

Property Management & Ordinary Care

This case study highlights the importance of performing licensed activities under a licensed business entity and exercising ordinary care in your management of properties.

THE SITUATION:

On December 6, 2018, the Department of Professional and Occupational Regulation received a written complaint from Ms. Carla Alvarin against Ms. Beverly Russo.

Ms. Russo became a licensed real estate salesperson in Virginia in August 2003. Her license has been affiliated with Virginia's Premier Realty, Inc. since May 2005. On April 20, 2019, First Realty, Inc. became a licensed real estate firm. On the same date, Ms. Russo transferred her license to First Realty, Inc.

THE INVESTIGATION:

Ms. Alvarin stated in his written complaint to the Board:

Ms. Russo is operating a real estate property management corporation called First Realty, Inc. and it is not licensed through DPOR. I will send a check and a page of a lease where First Realty's name is being used. The business is incorporated under Ms. Beverly Russo but I cannot find where it is licensed through a broker with DPOR.

Investigators learned that Mr. Jude Timmons and Ms. Alvarin entered into a Residential Lease on February 1, 2018, for a property located at 201 Main Street, Roanoke, Virginia. Mr. Timmons was the landlord, and Ms. Alvarin was the tenant. Virginia's Premier Realty, Inc. represented both parties in the transaction, with Ms. Russo representing the landlord, and another agent, Mr. Chris Hill, represented Ms. Alvarin.

The lease stated:

Other Specific Provisions:

The property will be managed by First Realty, Inc. Beverly Russo

Investigators reviewed the Property Management Agreement between Mr. Timmons and Virginia's Premier Realty, Inc. It stated, in part:

This Agreement...by an between Jude Timmons ("Owner") and Virginia's Premier Realty, Inc., Beverly Russo ("Agent").

Owner hereby employs the Agent as sole and exclusive Agent to rent and manage property known as 201 Main Street, Roanoke, Virginia.

THE AGENT AGREES TO:

PROCURE TENANT'S LEASE

- 1. Make all diligent efforts to procure a suitable Tenant as soon as possible at a monthly rent of \$1,000 or other amount as may be agreed upon...*
- 2. Negotiate and execute leases, renewals, or subsequent leases on behalf of the Owner...*

COLLECT RENTS

3. *Collect all rents and other charges which become due in accordance with the terms of the Lease*

SECURITY DEPOSIT

4. *Collect from Tenant a Security Deposit...and to hold the Security Deposit of Tenant in an escrow account established and maintained in accordance with the regulations of the Virginia Real Estate Board.*

The Property Management Agreement was signed by Mr. Timmons, as Owner, and Ms. Russo, as Agent.

Further, Ms. Russo wrote Ms. Alvarin a refund check from First Realty's bank account on June 1, 2018. However, in June 2018, First Realty was not a license real estate firm.

On March 3, 2018, Ms. Russo told investigators that she "manages some properties under Virginia's Premier Realty and there is no other property management firm but Virginia's Premier Realty." She further clarified that she used First Realty, Inc. for her business accounts as directed by her accountant. She stated that she made the mistake on the lease and it was misunderstanding with her accountant.

THE RESULT:

The Board determined that Ms. Russo violated ordinary care when she added specific provisions to the lease that First Realty, an unlicensed entity, would manage the property, and writing a check to Ms. Alvarin from First Realty's account, all while serving as an agent for Virginia Realty's Inc., constituted a failure to exercise ordinary care. They issued her a fine of \$450 and required her to complete at least four classroom hours of Board-approved continuing education pertaining to Real Estate Contracts.