(12) (2013 Edition), which states a licensee
25 may be subject to discipline if they have demonstrated incompetence or untrustworthiness in
26 performing any act for which the licensee is required to hold a license. Chase violated ORS
27 696.301(3) as it incorporates ORS 696.890(4)(a),(b),(d),(e),(f) (2013 Edition), which states, a
28 real estate property manager owes the property owner the following affirmative duties: (a) To
29 deal honestly and in good faith; (b) To disclose material facts known by the property manager
30 and not apparent or readily ascertainable to the owner; (d) To account in a timely manner for

1 all funds received from or on behalf of the owner; (e) To act in a fiduciary manner in all matters
2 relating to trust funds; and (f) To be loyal to the owner by not taking action that is adverse or
3 detrimental to the owner's interest.

4 2.11 On June 30, 2014, Chase received a check from S. Chase for \$9,549.73 and
5 deposited the check into CTA ending in #0787 which eliminated the CTA shortage.

6 2.12 On July 8, 2014, an electronic transfer of \$9,549.73 was made from the CTA
7 ending in #0787 to the OIG operating bank account.

8 **Violation:** By removing the \$9,549.73 out of the CTA, Chase demonstrated
9 incompetence or untrustworthiness in violation of ORS 696.301(12) (2013 Edition), which
10 states a licensee may be subject to discipline if they have demonstrated incompetence or
11 untrustworthiness in performing any act for which the licensee is required to hold a license.
12 Additionally, by removing the \$9,549.73 out of the CTA, Chase violated ORS 696.301(14)
13 (2013 Edition), which states a licensee may be disciplined if they have committed an act of
14 fraud or engaged in dishonest conduct substantially related to the fitness of the licensee to
15 conduct professional real estate activity, without regard to whether the act or conduct occurred
16 in the course of professional real estate activity. Additionally Chase violated ORS 696.301(3)
17 as it incorporates ORS 696.890(4)(a),(b),(d),(e),(f) (2013 Edition), which states, a real estate
18 property manager owes the property owner the following affirmative duties: (a) To deal
19 honestly and in good faith; (b) To disclose material facts known by the property manager and
20 not apparent or readily ascertainable to the owner; (d) To account in a timely manner for all
21 funds received from or on behalf of the owner; (e) To act in a fiduciary manner in all matters
22 relating to trust funds; and (f) To be loyal to the owner by not taking action that is adverse or
23 detrimental to the owner's interest.

24 2.13 On July 23, 2014, Chase provided a three-way trust account reconciliation for
25 account ending #xx52 for tenants' security deposits for the month of June 2014. As of June
26 30, 2014: (1) the reconciled bank balance was \$25,275.00, (2) the check register balance was
27 \$23,320.50, and (3) the total of tenants' ledgers was \$28,325.00. The adjustments required to
28 reconcile each component with each other were properly identified and explained.

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1 2.14 August 21, 2014, Barb Redding (Redding), leasing agent for OIG, called Bale
2 and told him that the computerized bookkeeping records showed approximately \$70,000.00 of
3 security deposits was categorized as "held by owners." Redding stated that in fact very few
4 security deposits were actually held by the owners and the money was missing.

5 2.15 On August 27, 2014, Bale visited the OIG offices. Jennifer Waymier (Waymier),
6 OIG office manager, and Redding provided a manually produced spreadsheet of security
7 deposits categorized as held by owners and copies of the associated tenant leases. This
8 spreadsheet of security deposits classified as "held by owner" totaled \$69,325.00. Both
9 Waymier and Redding said they did not think there were more than a few leases where the
10 security deposits were actually held by owners.

11 2.16 A review of the associated tenant leases showed that none of them had the box
12 checked, "If checked, deposits will be held by owner".

13 2.17 As of August 27, 2014, the list of tenant security deposits identified as "held by
14 owner" from the OIG computerized bookkeeping records totaled \$71,325.00. The \$71,325.00
15 included a tenant security deposit from Terry Samples of \$2,000.00 not included in the
16 manually produced spreadsheet.

17 2.18 On August 27, 2014, Redding and Waymeir contacted four owners and asked
18 who was holding the tenants' security deposits for their properties. Each of the four owners
19 stated the tenants' security deposits for their properties were held by OIG.

20 **Violation:** By falsely categorizing tenant security deposits as "held by owner" in the
21 computerized bookkeeping records when in fact they should have been categorized as held by
22 OIG, Chase violated ORS 696.301(14) (2013 Edition), which states a licensee may be
23 disciplined if they have committed an act of fraud or engaged in dishonest conduct
24 substantially related to the fitness of the licensee to conduct professional real estate activity,
25 without regard to whether the act or conduct occurred in the course of professional real estate
26 activity. Chase also violated ORS 696.301(3) as it incorporates ORS
27 696.890(4)(a),(b),(d),(e),(f) (2013 Edition), which states, a real estate property manager owes
28 the property owner the following affirmative duties: (a) To deal honestly and in good faith; (b)
29 To disclose material facts known by the property manager and not apparent or readily
30 ascertainable to the owner; (d) To account in a timely manner for all funds received from or on

1 behalf of the owner; (e) To act in a fiduciary manner in all matters relating to trust funds; and (f)
2 To be loyal to the owner by not taking action that is adverse or detrimental to the owner's
3 interest.

4 2.19 On September 2, 2014, investigator Bale informed Chase that it appeared there
5 was approximately \$70,000.00 to \$80,000.00 missing from the two CTAs. Chase admitted that
6 the money was missing. She said there was little or no money in the CTAs when she took
7 them over from her husband, S. Chase, when his license was revoked on January 1, 2011.

8 2.20 Chase said, "we never used the money for our own good." Chase had stated
9 there had been a member of staff who stole \$2,600.00 cash. Chase said they had used funds
10 from the CTAs to settle with an owner who threatened to sue them over disputed maintenance
11 charges.

12 **Violation:** By having a shortage in the security deposits CTA ending in # xx52, Chase
13 violated ORS 696.301(12) (2013 Edition), which states a licensee may be subject to discipline
14 if they have demonstrated incompetence or untrustworthiness in performing any act for which
15 the licensee is required to hold a license. Additionally, Chase violated ORS 696.301(14) (2013
16 Edition), which states a licensee may be disciplined if they have committed an act of fraud or
17 engaged in dishonest conduct substantially related to the fitness of the licensee to conduct
18 professional real estate activity, without regard to whether the act or conduct occurred in the
19 course of professional real estate activity. Chase also violated ORS 696.301(3) as it
20 incorporates ORS 696.890(4)(a),(b),(d),(e),(f) (2013 Edition), which states, a real estate
21 property manager owes the property owner the following affirmative duties: (a) To deal
22 honestly and in good faith; (b) To disclose material facts known by the property manager and
23 not apparent or readily ascertainable to the owner; (d) To account in a timely manner for all
24 funds received from or on behalf of the owner; (e) To act in a fiduciary manner in all matters
25 relating to trust funds; and (f) To be loyal to the owner by not taking action that is adverse or
26 detrimental to the owner's interest.

27 3.

28 3.1 Based on these findings, OREA is revoking Chase's property manager license.
29 A revocation is appropriate under ORS 696.396(2)(c)(A), (B), and (C) (2011 and 2013
30 Editions).

