

OREGON REAL ESTATE AGENCY



2021-2023 Budget Presentation Narrative

Contents

Agency Mission, Goals & Historical Perspective.....	4
Mission.....	4
Historical Perspective	4
Goals	4
#1 Memorialize Efficiencies Gained in Telework	4
#2 Expand Services & Outreach to Underserved in Community, Promote Fair Housing.....	6
#3 eLicense System Replacement Planning	8
#4 Policy Considerations for the Future	8
Requested Budget to Achieve Desired Program Results.....	10
Overview of Agency Performance and Outcome Measures.....	11
KPM #1	11
KPM #2.....	11
KPM #3.....	13
KPM #4.....	13
KPM #5.....	14
Summary of Programs	16
Regulatory Program	16
Education and Licensing.....	16
Education Program.....	16
Licensing Program	16
Land Development.....	17
Agency Organizational Information	18
Commissioners’ Office	18
Administrative Services Division	18
Regulation Division	18
Education and Licensing Division.....	19
Education	19
Compliance	19
Licensing.....	20
Land Development Division.....	20
Budget Drivers	21
Major changes to the agency in the past 6 year	21
Cost containing measures	21

Archives Reduction – cost savings	21
Major Budget Information	22
Summary of Revenues	23
Renewal.....	26
Broker License	26
Land Development.....	26
Transfer/Changes	26
Other Business License & Fees	26
Escrow Licenses.....	26
Shared Programs	27
Legislation affecting agency operations	27
10% reduction option, Vacant positions, Coronavirus Relief Fund	28
10% Reduction.....	28
Information on Vacant Positions	29
Discussion of Corona Virus Relief Fund 19-21 and 21-23 budget.....	29
Appendix.....	30

Agency Mission, Goals & Historical Perspective

Mission

The Oregon Real Estate Agency's mission is *to provide quality protection for Oregon consumers of real estate, escrow, and land development services, balanced with a professional environment conducive to a healthy real estate market.*

Historical Perspective

As the first real estate licensing body in the United States, the Oregon Real Estate Agency, in its various forms, has held this regulatory responsibility in Oregon for more than 100 years. Throughout this time, there has been a continual evolution in industry practice, with substantial leaps seen over the last twenty-five years aided foremost by technology. While real estate transactions in the early twentieth century may not look like they do today, the fundamental role remains. Real estate continues to be a cornerstone in Oregon's economy, with transactions in 2019 making up over 20% of the gross state product at \$52.4 billion. The interlocking role between our economy and real estate provides the Agency with the crucial role of providing consumer protection in concert with a professional environment that supports a healthy market. This work is as critical today as it ever has been.

The Agency has had great operational success over the last ten years, establishing a reputation of effectiveness and efficiency in the industry, at the legislature, and within state government. Former Commissioner Bentley led the Agency's conversion to electronic licensing in 2012, at a point where the Agency had lost 30% of total licensees in the years following the Great Recession. It wasn't clear at that stage what the economic recovery would look like for real estate, yet the Agency was determined to carry forward the necessary modernization of outdated, costly, and slow business practices. The results were profound. Not only were license processing times significantly reduced, but the Agency saved hundreds of thousands of dollars by eliminating paper and mailings as well as reducing staffing. The savings related to this full-scale overhaul of Agency practices allowed us to defer licensing fee increases until the full economic recovery was realized.

As the Agency looks forward, we recognize the importance of this work and the difficulty of our current moment in history. With the accomplishments of the recent past in mind, the Agency intends to maintain and build this forward momentum through the following goals.

Goals

The Oregon Real Estate Agency's management continually reviews and revises the strategic plan, identifying goals and establishing benchmarks to measure success. The emergence of COVID-19 created a full-scale reprioritization in the spring of 2020. The demand to telework forced us to fast track many of our longer-range goals and sideline others.

#1 Memorialize Efficiencies Gained in Telework

Real estate professionals had been conducting vast amounts of their business online before the pandemic. From research and communication to forms and contracts, real estate brokers are early to adopt innovation and rely on expediency. Brokers typically operate as independent contractors, running their own small businesses. The Oregon Real Estate Agency understands

this approach commonly used in the industry and embraces the spirit that government, like a business, should be streamlined wherever possible.

Payments

Since the implementation of eLicense in 2012, 95% of the Agency's revenue-generating processes have been online. Existing licensees and real estate educators came to expect rapid processing of business applications, address changes, and renewals. New license applicants have real-time access to the progress and status of their application, day or night.

To remain offsite during the pandemic and not bring staff in to process payments for the remaining 5% of work that was conducted offline, we quickly converted the outstanding items to the eLicense system, including condominium reviews, unit owners' association information reports, unit owners' association annual reports, civil penalties, and public records requests. While 5% doesn't appear to be a major effort or efficiency gain, it had an immense effect. These items were the most complicated for conversion as they were document-heavy or failed to neatly fit into the "off the shelf," licensing system. However, taking this step allowed us to eliminate cumbersome manual accounting processes, end the continued accumulation of paper documents for storage at Archives, and allow staff to complete their work from home without compromising work product or security.

Now that these processes are online, we seek to further refine the user experience for external customers and increase efficiency for our staff processing these items.

Complaints & Case Status

We have taken the first step in receiving complaints electronically by requesting that all come in through email. However, we seek to convert complaint intake to the eLicense system. This will reduce staff time in complaint-related data entry and associated document intake, as well as provide members of the public a venue to submit their complaint online and review its ongoing status.

Case File Intake and Storage

Previously, investigations and cases were paper processes. Initial complaints were often received electronically, but the Agency would print these emails and create a physical case file. Throughout the lifecycle of the case, the physical file would expand, with all communications with respondents and complainants printed as well as all evidence and the investigative reports. Feedback and direction from management were handwritten and added to the paper file. Upon completion of the investigation, the Agency would electronically scan the printed file and then store the paper file in a cabinet.

While the Agency has used the eLicense system for case management, we underutilized the tools available that would allow us to compile electronic documents in their original electronic format. We are now using these tools to a far greater extent as we have eliminated the redundant loop of receiving electronic documents, printing them, and then scanning them back in electronically.

Our pivot to electronic case files eliminates a great deal of administrative effort by support staff and professional investigators. Equally important, it provides a necessary anytime view of cases by lead staff and management, essential in a remote working environment.

We are now looking to further improve our case management handling by creating case management tracking business rules to establish continuity for documenting case activity using our existing tools.

Zoom Interviews, Settlement Conferences & Hearings

The Agency has conducted traditional, in-person interviews since time immemorial. However, for the safety of our staff, licensees, and the public-at-large, face-to-face meetings have been out of the question since March of last year. So, just like much of the business world, the Agency has shifted to virtual meetings to conduct business.

We have been employing web meetings for investigative interviews, settlement conferences, and hearings for the better part of 2020. Given the capabilities of these tools, we stage successful meetings where all parties have the opportunity to share information and documentation. A valuable added-benefit is that we can reach people throughout the state and even beyond our borders without added cost or delay.

As we return to the office, we must examine the continued use of these tools over in-person meetings. To date, we are seeing modest savings from travel; however, we are seeing substantial increases in productivity.

Electronic Signatures

All settlement letters and administrative actions are now signed electronically. When permitted by statute or agreed upon by the licensee, the resulting documents are sent by email, ultimately reducing the delivery of regulatory documents by several days.

We were forced to make changes at a rate that we hadn't expected. While the circumstances that compelled us to fast track these items are unwanted, the leaps that the Agency had to make delivered a positive result. It is our goal in the next biennium to memorialize and continue to expand upon these advances.

#2 Expand Services & Outreach to Underserved in Community, Promote Fair Housing

Another primary goal for the Oregon Real Estate Agency is to expand our services in both licensing and consumer protection to Oregonians with limited English language proficiency. In the last session, this committee asked if the Agency offered a Spanish language exam. At that point, it wasn't something that the Agency had explored.

Since the last session, we have reviewed options with the exam vendor and pre-license education providers to move toward offering education and examinations in Spanish. We will begin working with those partners in the next biennium to reduce this barrier to licensure; however, as these are long-term efforts reliant upon external partners, we are taking action within the Agency now.

In the current biennium, we have hired a new investigator with Spanish fluency who is assisting members of the public in the complaint and investigation process. We will be recruiting for a Spanish-speaking customer service staff person this spring as well.

Further, we will be publishing two major resource guides, one on property management, the other on advertising. Both will be offered in Spanish as well as English.

We recognize that access for Spanish-speaking Oregonians does not fully overcome the barriers to licensure and regulatory support. The Agency website offers translation into 109 languages, and as we proceed with a licensing system replacement product in the coming years, we will request language translation options in the licensing product. The Agency will continue to evaluate the demand to further expand upon these efforts as we move forward.

NAR Ethics Changes & Coordination with the Oregon Realtors

In 2020, the National Association of Realtors (NAR) updated its Code of Ethics to include professional standards disavowing hate speech. The changes seek to reaffirm the industry's commitment to fair housing and position its members to fight against discrimination and inequality.

Since the implementation of the new Code of Ethics, with over 18,000 of Oregon's 25,000 licensees belonging to NAR, the Agency has received an increased number of complaints related to discriminatory language used online by licensees in their personal social media. As the Agency does not regulate ethics or fair housing, we do not open these cases. We have traditionally responded with direction to submit the complaint to the Oregon Bureau of Labor & Industries (BOLI) or the Oregon Realtors (formerly the Oregon Association of Realtors). If racist language is used in advertising, which we have not seen but could be regulated under the Agency's authority, we would open a case for investigation.

Even though the Agency does not have direct authority over violations of the Fair Housing Act, we now take a more direct approach. Rather than redirecting the complainant to BOLI, the Agency is now directly submitting the information as well as providing the proper regulating agency information to the complainant. In collaboration with BOLI, a loop is being closed in that the Agency is now informed of any cases that result in action by BOLI against a real estate licensee. Dependent on the nature of the case, the Agency may then further investigate a licensee for conduct below the standard of care when a BOLI violation is found.

ARELLO Fair Housing

The Association of Real Estate License Law Officials (ARELLO) is the global organization for governing bodies of this regulated industry. Among this organization's many efforts, fair housing is a top priority. The Oregon Real Estate Commissioner, Steve Strobe, recognizes the economic and other adverse effects that housing discrimination has on Oregon consumers and has joined the Fair Housing Committee at ARELLO to help lead the development of education and policy efforts.

#3 eLicense System Replacement Planning

To make telework possible through the pandemic, the Oregon Real Estate Agency had to deprioritize other priority projects. This included the licensing replacement system request for this budget. The system had been planned for a lifecycle end in 2022. However, we will be extending this two years to 2024. It must be stressed that the system, in its current form, performs securely and accurately. The Agency has made continual improvements to the system allowing for this extension. However, a new system will provide us with the opportunity to increase efficiency and provide better tools to consumers and licensees.

The Agency's goal here is to continue to compare the effectiveness of the eLicense system with consumer expectations and peer state solutions, putting together the necessary project proposal to the Oregon State Chief Information Office and policy option package proposal to the Chief Financial Office for this system upgrade or replacement in the 2023-25 budget. This preparation will begin early in the 2021-2023 biennium.

#4 Policy Considerations for the Future

Since Commissioner Strode joined the Oregon Real Estate Agency in 2019, it has been a priority to reconcile current laws and rules with industry standards and peer jurisdiction regulatory policies. In this effort, the Agency overhauled the advertising rules to reflect modern communication and more precisely reflect the spirit of the rules by prohibiting misleading and false information. Other policy considerations are slated for the next biennium. These six core policy areas will be examined with industry workgroups and key stakeholders in the coming biennium.

Agents' Duties and Responsibilities

This refers to the fiduciary responsibility of the broker to the consumer. Various models of agent representation exist in jurisdictions throughout the United States. The Agency will evaluate best practices in peer states, identify if there are corollaries to regulatory outcomes in Oregon, and ascertain the costs and benefits to consumers and licensees in the event of changes to existing practice. Current vernacular has evolved across the industry, and the Agency will endeavor to ensure consumers better understand the role of the licensee in their transaction by ensuring agent duties and responsibilities are more clearly explained.

Disclosure Pamphlet

The Initial Agency Disclosure Pamphlet acts in support of the real estate consumer as a tool to clarify terms and the responsibilities of a broker. This document must be delivered by a broker at first contact with a prospective party to a real estate transaction by any means. Oregon does not currently require that this document be acknowledged in writing by the consumer, although many other states require this action. There is a concern in the industry that the passive nature of the current practice does not properly inform the potential client of the duties and responsibilities of the broker. Further there are opportunities to refine the content in the disclosure pamphlet to be delivered to the consumer in plain language avoiding Agency and industry jargon. However, key questions remain over the practicality of implementing a signature requirement on first contact with a consumer and the Agency will need to evaluate the appropriate action on failure to obtain formal acknowledgment by consumers.

Commission Sharing

Oregon is among just ten states that restrict licensed real estate brokers from offering rebates to consumers, as this is a form of commission sharing with unlicensed parties. The U.S. Department of Justice takes the position that limiting rebates increases costs to consumers and constrains competition. Historically, this has been a guard against unlicensed activity by untrained, untested individuals speculating in the industry. The Agency's rationale has been that consumers can benefit from fair competition among real estate brokers for the costs of the professional real estate activity by negotiating a reduction of commission from the initiation of the contract rather than as a rebate on closing. Given that most states allow rebates, the Agency has recently been confronted with the inconsistency that rebates originating from transactions within this state may go to an out-of-state broker legally, as that action rests beyond the limits of the Agency's authority and is likely legal in the other state. The Agency will examine existing law to see if it is providing necessary consumer protections or if it should be brought in line with a majority of states. An important note on this item: The Agency and our advisory Real Estate Board have named in a lawsuit that contests this statute. The Agency is working with DAS Risk Management and the Oregon Department of Justice to respond to the lawsuit. Please note that this policy consideration was established before the pending litigation, as published in our Agency Request Budget last August, and remains an item under review for potential proposed legislative changes.

Licensing Portability

The Association of Real Estate License Law Officials (ARELLO), of which the Agency is a member, has initiated a committee to identify how real estate licensing may reduce barriers and allow for greater interstate mobility in real estate licensing while considering the particular statutory dynamics and economic characteristics of each state. In the 2019 legislative session, Oregon passed HB 3030 and SB 688 in support of license portability for military spouses who are uniquely confronted with frequent relocation resulting in a deleterious effect on their ability to retain occupational licensing state to state. In partnership with ARELLO, the Agency will consider the balance of consumer protection with opportunities to limit barriers to out-of-state real estate licensees seeking a license in Oregon, bringing these findings to Oregon stakeholders for consultation.

Mandatory E&O

Errors and omissions insurance (E&O) is mandatory in approximately 30% of the governing real estate jurisdictions in the United States and Canada. The two basic models are a state-managed fund and a regulatory requirement for licensees to purchase and maintain coverage independently. Under the latter model, some states manage the vendor process and negotiate through the enterprise competitive bidding process to establish a state-sanctioned provider at a reasonable premium. Under both models, failure to obtain E&O insurance results in civil penalties, license inactivation, or both.

In Oregon, when inadequate or negligent professional real estate activity conducted by a licensee impacts the consumer in a transaction, there is no public fund to draw from or mandatory requirement for E&O insurance. The Agency's authority is limited to licensing law; therefore, the courts are the venue for restitution of losses if a licensee does not have E&O insurance. Most real estate brokers currently hold E&O insurance for their own risk management but are

burdened with high premiums and deductibles. Historically, Oregon has considered this to be the personal business decision of the broker. Instituting either of the models outlined will have a fiscal impact on the Agency and require a policy option package for increased position authority.

Property Management Bonding, Security in Trust

To protect the funds of the consumer, Oregon law requires the business of an escrow agent to be secured by a surety bond. Industry partners have suggested that a similar practice should be considered for property management deposits held in trust by principal brokers and property managers conducting property management activity. Mishandling of client trust funds is among the Agency's chief regulatory concerns due to the potential for significant impact on the consumer. The Agency would need to conduct thorough research to justify the need based on historical cases and ascertain the impact on licensees as bonding may introduce impediments to licensure.

Requested Budget to Achieve Desired Program Results

This budget is critical in positioning the Oregon Real Estate Agency to respond to a highly active yet challenging real estate market. Conditions in Oregon remain strained with exceptionally low inventory, continued rising prices, and activity steady with previous years. In a market where there are 30% fewer homes available, yet the number of sales exceeds previous years, there is tension, high competition, and severe constraint for the public and practitioners alike. Regulatory functions play an increased role under these pressurized circumstances where consumer protection is especially critical.

This budget seeks no substantial policy packages or increased position authority but aims to continue valuable regulatory work while improving effectiveness in compliance and efficiency in all program areas through process restructuring and increased use of technology. With this budget, the Agency will be well-positioned to respond to further changes in the market; maintaining an adequate reserve for expected decreases in license applications.

Overview of Agency Performance and Outcome Measures

KPM #1

KPM #1 is “Percent of property managers and principal brokers reviewed who met compliance within 45 days of a mail-in compliance review.”

The target for this KPM is 90%. In the most recent reporting period, the result is 100%.

This KPM is intended to provide an evaluation of the effectiveness of the Oregon Real Estate Agency’s efforts in the compliance review process. While the measure is successful today, the Agency sees opportunities for substantial improvement here. Namely, the current compliance review is opt-in and voluntary. This results in a rather low participation of only a few participants per month.

We find that licensees who participate are well organized and need minimal Agency input to achieve full compliance. Yet we see many licensees through investigations and reconciliation reviews who would have greatly benefited from participating in such a review, and some may have avoided a violation.

The Agency intends to develop the compliance program in the next biennium and work toward a more comprehensive review process which will be mandatory upon licensure with compulsory participation on a recurring basis yet to be determined. More frequently than desired, an investigation can become a compliance effort. We believe that working with licensees before they are the subject of an investigation will be a more effective approach.

To that effort, it is expected that this number will fall below the targets in the next biennium as we considerably increase the level of participation and expand the reach.

KPM #2

Moving on to KPM #2. This is the “Percent of investigations completed within 150 days of receipt of complaint.”

The Oregon Real Estate Agency has a history of exceeding the benchmark in this category so much so that in the last session the goal was shifted from 60% to 80%. However, this number fell in the last biennium to 74%.

In December 2019 the Real Estate Commissioner called for an internal review of the business operations of the Regulation Division. The purpose was to identify the depth and cause of delays observed in case resolution, with the sense that business operations were outdated and needed a distinct overhaul. Reporting was high level and did not provide a layered explanation for outcomes.

The review identified that all cases were effectively channeled through the Division Manager exclusively, despite the organizational intentions for subordinate lead staff to share much of the decision making workload. In this, we observed inefficiencies and needlessly redundant

processes cycling repeatedly through the Division Manager. These inefficient processes with siloed authority led to a significant backlog.

It was discovered in the review that a population of cases going as far back as 2013 stagnated following an investigation. By the fall of 2019, the accumulation had reached approximately 100 cases with two or more years of inactivity in the manager's queue waiting for administrative review or some level of managerial decision making. Formerly, leadership did not identify this problem as performance data for closed cases remained satisfactory in volume and closure rates. These cases were not distinctly revealed in other internal metrics and this KPM, the percent of investigations completed within 150 days, only accounted for the closed cases. Those that remained open were not yet calculated in the number of days to close because they hadn't closed. Essentially because former executive leadership wasn't conducting internal reviews or inspecting at a granular level, these cases went unseen.

We approached this issue with the intent to clear the backlog while simultaneously implementing immediate process improvements for ongoing case management. Starting with the beginning of a case, the support work required in the intake of a complaint, formerly handled by a single staff member in Regulation, was shifted to the Compliance Team in the Education Division. This provided a separation of duty of sorts. Those that take the complaint are not responsible for investigating and do not report to the Division Manager. This work is now shared amongst four staff and is less vulnerable to delays in periods of high volume, employee time-off, and position vacancy.

In the Investigation process itself, we have eliminated case assignment pending queues for investigations. Investigators are now given cases upon the case opening rather than having a manager hold it until they believe the staff person is ready to begin investigating. Now investigators are to conduct an initial case review within seven days of receiving the case in their queue. This task allows the investigator to become familiar with the nature of the complaints and to prioritize their own workload. Less complicated cases can be processed quicker, better serving parties with a resolution in a reasonable timeframe.

And where the problems occurred most deeply, in the administrative review process after the Investigation was completed, the Agency has restored the roles of the two Lead Staff in the Division who were previously underutilized. They are now empowered to guide the administrative review and settlement process. They are now acting as their positions were intended, to close non-disciplinary cases independently. This team is responsible for biweekly reporting of case progress and detailed case data is reviewed at the Executive Leadership level. The Commissioner has taken a more active role, reviewing all proposed disciplinary actions and authorizing all proposed sanctions.

Since implementing these changes in the Division last March, we have seen a tremendous transformation. Comparing administrative reviews through December 2020 to the same period in the year before, under prior management, we have increased our review volume by 192%, going from reviewing 60 cases in 2019 to 175 in 2020. Not only have we done so much more year over year but, we did them much more quickly. In 2020, it took our lead reviewers an average of 45 days to complete the administrative review and in 2019 it took 106 days, effectively decreasing

the wait time by 58%. Now that we have caught up on the backlog, we see current performance has improved greatly with the average number of days to complete an administrative review in November and December of 2020 at just 13 days, which is reaching our internal target of 14.

Regarding the backlog, the Agency consulted with the Governor's office and DOJ and re-reviewed each case that had been pending for an excessive period of time. Many were found to have no grounds for discipline and were closed. Others were closed on age-related matters; for example, respondents are deceased or no longer holding a real estate license. Some cases were sent back through investigation to determine if the activity remained and others were carried forward on the facts gathered at the time.

At this point, 95% of these matters are now closed, and we expect the remaining few cases to close shortly. The Agency chose to undertake the large case backlog in a single grouping knowing that it would affect our KPM. We understand the gravity of this failure and believe that it is in the public's interest to conclude these matters quickly yet fairly.

Uncovering this issue and implementing changes to prevent it from reoccurring is an achievement by the new Commissioner. In this process, the Agency has been fully transparent with its industry stakeholders — from reporting the findings in the Agency's newsletter to providing ongoing updates to the Real Estate Board. We have fully embraced this an opportunity to create a cultural shift within the Agency – one of accountability, transparency, and shared responsibility at every level.

While missing the KPM of 80%, we are proud of the agency's efforts, given what we identified and the corrective action we took. With the backlog now behind us and process improvements in place, we fully expect to meet the KPM of 80% in future periods.

KPM #3

KPM #3 is the “Percent of contested case actions that are resolved through informal settlement resolution and prior to a formal hearing before the office of Administrative Hearings.”

The target here is 95% and the Oregon Real Estate Agency has exceeded that target, reaching 96% in the most recent reporting period. The Agency has taken a new approach in the settlement process. Historically, the Agency has taken the position of withholding the specifics of the settlement offer and using the meeting as an opportunity to present options and further negotiate a sanction. However, we are consciously taking a new approach so as not to unnecessarily delay the process and deliver opaque communication. The Agency now presents a complete written settlement offer from the outset, allowing the respondent to be prepared for the conference by understanding the Agency's position. The settlement process continues to allow for respondents to produce new information resulting in changes in the settlement when appropriate.

Respondents now have a clearer understanding of the Agency's intention and the process is less subject to miscommunication. However, a respondent may always decline a settlement agreement and prefer to take the case to a hearing.

KPM #4

The next measure is the “percent of licensees who rate the board-administered exam as ‘good’ or ‘excellent’ as an effective screen for competent and ethical professionals.”

Within this reporting period, the Oregon Real Estate Agency hosted two workgroups comprised of staff and industry leaders from the licensee community to update the examination content. The updated examinations were put into place in October 2020 and may affect the results of the KPM in the future.

Also beginning in October, the Agency's exam vendor PSI began conducting online proctoring for real estate pre-license examinations as a measure to increase safety and reduce the spread of COVID-19, and increase accessibility to applicants for whom traveling to an examination site is a burden.

As for the performance of this KPM in this period, the Agency observes that many of the comments associated with lower ratings continued to suggest confusion with the question itself.

In real estate, most licensees view competency to follow some sort of formal training program at their brokerage. Pre-licensing exams are not intended to teach sales and marketing. Moreover, "ethics" is often associated with the "Code of Ethics" of the National Association of Realtors, whereas Oregon statute only refers to the "duties and responsibilities" of a licensee. In the past year, we have added clarifying explanation to the question so that respondents understand the role of occupational licensure exams as a measure of competent knowledge of statute and rules. Now we are seeing more applicants volunteer that they are not perhaps the best judge or are not prepared to answer if the exam is an effective screen.

The Agency will continue to closely monitor the comments associated with this KPM following these changes, as well as explore alternatives to better capture performance related to examination as a measure of preparedness to practice.

KPM #5

Now, on to our final measure, Customer Service.

The Oregon Real Estate Agency strives to provide outstanding customer service to licensees and the public. Agency staff are available by telephone and email, Monday through Friday, 8:00 a.m. to 5:00 p.m. The Agency's physical office remains closed to the public. All applications are available through the Agency's eLicense system and conducted online. License applications are processed through automated workflows, based on business rules, in real-time as requirements are met and do not require staff intervention outside of the background review. Business applications are completed within three business days.

The Agency handles approximately 2,000 phone calls per month with average hold times below 30 seconds. Agency email is responded to within the same day. Comments from the customer service survey are monitored monthly and are overwhelmingly positive, heaping praise on the well-deserving front line customer service staff. Recent comments include:

"Very friendly and respectful! Appreciate it!"

"Professional and polite"

"Exceeded expectations"

“Dependable”

“They are amazing, always helpful and informative.”

The Agency’s eLicense system is considered a foundational element of the Agency’s overall customer service. This system is beginning to age beyond user expectations in functionality and the Agency has observed an increase in dissatisfied comments regarding its user-interface and features.

Having delayed the budget ask for a system replacement in this biennium, the Agency intends to request funding for replacement in the 23-25 biennium. However, in an effort to improve where we can, we will be conducting system updates to improve the user experience in the 21-23 biennium.

Summary of Programs

The Oregon Real Estate Agency is overseen by the Office of the Real Estate Commissioner, with four stand-alone divisions, including Regulations, Administrative Services, Licensing and Education, and Land Development.

Regulatory Program

The Regulation Division investigates complaints about real estate brokers, property managers, escrow agents, and individuals engaged in unlicensed activity. After an investigation, the Agency may engage in dispute resolution with the respondent through a stipulated order. When an agreement is not made the case may be taken to a contested case hearing. Investigators work with the Agency's Assistant Attorney General to prepare contested cases for hearing and, if necessary, assist other criminal justice agencies in investigations, court testimony, and case preparation. Finally, staff members investigate clients' trust account reconciliation reviews demonstrating noncompliance issues and perform escrow audits. This program serves Oregon consumers of real estate, including both sales and property management, by offering a complaint and investigation process for alleged license violations.

Education and Licensing

The Education and Licensing Division oversees those two core program areas. This includes responsibility for the education requirements of 26 pre-license and 8 post-license educators as well as customer service support to new applicants and over 25,000 existing licensees and nearly 5,000 business organizations conducting real estate and escrow services.

Education Program

The Division leads pre-license and post-license course development guidelines and approves content and instructors. The program also manages the continuing education required for real estate licensees. It certifies approximately 317 providers, develops the course outlines for the Law & Rule Required Course and Advanced Practices for Brokers, Principal Brokers, and Property Managers. The Education program works with the Real Estate Board and the examination provider to develop and implement current and effective licensing examinations that set a standard for industry competency and professionalism.

Licensing Program

There are three full-time staff members that process license applications and renewals and one manager that oversees that work. Another team of three compliance staff, under this same manager, reviews criminal backgrounds, conducts compliance reviews, initiates and performs the initial review of clients' trust account reconciliations, and maintains escrow license and surety bond files. The entire team is responsible for responding to approximately 100 licensing and compliance inquiries daily.

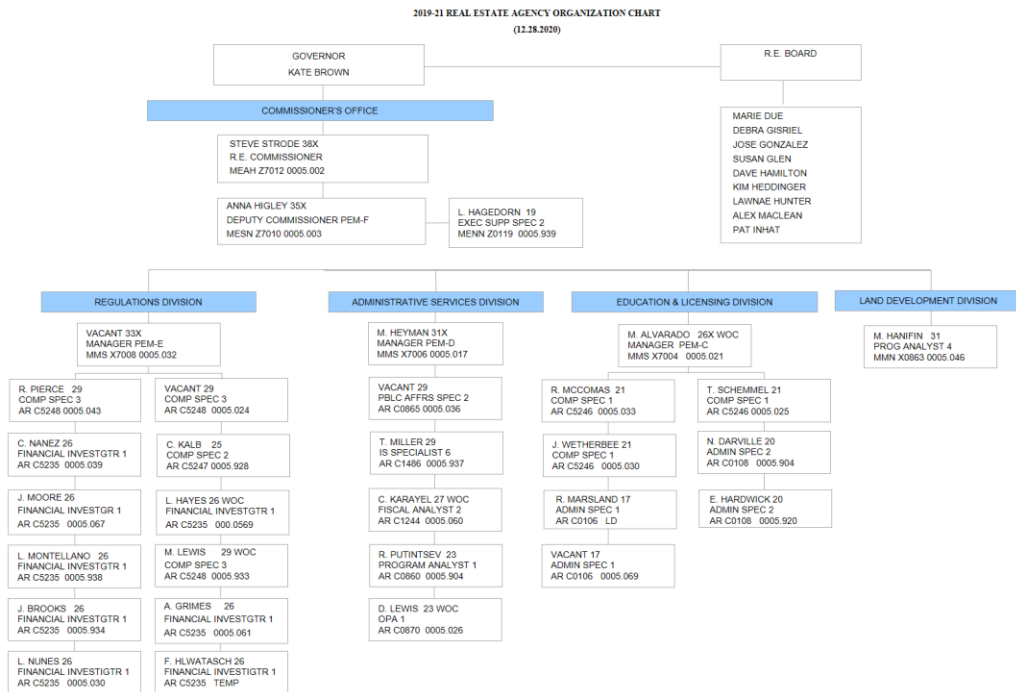
This section assists the general public in the process of filing complaints about licensees or unlicensed individuals practicing real estate. However the team's primarily role supports customers processing online applications and processes.

Land Development

Our land development manager performs review services for developers of subdivisions, condominiums, timeshare estates, and membership campgrounds. We work closely with attorneys representing members of the public, licensees, and developers with questions on the application of the law or in matters related to a complaint. Additionally, the management and executive team works closely with professional real estate organizations and government bodies on the implementation of new policies, rules, and laws.

All Agency programs are delivered under the leadership and policy direction of the Oregon Real Estate Commissioner.

Agency Organizational Information



Commissioners' Office

The Commissioner's office provides executive leadership to the Oregon Real Estate Agency. The Commissioner is advised by the Real Estate Board on industry matters and provides input on education, examination, and proposed laws and rules. The Deputy Real Estate Commissioner oversees the Agency management, staff, and operations. Each of the program managers reports weekly to the Deputy Commissioner on the progress toward goals and performance of their Divisions.

Administrative Services Division

The Administrative Services Division acts as business support for the Agency overall. This Division manages accounting, finance, purchasing and contracting, inventory control, facilities, payroll, human resources, special projects, information technology (IT), performance, and communications.

Regulation Division

The Regulation Division oversees and administers case investigations. This process includes gathering facts from interviews and documents as well as preparing a written investigative report. The report is reviewed by the Lead Staff in the division, determining when there is no violation or if the violation warrants an Education Letter of Advice. For more severe violations, the Lead Staff consults with the Commissioner, who will make a determination for sanction. The Lead Staff will then present the proposed sanction in a written settlement offer with an invitation to meet for a settlement conference where new information may be presented by the respondent. In cases where a settlement isn't reached, the respondent will then have the opportunity to

present their case before an Administrative Law Judge from the Office of Administrative Hearings.

Education and Licensing Division

This Division manages reception, licensing, compliance reviews, clients' trust account reviews, and education. Staff support external customers through telephone and email support in license processing and compliance-related inquiries as well as complaint intake. This Division also offers internal customer service through mail handling, scanning, and invoicing for Agency services.

Education

The purpose of this program is to oversee the administration of license examinations and education services provided to applicants and real estate licensees. The program collects and analyzes information about the educational needs of the real estate industry and reviews certain educational courses. The program collaborates with the Commissioner and the Board to improve the OREA's external educational efforts. The Education program carries out the Agency's mission by increasing the quality, format, and number of educational opportunities for licensees that will, in turn, increase the professionalism among licensees. This program strives to provide excellence in education-related services for the Agency, including creating educational opportunities that meet the needs of the industry and the consumer, researching and utilizing technology and other tools to effectively deliver information, and developing and implementing effective licensing examinations.

Functions include:

- Coordinating the development and maintenance of examinations and test items;
- Coordinating the development and periodic review of real estate educational guidelines;
- Approving pre-license courses and instructors;
- Reviewing and approves post-license education courses; and
- Maintaining and promoting escrow education requirements.

Compliance

The purpose of this program is to respond to public inquiry and conduct compliance-related activities. This work includes providing technical assistance and sharing knowledge on the interpretation and application of laws and rules administered by the Agency (excluding legal advice) to licensees, the public, and other governmental agencies.

Program activities include:

- Complaint intake and review: Determine if there are reasonable grounds to indicate a violation of law or rule may have occurred.
- Compliance reviews: Evaluate compliance surveys and assist licensees in coming into compliance within target of 45 days, where possible.
- Clients' trust account reconciliation reviews: Assess compliance and identify cases for investigation.

Licensing

The purpose of this program is to administer the licensing of real estate brokers, principal brokers, property managers, and escrow agents, the registration of business names, pre-license education providers, and unit owners' associations, the online submissions of condominium filings, and the certification of continuing education providers.

Land Development Division

The Land Development Division reviews and approves filings related to condominiums, timeshares, subdivisions, manufactured home subdivisions, and membership campgrounds. The section reviews and approves the foundational documents creating these types of properties, as well as later amendments to those documents, to verify compliance with statutory requirements. The Division issues Disclosure Statements required for sales of these interests to Oregonians.

Budget Drivers

The Oregon Real Estate Agency is not seeking any policy option packages for limitation increases at this time. As was noted in the goals section of this report, the Agency is named in a lawsuit that alleges existing statute enforces anticompetitive regulation. The Oregon Department of Justice, along with a Specially Appointed Attorney General, are representing the Agency and the Real Estate Board in this matter. Legal expenditures are covered by existing limitations under the DAS Risk Assessment, though the Agency will be responsible for fees related to General Counsel coordination and should expect increased assessment costs in future biennia.

Major changes to the agency in the past 6 year

For this budget and the preceding six years, the Agency has no major program changes. The Agency seeks only to expand the effectiveness of existing programs and maintain and improve upon process changes that have yielded increased production. The Agency continues to deliver its core services to the public and licensed community.

Cost containing measures

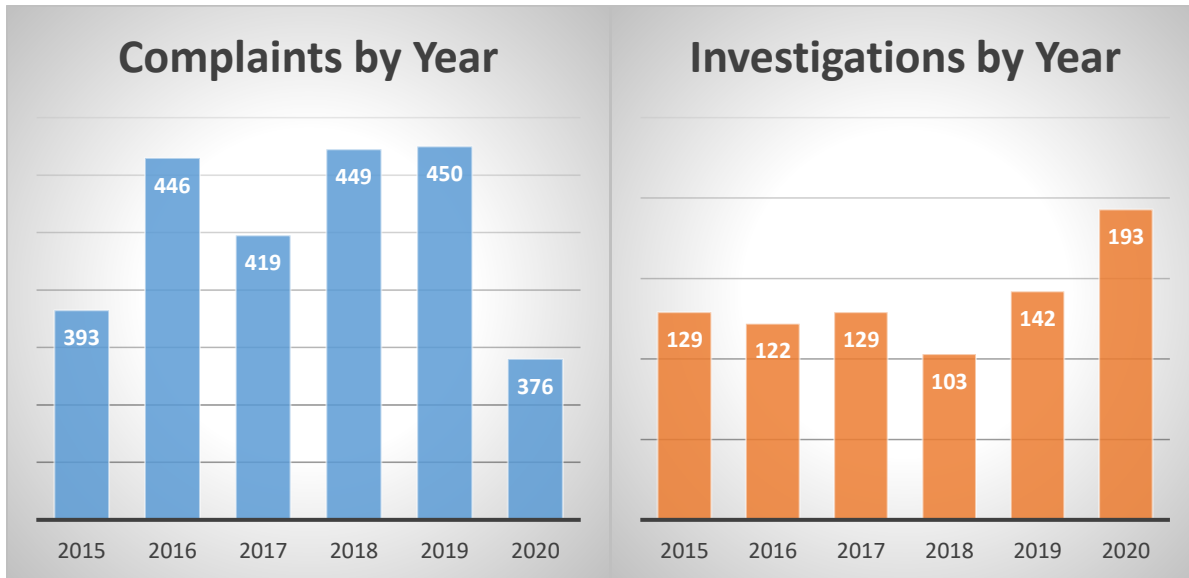
Archives Reduction – cost savings

The Agency has created a significant amount of storage through lengthy retention policies for Land Development-related documents. The current archives costs to hold records is approximately \$33,000 per year and consists mainly of condominium and timeshare filing documentation. Most of the critical information stored in these files are either housed in duplicate in the Agency filing database or at the county level, such as the plat or recorded documents.

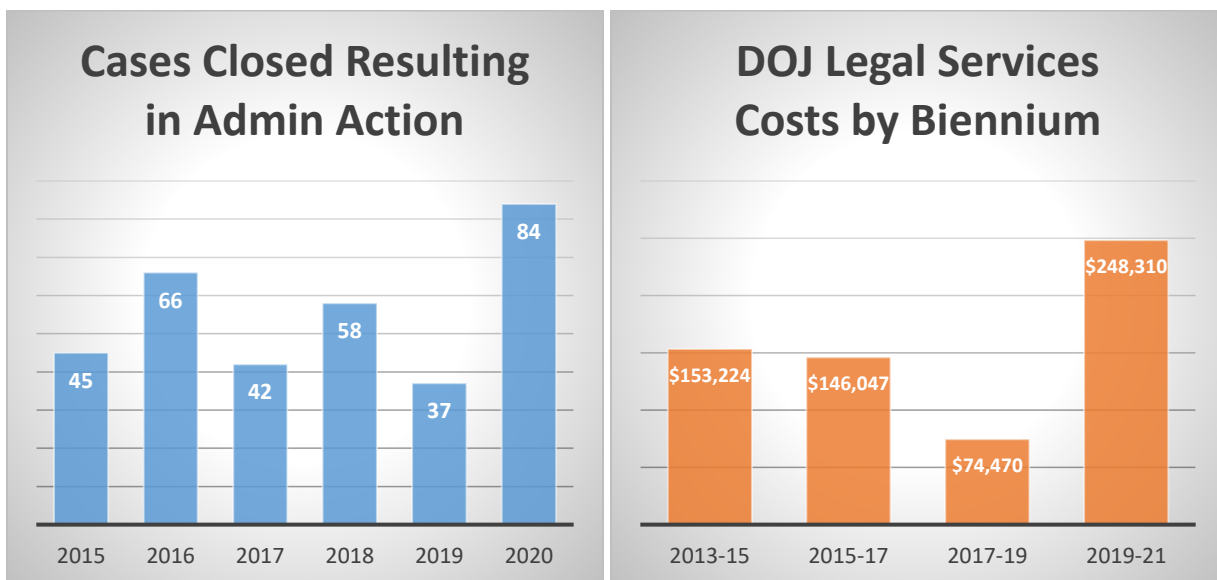
In partnership with State Archives, the Agency has taken active steps to reduce the existing retention schedule from a period of seven years after a condominium has terminated to 10 years from the document's creation date. This allows the Agency to destroy documents that are not unique and no longer relevant to the public or the Agency. This process will drastically reduce the remaining storage footprint. The Agency will be able to pull the remaining documents from Archives storage to be held in house at no additional cost, eliminating this ongoing cost.

Major Budget Information

While complaints received by the Agency declined in 2020, the severity of the issues and necessity to initiate an investigation increased.



A recent internal review of the quality of complaint processing confirmed that the increased investigation rate, from roughly 3:1 in 2019 to approximately 2:1 in 2020, was warranted. The increased investigation rates can be attributed to the greater complexity and higher impact complaints seen in 2020, which can be expected in a strained market environment.



The process reorganization efforts and new internal benchmarks outlined in the performance section of this document have inspired increased productivity over previous years. This volume of case activity in combination with substantial support in resolving a case backlog has resulted in increased DOJ Legal expenditure in the current biennium. While the Agency expects the legal costs to decrease in future biennia from the current, it is expected to remain higher than the last

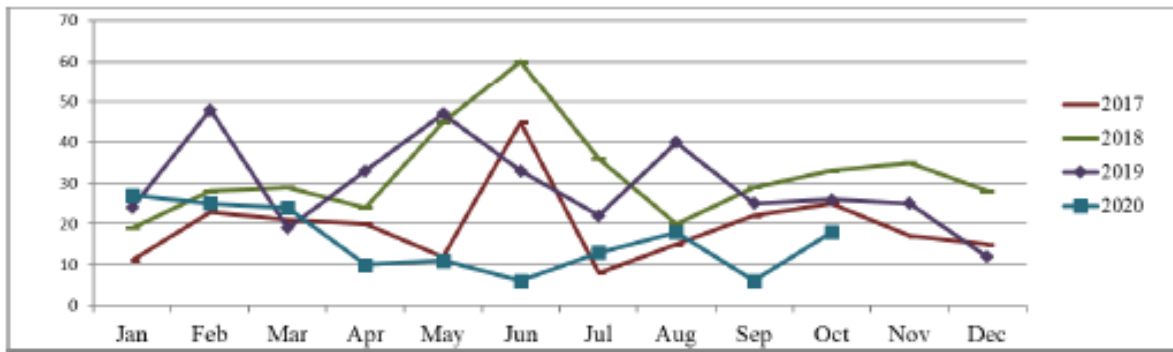
four biennia, as the Agency is operating more effectively with increased production, thus more engagement with legal services.

Licensing

The following data reflects activity for 2020.

Application Type	Count
Address	3,374
Application	6,240
Client Trust	992
License Status Change	548
Online Invoice	127
Reinstatement	350
Renewal	15,341
Transfer of License Supervision	6,913

Land Development services represent a small share of the Agency’s work overall. As this section primarily processes condominium filings, the pandemic and subsequent market changes have affected the volume of workload significantly. The condominium market, centralized mostly in the Portland metro area, has suffered as home buyers have shifted interests away from the urban core and their shared communal spaces with a preference for single-family homes with yards in the suburbs and even a considerable new interest in rural areas. Formerly attractive to downsizing seniors, condominiums currently pose a risk to those in higher vulnerability groups. Condominium prices have fallen by 5% and inventory is sitting on the market while single-family homes are at a record low for days on the market. Given these factors, developers appear to be delaying or forgoing new projects. Filings at the Agency are currently reflective of volume seen in 2013 while the real estate market was still in its recovery from the Great Recession.



Summary of Revenues

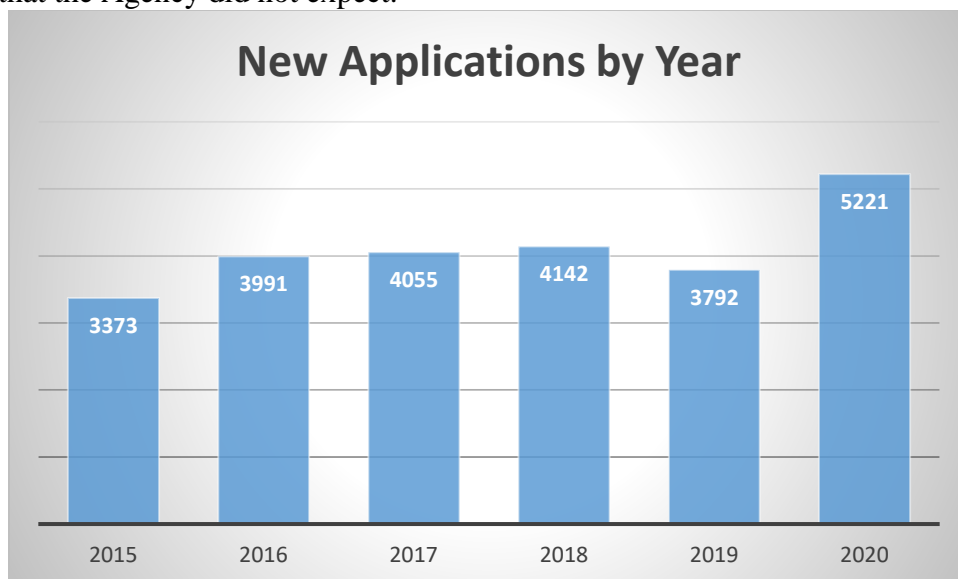
The Agency is wholly other-funded by licensing and filing related fees. The real estate market and the perceived attractiveness of the industry as a profession remain the primary revenue driver. Early 2020 continued to show strength in the economy overall with no sign of significant retraction in the real estate industry in Oregon. The state was experiencing sustained high demand and moderate supply constraint with steadily rising home prices, relatively low interest rates, record low unemployment, and ongoing in-migration. The unforeseen arrival of COVID-

19 and the resultant economic shutdown starting in late March 2020 created a massive cooling on real estate activity in the spring. Open houses were canceled, listings were pulled, and real estate transactions unraveled. Portland Metro experienced a 14% decrease in pending sales in March 2020 compared to the previous year. April was even worse, with a 30% decrease in new listings and a 34% decline in closed transactions.

However, as counties across the state began to enter Phase I reopening in May, activity in the real estate market began to reemerge. Interest rates fell even lower, and, unlike the Great Recession of 2008 where home values collapsed by 30% in most markets, homes have increased in price by approximately 4% over 2019. Unemployment appeared to bottom out in May at 14.3%, having fallen to 6% statewide in November 2020. The most deeply impacted have been those in the leisure, hospitality, and retail sectors. Earners more likely to be in the home-buying market, such as in business and professional services, government, health and education, and other salaried professions have largely maintained full-time employment throughout the pandemic.

The already supply-constrained market had record low inventory, and conditions were desirable for those willing and able to reenter from the seller side. New listings in May were still down 30% in the Portland Metro year over year, but pending sales were only down 5.5% from 2019. By June 2020, closings were only down 1.7% compared to 2019 and as we approach year-end, volume has outpaced 2019 entirely.

This buoyancy has been a boon to the professional and has been rather attractive as a new professional option for those seeking alternative career paths. Applications have climbed in 2020 to heights that the Agency did not expect.

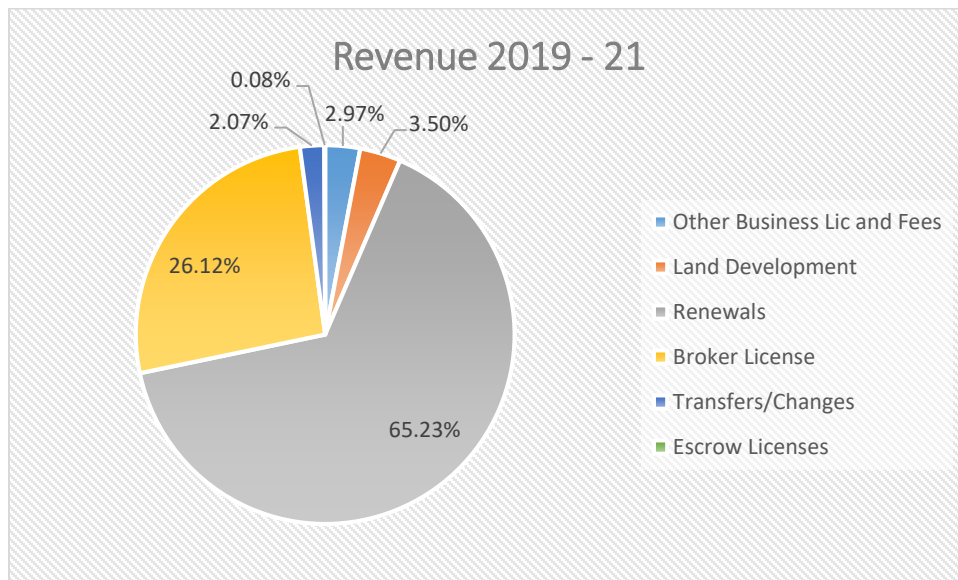


If unemployment numbers begin to increase beyond the sectors that were immediately shuttered, a more traditional recession could emerge where decreased demand seeps into manufacturing, construction, and professional and business services. It is at that point that we will see incomes descend and thus delay home purchases, negatively affecting the appeal of entering, or the practicality of remaining, in the real estate profession.

As of December 2020, the number of Oregon real estate licensees sits just beyond the pre-2008 recession level of nearly 24,000 individual licensees. Real estate licensing revenue has seen among its biggest gains in 2020, building a more comfortable reserve for a future downturn in the economy.

In March 2020, revenue was down 3% from February. In April it was down again 4% from March. These numbers are encouraging considering testing sites were closed and applicants were not able to complete the licensing process. However, in reflection over the year at large, revenue is up 8% overall when comparing 2019 to 2020. Upon phase I reopening, new applications increased by nearly 60% between April and May of 2020. June revenue was the highest recorded month in the OREA history with no decrease in renewal numbers in 2020 overall. While this is a sign of continued positivity among new entrants as well as for those in practice, the 2008 downturn, which impacted the OREA deeply, occurred in the years following the initial crisis. Two-thirds of the Agency’s revenue is through license renewals, and those renewals are scheduled for expiration on a rolling monthly basis designated by birth month. The substantial retraction of the Great Recession occurred gradually over four years. It was between 2010 and 2013 when license numbers dropped by a considerable measure and revenues suffered the most. While the depth remains unknown, the Agency will likely experience substantial revenue impacts in 2023-25 and 2025-27.

The Agency’s 2021-23 revenue projection accounts for a decline in applications and an increase in the number of lapsed licenses. This trend has already begun with decreased new applications and steady increases in license lapse rate. We expect this decline to continue into the following budget period until we find firm ground in a recovery, though we do not anticipate this downturn to be as steep as was seen in the years following the Great Recession.



Renewal

Nearly two-thirds of Agency revenue is derived from license renewals. Brokers, principal brokers, and property managers renew their license every other year at \$300 per renewal. This fee was increased from \$230 in 2018 after over 20 years without a fee increase. Registered business names and continuing education providers renew annually for \$50, which were newly introduced fees and processes in 2018.

Broker License

Individual license applications for brokers, principal brokers, and property managers make up around one-quarter of all revenue, with an average of 435 applications per month in 2020. License application fees also increased from \$230 to \$300 in 2018.

Land Development

Land Development filing fees make up just 3.5% of total Agency revenue. Revenue from this category is especially low at this time due to a retraction in new urban housing developments and preference for suburban single-family homes. This body of work is expected to increase in the 2021-2023 biennium when urban centers regain their appeal with renewed access to dining, live events and public transportation.

Transfer/Changes

The Agency process several thousand transfer applications annually though the cost for this service individually and the revenue accrued on the whole remains low. As this is a relatively automated process that requires Agency intervention in special cases, this fee is intentionally set at just \$10 per transfer.

Other Business License & Fees

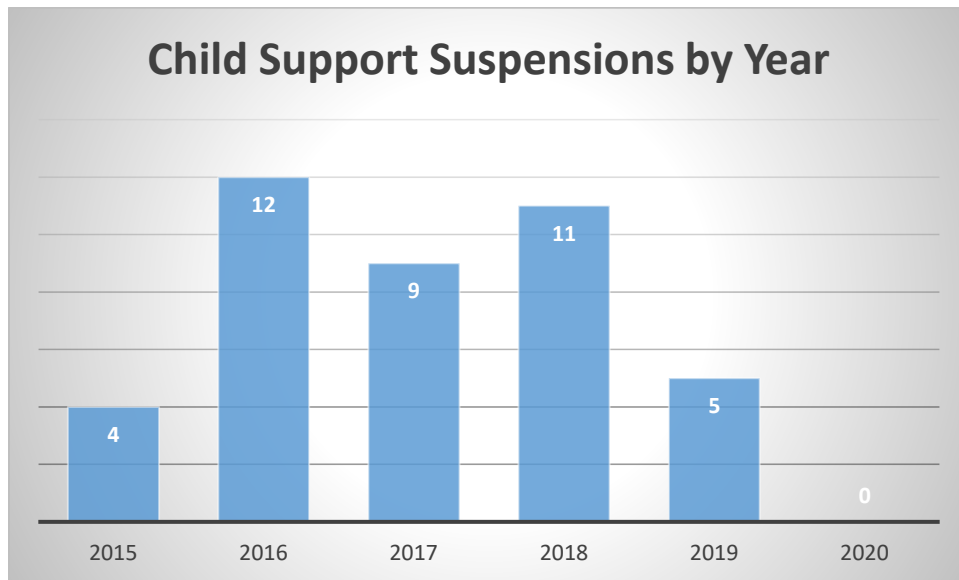
Registered business names, name changes, continuing education providers, and other low-quantity applications comprise this small miscellaneous revenue category.

Escrow Licenses

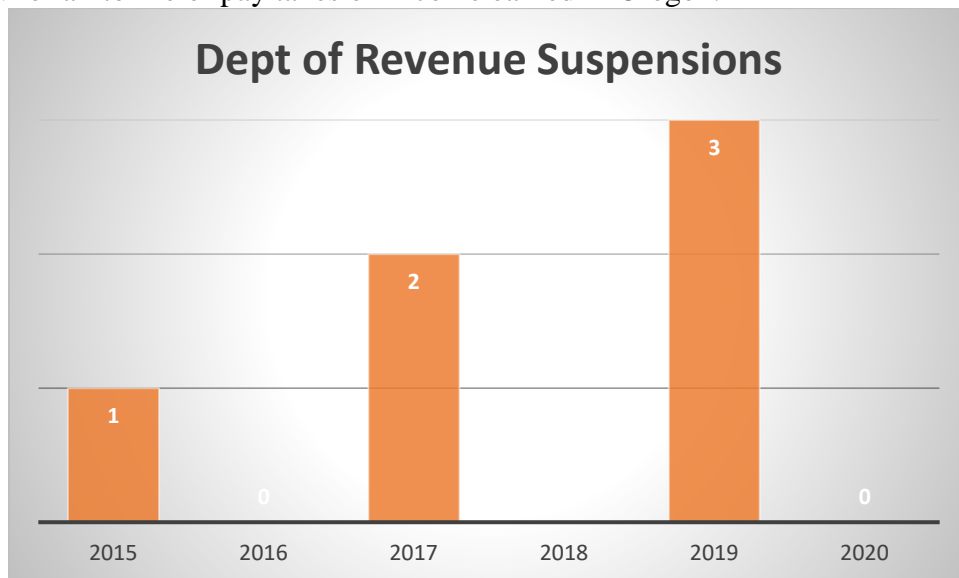
With only 66 active escrow organizations and 147 active escrow branch offices in Oregon, this revenue category of licensure makes up approximately .08% of overall revenue.

Shared Programs

The Agency works in partnership with the Oregon Department of Justice on cases involving licensees who fail to pay child support.



The Agency works in partnership with the Oregon Department of Revenue on cases involving licensees who fail to file or pay taxes on income earned in Oregon.



The Agency works with the Oregon Department of Human Services on cases that involve a licensee as a respondent. There has been just one case in the past six years.

Legislation affecting agency operations

The Agency is currently unaware of any legislation affecting operations.

10% reduction option, Vacant positions, Coronavirus Relief Fund

10% Reduction

10% Reduction Options (ORS 291.216)

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION (DESCRIBE THE EFFECTS OF THIS REDUCTION. INCLUDE POSITIONS AND FTE IN 2021-23 AND 2023-25)	AMOUNT AND FUND TYPE (GF, LF, OF, FF. IDENTIFY REVENUE SOURCE FOR OF, FF)	RANK AND JUSTIFICATION (RANK THE ACTIVITIES OR PROGRAMS NOT UNDERTAKEN IN ORDER OF LOWEST COST FOR BENEFIT OBTAINED)
1. Eliminate Executive Support Staff in Commissioner's Office.	MANAGEMENT AND STAFF WOULD ABSORB DUTIES. WORK PRODUCT, CUSTOMER SERVICE DELIVERY TIME AT RISK.	\$199,871 OTHER FUNDS	(1)
2. Eliminate one Financial Investigator and one Compliance Specialist position.	MANAGEMENT AND REMAINING STAFF WOULD ABSORB DUTIES. WORK PRODUCT, CUSTOMER SERVICE RATINGS AND DELIVERY TIME AT RISK.	\$382,224 OTHER FUNDS	(2)
3. Eliminate two Licensing Assistant positions.	MANAGEMENT AND REMAINING STAFF WOULD ABSORB DUTIES. WORK PRODUCT, CUSTOMER SERVICE RATINGS AND DELIVERY TIME AT RISK.	\$296,155 OTHER FUNDS	(3)
4. Reduce use of in-state and out-of-state travel by half.	AGENCY WOULD END OUT-OF-AREA BOARD MEETINGS AND EMPLOYEES WOULD NOT BENEFIT FROM TRAINING OFFERED OUTSIDE OF SALEM AREA.	\$49,381 OTHER FUNDS	(4)
5. Reduce use of temporary employees	THE AGENCY WOULD NOT HAVE THE BENEFIT OF FILLING IMMEDIATE AND URGENCY WORKLOAD GAPS NOR CONTINUE TO EMPLOYEE STUDENT WORKERS FOR PROJECT WORK	\$8,458 OTHER FUNDS	(5)
6. Reduce all staff training by 80%.	STAFF WOULD NOT DEVELOP NEEDED SKILLS AND REFINEMENT OF PRACTICES IN THE EVER CHANGING REGULATED INDUSTRY. STAFF MORALE AND CONSUMER PROTECTION AT RISK.	\$32,044 OTHER FUNDS	(6)
	TOTAL REDUCTIONS	\$951,592 OTHER FUNDS	

Information on Vacant Positions

Currently there are three vacant positions: Administrative Specialist 1, Public Affairs Specialist II, and Regulation Division Manager. The Administrative Specialist position is currently in recruitment, and the remaining two positions will begin recruitment shortly.

Discussion of Corona Virus Relief Fund 19-21 and 21-23 budget

The Agency has accepted reimbursement of 8,629 from the Corona Virus Relief fund to compensate for Agency staff time used for childcare due to school closures.

Appendix

Updated Other Funds Ending Balances for the 19-21 & 21-23

UPDATED OTHER FUNDS ENDING BALANCES FOR THE 2019-21 & 2021-23 BIENNIA									
Agency: Real Estate Agency # 91900									
Contact Person (Name & Phone #): Caty Karayel 1-971-719-0552									
(a)	(b)	(c)	(d)	(e)	(f)		(g)		(i)
Other Fund Type	Program Area (SCR)	Treasury Fund #/Name	Category/Description	Constitutional and/or Statutory reference	2019-21 Ending Balance		2021-23 Ending Balance		Comments
					In LAB	Revised	In CSL	Revised	
Limited	91900-050-01-00-00000	9190050000 Other Funds Cash Acct	Operations	Senate Bill 5536 2019 Session	1,372,268	4,301,289	2,054,786	5,454,944	Revenue Projected at -5% reduction (previously was -15%)