Escrow Requirements

Virginia Salesperson PLE Series

MODULE 1
Handling Customer Deposits

LEARNING OBJECTIVES

- Understand the purpose of an Escrow Account and when one is required to be established in a real estate firm
- Know the rules pertaining to receipt and deposits of earnest money received from clients
- Be aware of how escrow accounts are used to hold security deposits and rent

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Escrow:

Establishing, maintaining, and keeping records of escrow accounts and escrow account activity are important obligations.

The term escrow refers to the process by which money and/or documents are held by a disinterested third person until specified terms and conditions are satisfied. When we refer to an escrow account we usually refer to money. However, as escrow agents, brokers are responsible for safekeeping transaction documents as well.

Earnest Money Deposits (EMD)

In Virginia, an earnest money deposit, also called a real estate trust fund account, is generally submitted from the buyer once an offer is presented. This shows the seller that the buyer is committed to the transaction. The deposit is typically held by one of the brokers of the transaction in a separate escrow account. There is no written rule in Virginia as to where the EMD is to be officially held.

Earnest money can be credited towards the sales price, should the sale proceed. Should the sale not close, both parties can agree to release the deposit or a release form may need to be signed if the contract is voided during a contingency period.

Establishing an Escrow Account

The rules governing escrow accounts only apply if the firm holds money or documents belonging to others, pending consummation of a real estate transaction—a firm does not need an escrow account if it does not hold escrow funds. Each escrow account that a firm establishes must be opened and maintained in a federally insured depository.

Escrow accounts must be explicitly designated as an escrow account with the financial institution. Licensees must ensure that each account and all checks, deposit slips, and bank statements are labeled "escrow." By designating the account as escrow, the funds are protected from the broker's creditors.

Depositing Escrow Funds

Firms must establish an escrow account or accounts if they hold money in escrow. The escrow account must be federally insured and in

the firm's licensed business name. The following are examples of items that must be placed in escrow:

- earnest money deposits
- down payments
- rental payments
- security deposits
- money advanced for closing costs

Purchase Transactions
Earnest money deposits and down payments received by the principal broker or subordinate licensees must be placed in an escrow account by the end of the fifth (5th) business banking day following ratification of a contract, unless otherwise agreed to in writing by the parties to the transaction. The monies must remain in the escrow account until the transaction has either been consummated or terminated.

Security Deposits
Any security deposit held by a firm or sole proprietorship must be placed in an escrow account by the end of the fifth business banking day following receipt, unless otherwise agreed to in writing by the principles to the transaction.

Security deposits must not be removed from an escrow account without the written consent of the tenant or unless required by the lease.

Rents, Escrow Fund Advances
Unless otherwise agreed to in writing by all parties to the transaction, all rents and other money paid to the licensee in connection with a

lease must be placed in an escrow account by the end of the fifth business banking day following receipt.

These monies must remain in the escrow account until paid in accordance with the terms of the lease and the property management agreement, as applicable.

Interest Bearing Escrow Accounts

Escrow funds need not be held in an interest bearing account. However, if the escrow account does earn interest, the broker must disclose, in writing, to all parties involved, exactly how any earned interest will be handled. This disclosure must be made at the time the contract or lease is written.

PROGRESS CHECK 1

1. Which of the following best describes an escrow account?
   A. A federally insured depository for safekeeping real estate funds.
   B. A separate bank account where transaction documents are stored
   C. A financial institution that insures money held on behalf of a buyer and seller
   D. A disinterested third person who is given power to disburse funds on behalf of another person

2. What is the time frame for placing security deposits in an escrow account?
   A. Within 24 hours of receipt.
   B. By the end of the fifth business banking day following receipt
   C. Within 48 hours of receipt.
   D. By the end of the third business banking day following receipt.

3. Which of the following statements about interest bearing escrow accounts is true?
   A. Escrow funds must be held in an interest-bearing account.
   B. Earned interest on escrow accounts should be disclosed in writing to all parties involved.
   C. Interest earned on escrow accounts should be handled at the broker's discretion.
   D. The disclosure of earned interest on escrow accounts is only required for lease agreements.

4. A real estate escrow account managed by a broker must be set up using:
   A. The name of the broker
   B. The license number of the brokerage
   C. Using either "Primary Escrow Account" or "Secondary Escrow Account"
   D. Using the firm's business name

MODULE 2
Disbursing Escrow Funds

LEARNING OBJECTIVES

- Describe the rules pertaining to disbursement of escrow funds
- Identify the methods escrow disbursement disputes can be handled by brokers

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Rules for Disbursement

Funds may not be removed from an escrow account until the transaction is consummated, unless all principals to the transaction otherwise agree. A licensee cannot remove their commission from escrow funds until the transaction is consummated. Once the transaction is consummated, a licensee may withdraw earned commissions from escrow if the parties have previously agreed. Licensees must not disburse monies from escrow accounts unless there is sufficient money on deposit in the account to the credit of the client or property involved.

For example, Broker Smith is managing five (5) different apartment buildings. Scenic View Apartments needs roof repairs and the owner has authorized Smith to handle the repairs and pay for them out of funds held in escrow. The bill for the roof repairs is $2,000. BrokerSmith's escrow account has a balance of $10,000, but Scenic View only has $1,500 in the account. Broker Smith may not withdraw more than the $1,500 that specifically belongs to Scenic View.

Escrow Fund Disputes

If the transaction is not consummated, the funds must be held in escrow until one of the following events occurs:

All Parties Agree

If the transaction is not consummated, the funds must be held in escrow unless all principals to the transaction agree, in writing, on how to distribute the escrow funds.

Interpleader

If the transaction is not consummated, the broker may file an interpleader. Once granted, the funds are then handed to a court of competent jurisdiction and the broker is dismissed from liability. The courts will continue to hold the funds until the dispute is settled.

Court Order

If the transaction is not consummated, the funds must be held in escrow unless a court orders disbursement of the funds.

Follow the Contract

If the transaction is not consummated, the funds must be held in escrow unless the broker can determine, in accordance with the specific terms of the contract, exactly who is the rightful recipient of the funds. Only the principal or supervising broker can authorize this course of action. Such disbursements require notice to the non receiving party as follows.

Delivery of Notice to the Non-Receiving Party

If the principal or supervising broker decides to disburse funds in accordance with the contract, they must notify the non-receiving party of the intended distribution in writing. The broker shall provide written notice in accordance with the terms of the contract. If the contract doesn't specify a method of delivery, the broker may send the notice by:

- Hand delivery.
- U.S. mail, postage pre-paid, if the broker retains sufficient proof of mailing. In this context, sufficient proof may either be a U.S. postal certificate of mailing or a certificate of service prepared by the broker which confirms such mailing.
- Electronic means, if the broker retains sufficient proof of delivery. In this context, sufficient proof may be an electronic receipt of delivery, a confirmation that the notice was sent by fax, or a certificate of service prepared by the broker which confirms the electronic delivery.
- Overnight delivery using a commercial service or the USPS.

As stated, the broker shall disburse the funds in accordance with the sales contract. The broker is not required to make a determination as to which party is entitled to receive the funds (unless the contract states that fact using clear and explicit terms). The broker shall be immune from liability if he follows the aforementioned procedures.

Contents of Notice

The notice must be written and it must advise the parties of the intended distribution. The notice must also advise the non-receiving

party that if he doesn't receive a written protest within 15 days, the broker will distribute the funds as outlined in the notice.

PROGRESS CHECK 2

1. When can a licensee withdraw their earned commissions from escrow funds?
   A. At any time during the transaction process.
   B. Only after the transaction is consummated and the parties have agreed.
   C. When there is a dispute regarding the distribution of escrow funds.
   D. Once the funds in the escrow account exceed a certain threshold.

2. Under what circumstances can a broker disburse funds from an escrow account?
   A. When the broker deems it necessary for business expenses.
   B. When the broker determines the rightful recipient of the funds.
   C. When the broker receives written permission from the supervising broker.
   D. Only if there is sufficient money in the account to the credit of the client or property involved.

3. How must a broker deliver notice to the non-receiving party regarding the intended distribution of escrow funds?
   A. Through hand delivery or U.S. mail with proof of mailing.
   B. Through electronic means with sufficient proof of delivery.
   C. Through any method specified in the contract
   D. By overnight delivery using a commercial service or the USPS

4. How does an interpleader help in regard to escrow disputes?
   A. Relieves the broker of liability and handles the disbursement
   B. Acts as a mediator between the disputing parties to resolve the dispute
   C. Researches escrow account law and provides legal advice to the broker
   D. Works with the financial institution where the account is held to determine the best course of action

MODULE 3
Escrow Account Violations

LEARNING OBJECTIVES:

- Identify the various types of escrow account violations, specifically be able to differentiate between commingling and conversion
- Know the retention rules pertaining to maintenance of escrow account files
- Explain the method and rules for reporting escrow account violations
- Be familiar with how an escrow account could come under judicial control

Escrow Account Violations

The principal broker is primarily liable for escrow account violations. However, the supervising broker, and any other licensee with escrow account authority may also be held responsible for mismanaging escrow accounts. Escrow account violations include, but are not limited to, commingling, conversion, mixing account disbursement, failing to acknowledge receipt of escrow funds, and a failing to timely report escrow violations to the Board.

Commingling

Commingling is the illegal practice of mingling or mixing escrow funds with non-escrow funds. Brokers cannot add their own personal or business funds to an escrow account. Also, brokers cannot place escrow funds in non-escrow accounts. However, the broker may use a nominal amount of personal funds to establish and maintain an

escrow account without commingling, provided such funds are clearly identified in the account records.

Conversion
Conversion is the actual appropriation of money or property belonging to others. Conversion is another word for theft. If a broker deposits a client's money into their personal account, the broker is guilty of commingling. But, if a broker steals their client's rental deposits the broker has misappropriated their client's money and is guilty of conversion.

Mixing Account Disbursements
Licensees must not disburse monies from escrow or property management escrow accounts unless there is sufficient money on deposit in the account to the credit of the client or property involved.

Failing to Acknowledge Receipt
Licensees must acknowledge receipt of escrow funds or items in the applicable contract (offer to purchase, lease, for example).

Escrow Record Keeping Violations. The principal or supervising broker must properly keep and maintain escrow records. The actions or inactions detailed in the following slides are violations of the escrow record keeping requirements.

Failing to Maintain Escrow Records for the Retention Period
The principal broker or supervising broker has violated the escrow rules if they fail to keep escrow records for at least three (3) years from the date of closing, contract ratification (if there is no consummation), closing or termination of a lease, or conclusion of the licensee's involvement in a lease.

Failing to Timely Account

The principal broker or supervising broker has violated the escrow rules if they fail to timely account for or remit any monies under their control to the rightful parties. The rules specify that the principal broker or supervising broker is timely in this regard if they act within a reasonable time.

Failing to Timely Report Violations

The principal broker must report any and all escrow violations to the Board within three (3) business days of forming a reasonable belief that a violation occurred. Note that this period runs not from the date that the licensee is absolutely sure that a violation occurred, but from the date that they reasonably believe that a violation may have occurred.

Judicial Control of Escrow Accounts

If the Board has reason to believe that a licensee or his agent is unable to properly protect escrow funds or records, for whatever reason, the Board may petition a court to seize control of the account. The court may legally forbid the licensee from having any further access and take any action necessary to protect and disburse the funds at issue.

In some cases, the Board may appoint a receiver (independent person) to manage the seized escrow account. If the Board appoints a receiver, the receiver's expenses and a reasonable fee must be paid by the responsible licensee. If the licensee is unable to pay, the Board may pay the receiver's fees and expenses from the Transaction Recovery Fund, or from other funds controlled by the Board. If the licensee is

found to be not at fault, the receiver's fees and expenses will be paid by the Board.

PROGRESS CHECK 3

1. What is the violation known as "conversion" in relation to escrow accounts?
   A. Failing to timely report escrow violations to the Board.
   B. Appropriating money or property belonging to others.
   C. Failing to acknowledge receipt of escrow funds.
   D. Mixing escrow funds with non-escrow funds.

2. What is the requirement for timely reporting escrow violations to the Board?
   A. Report within a reasonable time after discovering a violation.
   B. Report within three (3) business days of confirming a violation.
   C. Report immediately upon becoming aware of a violation.
   D. Report within three (3) business days of forming a reasonable belief that a violation occurred.

3. What action may the Board take if a licensee is unable to properly protect escrow funds or records?
   A. Impose fines on the licensee for negligence.
   B. Require the licensee to attend additional training sessions.
   C. Petition a court to seize control of the escrow account.
   D. Suspend the licensee's real estate license.

4. If the Board appoints a receiver (independent person) to manage a seized escrow account, who pays the receiver's expenses?
   A. The Board
   B. The third party company the receiver belongs to
   C. The brokerage firm attached to the seized account
   D. The licensee responsible for the seising of the account

MODULE 4
Deeds of Trust

LEARNING OBJECTIVES:

- Explain what a Deed of Trust is and when and why one is used within a real estate transaction

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Deed of Trust

A deed of trust is a voluntary lien on real property, similar to a mortgage. Under a deed of trust, a property owner enters into a contract to borrow money and voluntarily agrees to extinguish his rights in his real property in favor of the lender if he fails to pay the debt according to the terms of the loan agreement.

The typical DOT is a contract between three (3) parties— the borrower (trustor), the lender (beneficiary), and a neutral third person (trustee). DOTs are accompanied by promissory notes just like mortgages.

When a borrower pays a Deed of Trust (title theory states) in full, the lender sends the note, marked "paid," to the trustee along with a request for reconveyance of the title.

Upon receiving the note from the lender, the trustee then issues a release deed (also known as a deed of release or certificate of satisfaction) to the borrower, which reconveys full title to the

borrower. The borrower records the release on the public record in order to cancel the lien and clear the title.

PROGRESS CHECK 4

1. What is a deed of trust?
   A. A contract between the borrower, lender, and trustee regarding a loan.
   B. A document granting ownership of real property to the borrower.
   C. A legal agreement to pay off a mortgage in installments.
   D. A certificate of satisfaction issued by the borrower to the lender.

2. What happens when a borrow pays a Deed of Trust in full in title theory states?
   A. The lender sends the note to the trustee and requests reconveyance of the title.
   B. The trustee issues a release deed to the lender to transfer ownership of the property.
   C. The borrower receives a certificate of satisfaction from the trustee.
   D. The lender sends the promissory note to the borrower for safekeeping.

3. What does the borrower do after receiving a release deed for a Deed of Trust?
   A. Records the release on the public record to cancel the lien.
   B. Returns the release deed to the lender as proof of payment.
   C. Sends a copy of the release deed to the trustee for record-keeping.
   D. Transfers ownership of the property to the trustee.

4. DOTs are accompanied by _____ just like mortgages.
   A. A formal survey
   B. An insurance policy
   C. A promissory note
   D. A surety bond

MODULE 5
Cases in Escrow Management

LEARNING OBJECTIVE:

- Review case law summaries involving escrow account violations and understand which license law rules and regulations apply to each case

The individual and firm names in these case summaries have been replaced with fictitious names in the interest of professional discretion. These cases can also be found on the National Association of Realtor® (NAR) website and the Virginia Realtors website.

https://cdn.nar.realtor/sites/default/files/documents/

https://virginiarealtors.org/law-ethics/legal-resource-library/legal-articles/

Failure to Timely Deposit Funds; Case Study 1

The following case looks to an escrow violation, where the agent failed to timely deposit the EMD check by one day. Even a late deposit of only one day is an escrow violation. However, the brokerage firm had clear policies regarding escrow and the agent took full responsibility for his actions, which the board took into consideration.

The Situation:

Mr. Mick Mack was issued a Real Estate Salesperson License in Virginia in March 2015 and was a licensed real estate salesperson at Southern States Realty, Inc ("Southern States Realty").

On April 3, 2019, the Board received a written complaint from Tina Mina, Broker for Southern States Realty, which stated that Mr. Mack had turned in a late earnest money deposit (EMD) check.

The Investigation:

Investigators learned that in February 2019, Ms. Camilla Billa entered into an Exclusive Right to Represent Buyer contract with Southern States Realty, which commenced on February 3, 2019, and is set to expire on June 30, 2019. Mr. Mack is listed as the Buyer's agent.

On March 21, 2019, Mr. Mack submitted a Standard Purchase Agreement offer ("contract offer") on behalf of Ms. Billa for the purchase of property in VA ("subject property"). The contract listed Southern States Realty as holding the escrow deposit.

On March 22, 2019, Mr. Mack received a $500 EMD check from Ms. Billa and placed the check in an envelope slot near his desk, as the seller had not yet signed the offer. Mr. Mack then continued to show Ms. Billa another property that was listed for sale in Virginia ("Second Property"). After viewing this property, Ms. Billa decided to withdraw her offer on the subject property, and instead submit a new contract offer to purchase the second property. Mr. Mack notified the seller via email that Ms. Billa was withdrawing her offer.

Ms. Billa's offer on the second property was accepted and the contract was ratified on March 25, 2019. The contract required the EMD to be deposited within five business days of ratification and Southern States Realty was listed as the escrow agent. Mr. Mack stated on April 2, 2019, he was in the process of retrieving a personal check from the envelope slot near his desk when he found the EMD check. He immediately notified the front desk staff of his error and submitted the check for deposit. It was deposited into the escrow account on April 2, 2019, six business days after ratification. He also notified the listing firm representing the sellers that the EMD was deposited on the sixth business day after ratification.

Mr. Mack stated that he intended to use the $500 EMD check from the previous offer as the EMD for the ratified contract. He also told investigators that instead of selecting the "submit" option on DotLoop, he selected the "shared" option. This meant that the front desk staff did not receive the contract documents to review. Mr. Mack stated that if the front desk staff would have received the contract documents, they would have asked him for the $500 EMD check. Finally, he stated that he was the licensee responsible for the EMD check as he was the licensee that handled the buyer responsibilities for the transaction.

Investigators received the Southern States Realty policy regarding EMD, which stated in part:

1. Sales Associates must hand in any contract file and earnest money deposit (EMD) check within one business banking day from the date of ratification of Contract of Purchase, or in accordance with the written terms set out in the Contract.

2. Sales Secretaries must process the contract file and deposit the EMD check into the company escrow account within one business banking day from the receipt of the contract file from the Sales Associate.

3. In the event a Sales Associate is asked by a client to hold money in the company's escrow account and there is no Contract of Purchase to which the money is attached, there must be a written escrow agreement in place and reviewed by company management before the money can be deposited into the company's escrow account.

The transaction closed on May 10, 2019.

The Result:

The Board determined that Mr. Mack failed to submit the EMD check in a timely manner. The board issued a fine of $250 and required that he attend three classroom hours of Board-approved continuing education pertaining to Escrow Management.

The Rule:

Earnest money deposits and down payments received by the principal broker or subordinate licensees must be placed in an escrow account by the end of the fifth (5th) business banking day following ratification of a contract, unless otherwise agreed to in writing by the parties to the transaction. The monies must remain in the escrow account until the transaction has either been consummated or terminated.

Commingling of Escrow Funds - Case Study 2

Earnest Money Deposit

The following case study highlights the importance of following the real estate regulations when holding earnest money deposits.

The Situation:

On June 7, 2019, the Board received a written complaint from Mary Berry regarding Willy Nilly. Mr. Nilly was issued a real estate salesperson license on August 18, 1997. On February 17, 2002, Mr. Nilly received his Broker License and became the Principal Broker for Nilly International Incorporated.

The Investigation:

Investigators learned that on March 23, 2019, Mr. Nilly was contacted by Emma Gemma to prepare an offer for her to purchase property in VA from Ms. Berry, as seller. Ms. Gemma and Ms. Berry had already agreed upon their terms, and Ms. Gemma told Mr. Nilly that there were no contingencies.

On March 28, 2019, Mr. Nilly met with Ms. Gemma and Ms. Berry after preparing the offer, based on the terms Ms. Gemma had reported. Mr. Nilly told investigators that Ms. Gemma and Ms. Berry declined representation for the transaction. He said that at the meeting he reviewed the full offer with the parties to the contract. Ms. Gemma and Ms. Berry entered into the Residential Contract of Purchase that

same day. The contract required a $5,000 earnest money deposit. Settlement was scheduled for April 15, 2019.

In reviewing the contract, investigators noted that Mr. Nilly failed to identify Nilly International Incorporated as the Escrow Agent. He told investigators that he did not know why he did not complete the deposit holder information in the Residential Contract of Purchase.

On March 30, 2019, Ms. Berry wired the $5,000 earnest money deposit into the business operating account of Nilly International Incorporated. Mr. Nilly told investigators that the earnest money deposit was wired into the firm's business account because the funds were coming from an international account.

Mr. Nilly stated that he wrote a check to transfer the funds to the firm's escrow account on April 2, 2019; however, he went on vacation later that day and forgot about the check. He deposited the $5,000 earnest money deposit into the firm's escrow account on April 22, 2019. He failed to deposit the earnest money deposit within five business banking days of contract ratification.

The contract failed to close because Ms. Gemma was unable to secure the funds to go to closing.

The Result:

The Board determined that Mr. Nilly violated regulations pertaining to maintenance and management of escrow funds by failing to identify the Escrow Agent in the Contract, commingling the funds with his own, and failing to deposit the earnest money deposit within five business banking days of the contract ratification.

The Board issued a fine of $2,200 and required Mr. Nilly to complete four hours of in-person education pertaining to Real Estate Contracts, four hours of in-person education pertaining to Broker Management and Supervision, and three hours of in-person education pertaining to Escrow Management.

The Rule:

Commingling is the illegal practice of mingling or mixing escrow funds with non-escrow funds. Brokers cannot add their own personal or business funds to an escrow account. Also, brokers cannot place escrow funds in non-escrow accounts.

Earnest Money - Timing and Disclosures - Case Study 3

EMD & Timing

The following case looks at an escrow violation, where the agent provided the check to the brokerage but not the ratified contract, and due to firm policies, the check was not deposited in a timely manner. Further, the agent failed to inform the parties that the earnest money deposit was not deposited.

The Situation:

Mr. Stan Mann was issued a Real Estate Salesperson License in Virginia in September 2015 and began working at Northstar Realty, Inc.

On June 28, 2018, Grace and Trace Ace, as buyers, and Tyler and Skylar Hyler, as sellers, entered into a contract for the purchase of a property located in Virginia. Mr. Mann represented the buyers with his fellow associate, Erica Kann.

The agreement was ratified on June 29, 2018. The contract required the purchaser to pay a $5,000 earnest money deposit (EMD), which Mr. and Ms. Ace had provided to Mr. Mann on June 28, 2018.

On July 7, 2018, the buyers executed their right to terminate the contract, and on July 9, 2018, both parties signed the Release of Contract of Purchase.

On July 11, 2018, the Board received information from Harris Laris, Broker for Southern Realty, Inc. regarding Mr. Mann. Mr. Laris alleged that Mr. Mann failed to submit an EMD and ratified contract in a timely manner.

The Investigation:

Investigators learned that upon receiving the EMD, Mr. Mann provided the EMD to Gloria Emporia, the closing coordinator for Southern Realty, Inc. Mr. Mann reported that he and Ms. Kann did not turn in the ratified contract. He told investigators that neither he nor Ms. Kann turned in the ratified Agreement because they immediately knew the agreement would be released, due to the buyers expressing concerns about the subject property.

Once the release was ratified, Mr. Mann and Ms. Kann requested Ms. Emporia released the EMD on July 9, 2018, and at that point realized that the EMD was never deposited in escrow.

Pursuant to Southern Realty's office policies, Ms. Emporia will not deposit an EMD without a ratified agreement. She stated that she does not keep a ledger or a log book when she receives an EMD check because it is not her responsibility to remind the selling agents to turn in the ratified agreement. Mr. Laris told investigators that it is office policy to keep an EMD check locked up until a ratified agreement is delivered to Ms. Emporia and that checks cannot be deposited to escrow without a ratified agreement. He conceded that there is not a log or ledger in place to log the receipt of EMD checks or ratified agreements that Ms. Emporia receives.

Mr. Mann admitted that neither he nor Ms. Kann notified any party in writing that the EMD was never deposited into the firm's escrow account. Ms. Kann explained that she and Mr. Mann were made aware that Ms. Emporia did not deposit the EMD check when they turned in the Release to Ms. Emporia. Mr. Mann stated that he did not believe the parties to the Agreement were active in the transaction once the Release was ratified and, therefore, he had no need to notify the parties.

The Result:

The Board determined that Mr. Mann failed to submit the ratified Agreement in a timely manner, per the firm's office policy, to ensure the EMD for the Agreement was deposited into escrow in accordance with the terms outlined in the agreement. He also failed to provide written notice in a timely manner to all parties of a material change to

the transaction, specifically that the EMD was never deposited. The board issued a fine of $200 and did not require any education.

PROGRESS CHECK 5

1. In case study 1 involving a late earnest money deposit, the firm the licensee was affiliated with had a policy that stated: Sales Associates must hand in any earnest money deposit (EMD) check within _____ business banking day from the date of ratification of Contract of Purchase.
   A. One
   B. Three
   C. Five
   D. Seven

2. In case study 2, what part of the case details constituted commingling?
   A. The broker forgot to include the earnest money details in the purchase contract
   B. The client was informed of an incorrect amount of required earnest money deposit
   C. The earnest money was sent from the client via a wire transfer
   D. The earnest money was initially deposited into the firm's operating budget account

3. In case study 3 the salesperson violated license law and created the violation because of an:
   A. Invalid contract
   B. Assumption
   C. Argument
   D. Arrogant attitude

4. When can earnest money funds be withdrawn from an escrow account?
   A. Anytime with principal broker permission
   B. Anytime by the buyer (depositor)
   C. Only when the transaction is consummated/terminated
   D. Anytime prior to three days before settlement day