**Improper Management**

In this case study, a broker is found to have engaged in improper, fraudulent, and dishonest conduct by signing a document on a client’s behalf without first obtaining authorization to do so, failing to collect the full security deposit, and failing to provide the owner with a copy of the contract when requested. It is imperative that brokers and agents do not exceed the authority of the agency with which their clients provide them, adhere to the terms of the agreements that they enter, and fully understand the terms of the agreements their clients enter.

**The Situation:**

On May 10, 2021, the Department of Professional and Occupational Regulation received a written complaint from Ms. Rebecca Hurst regarding Ms. Maria Light.

On February 10, 2013, Ms. Light was issued a real estate salesperson license. On April 16, 2019, Ms. Light’s license was upgraded to a broker license, and she became the principal broker for Eastern Shore Rental Properties LLC (“ES Rental”).

Ms. Hurst, who resides in Nevada, wanted to find a tenant for her house in Exmore, Virginia (“subject property”). On September 12, 2019, Ms. Hurst entered into a Virginia REALTORS® Residential Property Management and Exclusive Rental Agreement (“Agreement”) with Ms. Light for the subject property. The agreement indicated the following:

1. The rent would be $1,400, not less than $1,300.
2. Utilities (not addressed)
3. Security deposit is one month rent and is held in ES Rental’s escrow account.

Ms. Gemma Smith and her family needed to find a home and were interested in applying for the U.S. Department of Housing and Urban Development (“HUD”) Section 8 Tenant-Based Assistance Housing Choice Voucher Program’s (“the Section 8 Program”) “rent to own” program. Ms. Smith contacted Ms. Light to help her find a rental property.

Ms. Smith previously participated in the Section 8 Program for rental assistance for about 20 years. Ms. Marissa Trent was a housing specialist and Ms. Smith’s caseworker for 18 years.

**The Investigation:**

Investigators learned that in February 2020, Ms. Smith, Ms. Light, and Ms. Trent met at the subject property. Ms. Trent said that under the Section 8 Program guidelines, the rent for a 3-bedroom home, like the subject property, would be $1,207 with all utilities paid by the owner.

After Ms. Trent left the meeting, Ms. Light presented Ms. Smith with the following two leases effective March 1, 2020:

1. Lease 1 – the amount of the monthly rent and the security deposit were each $193, with the security deposit held by Ms. Light. The landlord was responsible for the utilities to include electric, water/septic, internet, telephone, cable.
2. Lease 2- the amount of the monthly rent and the security deposit were each $1,207, with the security deposit held by Ms. Light. The landlord was responsible for the utilities to include electric, water/septic, internet, telephone, cable.

Ms. Light told Ms. Smith that the property owner wanted $1,400 monthly rent. Further, if Ms. Smith wanted to rent the subject property, Ms. Smith would have to make up the difference from what the Section 8 Program would pay. Ms. Smith told investigators that she felt like she was being “railroaded and blackmailed” because everyone knew that she was desperate to find a home for her family. She said she signed both leases under duress.

Ms. Smith told Ms. Light that she did not have enough money to pay for the first month’s rent and the security deposit. Ms. Smith gave Ms. Light $193 for the rent, but did not pay the security deposit. Ms. Light told Ms. Smith that she could make up the difference over time. Ms. Smith told investigators that she never made up for the $193 security deposit.

On February 21, 2020, Ms. Light emailed Ms. Hurst the two leases for Ms. Smith. Ms. Hurst signed Lease #1 and Lease #2. Ms. Hurst asked why there were two leases and Ms. Light stated that one was for Ms. Smith and one was for the Section 8 Program. Ms. Hurst asked Ms. Light to send her information about the tenant and the Section 8 Program as well as all pertinent documents. Ms. Hurst did not receive any of the requested information from Ms. Light.

On February 23, 2020, a Housing Assistance Payments Contract was executed between Virginia Housing and Ms. Hurst, as owner. The contract indicated:

1. The lease with Ms. Smith would be effective from March 1, 2020, to February 28, 2021.
2. The monthly rent for the subject property was $1,207. The public housing authority (“PHA”) would pay the owner $965.00 per month. The tenant portion of the rent was $242.00 per month.
3. Part B, Section 8.d, stated, “Except for the rent to owner, the owner has not received and will not receive any payment or other consideration (from the family, the Public Housing Authority, HUD, or any other public or private source) for rental of the contract unit during the Housing Assistance Payments Contract term.”
4. Section 8 states that the owner will pay for all utilities.

Ms. Light signed Ms. Hurst’s name to the Contract.

Ms. Hurst told investigators that she was not aware of the existence or terms of the Housing Assistance Payments Contract and did not know that she was responsible for the payment of utilities. When Ms. Hurst later reviewed the Section 8 Program documents that she received from Ms. Trent in December 2020, Ms. Hurst discovered the Housing Assistance Program Contract and that it bore her handwritten signature.

Ms. Hurst told investigators that she was not aware of the Housing Assistance Program Contract, did not sign that contract, and did not give anyone permission to sign her name on the document. Ms. Hurst stated that she signs documents electronically because she resides in Nevada.

Ms. Light told investigators that Ms. Hurst gave her verbal permission over the phone for her to sign her name on the Housing Assistance Contract. Ms. Light said she did not get written permission from Ms. Hurst to sign the documents on her behalf.

Ms. Hurst told investigators that over the course of the lease, her owners statements documented that Ms. Smith failed to pay rent on some occasions and was not always charged late fees.

Ms. Smith told investigators that with the exception of March 2021, she paid the rent due monthly. Ms. Smith paid all utilities at the subject property. Because the heat pump did not work well, her electric bill was often over $600 monthly.

According to Ms. Light, Ms. Hurst always received the full rent amount less the property management fees. If Ms. Smith was short on rent, Ms. Light would issue a payment for the difference to Ms. Hurst out of the firm’s operating account. Over the summer of 2021, Ms. Smith got behind in payments and Ms. Hurt’s account ended in a negative balance. Ms. Light has waived the outstanding negative balance of $5317.29 on Ms. Hurst’s account.

On March 31, 2021, Ms. Smith moved out of the subject property. Ms. Hurst claims that Ms. Smith caused $8,000 worth of damages to the property.

**The Result:**

The Board found that Ms. Light engaged in improper, fraudulent, and dishonest conduct by signing a document on a client’s behalf without first obtaining a client’s proper written permission or authorization and by executing a side deal with Ms. Smith, which is not allowed by the Section 8 Program. She also failed to safeguard the interests of the public by entering into multiple conflicting leases, failing to collect the full security deposit, and failing to provide the owner with a copy of the contract when requested.

The Board issued Ms. Light a fine of $150, revoked her broker license and issued a salesperson’s license, and ordered her to complete at least three classroom hours of Board-approved Post-License education pertaining to Current Industry Issues and Trends within six months.