



Oregon REALTORS® Testimony Supporting HB 5036

January 30, 2025

Co-Chairs Gomberg and Woods and Members of the Joint Subcommittee on Transportation and Economic Development:

Oregon REALTORS® is an industry association comprised of roughly 18,000 members who work as real estate brokers, real estate principal brokers, real estate property managers, and affiliated industry professionals. We write today to support the Oregon Real Estate Agency's 2025-27 budget request, and also to point out a couple of trends that we think are important to keep an eye on going forward.

A healthy Oregon Real Estate Agency (OREA) is critical to the success of real estate industry professionals in Oregon and the protection of real estate consumers. Two aspects of OREA's 2025-2027 work that we'd like to highlight in particular include:

- 1. New E-License System:** The E-License system is the primary way that the regulated community interacts with OREA for license renewals, registration of business names and offices, association of brokers to principal brokers/offices, compliance and other routine but critical aspects of the real estate brokerage business. The system is outdated and limited in its functionality which causes inefficiency both for the Agency and for industry professionals. We appreciate the legislature's previous approval of \$2.3M in Other Funds expenditure limitation in the 2023-2025 budget for the upgraded E-license system, which is carried forward in the proposed 2025-2027 budget. We look forward to the launch of the new system in 2026 at the latest.
- 2. Increased Regulatory Demands--Wholesalers:** In 2024, the Oregon Legislature passed HB 4058 which created a regulatory framework for residential property wholesaling. Residential property wholesaling is when a person (the wholesaler) enters into a contract to purchase property from a seller and, prior to taking legal title, identifies a buyer willing to pay more for the property, and assigns the contract to the new buyer. The wholesaler profits on the difference between the original contract price and the higher price the new buyer is willing to pay. Until the passage of HB 4058, residential property wholesaling was unregulated in Oregon. Beginning in July 2025 residential property wholesales will have to register with OREA, pass background checks, provide agency-mandated disclosures to all parties involved in a wholesale transaction, and give sellers a three day right of contract rescission, among other requirements. This is a giant leap forward in consumer protection, but one that will also increase the workload of the Agency. We appreciate the Agency's timely adoption of rules to implement the bill, and we support the proposed \$300 wholesaler registration fee (Pkg 100), which is similar to fee charged for real estate licensees.

Trends we are watching

In the proposed 2025-2027 budget the Agency is spending down its reserves significantly, and the DAS presentation states that the outlook is *trending toward a fee increase in 2027-29*. There are two trends in



particular that we are keeping a close eye on as discussion of a fee increase emerges. We encourage the Subcommittee to do the same.

The Share of OREA's Budget Dedicated to Property Management. The first is the significant increase in the share of OREA's budget dedicated to property manager compliance education, training and enforcement over the past several years. In recent years OREA has restructured to create a compliance division that is largely dedicated to property manager compliance with a significant focus on Client Trust Accounts (CTAs). Client Trust Accounts are used to hold funds received by the property manager on behalf of the owner. OREA has prioritized education and training in this area in addition to enforcement. While property managers make up a very small fraction of real estate licensees, according to the Agency they generate the largest number of consumer complaints, typically related to CTAs. In essence real estate brokers and principal brokers, who make up the largest portion of licensees and who mostly do not engage in property management, are subsidizing the compliance and enforcement of property management regulations. Over time, we hope that the recent investments by OREA in education, training and compliance activities will result in a reduction in complaints that will allow OREA to reprioritize some of those resources toward education and training related to real estate broker and principal broker compliance. We are also open to exploring whether the current licensing system for property managers needs to be updated. If a licensing fee increase on thousands of brokers and principal brokers will largely be paying for property management related compliance, that may be a difficult pill for those brokers and principal brokers to swallow.

The Increasing Costs of State Government Service Charges. A second trend that we are watching is the increase in the share of OREA's budget spent on state government service charges. We have included a snippet of the 2025-2027 proposed budget below.

031 Standard Inflation and State Government Service Charge

Package Description

This essential package reflects the projected inflation increases in goods and services, the published changes in pricing of government service charges, and above standard inflation totals.

The cost of goods and services increased by \$558,101. This is based on the biennial general inflation factor which is applied to most Services and Supplies and non-PICS Personal Services costs for 2025-27 of 4.2%. The inflation factor for Professional Services accounts is 6.80%, Attorney General is 23.26%, State Government Service Charges was 51.16% with price list increases overall at 27.39%. OREA's state risk general liability assessment increased 3,658.77% (\$215,794) in 2023-2025 and again by 157.30% to \$555,224 in 2025-27, because of fees related to litigation defense in the 2019-2021 and 2021-2023 biennia. The Agency expects this assessment to reduce significantly in the 2027-2029 biennium, assuming no new litigation is brought against OREA.

2025-2027 Fiscal Impact

Fiscal Impact. Overall OREA's state government service charges have doubled. Despite a robust reserve these increased costs contributed to a revenue shortfall.

The increase in these charges is extraordinary. The general liability risk assessment increases are remarkable, but at least there is a stated explanation stated for those. We are unsure why the other charges increased so much and at a rate much higher than general inflation. We hope these charges will go down in the next biennium and would like to learn more about what is driving them.

Thank you for the opportunity to submit testimony.

Jenny Pakula, CEO
Oregon REALTORS®