

REAL ESTATE AGENCY
BEFORE THE REAL ESTATE COMMISSIONER

In the Matter of the Real Estate License of
FARRAH FARHOUD)
STIPULATED FINAL ORDER

The Oregon Real Estate Agency (Agency) and Farrah Farhoud (Farhoud) do hereby agree and stipulate to the following:

FINDINGS OF FACT
&
CONCLUSIONS OF LAW

1.

1.1 Since October 11, 2016, Farhoud has been licensed as a property manager working under the registered business name Stark Firs Management, Inc. (Stark Firs). In 2018 there were several instances where Farhoud’s license was inactive and not associated with Stark Firs (May 1, 2018 to June 12, 2018, and November 1, 2018).

1.2 On February 25, 2020, the Agency notified Stark Firs by email that clients’ trust account ending in #5722 was selected for a mandatory review by the Agency for the month of November 2019. Stark Firs was required to submit trust account reconciliation and supporting documents for the chosen account within 30 days from the date of the email. Due to lack of response, an investigation was opened.

1.3 Farhoud’s license was inactive for the period of May 1, 2018 through June 11, 2018, (42) days due to a late renewal. Farhoud’s license was also inactive on November 1, 2018 for 1 day. During these timeframes, Farhoud was working for Stark Firs and engaging in the management of rental real estate.

(1) Violation: Farhoud’s property manager license was not active from May 1, 2018 through June 11, 2018, and on November 1, 2018, while Farhoud was employed as a

1 property manager for Stark Firs in violation of ORS 696.301(3) as it incorporates ORS
2 696.020(2) (2017 Edition), which states: (2) An individual may not engage in, carry on,
3 advertise or purport to engage in or carry on professional real estate activity, or act in the
4 capacity of a real estate licensee, within this state unless the individual holds an active license
5 as provided for in this chapter.

6 1.4 Rhonny Mastne (Mastne) was licensed as a property manager and Mastne's
7 license became associated with Stark Firs on October 14, 2014. On November 1, 2018,
8 Mastne's license became inactive and remains inactive. Mastne prepared and reviewed the
9 November 2019 reconciliation for clients' trust account ending in #5722.

10 1.5 Ayla Duran and Serena Schwartz worked for Stark Firs as leasing agents
11 involved in accepting, reviewing and negotiating tenant rental and lease agreements. Duran
12 and Schwartz reviewed and processed paperwork, communicated with prospective tenants,
13 prepared correspondence and documents, conducted background and reference checks and
14 data entry. Lori Hays worked as a leasing agent at the registered branch office for Stark Firs
15 and accepted, reviewed and negotiated tenant rental and lease agreements and also collected
16 rents.

17 1.6 Moe Farhoud worked for Stark Firs and had the authority to handle funds,
18 receive and disburse funds for the clients' trust bank account ending in #5722.

19 1.7 Farhoud did not have any written delegations of authority or written policies in
20 place for employees performing property management duties.

21 **(2) Violation:** By not developing and maintaining written policies for employees and duties
22 they perform, Farhoud violated ORS 696.301(3) as it incorporates OAR 863-025-
23 0015(1),(2),(3)(a),(c)(A),(B),(C),(D),(E),(F),(G),(4) (1-1-2019 and 1-1-2020 Editions), which
24 requires: (1) Each property manager must develop, maintain and follow written policies for
25 persons and activities under this rule. (2) Each policy must state the effective date of the
26 policy. (3) Policies must specify the duties, responsibilities, supervision and authority, including
27 any authority to handle funds in a clients' trust account or security deposits account, for the
28 following persons: (a) A licensed property manager employed by the property manager,
29 including any authority to negotiate tenant rental and lease agreements; (c) An employee of
30 the property manager, including any authority to: (A) Negotiate tenant rental or lease

1 agreements under OAR 863-025-0045(2); (B) Check applicant or tenant references, including
2 credit references; (C) Physically maintain the real estate of an owner; (D) Conduct tenant
3 relations; (E) Collect rent and other payments; (F) Supervise premise managers; or (G)
4 Discuss financial matters relating to management of the real estate with the owner. (4) Policies
5 must include provisions that specify the production and maintenance of all reports, records and
6 documents required under this division.

7 **(3)(a) Violation:** Farhoud failed to prepare written delegations of authority for employees Ayla
8 Duran, Serena Schwartz, and Lori Hays who all accepted, reviewed, and negotiated tenant
9 rental and lease agreements, in violation of ORS 696.301(3) as it incorporates OAR 863-025-
10 0015(5)(c) (1-1-2019 and 1-1-2020 Editions), which requires: (5) The following delegations of
11 the property manager's authority must be in writing, dated and signed by the property manager
12 and signed by the individual who is receiving the authority, and kept with written policies: (c)
13 Review, approve and accept tenant rental and lease agreements under OAR 863-025-0045(2).

14 **(3)(b) Violation:** By not preparing a written delegation of authority for Moe Farhoud who
15 received and disbursed funds for the clients trust account ending in #5722, Farhoud violated
16 ORS 696.301(3) as it incorporates OAR 863-025-0015(5)(b) (1-1-2019 and 1-1-2020-
17 Editions), which requires: (5) The following delegations of the property manager's authority
18 must be in writing, dated and signed by the property manager and signed by the individual who
19 is receiving the authority, and kept with written policies: (b) Review and approve reconciliations
20 and receive and disburse funds under OAR 863-025-0028(5).

21 **(3)(c) Violation:** By not preparing a delegation of authority for Rhonny Mastne who prepared
22 and reviewed the November 2019 reconciliation for clients' trust account ending in #5722,
23 Farhoud violated ORS 696.301(3) as it incorporates OAR 863-025-0015(5)(b) (1-1-2019 and
24 1-1-2020 Edition) which requires: (5) The following delegations of the property manager's
25 authority must be in writing, dated and signed by the property manager and signed by the
26 individual who is receiving the authority, and kept with written policies: (b) Review and approve
27 reconciliations and receive and disburse funds under OAR 863-025-00028(5).

28 1.8 On July 2, 2020, Farhoud provided the property management agreements for five
29 properties as requested. A review of the property management agreements found that Moe
30 Farhoud (a non-licensed individual) had signed all of them as a representative of Stark Firs.

1 Farhoud stated during the investigation she had never signed a property management
2 agreement and that Moe Farhoud signed all the property management agreements.

3 **(4)(a) Violation:** By allowing Moe Farhoud, a nonlicensed individual, to sign the property
4 management agreements, Farhoud violated ORS 696.301(3) as it incorporates ORS
5 696.315(1) (2017 and 2019 Editions) and OAR 863-025-0020(6) (1-1-2019 and 1-1-2020
6 Editions). ORS 696.315(1) states except as provided in subsection (2) of this section, a real
7 estate licensee may not knowingly permit a nonlicensed individual to engage in professional
8 real estate activity, with or on behalf of the licensee. OAR 863-025-0020(6) states (6) Only a
9 property manager may negotiate and sign a property management agreement, except that a
10 principal real estate broker engaging in the management of rental real estate may delegate
11 such authority under OAR 863-025-0015(6) to a real estate licensee who is under the
12 supervision and control of the principal real estate broker.

13 **(4)(b) Violation:** By failing to sign the property management agreements, Farhoud violated
14 ORS 696.301(3) as it incorporates ORS 696.890(3) (2019 Edition) which states: (3) A real
15 estate property manager may engage in the management of rental real estate for an owner of
16 rental real estate only pursuant to a property management agreement.

17 1.9 The property management agreements did not specify if application fees would
18 be kept by the property manager or go to the property owner. Per the property management
19 agreements, security deposits are identified as property income to be collected by the property
20 manager, however, it does not state who will hold and maintain the security deposits.

21 1.10 The property management agreements provided all showed the management fee
22 to be 5% of actual gross rental revenues. In reviewing the May 2020 check registers, deposit
23 registers and general ledgers for the corresponding properties, the management fee paid was
24 not 5% of actual gross rental revenues as outlined in the property management agreements.

25 **(5)(a) Violation:** By failing to address who should receive application fees, and failing to
26 specify who will hold and maintain the security deposits Farhoud violated ORS 696.301(3) as it
27 incorporates OAR 863-025-0020(2)(b)(f) (1-1-2019 and 1-1-2020 Editions), which requires (2)
28 A property management agreement must include, but is not limited to: (b) The duties and
29 responsibilities of the property manager and the owner and (f) The management fees,
30 application fees, screening fees, rebates, discounts, overrides and any other form of

1 compensation to be received by the property manager for management of rental real estate
2 including when such compensation is earned and when it will be paid.

3 **(5)(b) Violation:** By not receiving the amount stated in the property management agreement
4 for management fees Farhoud violated ORS 696.301(3) as it incorporates ORS
5 696.890(3),(4)(c),(e) (2019 Edition), which states (3) A real estate property manager may
6 engage in the management of rental real estate for an owner of rental real estate only pursuant
7 to a property management agreement, and (4) A real estate property manager owes the
8 property owner the following affirmative duties: (c) To exercise reasonable care and diligence;
9 (e) To act in a fiduciary manner in all matters relating to trust funds.

10 1.11 Prior to March 20, 2020, security deposits were held in the property operating
11 bank accounts set up for each property. Farhoud failed to confirm during the investigation if
12 the property operating bank accounts were actually clients' trust account bank accounts.
13 Beginning March 20, 2020, new bank accounts were set up for each property to hold only
14 security deposits.

15 **(6)(a) Violation:** By holding tenant security deposit funds in a bank account that was not a
16 designated as a Clients' Trust Account – Tenant Security Deposit Account, Farhoud violated
17 ORS 696.301(3) as it incorporates OAR 863-025-0025(6) (1-1-2019 and 1-1-2020 Editions),
18 OAR 863-025-0030(1)(a),(b),(c),(d) (1-1-2019 and 1-1-2020 Editions), and OAR 863-025-
19 0065(4) (1-1-2019 and 1-1-2020 Editions). OAR 863-025-0025(6) states, except as provided in
20 OAR 863-025-0065 a property manager who receives security deposits on behalf of an owner
21 must open and maintain a security deposits account, as defined in OAR 863-025-0010, that is
22 separate from the property manager's clients' trust account. OAR 863-025-
23 0030(1)(a),(b),(c),(d) requires: (1) Except as provided in section (3) of this rule, all tenants'
24 security deposits received by a property manager must be deposited and maintained in a
25 security deposits account until: (a) The property manager forwards the tenant's security
26 deposit to the owner of the property according to the terms of the tenant's rental or lease
27 agreement and the property management agreement; (b) The property manager disburses the
28 tenant's security deposit for purposes authorized by the tenant's rental or lease agreement and
29 the property management agreement; (c) The property manager refunds a deposit to the
30 tenant according to the terms of the tenant's rental or lease agreement and the property

1 management agreement; or (d) The property management agreement is terminated and the
2 property manager transfers the tenant's security deposit to the owner unless the owner directs
3 the property manager, in writing, to transfer the security deposits and fees to another property
4 manager, escrow agent or person. OAR 863-025-0065(4) requires: (4) All funds, whether in
5 the form of money, checks, or money orders belonging to others and accepted by any property
6 manager while engaged in property management activity, must be deposited prior to the close
7 of business of the fifth banking day following the date of the receipt of the funds into a clients'
8 trust account or security deposits account as defined in OAR 863-025-0010 and established by
9 the property manager under ORS 696.241. The property manager must account for all funds
10 received.

11 **(6)(b) Violation:** By holding tenant security deposit funds in the Stark Firs operating bank
12 accounts, Farhoud violated ORS 696.301(3) as it violates ORS 696.241(2) (2019 Edition) and
13 ORS 696.890(4)(c),(e) (2019 Edition). ORS 696.241(2) requires: (2) A licensed real estate
14 property manager, or a principal real estate broker who engages in the management of rental
15 real estate, shall open and maintain in this state one or more separate federally insured bank
16 accounts that are designated clients' trust accounts under ORS 696.245. A principal real
17 estate broker who engages in the management of rental real estate or a licensed real estate
18 property manager shall deposit in a clients' trust account all trust funds received or handled by
19 the principal real estate broker, licensed real estate property manager or real estate licensees
20 subject to the supervision of the principal real estate broker. ORS 696.890(4)(c),(e) states: (4)
21 A real estate property manager owes the property owner the following affirmative duties: (c) To
22 exercise reasonable care and diligence; (e) To act in a fiduciary manner in all matters relating
23 to trust funds.

24 1.12 Farhoud was notified on February 25, 2020, that Farhoud was selected for a
25 mandatory clients' trust account reconciliation review for the month of November 2019 for
26 clients' trust account ending in #5722 and had 30 days to submit documents for the review.
27 On April 7, 2020, a second notice was sent to Farhoud stating action was required as no
28 documents had been received yet. On April 15, 2020, the Agency had received no response
29 from Farhoud.

30 **(7) Violation:** By failing to respond to the April 7, 2020 notification, Farhoud violated ORS

1 696.301(3) as it incorporates OAR 863-025-0035(2)(a),(c) (1-1-2020 Edition), which requires
2 (2) A property manager must produce records required under section (1) of this rule for
3 inspection by the Agency as follows: (a) When the Agency makes a request for production of
4 property management records, the property manager must provide such records within no less
5 than five banking days; and (c) Failure to produce such records within the timelines stated in
6 subsection (a) or (b) of this section is a violation of ORS 696.301.

7 1.13 Per Farhoud, in January 2020 they lost financial data when doing a
8 reimplementation of their financial software system. When the reimplementation was done,
9 data was lost that had existed previously. They had been under the impression that all of their
10 financial data would be downloaded by their software specialist, but unfortunately it was not.

11 1.14 This lost data impacted Farhoud's ability to produce the November 2019
12 reconciliation for clients' trust account ending in #5722 to the Agency. Due to the lost data,
13 Farhoud and Stark Firs employees had to manually find data and input it into spreadsheets to
14 recreate reports. Farhoud requested an extension to provide the reconciliation documents.
15 Farhoud told Agency staff the reconciliation had to be recreated due to the loss of financial
16 data from the software reimplementation.

17 **(8)(a) Violation:** By not backing up the computerized system, Farhoud violated ORS
18 696.301(3) as it incorporates OAR 863-025-0035(3)(a) (1-1-2019 Edition), which requires (3) If
19 a property manager uses a computerized system for creating, maintaining and producing
20 required records and reports: (a) The property manager must back up any data that is stored in
21 the computerized system at least once every month.

22 **(8)(b) Violation:** By not preserving a file with the November 2019 reconciliation and
23 supporting documents for clients' trust account ending in #5722, Farhoud violated ORS
24 696.301(3) as it incorporates OAR 863-025-0028(2)(e) (1-1-2019 Edition), which requires (2) A
25 property manager must reconcile each clients' trust account within 30 calendar days of the
26 date of the bank statement pursuant to the requirements contained in this section, (e) The
27 property manager must preserve and file in logical sequence the reconciliation document, bank
28 statement, and all supporting documentation including, but not limited to, copies of the record
29 of receipts and disbursements or check register and a listing of each owner's ledger balance
30 as of the date of the bank statement.

1 **(8)(c) Violation:** By not backing up the computerized system and not preserving a file with the
2 November 2019 reconciliation and supporting documents for clients' trust account ending in #
3 5722, Farhoud violated ORS 696.301(3) as it incorporates ORS 696.890(4)(c),(d) (2019
4 Edition), which states (4) A real estate property manager owes the property owner the
5 following affirmative duties: (c) To exercise reasonable care and diligence; (d) To account in a
6 timely manner for all funds received from or on behalf of the owner.

7 1.15 Per Farhoud they had been using their financial software system since 2015.
8 She said sometimes they did the clients' trust account reconciliation in their financial software
9 system and sometimes they did it in Excel. Farhoud also stated they did not always do a bank
10 reconciliation.

11 **(9) Violation:** By not always reconciling clients' trust account ending in #5722, Farhoud
12 violated ORS 696.301(3) as it incorporates ORS 696.890(4)(c)(d) (2019 Edition) and OAR
13 863-025-0028(2)(d)(A),(B),(e) (1-1-2019 and 1-1-2020 Editions). ORS 696.890(4)(c),(d) states
14 (4) A real estate property manager owes the property owner the following affirmative duties: (c)
15 To exercise reasonable care and diligence; (d) To account in a timely manner for all funds
16 received from or on behalf of the owner. OAR 863-025-0028(2)(d)(A)(B)(e) requires: (2) A
17 property manager must reconcile each clients' trust account within 30 calendar days of the
18 date of the bank statement pursuant to the requirements contained in this section. (d) Within
19 30 calendar days from the date of the bank statement, the property manager must: (A)
20 Complete the reconciliation document; and (B) Sign and date the reconciliation document,
21 attesting to the accuracy and completeness of the reconciliation; and (e) The property
22 manager must preserve and file in logical sequence the reconciliation document, bank
23 statement, and all supporting documentation including, but not limited to, copies of the record
24 of receipts and disbursements or check register and a listing of each owner's ledger balance
25 as of the date of the bank statement.

26 1.16 On June 2, 2020, Farhoud submitted clients' trust account November 2019 bank
27 statement for account ending in #5722 to the Agency. On June 3, 2020, Farhoud submitted
28 the trust account balance worksheet, Stark Firs ledger, deposit register, check register and
29 reconciliation worksheet. The reconciliation worksheet did not have a date as to when it was
30 prepared, and was also not signed and dated by Farhoud.

1 **(10) Violation:** By failing to sign and date the reconciliation document for the November
2 2019 reconciliation for clients' trust account ending in #5722 Farhoud violated ORS 696.301(3)
3 as it incorporates OAR 863-025-0028(2)(d)(A),(B),(e) (1-1-2019 1-1-2020 Editions), which
4 requires (2) A property manager must reconcile each clients' trust account within 30 calendar
5 days of the date of the bank statement pursuant to the requirements contained in this section.
6 (d) Within 30 calendar days from the date of the bank statement, the property manager must:
7 (A) Complete the reconciliation document; and (B) Sign and date the reconciliation document,
8 attesting to the accuracy and completeness of the reconciliation; and (e) The property
9 manager must preserve and file in logical sequence the reconciliation document, bank
10 statement, and all supporting documentation including, but not limited to, copies of the record
11 of receipts and disbursements or check register and a listing of each owner's ledger balance
12 as of the date of the bank statement.

13 1.17 The November 2019 reconciliation provided for clients' trust account ending in
14 #5722 was not an actual three way reconciliation as required. The reconciliation worksheet
15 reconciled the bank statement to the check register and the Stark Firs ledger. The
16 reconciliation did not contain the sum of all positive owners' ledger as of the date of the bank
17 statement. The reconciliation did not reconcile the bank statement, check register, and sum of
18 the owners' ledgers balances.

19 **(11) Violation:** By not including the sum of all positive owners' ledgers as of the date of the
20 bank statement and not reconciling the bank statement, check register, and sum of the owner's
21 ledgers balances, Farhoud violated ORS 696.301(3) as it incorporates OAR 863-025-
22 0028(2)(a)(A),(B),(C)(b) (1-1-2019 and 1-1-2020 Editions), which requires: (2) A property
23 manager must reconcile each clients' trust account within 30 calendar days of the date of the
24 bank statement pursuant to the requirements contained in this section. (a) The reconciliation
25 must have three components that are contained in a single reconciliation document: (A) The
26 bank statement balance, adjusted for outstanding checks and other reconciling bank items; (B)
27 The balance of the record of receipts and disbursements or the check register as of the date of
28 the bank statement; and (C) The sum of all positive owners' ledgers as of the date of the bank
29 statement. (b) The balances of each component in section (2)(a) of this rule must be equal to
30 and reconciled with each other. If any adjustment is needed, the adjustment must be clearly

1 identified and explained on the reconciliation document.

2 1.18 The November 2019 reconciliation for clients' trust account ending in #5722
3 listed outstanding checks by check number and amount. The reconciliation failed to list the
4 payee and issue date for each outstanding check.

5 **(12)(a)Violation:** By not listing the payee and issue date for each outstanding check, Farhoud
6 violated ORS 696.301(3) as it incorporates OAR 863-025-0028(2)(c) (1-1-2019 and 1-1-2020
7 Editions), which requires: (2) A property manager must reconcile each clients' trust account
8 within 30 calendar days of the date of the bank statement pursuant to the requirements
9 contained in this section. (c) Outstanding checks must be listed by check number, issue date,
10 payee and amount.

11 **(12)(b)Violation:** By not including the sum of all positive owners' ledgers as of the date of the
12 bank statement and not reconciling the bank statement, check register, and sum of the owner's
13 ledgers balances, and not listing the payee and issue date for each outstanding check,
14 Farhoud violated ORS 696.301(3) as it incorporates ORS 696.890(4)(c),(d) (2019 Edition),
15 which states (4) A real estate property manager owes the property owner the following
16 affirmative duties: (c) To exercise reasonable care and diligence; (d) To account in a timely
17 manner for all funds received from or on behalf of the owner.

18 1.19 Review of the financial documents for clients' trust account ending in #5722
19 shows payments for office mortgages, payroll, supplies, gas, food, uniforms and other
20 miscellaneous operating expenses for Stark Firs.

21 1.20 Farhoud admitted that clients' trust account ending in #5722 was used to receive
22 and disburse business operating expenses for Stark Firs. Additionally, Farhoud stated the
23 clients' trust account bank account was used to receive money owed to Stark Firs including
24 management fees and application fees. Payments were made out of the account for Stark Firs
25 payroll, operating expenses, maintenance supplies, general supplies.

26 **(13)(a)Violation:** By using the clients' trust account ending in # 5722 to pay business
27 operating expenses for Stark Firs and to receive money owed to Stark Firs Farhoud violated
28 ORS 696.301(3) as it incorporates OAR 863-025-0065(6) (1-1-2019 and 1-1-2020 Editions),
29 which requires (6) A property manager may not deposit any funds received on behalf of an
30 owner in the property manager's personal account or commingle any such funds received with

1 personal funds of the property manager.

2 **(13)(b)Violation:** By using the clients' trust account ending in #5722 to receive money owed to
3 Stark Firs, Farhoud violated ORS 696.301(3) as it incorporates OAR 863-025-025(5)(a)(b) (1-
4 1-2019 and 1-1-2020 Editions), which states (5) Only the following funds may be held in a
5 clients' trust account: (a) Funds received by a property manager on behalf of an owner; and (b)
6 Interest earned, but only if the account is a federally insured interest-bearing account and the
7 property management agreement complies with OAR 863-025-0020(3).

8 **(13)(c)Violation:** By using the clients' trust account ending in #5722 to pay business operating
9 expenses for Stark Firs and to receive money owed to Stark Firs Farhoud violated ORS
10 696.301(3) as it incorporates ORS 696.241(5)(a),(b) (2019 Edition), which states (5) A
11 principal real estate broker or licensed real estate property manager may not commingle any
12 other funds with the trust funds held in a clients' trust account, except for: (a) Earned interest
13 on a clients' trust account as provided in subsections (7) and (8) of this section; and (b) Earned
14 compensation as provided in subsection (9) of this section.

15 1.21 Each property had its own operating bank account. Typically money was
16 electronically transferred from the operating account into the clients' trust account bank
17 account.

18 1.22 According to the property management agreement the property manager was
19 required to:

20 " To compute, bill and collect all rent and/or lease payments, security, cleaning
21 and other deposits and all other deposits and all other expenses chargeable to or
22 payable by tenants pursuant to the terms of their leases due to Owner from the
23 Property (the "Property Income"), giving in each instance a receipt for payment
24 thereof upon request from any such tenant and to deposit all such Property Income
25 in a Bank Account(s) maintained by Manager on behalf of the Owner under the
26 name of the Owner at such bank or banks as are selected by Manager; provided
27 all such deposits are federally insured. The Bank Account may designate only
28 Manager as signatory, and Manager, acting alone shall have the power to
29 withdraw funds there from."

30 1.23 Regarding property owner Joseph Khouri, the operating bank accounts had been

1 set up by Khouri. Farhoud could review the operating accounts relating to Khouri's properties
2 but could not receive or disburse funds for these accounts. Money from Khouri's operating
3 accounts was not transferred into the clients' trust account. Each month Khouri would cut a
4 check from Stark Firs in the amount of the management fee and that was deposited into the
5 clients' trust account bank account.

6 **(13)(d)Violation:** By failing to deposit property income collected for Joseph Khouri properties
7 into the clients' trust account ending in #5722, Farhoud violated ORS 696.301(3) as it
8 incorporates ORS 696.241(2) (2019 Edition), which requires (2) A licensed real estate property
9 manager, or a principal real estate broker who engages in the management of rental real
10 estate, shall open and maintain in this state one or more separate federally insured bank
11 accounts that are designated clients' trust accounts under ORS 696.245. A principal real
12 estate broker who engages in the management of rental real estate or a licensed real estate
13 property manager shall deposit in a clients' trust account all trust funds received or handled by
14 the principal real estate broker, licensed real estate property manager or real estate licensees
15 subject to the supervision of the principal real estate broker.

16 **(13)(e)Violation:** By not having access to receive and disburse funds for the operating
17 accounts used to hold the funds for property owner Joseph Khouri, Farahoud violated ORS
18 696.301(3) as it incorporates, ORS 696.890(4)(c),(e) (2019 Edition), which states (4) A real
19 estate property manager owes the property owner the following affirmative duties: (c) To
20 exercise reasonable care and diligence; (e) To act in a fiduciary manner in all matters relating
21 to trust funds.

22 1.24 The November 2019 check register for clients' trust account ending in #5722 did
23 not include the following information for receipts of funds: the purpose of the funds and identity
24 of the person who tendered the funds. For disbursement of funds, the check register failed
25 identify the purpose of the disbursement, and did not contain identifying codes.

26 **(14) Violation:** By failing to include the required transaction detail for entries in the check
27 register for clients' trust account ending in #5722 Farhoud violated ORS 696.301(3) as it
28 incorporates OAR 863-025-0040(2)(a)(C),(b)(D),(c) (1-1-2019 and 1-1-2020 Editions), which
29 requires (2) A record of receipts and disbursements or a check register must contain at least
30 the following information: (a) For each receipt of funds: (C) The purpose of the funds and

1 identity of the person who tendered the funds. (b) For each disbursement of funds: (D) The
2 purpose of the disbursement, and (c) If there is more than one property in a clients' trust
3 account, each entry for a receipt, deposit or disbursement must be identified with the
4 applicable identifying code.

5 1.25 The November 2019 bank statement for clients' trust account ending in #5722
6 was labeled as Stark Firs Business Advantage Checking. The identifying words "Clients' Trust
7 Account" or "Client Trust Account" do not appear on the bank statement. Additionally, check
8 images show the name Stark Firs. The checks did not contain the identifying words "Clients'
9 Trust Account" or "Client Trust Account."

10 **(15)(a)Violation:** By failing to have the required identifying language of, "Clients' Trust Account
11 or Client Trust Account" on the bank statement and checks for clients trust account ending in
12 #5722, Farhoud violated ORS 696.301(3) as it incorporates OAR 863-025-0025(1)(a) (1-1-
13 2019 and 1-1-2020 Editions) and OAR 863-025-0027(2)(c) (1-1-2019 and 1-1-2020 Editions) .
14 OAR 863-025-0025(1)(a) requires (1) All clients' trust accounts and security deposits trust
15 accounts must be labeled on all bank records and checks as: (a) "Clients' Trust Account" or
16 "Client Trust Account. OAR 863-025-0027(2)(c) requires (2) A property manager must maintain
17 and account for all checks used for a clients' trust account or security deposits account
18 including, but not limited to, voided checks. All such checks must: (c) If the account is a clients'
19 trust account, include the words "clients' trust account" or "client trust acct", but may include
20 additional identifying language.

21 1.26 The November 2019 bank statement for clients' trust account ending in #5722
22 shows check card transactions linked to the account for withdrawals and other debits. The
23 statement shows check card transactions for card accounts ending in #6822, #8109 and
24 #9042. The Stark Firs ledgers shows the check card transactions were for Stark Firs business
25 expense payments.

26 **(15)(b)Violation:** By having check cards ending in #6822, #8109, and #9042 linked to clients
27 trust account ending in #5722, Farhoud violated ORS 696.301(3) as it incorporates OAR 863-
28 025-0025(12) (1-1-2019 and 1-1-2020 Editions), which requires (12) A property manager may
29 not utilize any form of debit card issued by financial institutions on a client trust account or
30 security deposits account.

1 1.27 Per Farhoud each property managed had their own operating bank account.
2 Money collected on behalf of each property was deposited into the property's operating bank
3 account. Money collected included rents, parking fees, garage fees, laundry (from washers
4 and dryers located at property), application fees, water, sewer, and garbage payments.
5 Farhoud was unable to confirm if the operating bank accounts were actual clients' trust
6 accounts.

7 **(16)Violation:** By depositing funds received and collected on behalf of the owner into bank
8 accounts that were not designated as clients' trust accounts, Farhoud violated ORS 696.301(3)
9 as it incorporates ORS 696.241(2) (2019 Edition), ORS 696.890(4)(c),(e) (2019 Edition) and
10 OAR 863-025-0065(4) (1-1-2019 and 1-1-2020 Editions). ORS 696.241(2) requires (2) A
11 licensed real estate property manager, or a principal real estate broker who engages in the
12 management of rental real estate, shall open and maintain in this state one or more separate
13 federally insured bank accounts that are designated clients' trust accounts under ORS
14 696.245. A principal real estate broker who engages in the management of rental real estate or
15 a licensed real estate property manager shall deposit in a clients' trust account all trust funds
16 received or handled by the principal real estate broker, licensed real estate property manager
17 or real estate licensees subject to the supervision of the principal real estate broker. ORS
18 696.890(4)(c),(e) states (4) A real estate property manager owes the property owner the
19 following affirmative duties: (c) To exercise reasonable care and diligence; (e) To act in a
20 fiduciary manner in all matters relating to trust funds. OAR 863-025-0065 (4) states (4) All
21 funds, whether in the form of money, checks, or money orders belonging to others and
22 accepted by any property manager while engaged in property management activity, must be
23 deposited prior to the close of business of the fifth banking day following the date of the receipt
24 of the funds into a clients' trust account or security deposits account as defined in OAR 863-
25 025-0010 and established by the property manager under ORS 696.241. The property
26 manager must account for all funds received.

27 1.28 A review of the May 2020 property operating bank account reconciliations and
28 supporting documents for Alder Creek, Country Rambler, Ever Green Park, Parker
29 Townhomes and Surrey Square shows that not all the money collected and deposited into the
30 property operating bank account was transferred to the clients' trust account ending in #5722.

1 **(17) Violation:** By not transferring all the property income collected for these properties from
2 the property operating bank accounts to the clients' trust account ending in #5722, Farhoud
3 violated ORS 696.301(3) as it incorporates OAR 863-025-0065(4) (1-1-2020 Edition) and
4 ORS 696.890(4)(c),(e) (2019 Edition). OAR 863-025-0065(4) requires (4) All funds, whether in
5 the form of money, checks, or money orders belonging to others and accepted by any property
6 manager while engaged in property management activity, must be deposited prior to the close
7 of business of the fifth banking day following the date of the receipt of the funds into a clients'
8 trust account or security deposits account as defined in OAR 863-025-0010 and established by
9 the property manager under ORS 696.241. The property manager must account for all funds
10 received. ORS 696.890(4)(c),(e) states (4) A real estate property manager owes the property
11 owner the following affirmative duties: (c) To exercise reasonable care and diligence; (e) To
12 act in a fiduciary manner in all matters relating to trust funds.

13 1.29 All of the above demonstrate incompetence or untrustworthiness in performing
14 any act for which the real estate licensee is required to hold a license and conduct below the
15 standard of care for the practice of professional real estate activity in Oregon.

16 **(18) Violation:** ORS 696.301(12) and (15) (2017 and 2019 Editions) which state a licensee's
17 real estate license may be disciplined if they have: (12) Demonstrated incompetence or
18 untrustworthiness in performing any act for which the real estate licensee is required to hold a
19 license, and (15) Engaged in any conduct that is below the standard of care for the practice of
20 professional real estate activity in Oregon as established by the community of individuals
21 engaged in the practice of professional real estate activity in Oregon.

22
23 2.

24 2.1 The foregoing violations are grounds for discipline pursuant to ORS 696.301.
25 Based on these violations a reprimand is appropriate for violations of ORS 696.301(3), (12),
26 and (15).

27 2.2 The Agency reserves the right to investigate and pursue additional complaints
28 that may be received in the future regarding this licensee.

29 2.3 In establishing the violations alleged above, the Agency may rely on one or more
30 of the definitions contained in ORS 696.010.

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ORDER

IT IS HEREBY ORDERED that Farrah Farhoud’s property manager license be, and hereby is reprimanded.

IT IS FURTHER ORDERED that Farhoud complete the 27-hour Property Manager Advanced Practices Course, (as detailed in OAR 863-022-0022, 1-1-2021 Edition) within four months from when the Commissioner signs this order. Farhoud must submit a certificate to the Agency showing completion of the 27-hour Property Manager Advanced Practices Course. This certificate must be submitted to the Agency no later than the 10 days after the education has been completed.

IT IS SO STIPULATED:

IT IS SO ORDERED:



DocuSigned by:
Farrah Farhoud
6138952E3DF5417...
FARRAH FARHOUD

DocuSigned by:
Steven Strode
D141D267DDE14A0...
STEVEN STRODE

Date 4/15/2021 | 9:27 AM PDT

Date 4/15/2021 | 10:19 AM PDT

Date of Service: 04/15/2021