



Improper Management of Escrow Funds

This case examines the improper maintenance and management of escrow funds by a licensed real estate broker affiliated with a property management firm. The matter involves the commingling of client funds with operating funds and the failure to maintain sufficient escrow balances, in violation of Virginia Real Estate Board regulations. Although the improper transfers were initiated by the firm's principal broker, the Board determined that another licensed broker cooperated in the violations by continuing to manage the accounts with knowledge of the misconduct.

The Situation:

On July 6, 2004, Sunny Morris was issued a Virginia real estate salesperson license. Her license was upgraded to broker status on July 2, 2013. From 2004 until September 26, 2025, her license was affiliated with Oceanside Realty, Inc., a real estate firm owned and operated by her spouse, Bob Morris, who served as principal broker.

On August 2, 2024, Oceanside Realty entered into an Exclusive Property Management Agreement with Mountain Spring, LLC to manage a short-term rental property located in Roanoke, Virginia. Under the agreement, Oceanside Realty was responsible for collecting rental income and deposits, holding those funds in escrow, and disbursing proceeds to the property owners.

In August 2024, property owners Zachary and Rachel Taylor stopped receiving rental proceeds and were later informed that Oceanside Realty could not pay its clients. The firm subsequently closed, canceled future reservations, and acknowledged that escrow and rental funds were unavailable. A complaint was filed with the Department of Professional and Occupational Regulation on November 14, 2025.

The Investigation:

The Board's investigation revealed that Oceanside Realty maintained a rental escrow account and an operating account. Both Sunny Morris and Bob Morris had signatory authority over these accounts.

Between February and August 2024, Bob Morris transferred approximately \$310,000 from the escrow account into the operating account to pay business expenses, resulting in the commingling of client funds.

By November 1, 2024, the escrow account balance had been reduced to zero despite outstanding obligations to property owners and tenants. Bob Morris later admitted that he had been improperly “borrowing” escrow funds for more than a year and estimated that approximately \$400,000 to \$500,000 was missing.

Sunny Morris served as Oceanside Realty’s bookkeeper and was responsible for monthly reconciliations and owner disbursements. During the investigation, she stated that she did not initiate any improper transfers but acknowledged that she became aware of them by June or July 2023. Despite this knowledge, she continued performing accounting functions and managing the firm’s escrow accounts until September 2024.

The Board determined that, as a licensed broker with signatory authority and responsibility for escrow accounting, Sunny Morris had an obligation to prevent commingling and ensure sufficient escrow balances. Her continued involvement after learning of the improper transfers constituted cooperation in the violations.

The Results:

Following an Informal Fact-Finding Conference on October 3, 2025, which Sunny Morris did not attend, the Real Estate Board reviewed the investigative record and adopted the Report of Findings.

The Board found that Morris violated Board Regulation 18 VAC 135-20-180.C.2 by cooperating in the commingling of client escrow funds and violated 18 VAC 135-20-180.C.4 by failing to ensure escrow accounts maintained sufficient balances. The Board imposed monetary penalties of \$2,000 and \$2,500, for a total of \$4,500.

The Final Order requires payment within 60 days, with automatic license suspension for nonpayment and the potential imposition of interest, collection costs, and attorney’s fees.

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