

The following suggested study topics have been prepared by the Limited Practice Board.

Since the successful examinee will be engaged in the limited practice of law under Rule 12 of the Admission and Practice Rules (APR), it is considered that a general basic knowledge of the nature of real and personal property, basic contract law, laws concerning conveyance and transfer of property title, a thorough knowledge of APR 12, and other related subjects is necessary for success and accuracy. Study and review of these subjects should enable you to fully prepare for the examination.

The exam is four hours long. There are three sections. In order to pass the exam, you must receive a score of 75% or higher on each section. A failing grade in one section results in failure of the entirety of the exam in which case grading of any remaining sections is not completed. Multiple choice is the first section graded, followed by the essay section and then the problem section. The sections are described below:

1. Multiple-Choice Section: Fifty (50) objective multiple-choice questions.
2. Essay Section: Between one and five essay questions.
3. Problem Section: A problem to complete in which the examinee will prepare the documents necessary for the proper closing of a real estate transaction. The examinee, after studying the problem will select those documents needed, and complete them properly.

Upon completion of study, you should be able to:

1. Demonstrate the ability to select and complete the proper legal instruments when given a particular Purchase and Sale Agreement and Preliminary Commitment for Title Insurance.
2. Know how to complete the forms approved by the Limited Practice Board for LPO use, which are also listed on the LPO Forms webpage, with primary focus on forms that fall within the sections below:
 - a. Section 2 - Escrow Documentation
 - b. Section 3 – UCC Forms
 - c. Section 4 -
 - i. Excise Tax Affidavit Forms
 - ii. Department of Licensing Forms
 - iii. Auditor's Cover Sheet
 - iv. Internally Approved Security Agreement Forms
 - v. Consumer Use Tax Return, from the Department of Revenue



3. State the purpose and demonstrate an understanding of APR 12.
4. Describe the composition and functions of the Limited Practice Board. See APR 12.
5. Summarize what the Limited Practice Officer is authorized to do under APR 12, ~~and~~ the Limited Practice Rule.
6. List the categories of documents the LPO is authorized to prepare under APR 12(d).
7. Describe the following as provided in APR 12(e):
 - a. the conditions under which the LPO is authorized to render LPO services.
 - b. the information that needs to be disclosed by the LPO rendering LPO services to the clients and parties incident to a transaction.
8. Enumerate LPO continuing license requirements. See APR 12(f).
9. Explain the significance of “standard of care” and describe the standard of care of an LPO. APR 12(g) and Comment 2.
10. Describe the methods of complying with the financial responsibility requirement and explain the major limitations of each type of coverage (e.g., “course and scope of employment”). APR 12(f).
11. Understand the potential liabilities in the event you commit negligence which causes a loss, including your liability to a client, your employer’s liability to a client, your liability to your employer, your spouse’s liability, etc.
12. State the purpose and demonstrate a thorough understanding of the Limited Practice Officer Rules of Professional Conduct (LPORPC).
13. List the basic rights inherent in a freehold estate.
14. Describe the characteristics of each of the following estates in land:
 - a. Fee simple absolute
 - b. Fee simple defeasible
 - (1) fee simple determinable
 - (2) subject to a condition subsequent
 - c. Life estate
 - (1) with reversion right
 - (2) with remainder rights
 - d. Future interests



15. When given the title of a person or institution holding title to property for the benefit of others, be able to describe the function, duties and powers of:
 - a. A personal representative (sometimes known as executor, executrix, administrator or administratrix)
 - b. A trustee
 - c. A guardian
 - d. A receiver
 - e. A custodian
16. Illustrate the phrasing used in the grantor clause of a deed for each of the foregoing
 - a. A personal representative (sometimes known as executor, executrix, administrator or administratrix)
 - b. A trustee
 - c. A guardian
 - d. A receiver
 - e. A custodian
17. Name the various legal entities that can hold title to real property which are recognized in Washington and be able to illustrate a grantee/grantor clause for each.
 - a. Write the format by which a corporation may transfer property.
 - b. Prepare a grantor clause and a signature block for a deed by which a corporation would transfer property.
18. Recite the four factors inherent in a joint tenancy ownership of land.
19. Prepare a deed that establishes a joint tenancy ownership.
20. Describe how a tenancy in common is established in Washington.
21. Define and describe the facets of a tenancy in common and be able to give examples.
22. Prepare a grantee clause for a deed transferring title to tenants in common.
23. State how community and separate property ownership is recognized in preparing deeds, and recite the definitions of "community property" and "separate property."
24. Name the types of partnerships that may hold interests in real property and describe the requirements for each as to authority to execute real property instruments.
25. Name the type of ownership interest that may be held in a cooperative apartment.
26. Name and describe the kinds of trusts that may hold land ownership.
27. Describe the possible interests and/or rights held by a lessee and how they affect the transferability of a parcel of land.



28. Describe the requirements for valid corporate and individual notary acknowledgments.
29. Discern the entities involved in the execution of documents and develop appropriate grantor/grantee clauses, signature blocks and notary acknowledgments.
30. Define the requirements of “legal competency” for the execution of valid legal instruments.
31. Define power of attorney and give examples of its use.
32. Describe the required elements of a negotiable note.
33. Describe the following note clauses and be prepared to give an example in writing:
 - a. Accounting clause
 - b. Acceleration clause
 - c. Recital of security
 - d. Due on sale clause
 - e. Penalty interest and late charges
34. Know and be able to describe the ways in which notes are secured and released by different security instruments on both real and personal property.
35. Describe the effect of the various types of assignments of the Payee’s interest in a promissory note, e.g., with and without recourse.
36. Understand provisions of Washington usury laws and how to deal with potentially usurious transactions.
37. Understand “negative amortization” and describe special considerations that should be included in such a promissory note.
38. Describe the differences between a deed of trust, a mortgage, and a real estate contract.
39. Understand when a rider for a note or deed of trust may be required by the lender to modify the original terms and conditions of the pre-recorded master form deed of trust or pre-printed forms of the secondary mortgage market.
40. Describe how the trustee of a deed of trust is named and the role the trustee has in relation to the foreclosure of the grantor’s rights in the real property.
41. Describe the significance of the practice that the date of the note and the stated date of the note in the security instrument be the same.



42. Describe the reasons for the use of the following additional clauses in a real estate transaction:
 - a. Deed release provision
 - b. Prepayment penalty
 - c. Accelerated interest rate in the event of default
 - d. Reimbursement of taxes and insurance payments advanced by the seller or the lender for the seller
 - e. Deed release with subordination agreement
43. Understand the features of Federal Housing Administration (FHA), Veterans Affairs (VA) and conventional loans.
44. Describe the ways in which the purchaser's and/or seller's interest in a real estate contract can be used as security for a debt.
45. Define the limitations of the warranty that is given by the grantor of a deed given in fulfillment of a real estate contract.
46. Know how to assign a seller's interest or a purchaser's interest in a real estate contract for security purposes.
47. Know how to assign a seller's interest or a purchaser's interest in a real estate contract for other than security purposes.
48. Describe and understand the statute of frauds.
49. Understand the differences between an option to purchase and a purchase and sale agreement.
50. Identify by name and know how to complete a Statutory Warranty Deed, Bargain and Sale Deed, Quitclaim Deed, and Personal Representative Deed.
51. List the three statutory warranties for a Statutory Warranty Deed.
52. Provide the statutory words of conveyance for, and understand the differences between: Quitclaim Deeds, Statutory Warranty Deeds, Personal Representative Deed, and Bargain and Sale Deeds.
53. Enumerate the eight elements that must be present for a valid conveyance by deed.
54. Describe the different forms of consideration recitals and indicate when each is appropriate.
55. Know when and what documents are used to convey and/or release an interest (full or partial) in real and/or personal property (the latter which includes manufactured/mobile homes): Quit Claim Deed (to release interest/clear title/release security), Release of Lien, Satisfaction of Mortgage, Satisfaction of Judgment, Assignment or Reconveyance of Deed of Trust and UCC Termination.
56. List the basic types of legal descriptions.



57. Understand the definition and purpose of title insurance.
58. Understand the purpose of the TILA-RESPA Integrated Disclosures (TRID) rules, Consumer Financial Protection Bureau (CFPB), Real Estate Settlement Procedures Act (RESPA) and Truth in Lending (Regulation Z).
59. Define "covenant" and describe, with examples, the effects if placed on a parcel of land.
60. Recognize and understand a deed that includes covenants that "run with the land."
61. Define an easement and describe:
 - a. Dominant estate/benefited estate
 - b. Servient estate/burdened estate
62. Define the term "encumbrances."
63. Define the word "restrictions" as used in connection with land ownership and usage.
64. Describe the effects of restrictions placed on a parcel of land and be able to give examples.
65. Recognize and understand a deed that includes restrictions on the use of the land.
66. Define the word "reservation" as used when a property is being transferred.
67. Recognize and understand a deed that includes a reservation in favor of the grantor.
68. Define the term "mineral rights" and list some of the types of minerals to which these rights may apply.
69. Define the terms "riparian rights", "navigable waters", "accretion", "avulsion", "first class tidelands" and "second class tidelands". Be able to describe how these terms may affect ownership of property located on or near water.
70. Define the term "lien" and describe various types of liens and how they may affect the transferability of a property.
71. Prepare deeds dealing with various types of liens not satisfied at closing, such as mortgages, deeds of trust, assessments, etc.
72. Understand the uses and differences of financing statements under the Uniform Commercial Code (UCC).
73. Describe the difference between an easement and a license concerning the use of another's land.
74. Give examples of at least five types of common license usage of land belonging to others.
75. Name and describe at least seven uses of easements.



76. Define “property,” “real property,” and “personal property,” and give examples of each definition.
77. Understand the differences between real and personal property in relation to standing and/or down timber.
78. Outline the process of determining crop ownership and rights when unharvested crops are involved in a real property transaction.
79. Define “fixture” and “trade fixture” and describe how each is transferred in connection with a real property transaction.
80. Name the law that provides for condominium development and state how condominium ownership may be held and transferred.
81. Understand and describe the effects on property transfer of the following regulations: taxation, subdividing, Shoreline, and Foreign Investment in Real Property Transfer Act (FIRPTA) requirements.
82. Determine the necessity for an excise tax affidavit and excise tax liability for all types of transactions by reference to appropriate statutes and regulations.





WSBA

THE LIMITED PRACTICE OFFICER EXAM
SUGGESTED STUDY TOPICS
REVISED TBD JULY 2009

WASHINGTON STATE BAR ASSOCIATION

The following suggested study topics have been prepared by the Limited Practice Board.

Since the successful examinee will be engaged in the limited practice of law under Rule 12 of the Admission and Practice Rules (APR) 12, it is considered that a general basic knowledge of the nature of real and personal property, basic contract law, laws concerning conveyance and transfer of property title, a thorough knowledge of APR 12, and other related subjects is necessary for success and accuracy. Study and review of these ~~objectives~~ subjects should enable you to fully prepare for the examination.

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1. Demonstrate the ~~following: the~~ ability to select and complete the proper legal instruments when given a particular Purchase and Sale Agreement and Preliminary Commitment for Title Insurance.

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2. Know how to complete the forms approved by the Limited Practice Board for LPO use, which are also listed on the LPO Forms webpage, with primary focus on forms that fall within the sections below:
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 - v. Consumer Use Tax Return, from the Department of Revenue
3. State the purpose and demonstrate an understanding of APR 12, and the rules and regulations adopted by the Board pursuant to the rule.
4. Describe the composition and functions of the Limited Practice Board. See APR 12.
5. Summarize what the Limited Practice Officer is authorized to do under APR 12, and the Limited Practice Rule.
6. List the categories of documents the LPO is authorized to prepare under APR 12(d).
7. Describe the following as provided in APR 12(e):
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8. Enumerate LPO continuing certification license requirements. See APR 12(f).
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11. Understand the potential liabilities in the event you commit negligence which causes a loss, including your liability to a client, your employer’s liability to a client, your liability to your employer, your spouse’s liability, etc.
12. State the purpose and demonstrate a thorough understanding of the Limited Practice Officer Rules of Professional Conduct (LPORPC).
13. List the basic rights inherent in a freehold estate.

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14. Describe the characteristics of each of the following estates in land:
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16. Illustrate the phrasing used in the grantor clause of a deed for each of the foregoing (see question 4).
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17. Name the various legal entities that can hold title to real property which are recognized in Washington and be able to illustrate a grantee/grantor clause for each.
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21. Define and describe the facets of a tenancy in common and be able to give examples.

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22. Prepare a grantee clause for a deed transferring title to tenants in common.
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34. Know and be able to describe the ways in which notes are secured and released by different security instruments on both real and personal property.
35. Describe the effect of the various types of assignments of the Payee’s interest in a promissory note, e.g., with and without recourse.
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38. Describe the differences between a deed of trust, a mortgage, and a real estate contract.

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39. Understand when a rider for a note or deed of trust may be required by the lender to modify the original terms and conditions of the pre-recorded master form deed of trust or pre-printed forms of the secondary mortgage market.
40. Describe how the trustee of a deed of trust is named and the role the trustee has in relation to the foreclosure of the grantor's rights in the real property.
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45. Define the limitations of the warranty that is given by the grantor of a deed given in fulfillment of a real estate contract.
46. Know how to assign a seller's interest or a purchaser's interest in a real estate contract for security purposes.
47. Know how to assign a seller's interest or a purchaser's interest in a real estate contract for other than security purposes.
48. Describe and understand the statute of frauds.
49. Understand the differences between an option to purchase and a purchase and sale agreement.
50. ~~Name~~ Identify by name and know how to complete a the three types of deeds used in Washington State. Statutory Warranty Deed, Bargain and Sale Deed, Quitclaim Deed, and Personal Representative Deed.
- ~~a. Statutory Warranty Deed,~~
 - ~~b. Bargain and Sale Deed,~~
 - ~~c. Quitclaim Deed~~
51. List the three statutory warranties for a Statutory Warranty Deed.

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52. Provide the statutory words of conveyance for, and understand the differences between: Quitclaim Deeds, Statutory Warranty Deeds, Personal Representative Deed, and Bargain and Sale Deeds.
53. Enumerate the eight elements that must be present for a valid conveyance by deed.
54. Describe the different forms of consideration recitals and indicate when each is appropriate.
55. Know when and what documents are used to convey and/or release an interest (full or partial) in real and/or personal property (the latter which includes manufactured/mobile homes): Quit Claim Deed (to release interest/clear title/release security), Release of Lien, Satisfaction of Mortgage, Satisfaction of Judgment, Assignment or Reconveyance of Deed of Trust and UCC Termination.
56. List the basic types of legal descriptions.
57. Understand the definition and purpose of title insurance.
58. Understand the purpose of the TILA-RESPA Integrated Disclosures (TRID) rules, Consumer Financial Protection Bureau (CFPB), Real Estate Settlement Procedures Act (RESPA) and Truth in Lending (Regulation- Z).
59. Define “covenant” and describe, with examples, the effects if placed on a parcel of land.
60. ~~Prepare~~ Recognize and understand a deed that includes covenants that “run with the land.”
61. Define an easement and describe:
 - a. Dominant estate/benefited estate
 - b. Servient estate/burdened estate
62. Define the term “encumbrances.”
63. Define the word “restrictions” as used in connection with land ownership and usage.
64. Describe the effects of restrictions placed on a parcel of land and be able to give examples.
65. ~~Prepare~~ Recognize and understand a deed that includes restrictions on the use of the land.
66. Define the word “reservation” as used when a property is being transferred.
67. ~~Prepare~~ Recognize and understand a deed that includes a reservation in favor of the grantor.
68. Define the term “mineral rights” and list some of the types of minerals to which these rights may apply.

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69. Define the terms "riparian rights", "navigable waters", "accretion", "avulsion", "first class tidelands" and "second class tidelands". Be able to describe how these terms may affect ownership of property located on or near water.
70. Define the term "lien" and describe various types of liens and how they may affect the transferability of a property.
71. Prepare deeds dealing with various types of liens not satisfied at closing, such as mortgages, deeds of trust, assessments, etc.
72. Understand the uses and differences of financing statements under the Uniform Commercial Code (UCC).
73. Describe the difference between an easement and a license concerning the use of another's land.
74. Give examples of at least five types of common license usage of land belonging to others.
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76. Define "property," "real property," and "personal property," and give examples of each definition.
77. Understand the differences between real and personal property in relation to standing and/or down timber.
78. Outline the process of determining crop ownership and rights when unharvested crops are involved in a real property transaction.
79. Define "fixture" and "trade fixture" and describe how each is transferred in connection with a real property transaction.
80. Name the law that provides for condominium development and state how condominium ownership may be held and transferred.
81. Understand and describe the effects on property transfer of the following regulations: taxation, subdividing, Shoreline, and Foreign Investment in Real Property Transfer Act (FIRPTA) (~~Foreign Investment in Real Property Transfer Act~~) requirements.
82. Determine the necessity for an excise tax affidavit and excise tax liability for all types of transactions by reference to appropriate statutes and regulations.
- ~~42. Recite certification requirements for the Limited Practice Officer.~~

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Upon completion of study, you should be able to:

1. Define "property," "real property," and "personal property," and give examples of each definition.
2. List the basic rights inherent in a freehold estate.

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3. Describe the characteristics of each of the following estates in land:
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 - c. Life estate
 - (1) with reversion right
 - (2) with remainder rights
 - d. Future interests
4. When given the title of a person or institution holding title to property for the benefit of others, be able to describe the function, duties and powers of:
 - a. A personal representative (sometimes known as executor, executrix, administrator or administratrix)
 - b. A trustee
 - c. A guardian
 - d. A receiver
 - e. A custodian
5. Illustrate the phrasing used in the grantor clause of a deed for each of the foregoing ~~(see question 4).~~
 - a. A personal representative (sometimes known as executor, executrix, administrator or administratrix)
 - b. A trustee
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6. Name the various legal entities that can hold title to real property which are recognized in Washington and be able to illustrate a grantee/grantor clause for each.
 - a. Write the format by which a corporation may transfer property.
 - b. Prepare a grantor clause and a signature block for a deed by which a corporation would transfer property.
7. Recite the four factors inherent in a joint tenancy ownership of land.
8. Prepare a deed that establishes a joint tenancy ownership.
9. Describe how a tenancy in common is established in Washington.
10. Define and describe the facets of a tenancy in common and be able to give examples.

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11. Prepare a grantee clause for a deed transferring title to tenants in common.
12. State how community and separate property ownership is recognized in preparing deeds, and recite the definitions of “community property” and “separate property.”
13. Name the types of partnerships that may hold interests in real property and describe the requirements for each as to authority to execute real property instruments.
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19. Define the term “encumbrances.”
20. Describe the difference between an easement and a license concerning the use of another’s land.
21. Give examples of at least five types of common license usage of land belonging to others.
22. Define “covenant” and describe, with examples, the effects if placed on a parcel of land.
23. ~~Prepare~~ Recognize and understand a deed that includes covenants that “run with the land.”
24. Define the word “restrictions” as used in connection with land ownership and usage.
25. Describe the effects of restrictions placed on a parcel of land and be able to give examples.
26. ~~Prepare~~ Recognize and understand a deed that includes restrictions on the use of the land.
27. Define the word “reservation” as used when a property is being transferred.
28. ~~Prepare~~ Recognize and understand a deed that includes a reservation in favor of the grantor.
29. Define the term “mineral rights” and list some of the types of minerals to which these rights may apply.
30. Understand the differences between real and personal property in relation to standing and/or down timber.

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31. Outline the process of determining crop ownership and rights when unharvested crops are involved in a real property transaction.
32. Define the terms "riparian rights", "navigable waters", "accretion", "avulsion", "first class tidelands" and "second class tidelands". Be able to describe how these terms may affect ownership of property located on or near water.
33. Define the term "lien" and describe various types of liens and how they may affect the transferability of a property.
34. Prepare deeds dealing with various types of liens not satisfied at closing, such as mortgages, deeds of trust, assessments, etc.
35. Define "fixture" and "trade fixture" and describe how each is transferred in connection with a real property transaction.
36. Describe the possible interests and/or rights held by a lessee and how they affect the transferability of a parcel of land.
37. Understand and describe the effects on property transfer of the following regulations: taxation, subdividing, Shoreline, and Foreign Investment in Real Property Transfer Act (FIRPTA) (~~Foreign Investment in Real Property Transfer Act~~) requirements.
38. Determine the necessity for an excise tax affidavit and excise tax liability for all types of transactions by reference to appropriate statutes and regulations.
39. Demonstrate the ~~following:~~ the ability to select and complete the proper legal instruments when given a particular Purchase and Sale Agreement and Preliminary Commitment for Title Insurance.
40. State the purpose and demonstrate an understanding of APR 12, ~~and the rules and regulations adopted by the Board pursuant to the rule.~~
41. List the powers and functions of the Limited Practice Board. See APR 12.
- ~~42. Recite certification requirements for the Limited Practice Officer.~~
- ~~43.~~ 42. Summarize what the Limited Practice Officer is authorized to do under APR 12, ~~and the Limited Practice Rule.~~
- ~~44.~~ 43. List the categories of documents the LPO is authorized to prepare under APR 12(d).

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44. Know how to complete the forms approved by the Limited Practice Board for LPO use, which are also listed on the LPO Forms webpage, with primary focus on forms that fall within the sections below:

- a. Section 2 - Escrow Documentation
- b. Section 3 – UCC Forms
- c. Section 4 -
 - i. Excise Tax Affidavit Forms
 - ii. Department of Licensing Forms
 - iii. Auditor's Cover Sheet
 - iv. Internally Approved Security Agreement Forms
 - v. Consumer Use Tax Return, from the Department of Revenue

45. Describe the following as provided in APR 12(e):

- a. the conditions under which the LPO is authorized to render LPO services.
- b. the information that needs to be disclosed by the LPO rendering LPO services to the clients and parties incident to a transaction.

46. Enumerate LPO continuing certification license requirements. See APR 12(f).

47. ~~Name~~ Identify by name and know how to complete a the three types of deeds used in Washington State. Statutory Warranty Deed, Bargain and Sale Deed, Quitclaim Deed, and Personal Representative Deed.

- ~~a. Statutory Warranty Deed,~~
- ~~b. Bargain and Sale Deed,~~
- ~~c. Quitclaim Deed~~

48. List the three statutory warranties for a Statutory Warranty Deed.

49. Provide the statutory words of conveyance for, and understand the differences between: Quitclaim Deeds, Statutory Warranty Deeds, Personal Representative Deed, and Bargain and Sale Deeds.

50. Describe and understand the statute of frauds.

51. Enumerate the eight elements that must be present for a valid conveyance by deed.

52. Describe the different forms of consideration recitals and indicate when each is appropriate.

53. List the basic types of legal descriptions.

54. Describe the requirements for valid corporate and individual notary acknowledgments.

55. Discern the entities involved in the execution of documents and develop appropriate grantor/grantee clauses, signature blocks and notary acknowledgments.

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56. Define the requirements of “legal competency” for the execution of valid legal instruments.
57. Describe the required elements of a negotiable note.
58. Describe the following note clauses and be prepared to give an example in writing:
- a. Accounting clause
 - b. Acceleration clause
 - c. Recital of security
 - d. Due on sale clause
 - e. Penalty interest and late charges
59. Know and be able to describe the ways in which notes are secured and released by different security instruments on both real and personal property.
60. Describe the effect of the various types of assignments of the Payee’s interest in a promissory note, e.g., with and without recourse.
61. Understand provisions of Washington usury laws and how to deal with potentially usurious transactions.
62. Understand “negative amortization” and describe special considerations that should be included in such a promissory note.
63. Describe the differences between a deed of trust, a mortgage, and a real estate contract.
64. Understand when a rider for a note or deed of trust may be required by the lender to modify the original terms and conditions of the pre-recorded master form deed of trust or pre-printed forms of the secondary mortgage market.
65. Describe how the trustee of a deed of trust is named and the role the trustee has in relation to the foreclosure of the grantor’s rights in the real property.
66. Describe the significance of the practice that the date of the note and the stated date of the note in the security instrument be the same.
67. Describe the reasons for the use of the following additional clauses in a real estate transaction:
- a. Deed release provision
 - b. Prepayment penalty
 - c. Accelerated interest rate in the event of default
 - d. Reimbursement of taxes and insurance payments advanced by the seller or the lender for the seller
 - e. Deed release with subordination agreement

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68. Describe the ways in which the purchaser's and/or seller's interest in a real estate contract can be used as security for a debt.
69. Define the limitations of the warranty that is given by the grantor of a deed given in fulfillment of a real estate contract.
70. Know how to assign a seller's interest or a purchaser's interest in a real estate contract for security purposes.
71. Know how to assign a seller's interest or a purchaser's interest in a real estate contract for other than security purposes.
72. Know when and what documents are used to convey and/or release an interest (full or partial) in real and/or personal property (the latter which includes manufactured/mobile homes): Quit Claim Deed (to release interest/clear title/release security), Release of Lien, Satisfaction of Mortgage, Satisfaction of Judgment, Assignment or Reconveyance of Deed of Trust and UCC Termination.
73. Explain the significance of "standard of care" and describe the standard of care of an LPO. APR 12(g) and Comment 2.
74. Describe the methods of complying with the financial responsibility requirement and explain the major limitations of each type of coverage (e.g., "course and scope of employment"). APR 12(f) ~~Regulation 7~~.
75. Understand the potential liabilities in the event you commit negligence which causes a loss, including your liability to a client, your employer's liability to a client, your liability to your employer, your spouse's liability, etc.
76. Define power of attorney and give examples of its use.
77. Understand the uses and differences of financing statements under the Uniform Commercial Code (UCC).
78. Understand the differences between an option to purchase and a purchase and sale agreement.
79. Understand the purpose of the TILA-RESPA Integrated Disclosures (TRID) rules, Consumer Financial Protection Bureau (CFPB), Real Estate Settlement Procedures Act (RESPA) and Truth in Lending (Regulation Z).
80. Understand the definition and purpose of title insurance.
81. Understand the features of Federal Housing Administration (FHA), Veterans Affairs (VA) and conventional loans.
82. State the purpose and demonstrate a thorough understanding of the Limited Practice Officer Rules of Professional Conduct (LPORPC).

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Ms. Carla Jean Higginson
WSBA #10653
Active Attorney
Congressional District: 2

Applied Committee: Limited Practice Board

Application Reason: I served as the Board of Governors liaison to the LPO Board for almost four years and am now completing my first term as a member of the Board. This remains a very worthwhile endeavor and I remain very impressed with the high level of expertise and commitment shown by the board members. I am an attorney in Friday Harbor in private practice and have handled real estate matters for 45 years. I operated an escrow service for 10 years as part of my law practice. I work regularly with various real estate forms and have been able to offer helpful comments and observations about the mandatory LPO forms and about the exam questions. I consider limited practice officers to be a helpful and valuable addition to the handling of real estate closings and other matters within their expertise. As part of my practice, I stay up to date on legal developments in real estate law, including those that affect limited practice officers and am in touch with LPOs in various companies to learn of their concerns and issues that face them as they carry out their escrow duties. I believe I have been and would remain a positive addition to the LPO Board and would welcome the opportunity to continue to be involved in this important practice area and to work with the other excellent Board members.

History of Committee Service:

WSBA Board of Governors: 6/25/2018 - 9/30/2019

Access to Justice Board: 10/1/2018 - 9/30/2019

Client Protection Board: 10/1/2018 - 9/30/2019

Access to Justice Board: 10/1/2019 - 9/30/2020

Client Protection Board: 10/1/2019 - 9/30/2020

Limited Practice Board: 10/1/2019 - 9/30/2020

WSBA Board of Governors: 10/1/2019 - 9/30/2022

Client Protection Board: 10/1/2022 - 9/30/2025

Limited Practice Board: 10/1/2022 - 9/30/2025

Employer: Higginson Beyer, P.S.

Number of Lawyers: 2-5 Lawyers in Firm

Areas of Practice: No response

Years of Practice: No response

Years of Membership: 45

Learned of Service From: Other: prior service

ABBREVIATED CURRICULUM VITAE

CARLA J. HIGGINSON
175 Second Street North
Friday Harbor, Washington 98250
Telephone: (360) 378-2185
Facsimile: (360) 378-3935
Email: carla@higginsonbeyer.com

Education

Western Washington University: B.A. 1976, *cum laude*; Outstanding Senior in Speech Communications; Minors in Biology and Music Performance

University of Washington School of Law: Juris Doctor, 1979

Admitted to Practice

Washington State, 1980
Federal District Court, Western District of Washington, 1980
United States Supreme Court, 1987

Professional Experience

Current employment:

Managing partner and attorney, Higginson Beyer, P.S, Friday Harbor: 1980-present; general practice with a significant portion devoted to elder law and civil litigation; other practice areas include family law, estate planning, business formation and transactional work, real estate, & criminal defense - felonies & misdemeanors (first 30 years of my practice)

Judicial positions:

Municipal Court Judge, Friday Harbor: 1981-1989

Guardian for adult persons:

I have served as guardian for a number of adult persons over the years

Colleges & University positions:

Board of Trustees, Bastyr University, Seattle: 1982 - 1984
Adjunct Professor, Skagit Valley College, two terms

Administrative agency position:

San Juan County Planning Commission: 1994-1999, including two terms as chair

Non-profit organizations and volunteer work:

Friday Harbor High School mock trial coordinator and judge, 2002-2019

Officer & director, San Juan Recovery (substance abuse and mental health treatment facility) Friday Harbor: 1981-1990 & 1999-2008

Founder & president, San Juan Pilots Association, Friday Harbor: 1987-1992, and volunteer attorney, 1987-present

Incorporating attorney & volunteer attorney, Animal Protection Society, Friday Harbor: 1982-2006

Incorporating attorney & volunteer attorney, Hospice of San Juan, Friday Harbor: 1985-present

Volunteer attorney, San Juan Historical Society, 2000-present

Volunteer attorney, Friday Harbor Presbyterian Church, 2010-present

San Juan County Bar Association president, five terms

Washington State Bar Association Board of Governors, 2018-present (term ends September 2022)

Professional speaking engagements:

Frequent speaker over the first 35 years of my practice at Continuing Legal Education seminars sponsored by the Washington State Bar Association on a variety of topics including and ethics. Selected as one of the best ten speakers of the year in five different years.

Current Professional Memberships

WSBA Elder Law Section, Real Property, Probate & Trust Section, Family Law Section, Solo & Small Practice Section

Domestic Relations Attorneys of Washington (DRAW)

San Juan County Bar Association, 1980-present, including five terms as president and three terms as secretary (currently serving fourth term as secretary)

TO: Budget and Audit Committee of the WSBA Board of Governors
Tiffany Lynch, WSBA Director of Finance

FROM: Thomas F. Peterson, Limited Practice Board Chair

CC: Catherine A. Biestek, WSBA Managing Regulatory Counsel

DATE: May 21, 2025

RE: Recommendation to exclude Limited Practice Officers from the Client Protection Fund assessment for the 2026 licensing year

Action Requested: The Limited Practice Board recommends that Limited Practice Officers not be required to pay the Client Protection Fund assessment for the 2026 licensing year.

Background: The Limited Practice Board recently learned about the Client Protection Board prior recommendation to the Budget and Audit Committee to include Limited Practice Officers (LPOs) in the 2026 Client Protection Fund assessment. After acquiring additional information from the Client Protection Board, the Limited Practice Board discussed the issue at its May 13, 2025 meeting and voted to recommend that LPOs not be required to pay the Client Protection Fund assessment for the 2026 licensing year.

Analysis: The Limited Practice Board recommendation takes into account the unique regulatory oversight of LPOs and the financial-responsibility requirements imposed on LPOs that protect LPO clients in ways that clients of lawyers and limited license legal technicians are not.

A large majority of LPOs are employed by title insurance companies, financial institutions, and escrow companies. These entities are regulated by either the Office of the Insurance Commissioner or the Department of Financial Institutions and are subject to specific statutory provisions concerning financial responsibility to protect the public. Escrow companies are required to maintain (1) a fidelity bond in the amount of \$1 million covering all employees engaged in escrow transactions, including LPOs ([RCW 18.44.201\(1\)\(a\)](#)); (2) errors and omissions coverage not less than \$50,000 ([RCW 18.44.201\(1\)\(b\)](#)); and a separate \$10,000 bond to cover any other loss ([RCW 18.44.201\(1\)\(c\)](#)). Title insurance companies are subject to supervision of the Office of the Insurance Commissioner and are subject to extensive supervision and regulation to maintain adequate financial reserves for their operations. See generally, [RCW Chapter 48.29](#) (governing title insurers) and [WAC Chapter 284-29](#) (relating to title insurance).

In addition, Washington Supreme Court Admission and Practice Rule (APR) 12(f)(2) requires active LPOs to submit proof to the WSBA during annual license renewal of the LPO's ability to respond in damages resulting from their acts or omissions in the performance of their LPO

services. Such proof can be in the form of a \$100,000 individual errors and omissions coverage; a \$100,000 employer's errors and omissions coverage; an individual financial audit showing LPO's net worth to be at least \$200,000; an employer's audited financial statement establishing net worth of \$200,000 or \$300,000 per LPO employee depending on number of LPOs employed; or proof of indemnification by LPO's government employer.

LPOs bear the cost of these mandatory bonds, errors and omissions insurance and financial reserves. In contrast, attorneys are not subject to these financial-responsibility requirements and additional regulatory oversight. The Supreme Court mandated the maintenance of the Client Protection Fund as a way to provide some limited protection to the public dealing with attorneys. In 2017, APR 15 was amended to, among other things, make the Client Protection Fund subject to claims from clients harmed by LPOs. Soon after, the WSBA Board of Governors recommended to the Court that LPOs be included in the annual Client Protection Fund assessment, which the Limited Practice Board objected to at that time. See attached August 2018 letters from Limited Practice Board Chair to the Supreme Court. In 2018, the Washington Supreme Court issued an order that, among other things, provided that "active LPOs shall not be required to pay a Client Protection Fund assessment." (See attached Washington Supreme Court Order No. 25700-B-587). Since that time only one gift from the Client Protection Fund has been made in the amount of \$2,800 as the result of LPO conduct. This single gift in the last seven years does not justify assessing all LPOs \$20 annually for the Client Protection Fund at this time.¹ If anything, this single gift shows that the regulatory framework for LPOs provides other substantial financial resources for client protection, and thereby limits the Client Protection Fund exposure to losses as a result of LPO activity. Therefore, the Client Protection Fund assessment should not be applied to LPOs.

Attachments:

- 2018.08.30 letter from LP Board to SC re Client Protection Fund
- 2018.08.30 letter from LP Board to SC re LPO fees with attachments
- 2018.09.13 letter from the SC attaching Order No. 25700-B-587

¹ In 2025, there are 691 active LPOs.

August 28, 2018

The Honorable Mary E. Fairhurst, Chief Justice
Washington State Supreme Court
Temple of Justice
P.O. Box 40929
Olympia, Washington 98504-0929

Re: Limited Practice Officer – Client Protection Fund Assessment

Dear Justice Fairhurst:

I wrote to you concerning the proposed annual license fees for limited practice officers recommended by the Board of Governors of the Washington State Bar. I am writing separately to address a related issue, the \$30 LPO annual assessment for the Client Protection Fund maintained by the WSBA. As noted in the material submitted with my other letter, the recommendation to the BOG by the Budget and Audit Committee of the WSBA was not to assess the client security fee. The BOG decided not to follow this recommendation.

The recommendation to the BOG took into account the unique position of LPOs in the Washington regulatory landscape. LPOs are employed by title insurance companies, financial institutions and escrow companies. These entities are independently regulated by either the Office of the Commissioner of Insurance or the Department of Financial Institutions and are subject to specific statutory provisions concerning financial responsibility to protect the public. The BOG ignored these factors in proposing the assessment and assumed LPOs were in the same situation as practicing attorneys with respect to adequacy of financial reserves to protect clients. This was an erroneous assumption and not factually supported.

Escrow companies, governed by Chpt. 18.44 RCW, are required to maintain a fidelity bond in the amount of \$1 million (RCW 18.44.201(1)(a)) covering all employees, including LPOs; errors and omissions coverage not less than \$50,000 (RCW 18.44.201(1)(b)) and a separate \$10,000 bond to cover any other loss (RCW 18.44.201(1)(c)). Title insurance companies are subject to supervision of the Office of the Insurance Commissioner and are subject to extensive supervision and regulation to maintain adequate financial reserves for their operations. Maintaining mandated financial protection involves significant costs to these entities, but also provides protection to the members of the public dealing with escrow companies, title insurers and their LPO employees. Frankly, the level of public protection afforded by these alternative regulatory schemes is greater than that afforded under the CPF.

Attorneys do not bear the cost of mandatory bonds, errors and omissions insurance and financial reserves. As a means to provide some limited protection for the public dealing with attorneys, the Supreme Court has mandated the maintenance of the client protection fund. Given the regulatory framework applicable to LPOs, this method of client protection is duplicative and unnecessary. The

The Honorable Mary E. Fairhurst, Chief Justice
August 28, 2018

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BOGs proposal has the effect of imposing duplicative costs on LPOs in excess of costs imposed on practicing attorneys.

The potential exposure of the client protection fund to claims arising from LPOs is entirely the result of the BOG sponsored amendments to APR 15 making the client protection fund subject to claims from clients harmed by LPOs effective September 1, 2017. Although policy by anecdote is not necessarily the best practice, it is worth noting there is no record of unpaid client losses resulting from LPO defalcations. Given the financial resources available for client protection imposed by other regulatory bodies, there is no indication the client protection fund will ever be exposed to any losses as a result of LPO activity.

In light of these factors, the initial recommendation to the BOG should be adopted and the client protection fund assessment should not be applicable to LPOs.

Thank you again for your consideration.

Very truly yours,



Shelley Miner, Chair
Limited Practice Board

cc: William D. Pickett, President WSBA
Paula Littlewood, Executive Director WSBA



August 28, 2018

The Honorable Mary E. Fairhurst, Chief Justice
Washington State Supreme Court
Temple of Justice
P.O. Box 40929
Olympia, Washington 98504-0929

Re: Limited Practice Officer License Fees – FY 2018-2019

Dear Justice Fairhurst:

I am the current chair of the Limited Practice Board. At the LPB's meeting on August 14, 2018, we were informed of the recommendation of the Board of Governors of the Washington State Bar Association to increase the annual license fees for limited practice officers from \$110 per year to \$453 per year – an increase of more than four hundred percent (400%). The LPB unanimously instructed me to communicate with you the LPB's belief this proposed increase is unreasonable and financially unnecessary. Toward that end, I am writing to you to urge you to review and reconsider the recommendation of the BOG for the adjustment of the annual license fee charged Washington LPOs.

Attached is a copy of the recommendation of the Budget and Audit Committee of the WSBA concerning the adjustment of LPO license fees presented to the BOG at its July 2018 meeting in Vancouver, Washington. This recommendation accurately reflects the recommendation of the LPB to essentially double the LPO license fees for the upcoming fiscal year from \$110 to \$200. Although this was a substantial percentage increase, the fees have not been adjusted for some time. The proposed adjustment will generate enough revenue to ensure the LPO program covers all of its expenses, including the allocation of indirect overhead assessed by the WSBA.

At the meeting, the BOG did not accept this recommendation and instead approved an adjustment of the LPO license fees to \$453, the same amount proposed for active practicing attorneys. In addition, LPOs will be assessed a \$30 fee to participate in the WSBA client security fund. It is not possible to review the discussion and rationale of the BOG leading to this decision, since the July meeting location lacked audio-visual facilities and the meeting was not recorded.

The LPB believes a 400% increase in the annual LPO license fee is unreasonable and lacks any factual support. The \$200 annual fee proposed to the BOG fully covers all of direct and indirect expenses associated with the LPO program, which currently has approximately 770 licensees. In effect, the BOG wants LPOs to subsidize the expenses associated with licensed attorneys by an additional \$253 per LPO, or a total of approximately \$195,000.

Recently, the BOG proposed and adopted amendments to the WSBA bylaws making LPOs full members of the WSBA. This change in status does not, however, justify license fees for LPOs equal to those paid by practicing attorneys. The Bar's calculations demonstrate the costs of maintaining the LPO program

The Honorable Mary E. Fairhurst, Chief Justice
August 28, 2018

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(including an allocable share of WSBA overhead) are fully paid by a \$200 annual license fee. The simple fact is LPOs do not require the same level of administrative support or supervision as active attorneys. While the BOG has made LPOs full members of the Bar, there has been no demonstration the benefits associated with that status are comparable to those available and utilized by practicing attorneys; the very fact LPOs are allowed only to engage in a limited range of the practice of law suggests otherwise. Absent a demonstration the additional fees are required to offset the costs of the LPO program, the suggested annual fee is unreasonable.

The Supreme Court and by extension, the WSBA, have been active supporters of alternative methods of delivering legal services in a cost-effective manner. This broadens the access to the justice system and makes available to the general public the benefits of competent and informed legal assistance in everyday transactions. The LPO program is an essential and successful part of this effort. Imposing unnecessary costs on LPOs in the form of unreasonable license fees is contrary to this policy. I urge you to adjust the annual LPO license fee to \$200 as initially proposed and reject as unreasonable the 400% increase proposed by the BOG.

On behalf of the LPB and the 770 licensed LPOs, thank you for your consideration of this letter.

Very truly yours,



Shelley Miner, Chair
Limited Practice Board

cc: William D. Pickett, President WSBA
Paula Littlewood, Executive Director WSBA



WASHINGTON STATE BAR ASSOCIATION

To: Board of Governors

From: Budget and Audit Committee

Re: Budget and Audit Committee Recommendations to revise CLE Revenue Sharing Model, set LPO and LLLT License Fees and Client Protection Fund Assessment, and Increase Law Clerk Program Annual Fee

Date: July 19, 2018

ACTION: Approve recommendations of the Budget and Audit Committee to: (1) revise the CLE Revenue Sharing Model (Agenda Item 3.a.2), (2) set LPO and LLLT license fees and Client Protection Fund assessment (Agenda Item 3.a.3), and (3) increase Law Clerk Program Annual Fee (Agenda Item 3.a.4).

- **Agenda Item 3.a.2: Budget and Audit Committee Recommendation to Revise the CLE Revenue Sharing Model**

On April 26, 2018, the Budget and Audit Committee recommended that the Board of Governors approve proposed revisions to Chapter 10 of the Fiscal Policies and Procedures Manual regarding WSBA CLE and other programs presented in partnership with sections. The Board of Governors considered this recommendation on first reading at the May 17-18, 2018 Board meeting. All materials provided to the Board on first reading are set forth in Attachment A.

- **Agenda Item 3.a.3: Limited Practice Officer (LPO) and Limited License Legal Technician (LLLT) License Fees and Client Protection Fund Assessment**

On April 26, 2018, the Budget and Audit Committee recommended that, effective FY19, the Board of Governors (1) increase license fees for Active LPOs and LLLTs to \$200, (2) set license fees for inactive LPOs and LLLTs at \$100, (3) require active LLLTs to pay a \$30 assessment fee annually, and (4) not require active LPOs to pay any CPF fee. The Board of Governors considered this recommendation on first reading at the May 17-18, 2018 Board meeting. All materials provided to the Board on first reading, and supplemental background information included in the Budget and Audit Committee June 18, 2018 meeting materials, are set forth in Attachment B.

- **Agenda Item 3.a.4: Law Clerk Program Annual Fee**

On June 18, 2018, the Budget and Audit Committee recommended that the Board of Governors increase the Admission and Practice Rule (APR) 6 Law Clerk program annual fee from \$1,500 to \$2,000. All materials considered by the Committee are set forth in Attachment C.

WASHINGTON STATE
BAR ASSOCIATION

TO: Budget and Audit Committee
FROM: Jean McElroy, Chief Regulatory Counsel
Robert Henry, Regulatory Services Associate Director
DATE: April 16, 2018
RE: Limited Practice Officer and Limited License Legal Technician License Fees and Client Protection Fund Assessment

ACTION: Recommend to the Board of Governors (BOG) that: (1) license fees for Active Limited Practice Officers (LPO) and Limited License Legal Technicians (LLLT) be increased to \$200; (2) license fees for Inactive LPOs and LLLTs be set at \$100; (3) Active LLLTs pay a \$30 annual Client Protection Fund (CPF) assessment; and (4) Active LPOs not pay any CPF assessment.

Background and Purpose

Historically, as discussed with the Committee in February, LPO license fees were established by the Limited Practice (LP) Board subject to Washington Supreme Court review; LLLT license fees were established by the LLLT Board subject to Court review; and clients of LPOs and LLLTs were not eligible to request gift awards from the WSBA Client Protection Fund (CPF). Effective September 1, 2017, under amended Admission and Practice Rules (APR) and according to the WSBA Bylaws, the BOG is responsible for establishing LPO and LLLT license fees subject to Court review. In addition, under the amended APR, LPO and LLLT clients may receive gifts from the CPF as prescribed by the CPF rules.

This memorandum provides feedback from the LP Board and the LLLT Board about proposed license fees for LPOs and LLLTs and about whether the BOG should recommend to the Court a CPF assessment for each of these limited license types. As requested, this memorandum also provides information showing the budget impact of a two-tier license fee structure. The information is provided so that the Committee can make an informed decision about establishing LPO and LLLT license fees and about whether the BOG should recommend to the Supreme Court that LPOs and LLLTs contribute to the CPF and, if so, how much the assessments should be.

To effect any changes for the 2019 licensing year, the Committee must make its recommendation as soon as possible. This will allow the BOG to similarly review the fees as soon as possible and send them to the Court, for review in time for the fees to be incorporated into the 2019 licensing processes that begin in October of 2018.

Two Tier License Fee Structure

One model we have been discussing with the Committee and with the LP and LLLT Boards is a two-tier license fee structure for WSBA members that has:

- 1) Active license fees for lawyers set at one amount (currently \$449); and
- 2) Active license fees for LPOs, LLLTs, and other licenses to engage in the limited practice of law only within defined scopes of practice, set at a different, lower amount (perhaps \$200, which is the license fee for Emeritus Pro Bono Lawyer members, who have a limited practice of law only within a defined scope of practice).

Discussions with LP Board and LLLT Board

Following the meeting, we continued discussions with the LP and LLLT Boards, including the possibility of the two-tier license fee structure discussed above, among other fee models. Both Boards support the two-tier fee structure, with the Active LPO and LLLT license fees set at \$200. In addition, we continued discussions with the Boards regarding possible CPF assessments. The LLLT Board supports a CPF assessment on Active LLLTs in the amount of \$30. The LP Board, on the other hand, recommends that Active LPOs not be required to pay any CPF assessment because LPO employers (and thereby LPOs) already have systems in place to protect clients. Letters from the chairs of both the LP and LLLT Boards are attached and explain their positions.

Budget Impact

At its February meeting, the Committee asked for information showing the budget impact of: (1) a \$200 license fee for Active LPOs and LLLTs; (2) a \$100 license fee for Inactive LPOs and LLLTs; and (3) the prorated license fee for new LPOs and LLLTs (consistent with the proration in place for new lawyers), as described in the WSBA Bylaw amendments (approved by the BOG on March 8, 2018).

Based on the present number of LPO and LLLT licensees, the implementation of a two-tier license fee structure as described above would result in increased revenue of \$64,185. Pursuant to the WSBA Bylaws adopted on March 8, 2018, new LPO and LLLT members in their first two full years of licensure will pay a prorated license fee regardless of whether there is any change to the license fees next year. The table below demonstrates the sources of license fee revenue from LPOs and LLLTs and how it would change in 2019 based on the license fees suggested by the Committee and recommended by the LP and LLLT Boards. This table does not take into account any anticipated increase in the number of LPO and LLLT licenses for 2019.

	2018 License Count	Current License Fee Structure		Proposed Two Tier Structure		Increase (Decrease) Revenue
		License Fee	Revenue	License Fee	Revenue	
Active LPOs	745	\$110	\$81,950	\$200	\$149,000	\$67,050
New Active LPOs	50	\$110	\$5,500	\$100	\$5,000	(\$500)
Inactive LPOs	174	\$110	\$19,140	\$100	\$17,400	(\$1,740)
Total LPO Fees			\$106,590		\$171,400	\$64,810
Active LLLTs	17	\$175	\$2,975	\$200	\$3,400	\$425
New Active LLLTs	11	\$175	\$1,925	\$100	\$1,100	(\$825)
Inactive LLLTs	3	\$175	\$525	\$100	\$300	(\$225)
Total LLLT Fees			\$5,425		\$4,800	(\$625)
COMBINED FEE REVENUE			\$112,015		\$176,200	\$64,185

As we have informed the BOG over the last two years, with the coordinated admissions and licensing implementation, some of the administrative work associated with the LPO and LLLT programs has been consolidated into the WSBA Admissions, Licensing and MCLE workgroups within RSD. Because of this consolidation, all revenue and expenses related to the LPO and LLLT licenses, except for the board and outreach expenses, were moved out of the LPO and LLLT cost centers and into the appropriate cost center, e.g., Admissions, MCLE, License Fees, etc. However, WSBA accounting and administrative staff are still able to identify and estimate budget items related to the LPO and LLLT licenses when necessary for analysis and planning.

With respect to LPO fiscal impacts, the FY18 budget anticipates a net loss for the LPO license in the amount of \$44,530. All things being equal, the additional LPO license fee revenue of \$64,810 based on the two-tier license fee structure would result in a net income of \$20,280. This figure does not take into account expected increases in expenses, other revenue sources and changes in LPO license numbers. We expect that after taking into account all of the many budgetary forecasts and considerations, there would still be a net income but it would be closer to \$15,000. It is important to note, however, that these numbers could change depending on whether and how much of an increase we see in the numbers of LPOs and LLLTs licensed in FY 2019. With respect to fiscal impacts on the LLLT license, which is still in a start-up phase, the proposed license fee changes would result in a nominal decrease in revenue and have an overall negligible effect on the budget.

Client Protection Fund Assessment

As discussed above, the LLLT Board supports a CPF assessment on Active LLLTs. However, the LP Board does not support a CPF assessment on Active LPOs because LPO employers are already required to have fidelity bonds or insurance, or are lawyers who pay into the CPF. The attached letter from the LP Board explains its position in detail. The table below demonstrates that the CPF would receive approximately \$24,690 annually if a \$30 assessment on both license types were ordered by the Court, based on current license counts. If the Court does not order an assessment on LPOs, the annual additional amount to the CPF would be the approximately \$840 that is paid by LLLTs only.

	2018 License Count	\$30 CPF Assessment
Active LLLT (including new)	28	\$840
Active LPO (including new)	795	\$23,850
Total Potential CPF Revenue	823	\$24,690

ATTACHMENTS:

1. Letter from Limited Practice Board
2. Letter from Limited License Legal Technician Board

April 11, 2018

Kim Risenmay, Treasurer, and Budget and Audit Committee
Washington State Bar Association
1325 4th Ave Ste 600
Seattle, WA 98101

RE: LPO License Fees and Client Protection Fund Assessment

Dear Mr. Risenmay and Committee Members:

I write on behalf of the Limited Practice Board (LP Board) regarding Limited Practice Officer (LPO) license fees and an assessment on LPOs for the Client Protection Fund (CPF). The LP Board recommends that the Board of Governors:

- 1) adopt a two tier fee structure for WSBA members that has
 - a) Active license fees for lawyers set at one amount (currently \$449),
 - b) Active license fees for LPOs and Limited License Legal Technicians [LLLTs] (both have licenses to engage in the limited practice of law only within defined scopes of practice) set at a different, lower amount, and
 - c) Based on a) and b), an Active LPO license fee set at \$200 (the same amount as the license fee amount for Emeritus Pro Bono lawyer members, who also have a license to engage in the limited practice of law only within a defined scope of practice) with the inactive LPO license fee set at \$100; and
- 2) recommend that the Supreme Court not order LPOs to pay an annual assessment for the CPF, for the reasons stated below.

LPO License Fees

At the LP Board's March 13, 2018 meeting, the LP Board heard from WSBA staff about:

- the reallocation of revenue and expenses from the LPO cost center to various cost centers within the Regulatory Services Department as a result of LPOs becoming members of the WSBA and the efforts to coordinate the admissions, MCLE, and licensing processes for all Washington licensed legal professionals;



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Kim Risenmay, Treasurer, and Budget and Audit Committee

April 11, 2018

Page 2 of 3

- the declining net income and, in recent years, the increasing net loss in the LPO cost center;
- the length of time since the last increase to LPO license fees, which occurred in 2006 (from \$85 to \$110);
- the approval by the BOG of the new admittee license fee proration Bylaw for new LPOs, thereby applying the same percentage license fee proration as is applied to new lawyer admittee license fees, resulting in a 50% reduction in the license fee for the first two full years after admission as a LPO; and
- several possible methods that could be recommended to the BOG for setting LPO license fees, including a two tier approach as described in this memo.

After considering and discussing all of the information provided, the LP Board unanimously endorsed and now recommends that the BOG adopt an Active LPO license fee of \$200 and an Inactive LPO license fee of \$100.

Client Protection Fund Assessment

Also at the LP Board's March 13, 2018 meeting, the LP Board was provided with information and had a discussion about the CPF and assessments paid by lawyers for that fund. The LP Board was advised that the Admission and Practice Rules (APR) already permit gifts from the CPF to clients of LPOs who have been harmed by the dishonest acts of, or failure to properly account for client funds by, LPOs. WSBA staff discussed how the CPF currently awards gifts to clients harmed by lawyers (and potentially LPOs and LLLTs). Even though the APR permit gifts to LPO clients, the LP Board believes that LPOs and their employers are already able and required to provide for financial harm caused by LPOs of the type that would potentially be covered by a CPF gift by virtue of several requirements for LPOs and their employers, as described below

LPOs, for the most part, work for three primary types of employers: independent escrow companies, title insurance companies, and lawyers. An independent escrow company operates with a license issued by the Department of Financial Institutions, which requires the company to have a fidelity bond that will pay out in cases of fraud or theft (RCW 18.44.201). Likewise, a title insurance company licensed to do business in Washington must also have a fidelity bond or fidelity insurance (RCW 48.29.155). Finally, a lawyer licensed to practice law in Washington already pays an assessment to the CPF.

Additionally, although not directly applicable to the types of losses that would be eligible for gifts from the CPF, LPOs are required to prove that they have the ability to respond in damages resulting from their acts or omissions in the performance of LPO services by having Errors and



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Kim Risenmay, Treasurer, and Budget and Audit Committee

April 11, 2018

Page 3 of 3

Omissions insurance coverage or by submitting audited financial statements indicating specified amounts of net worth. Finally, some LP Board members stated that title companies are also required to have insurance that covers losses to clients if the companies go out of business.

Because they have all of these types of coverages, the LP Board believed that the likelihood of an LPO's client not being able to be made whole under one of these other forms of coverage would be small and would not warrant imposing a CPF assessment on every LPO.

Therefore, the LP Board unanimously recommends that the BOG should recommend to the Supreme Court that it not order LPOs to pay an assessment for the CPF.

Thank you for your consideration.

Sincerely,



Shelley Miner

Chair, Limited Practice Board



**WASHINGTON STATE
BAR ASSOCIATION**
Regulatory Services Department

LLLT Board
Established by Washington Supreme Court APR 28
Administered by the WSBA
Stephen Crossland, Chair

April 12, 2018

Kim Risenmay, Treasurer, and Budget and Audit Committee
Washington State Bar Association
1325 4th Ave Ste 600
Seattle, WA 98101

RE: LLLT License Fees and Client Protection Fund Assessment

Dear Mr. Risenmay and Committee Members:

I write on behalf of the Limited License Legal Technician Board (LLLT Board) regarding Limited License Legal Technician (LLLT) license fees and an assessment on LLLTs for the Client Protection Fund (CPF). The LLLT Board recommends that the Board of Governors:

- 1) adopt a two tier fee structure for WSBA members that has
 - a) Active license fees for lawyers set at one amount (currently \$449),
 - b) Active license fees for LLLTs and Limited Practice Officers [LPOs] (both have licenses to engage in the limited practice law only within defined scopes of practice) set at a different, lower amount, and
 - c) Based on a) and b), an Active LLLT license fee set at \$200 (the same amount as the license fee amount for Emeritus Pro Bono lawyer members, who also have a license to engage in the limited practice of law only within a defined scope of practice) with the Inactive LLLT license fee set at \$100; and
- 2) recommend that the Supreme Court order LLLTs to pay an annual assessment for the CPF in the amount of \$30, for the reasons stated below.

LLLT License Fees

At the LLLT Board's January 18, 2018 meeting, the Board unanimously endorsed and now recommends that the BOG adopt an Active LLLT license fee of \$200 and an Inactive LLLT license fee of \$100.

Client Protection Fund Assessment

Also at the LLLT Board's January 18, 2018 meeting, the LLLT Board discussed whether LLLTs should pay an assessment to the CPF. Although LLLTs currently are not required to pay into the



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Kim Risenmay, Treasurer, and Budget and Audit Committee

April 11, 2018

Page 2 of 2

fund, CPF funds are available to make gifts to LLLT clients who have been harmed by the dishonest acts of, or failure to properly account for client funds by, LLLTs. The LLLT Board endorsed and now recommends that the BOG should recommend that the Supreme Court order LLLTs to pay an assessment in the amount of \$30 for the CPF.

Thank you for your consideration.

Sincerely,



Stephen Crossland
Chair, LLLT Board



RCW 48.29.155

Agent license—Financial responsibility—Definitions.

(1) At the time of filing an application for a **title insurance** agent license, or any renewal or reinstatement of a title insurance agent license, the applicant shall provide satisfactory evidence to the commissioner of having obtained the following as evidence of financial responsibility:

(a) A fidelity bond or fidelity insurance providing coverage in the aggregate amount of two hundred thousand dollars with a deductible no greater than ten thousand dollars covering the applicant and each corporate officer, partner, escrow officer, and employee of the applicant conducting the business of an escrow agent as defined in RCW 18.44.011 and exempt from licensing under *RCW 18.44.021(6), or a guarantee from a licensed title insurance company as authorized by subsection (5) of this section; and

(b) A surety bond in the amount of ten thousand dollars executed by the applicant as obligor and by a surety company authorized, or eligible under chapter 48.15 RCW, to do a surety business in this state as surety, or some other security approved by the commissioner, unless the fidelity bond or fidelity insurance obtained by the licensee to satisfy the requirement in (a) of this subsection does not have a deductible. The bond shall run to the state of Washington as obligee, and shall run to the benefit of the state and any person or persons who suffer loss by reason of the applicant's or its employee's violation of this chapter. The bond shall be conditioned that the obligor as licensee will faithfully conform to and abide by this chapter and all rules adopted under this chapter, and shall reimburse all persons who suffer loss by reason of a violation of this chapter or rules adopted under this chapter. The bond shall be continuous and may be canceled by the surety upon the surety giving written notice to the commissioner of its intent to cancel the bond. The cancellation shall be effective thirty days after the notice is received by the commissioner. Whether or not the bond is renewed, continued, reinstated, reissued, or otherwise extended, replaced, or modified, including increases or decreases in the penal sum, it shall be considered one continuous obligation, and the surety upon the bond shall not be liable in an aggregate amount exceeding the penal sum set forth on the face of the bond. In no event shall the penal sum, or any portion thereof, at two or more points in time be added together in determining the surety's liability. The bond is not liable for any penalties imposed on the licensee, including but not limited to any increased damages or attorneys' fees, or both, awarded under RCW 19.86.090.

(2) For the purposes of this section, a "fidelity bond" means a primary commercial blanket bond or its equivalent satisfactory to the commissioner and written by an insurer authorized, or eligible under chapter 48.15 RCW, to transact this line of business in the state of Washington. The bond shall provide fidelity coverage for any fraudulent or dishonest acts committed by any one or more of the employees, officers, or owners as defined in the bond, acting alone or in collusion with others. The bond shall be for the sole benefit of the title insurance agent and under no circumstances whatsoever shall the bonding company be liable under the bond to any other party. The bond shall name the title insurance agent as obligee and shall protect the obligee against the loss of money or other real or personal property belonging to the obligee, or in which the obligee has a pecuniary interest, or for which the obligee is legally liable or held by the obligee in any capacity, whether the obligee is legally liable therefor or not. The bond may be canceled by the insurer upon delivery of thirty days' written notice to the commissioner and to the title insurance agent.

(3) For the purposes of this section, "fidelity insurance" means employee dishonesty insurance or its equivalent satisfactory to the commissioner and written by an insurer authorized, or eligible under chapter 48.15 RCW, to transact this line of business in the state of Washington. The insurance shall provide coverage for any fraudulent or dishonest acts committed by any one or more of the employees, officers, or owners as defined in the policy of insurance, acting alone or in collusion with others. The insurance shall be for the sole benefit of the title insurance agent and under no circumstances whatsoever shall the insurance company be liable under the insurance to any other party. The insurance shall name the title insurance agent as the named insured and shall protect the named insured against the loss of money or other real or personal property belonging to the named insured, or in which the named insured has a pecuniary interest, or for which the named insured is legally liable or held by the named insured in any capacity, whether the named insured is legally liable therefor or not. The insurance coverage may be canceled by the insurer upon delivery of thirty days' written notice to the commissioner and to the title insurance agent.

(4) The fidelity bond or fidelity insurance, and the surety bond or other form of security approved by the commissioner, shall be kept in full force and effect as a condition precedent to the title insurance agent's authority to transact business in this state, and the title insurance agent shall supply the commissioner with satisfactory evidence thereof upon request.

(5) A title insurance company authorized to do business in Washington under RCW 48.05.030 may provide a guarantee in a form satisfactory to the commissioner accepting financial responsibility, up to the aggregate amount of two hundred thousand dollars, for any fraudulent or dishonest acts committed by any one or more of the employees, officers, or owners of a title insurance agent that is appointed as the title insurance company's agent. A title insurance company providing a guarantee as permitted under this subsection may only do so on behalf of its properly appointed title insurance agents. If the title insurance agent is an agent for two or more title insurance companies, any liability under the guarantee shall be borne by the title insurance company for those escrows for which a title insurance commitment or policy was issued on behalf of that title insurance company. If no commitment or policy was issued regarding the escrow for which moneys were lost, including but not limited to collection escrows, each title insurance company, for which the agent was appointed at the time of the fraudulent or dishonest act, shares in the liability. The liability will be shared proportionally, as follows: The premium the agent remitted to the title insurance company in the year prior to the fraudulent or dishonest act will be compared to the total premium the agent remitted to all title insurance companies, for whom the title insurance agent was appointed, during the same period.

(6) All title insurance agents licensed on or before July 24, 2005, shall comply with this section within thirty days following July 24, 2005.

[2005 c 115 § 1; 2003 c 202 § 1.]

NOTES:

*Reviser's note: RCW 18.44.021 was amended by 2015 c 229 § 1, changing subsection (6) to subsection (1)(f).

RCW 18.44.201

Financial responsibility—Fidelity bond—Errors and omissions policy—Surety bond.

(1) At the time of filing an application for an **escrow agent** license, or any renewal or reinstatement of an escrow agent license, the applicant shall provide satisfactory evidence to the director of having obtained the following as evidence of financial responsibility:

(a) A fidelity bond providing coverage in the aggregate amount of one million dollars with a deductible no greater than ten thousand dollars covering each corporate officer, partner, escrow officer, and employee of the applicant engaged in escrow transactions;

(b) An errors and omissions policy issued to the escrow agent providing coverage in the minimum aggregate amount of fifty thousand dollars or, alternatively, cash or securities in the principal amount of fifty thousand dollars deposited in an approved depository on condition that they be available for payment of any claim payable under an equivalent errors and omissions policy in that amount and pursuant to rules and regulations adopted by the department for that purpose; and

(c) A surety bond in the amount of ten thousand dollars executed by the applicant as obligor and by a surety company authorized to do a surety business in this state as surety, unless the fidelity bond obtained by the licensee to satisfy the requirement in (a) of this subsection does not have a deductible. The bond shall run to the state of Washington as obligee, and shall run to the benefit of the state and any person or persons who suffer loss by reason of the applicant's or its employee's violation of this chapter. The bond shall be conditioned that the obligor as licensee will faithfully conform to and abide by this chapter and all rules adopted under this chapter, and shall reimburse all persons who suffer loss by reason of a violation of this chapter or rules adopted under this chapter. The bond shall be continuous and may be canceled by the surety upon the surety giving written notice to the director of its intent to cancel the bond. The cancellation shall be effective thirty days after the notice is received by the director. Whether or not the bond is renewed, continued, reinstated, reissued, or otherwise extended, replaced, or modified, including increases or decreases in the penal sum, it shall be considered one continuous obligation, and the surety upon the bond shall not be liable in an aggregate amount exceeding the penal sum set forth on the face of the bond. In no event shall the penal sum, or any portion thereof, at two or more points in time be added together in determining the surety's liability. The bond shall not be liable for any penalties imposed on the licensee, including but not limited to, any increased damages or attorneys' fees, or both, awarded under RCW 19.86.090.

(2) For the purposes of this section, a "fidelity bond" shall mean a primary commercial blanket bond or its equivalent satisfactory to the director and written by an insurer authorized to transact this line of business in the state of Washington. Such bond shall provide fidelity coverage for any fraudulent or dishonest acts committed by any one or more of the corporate officers, partners, sole practitioners, escrow officers, and employees of the applicant engaged in escrow transactions acting alone or in collusion with others. This bond shall be for the sole benefit of the escrow agent and under no circumstances whatsoever shall the bonding company be liable under the bond to any other party unless the corporate officer, partner, or sole practitioner commits a fraudulent or dishonest act, in which case, the bond shall be for the benefit of the harmed consumer. The bond shall name the escrow agent as obligee and shall protect the obligee against the loss of money or other real or personal property belonging to the obligee, or in which the obligee has a pecuniary interest, or for which the obligee is

legally liable or held by the obligee in any capacity, whether the obligee is legally liable therefor or not. An escrow agent's bond must be maintained until all accounts have been reconciled and the escrow trust account balance is zero. The bond may be canceled by the insurer upon delivery of thirty days' written notice to the director and to the escrow agent. In the event that the fidelity bond required under this subsection is not reasonably available, the director may adopt rules to implement a surety bond requirement.

(3) For the purposes of this section, an "errors and omissions policy" shall mean a group or individual insurance policy satisfactory to the director and issued by an insurer authorized to transact insurance business in the state of Washington. Such policy shall provide coverage for unintentional errors and omissions of the escrow agent and its employees, and may be canceled by the insurer upon delivery of thirty days' written notice to the director and to the escrow agent.

(4) Except as provided in RCW 18.44.221, the fidelity bond, surety bond, and the errors and omissions policy required by this section shall be kept in full force and effect as a condition precedent to the escrow agent's authority to transact escrow business in this state, and the escrow agent shall supply the director with satisfactory evidence thereof upon request.

[2013 c 64 § 4; 2010 c 34 § 7; 1999 c 30 § 5; 1979 c 70 § 1; 1977 ex.s. c 156 § 5; 1971 ex.s. c 245 § 4; 1965 c 153 § 5. Formerly RCW 18.44.050.]

The Supreme Court
State of Washington

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September 13, 2018

RECEIVED
SEP 19 2018

WSBA Regulatory Services Dept.

Shelley Miner, Chair
Limited Practice Board
Washington State Bar Association
1325 4th Avenue, Ste. 600
Seattle, WA 98101-2539

Re: Your letters dated August 28, 2018 regarding Limited Practice Officer
License fees for FY2018-2019 and client protection assessment

Dear Ms. Miner:

I received your letters dated August 28, 2018 and provided copies to the justices. The court appreciates receiving your comments and input regarding the Board of Governor's proposed license fee increase for Limited Practice Officers (LPOs) and proposed client protection fund assessment for LPOs.

On Wednesday, September 5, 2018, the court met at its regularly scheduled administrative en banc conference. The court discussed the LPO license fee increase and LPO client protection fund assessment and entered the enclosed order on September 7, 2018.

Very truly yours,

Mary E Fairhurst

MARY E. FAIRHURST

Enc.

FILED
SEP - 6 2018
CLERK OF COURT
JANIS L. DILLON

THE SUPREME COURT OF WASHINGTON

IN THE MATTER OF THE SUPREME)
COURT'S REVIEW OF 2019 LICENSE FEES)
AND CLIENT PROTECTION FUND)
ASSESSMENTS FOR WSBA MEMBERS)
_____)
_____)

NO. 25700-B- 587

ORDER

As provided in General Rule (GR) 12.2(b)(22), the Washington State Bar Association (WSBA) may establish the amount of all license and other related fees, subject to review by the Supreme Court for reasonableness. The rule further provides that license fees established by the WSBA may be modified by order of the Court if the Court determines that a fee is not reasonable. In a letter dated August 28, 2018, from the Executive Director of the WSBA, the Court was advised that at its July 27, 2018, meeting, the WSBA Board of Governors approved the following license fees and Client Protection Fund assessments for 2019:

1. An increase for limited practice officers (LPOs) from \$110 to \$453, and an increase for Limited License Legal Technicians (LLLTs) from \$175 to \$453.
2. A license fee of \$100 for all inactive LPOs and LLLTs; and
3. A requirement that each active LPO and LLLT pay a \$30 assessment to the Client Protection Fund.

The Court considered the license fees as established by the Board of Governors and unanimously determined that the increase to the license fee for active LPOs and LLLTs is unreasonable and that a license fee of \$200 for both LPOs and LLLTs, as recommended by the

WSBA Budget and Audit Committee, is reasonable. In addition, pursuant to APR 15(c), the Court unanimously determined that the recommendation that LLLTs be required to pay a \$30 fee to the Client Fund Protection is approved, but the recommendation that LPOs also be required to pay a \$30 fee to the fund is rejected.

Now, therefore, it is hereby

ORDERED:

The WSBA's 2019 license fees for LPOs and LLLTs are approved except that the 2019 license fee for active LPOs and active LLLTs shall be \$200 and active LPOs shall not be required to pay a Client Protection Fund assessment.

DATED at Olympia, Washington this 6th day of September, 2018.

Fairhurst, CJ.
CHIEF JUSTICE