REAL ESTATE AGENCY
BEFORE THE REAL ESTATE COMMISSIONER

In the Matter of the Real Estate License of

Karen Chase

ORDER ON DEFAULT

1.

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

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

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

2.

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

FINDINGS OF FACT

AND

CONCLUSIONS OF LAW

2.1 Chase was licensed as property manager and associated with the registered business name OIG Property Management LLC (OIG) since October 25, 2010. OIG is located in St. Helens, Oregon.
2.2 Previously, Chase’s husband, Stephen Chase (S. Chase) managed Riverside Property Services, Inc. (Riverside), a property management company that was also located in St. Helens, Oregon. S. Chase’s property managers’ license was suspended for six months in 2008, and his license was revoked on January 1, 2011. Chase formed a new company called OIG Property Management, LLC and took over property management agreements from Riverside.

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

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

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

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

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

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

2.8 On April 21, 2014, investigator Bale requested from Chase three-way reconciliations for the clients’ trust accounts (CTA) ending in #0787 and #xx52 held by OIG. On May 1, 2014, Attorney Jack Graham (Graham), on behalf of OIG wrote to Bale that, “the financial documents requested did not exist, or could not be found.”
2.9 Investigator Bale interviewed Chase on May 5, 2014. During her interview, Chase said that at one point she brought her sister in to do the bookkeeping for OIG. Chase said the three-way reconciliations were never done as they did not fully understand what was required.

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

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

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

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

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

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

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

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

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

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

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

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

Violation: By falsely categorizing tenant security deposits as “held by owner” in the computerized bookkeeping records when in fact they should have been categorized as held by OIG, Chase violated ORS 696.301(14) (2013 Edition), which states a licensee may be disciplined if they have committed an act of fraud or engaged in dishonest conduct substantially related to the fitness of the licensee to conduct professional real estate activity, without regard to whether the act or conduct occurred in the course of professional real estate activity. Chase also violated ORS 696.301(3) as it incorporates ORS 696.890(4)(a),(b),(d),(e),(f) (2013 Edition), which states, a real estate property manager owes the property owner the following affirmative duties: (a) To deal honestly and in good faith; (b) To disclose material facts known by the property manager and not apparent or readily ascertainable to the owner; (d) To account in a timely manner for all funds received from or on
behalf of the owner; (e) To act in a fiduciary manner in all matters relating to trust funds; and (f) To be loyal to the owner by not taking action that is adverse or detrimental to the owner’s interest.

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

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

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

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3.1 Based on these findings, OREA is revoking Chase’s property manager license. A revocation is appropriate under ORS 696.396(2)(c)(A), (B), and (C) (2011 and 2013 Editions).
3.2 OREA reserves the right to investigate and pursue additional complaints that may be received in the future regarding this licensee.

ORDER

IT IS HEREBY ORDERED that the property manager license of Chase is hereby revoked.

Dated this 21st day of October, 2014.

OREGON REAL ESTATE AGENCY

Gene Bentley
Real Estate Commissioner

DATE of service: 10/27/14

NOTICE: You are entitled to judicial review of this order. Judicial review may be obtained by filing a petition for review within 60 days from the date of service of this order. Judicial review is pursuant to the provisions of ORS 183.482.