

201 KAR 11:245. Property management procedures and guidelines.

RELATES TO: KRS 324.160(4)(f), (h)

STATUTORY AUTHORITY: KRS 324.281(5), 324.282

NECESSITY, FUNCTION, AND CONFORMITY: KRS 324.282 authorizes the Real Estate Commission to promulgate administrative regulations necessary to carry out and enforce the provisions of KRS Chapter 324. This administrative regulation establishes standards for property management.

Section 1. (1) A licensee shall not engage in property management without a current written property management agreement.

(2) A property management agreement shall contain:

- (a) The business name and address of the licensed agent's company;
- (b) The name and address of the owner;
- (c) The address of the real estate being managed and the number of units;
- (d) The date when the agreement begins and ends, and a provision stating whether the owner agrees or not to automatic annual renewal;
- (e) A provision stating the method for early termination;
- (f) The amount of, or the method for computing the amount of compensation to the licensee;
- (g) The amount of or the method of determining the minimum security deposit to be collected from tenants for each unit managed;
- (h) The name and address of the bank where the licensee's escrow account is kept where the security deposit will be held together with the account number. This information shall also be contained in the lease;
- (i) A provision which is in accord with KRS 383.580 setting forth the procedures governing returning or retaining the security deposit. This provision shall also be contained in the lease;
- (j) A provision setting forth the conditions under which the licensee is authorized to pay expenses related to the real estate being managed;
- (k) A statement setting forth the date when the licensee shall send the owner an accounting of the transactions related to the real estate being managed;
- (l) A copy of the form of the lease document which the licensee shall have the tenant sign shall be attached to the agreement;
- (m) A provision whereby the owner certifies that he has received a duplicate copy of the agreement and the attached lease form; and
- (n) The signature and date of signature of the owner and the licensee.

Section 2. (1) An owner ledger, in electronic or written form, shall be maintained for each owner of real estate being managed.

(2) A tenant ledger, in electronic or written form, shall be maintained for each tenant renting real estate being managed.

(3)(a) A receipt shall be given for money received.

(b) Money received shall be deposited into an escrow or management account of the licensee without unreasonable delay. Licensees who have an ownership in the real estate being managed shall comply with the requirements of KRS 383.580.

(c) The amount of money received shall be entered into the owner and tenant ledgers, by unit.

(4) Expenses paid by an agent shall be documented by invoice or receipt, by unit. Documentation shall be retained with a licensee's records.

(5) Adjustments to a security deposit shall be made in accordance with KRS 383.580. Adjustments shall also be entered on the owner and tenant ledgers, by unit.

(6) A licensee shall send a monthly accounting to an owner of transactions:

(a) Related to the real estate being managed, by unit; and

(b) Entered on the owner and tenant ledgers, by unit.

(7) Within sixty (60) days of the termination of a management agreement, a licensee shall send the owner a final accounting. The final accounting shall contain transactions that occurred after the last monthly accounting.

(8) A licensee who owns the real estate being managed shall:

(a) Comply with the accounting requirements relating to receipt, deposit and adjustment of tenant security deposits; and

(b) Be exempt from the other accounting requirement specified in this administrative regulation.

Section 3. A broker shall retain property management agreements, leases, monthly statements, owner and tenant ledgers, and bank statements relating to property management for five (5) years.

Section 4. A tenant security deposit shall be deposited and maintained in an escrow account in compliance with KRS 324.111. A licensee who has an ownership in the real estate being managed shall comply with the requirements of KRS 383.580. (17 Ky.R. 2299; Am. 2695; eff. 3-8-91; Am. 27 Ky.R. 1519; 2714; eff. 4-9-2001.)