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About Pam Strickland

Pam is a Real Estate Broker from Santa Barbara with over 30 years experience in Real Estate and Mortgage Lending.

Past-President, CAMB (California Association of Mortgage Brokers). Selected Mortgage Broker of the Year in 1992 by the CAMB and in 1993 by the NAMB (National Association of Mortgage Brokers).

Member, National Mortgage Review Committee for the SAFE Act Mortgage Test.

Member, California Mortgage Review Committee for the SAFE Act Mortgage Test.

Member, National Legal Review Committee for the SAFE Act Mortgage Test.

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Any recommendations contained in this message are based on Pam's many years of personal experience and research in the Real Estate industry and must not be considered

## Application/Screening Fees for Rentals: Trust Funds! Read the Spring, 2014 Real Estate Bulletin for more information.



## Application Fees for Prospective Tenants

It is common practice for Real Estate Brokers who are operating as Property Managers to accept application fees from prospective tenants. What hasn't been clear for a long time is whether these fees are to be deposited into the general operating account or whether they are to be treated as trust funds. Additionally, for those of you who have been through CalBRE audits over the years, the auditors haven't traditionally been checking on the use/deposit of those funds. All of that is likely to change now that the most recent Real Estate Bulletin (on pages 8 and 9, [click here to view](#)) makes it clear that these are TRUST FUNDS and must be treated as such. Additionally, the prospective tenant must be provided with a receipt showing a clear breakdown of the usage of the application fee (i.e. amount to 3<sup>rd</sup> parties, such as credit reporting firms, and amount retained by licensee).

Note: These types of application fees are ONLY to be used for tenant screening purposes. If your business consists of mortgage brokering, broker controlled escrows or real estate listings and sales, advance fees such as application fees require an Advance Fee Agreement to be approved by the CalBRE. Please contact me if you have any questions about this.

## Correction to Real Estate Bulletin

Many of you have questioned the aforementioned article regarding the \$30 vs. \$43.05 maximum application fee as quoted (which, by the way, is lower than the current maximum allowable under law). I spoke with the author of the article and he acknowledged that, due to editing errors, this was incorrectly published.

I went to C.A.R.'s new "Property Management and Investment" resource and this was what they had to say about the subject of maximum screening fees:

**Question:** *What is the most I can charge for screening a tenant?*

**Answer:** California law limits the screening fee to an amount of \$30.00 adjusted annually from 1-1-1998 by any increases in the consumer price index (CPI). As of 2012 the screening fee can be \$49.50 according to the California Department of Consumer Affairs (*Cal. Civ. Code § 1950.6.*). If you wish to calculate the exact amount you can charge, you can use the CPI inflation calculator at the Bureau of Labor Statistics website, [www.bls.gov](http://www.bls.gov).

## CalBRE's new Citation and Fine Program

This latest Real Estate Bulletin also has an article about the new Citation and Fine Program (on page 6, [click here to view](#)). So far my experience has been that this is a very positive implementation. Violations that would have previously resulted in a very expensive hearing, lawyer's fees and a mark on the license have been settled with a payment of \$2000 – \$5000 and no mark on the license record. There are still serious violations that are going to result in an

legal advice. Please consult with appropriate legal counsel for further clarification.

Contact Pam at:

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To schedule an appointment, call Bob MacLeod at **(805) 682-8784**.

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accusation and a hearing or settlement, but this new program works for smaller and mostly technical violations (where there is no misrepresentation or loss to the public). The main concern of the Bureau is still those instances where there are big shortages in trust accounts and unlicensed activities.

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## Fictitious Business Name (dba)

Recently I have found many companies with expired fictitious business names. Please note that these automatically expire five (5) years after they are filed with your county and the county does not contact you regarding renewals! Check online with your county clerk/recorder (click [here](#) for a listing) to see if your business name needs to be renewed.

## Compliance Consulting

For a thorough evaluation of your company's compliance with the multitude of regulations that pertain to the real estate industry, Pam is available for private, confidential in-office consulting. She can also help you prepare for and get through a CalBRE audit. Further information is available on her website: [www.pamstrickland.com](http://www.pamstrickland.com)