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2014 Calendar

GREC Brokerage Course & Trust Accounts Class Dates:

- **January 29&30, 2014**
Tift Area BOR
www.tiftareaboardofrealtors.com/
- **March 26&27, 2014**
Greater Rome BOR
www.grbor.com/

[Link to GREC
Disciplinary
Sanctions](#)
View Current
Suspensions
and
Revocations

[Link to the
Georgia Real
Estate
License Laws,
Rules, and
Regulations](#)

*Happy
Holidays
from the
Georgia Real
Estate
Commission!*

Wise Words from Those Who Know

The GREC Annual Instructor Workshop and School meeting was held this November in Athens, Georgia. Like other licensees, Instructors approved by the Commission to teach pre-license courses must meet continuing education requirements. Like other educators, Instructors must continually learn in order to keep current on subject matter as well as stay up-to-date on new teaching and training techniques. Much of the material presented in the meeting program was designed to inform not only Instructors but also Salespersons, Brokers, and Appraisers.

One of the highlights of the GREC Annual School meeting was the Georgia Real Estate Commission panel that included several members of the Investigation Department. The staff members have insight into the big picture as to what a licensee needs to do to practice real estate brokerage activity in compliance with the License Laws and accompanying Rules. The staff member's talking points were focused on how to conduct your daily practice or structure your daily routine in a way that keeps your business in compliance with the License Laws and Rules. The Commission staff gave some tips that are words to the wise from those who know. Here are a few quotes and notes that summarize their presentations.

1. **Bill Rogers Jr., Real Estate Commissioner**, updated attendees on the number of licensees, trends, and explained the effects of declining license numbers on the Commission. He also provided interesting license statistics that are detailed on [page 3 of this newsletter](#).
2. **Craig Coffee, Deputy Real Estate Commissioner**, cautioned licensees to remember the human element. "Human behavior and how we treat people in a transaction is very important and affects their 'satisfaction' in the transaction." "Dissatisfaction is often the reason a Request for Investigation is submitted to the Commission by an individual." The Commission is required to investigate all Requests for Investigations. He listed the 4 most common sources of investigations conducted by the investigative staff.
 - i. **Applying for a License.** An applicant with a criminal conviction or a disciplinary action imposed by another licensing authority must be cleared by the Commission to receive a license. 10% of the licensing applications received by the agency each year involve this type of issue.
 - ii. **Consumers Dissatisfied with the Transaction.** Consumers do not know the License Law and Rules. They only know that they are dissatisfied with the transaction. Once a dissatisfied consumer files a Request for Investigation the entire transaction is reviewed for violations of the License Laws and Rules.
 - iii. **Licensees Dissatisfied with Another Licensee.** A licensee may file a Request for Investigation against another licensee based on something that transpired in a real estate transaction. These are often filed after a transaction in which one licensee was dissatisfied with the behavior of another licensee.

...Continued on page 2

Comments or
Suggestions
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Wise Words....

...continued from page 1

- iv. **Brokers Informing GREC of a Violation by an Affiliate.** A broker is required to inform the Commission if one of his or her affiliated licensees violates the License Laws or Rules.
3. **Letitia Jackson, Education Advisor**, broke the ice by recommending that every licensee "keep a copy of the License Laws and Rules on your desk so it is handy for reference" or use the online copy accessed from the GREC web site. Ms. Jackson's job is to assist the Instructors and Schools in complying with the License Laws and Rules concerning education activities. She addressed how schools advertise and how they post education credits and emphasized that schools should not wait until the last minute so that required deadlines for posting credits or advertising courses do not become an issue.
4. **Diane Keys, Compliance Supervisor**, addressed preconceived notions about Trust Accounts; "You can do a lot, just follow the License Laws and Rules, document what you do, and have all parties agree in writing before doing." Ms. Key's discussed using an interest bearing checking account for a trust account and transferring funds from one trust account to another trust account. She noted that the Trust Account Questionnaire used by the Compliance Section will soon be available on the GREC web site to assist brokers with trust account compliance.
5. **Audrey Brown, Investigations Supervisor**, provided straight-forward, sound advice that each licensee needs to "Know the Laws and Rules governing your profession." She stated many of the violations clearly stem from not knowing the license laws. She recommends obtaining a hard copy and keeping it on your desk. She gave a source to **purchase a printed copy** [Georgia Real Estate Licensing and Appraiser Laws and Regulations Annotated](#) or <http://www.lexisnexis.com>
6. **Margaret Snow, Investigator**, explained "Investigators do try to get all the facts and information, and it is in the licensee's best interest for them to do so." She also commented that Investigators are experienced individuals yet it is possible that they could make a mistake. If a mistake is found, the staff will acknowledge it. This sentiment was echoed by all of the staff members present. She also quizzed the attendees on their knowledge of trust account issues and suggested everyone, including educators, review the License Laws and Rules on a regular basis.

The staff was very accessible and personable in their presentations. An open Q&A period followed with a reminder to attendees to take advantage of the many resources offered by the Georgia Real Estate Commission. GREC resources include:

- www.grec.state.ga.us GREC Website
- [License Laws, Rules, and Regulations accessible from the website.](#)
- [Georgia Real Estate InfoBase](#)
- [Classes offered at various locations.](#)
- [Courses offered Online](#)

Although other presenters at the meeting primarily focused on technology and digital learning, the program circled back around to remind licensees to consider the human element in their professional career.

Seminar Take-Aways:

Get a copy and know the License Laws, Rules, and Regulations.
Remember the element of human behavior.



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receive the
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Interesting Licensing Statistics for Georgia

[GREC
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Courses](#)

[Link to the
Georgia Real
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*Happy
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Licenses

- Currently 83,102 Real Estate Licensees in Georgia; 78% are Active
- 11,019 licensed Real Estate Firms
- Since 2008, Georgia has lost approximately 22,000 licensees
- 499 New Applications were processed in October 2013
- Since July 1, 2013 there are 1,778 new Licensees, 76% of which are salespersons

Operations

- Since July 1, 2013 13, the Commission staff has handled the following:
 - ✓ 16,703 Phone Calls
 - ✓ 3,500 Emails
 - ✓ 825 Individuals Assisted In-Person at GREC's Office
 - ✓ 10,503 Applications.
 - ✓ 6,120 Lawful Presence Verification Applications

Investigations

- Investigative Cases in the GREC office are down 65% from May 2011.
- Currently there are 266 pending real estate and appraiser cases.
- Cases can result in various types of disciplinary actions including Citations, Consent Orders, and Revocations.
- Disciplinary Actions usually include fines and completion of education courses.

Education

- The National Average of Continuing Education Hours for a Real Estate Licensee is 9.3 hours per year. Georgia's current requirement of 6 hours of continuing education per year is 35% below the national average.

Appraiser Licensing

- Currently 4,718 Appraisers in Georgia: 91% are active
- 180 Appraisal Management Companies
- 200 Appraiser Investigative cases were completed in Fiscal Year 2013.

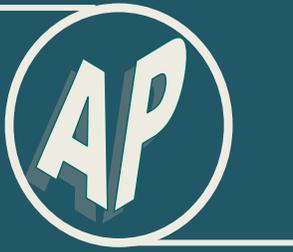


Focus on Terminology: "Wisdom & Wise"

Wisdom, as a noun, is defined by Webster's with words such as, "knowledge, insight, good sense, judgment, or as a wise attitude or course of direction." As an adjective, "wise" can be used to describe someone "evidencing or hinting at the possession of inside information." Although the License Laws, Rules, and Regulations are clearly public information, they can provide a map for good judgment or a course of direction.

One who is "wise" is described as "having or showing ability to choose sound ends and appropriate means." Perhaps a review of the License Laws, Rules, and Regulations can help all licensees become wise in the practice of real estate.

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The Appraisers Page

Useful Links:

[GREAB Web Site](#)

[Appraisal Act](#)

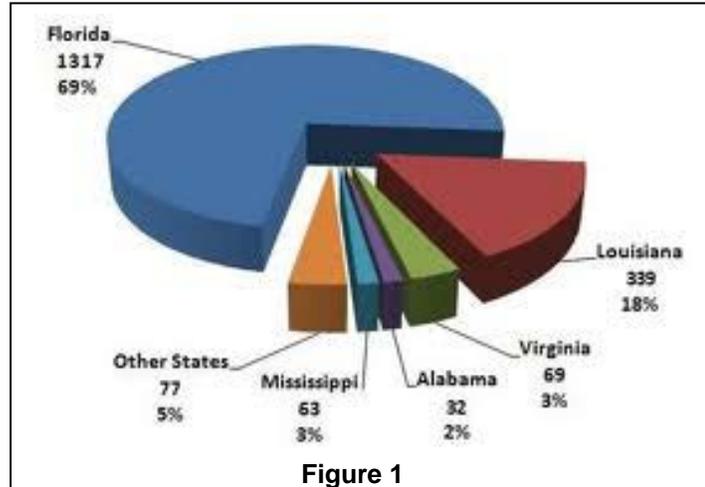
[GREAB Disciplinary Sanctions](#)

Chinese Drywall

By D. Scott Murphy

We all can recall the building boom of the early 2000's. Residential and commercial construction were at an all-time high, and availability of materials was at an all-time low. Then came the big storms that drowned Florida, Alabama, Mississippi, and Louisiana. Particularly hard hit was the drywall industry. Not only was it difficult to find drywall, but the supplies available were also destroyed by the storms.

The answer was to import drywall from overseas. Manufacturers, primarily from China, Taiwan, and other Asian countries, shipped millions of tons of drywall to the United States between 2001 and 2007. Georgia received over 600,000 tons of Chinese drywall, which was only a fraction of what other states received (see Figure 1).



The majority of the drywall was probably used for new construction, and thus, 100% of these houses were contaminated, but what about all the renovation projects that occurred over those 6-7 years? Finished basements, renovated kitchens, room additions, etc. – these are the most difficult to detect.

“Chinese drywall” refers to defective drywall manufactured in China that caused an environmental health issue. This drywall was imported to the United States starting in 2001. Laboratory tests identified harmful emissions from the drywall. It smells like rotten eggs, especially in warm and humid environments. Chinese drywall also causes copper surfaces to turn black and powdery as the result of a chemical reaction. Chinese drywall emits chemicals into the air that are harmful to copper pipes, wiring, air conditioner coils, plumbing, and lighting fixtures. They are even noticeable in silver jewelry and service wear kept in the house. Homeowners have reported a variety of symptoms, including respiratory problems such as asthma attacks, chronic coughing, difficulty breathing, chronic headaches, and sinus issues.

I first encountered these dangers upon the inspection of a home in Cumming, GA that was built entirely of Chinese drywall. Until last month, I was only vaguely familiar with the term “Chinese drywall” but had never personally encountered it. I was also under the impression that it was only imported into Florida, but in truth, it has been reported by over a dozen states. The states of Florida (56%), Louisiana (18%), Mississippi (6%) and Alabama (6%) comprise 86% of the 3,952 cases reported to the U.S. Consumer Product Safety Commission (CPSC) as of April 19, 2012. Sources estimate that from 60,000 to 100,000 homes may have been contaminated. So how do you know if you have Chinese drywall?





The Appraisers Page

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Chinese Drywall

By D. Scott Murphv

The first symptom I noticed when I entered the property in Cumming was the pungent smell of rotten eggs. The home otherwise appeared normal. The homeowner did not report that they noticed the smell; granted, the house had been vacant for nine months, and the smell was much less noticeable after I had been in the home for a while. The homeowner did report that the A/C coils had been replaced three times in the 11 years he had lived in the house. Fortunately they did not experience any of the health issues like the ones reported in many other cases.

I wondered, why did the homeowner not notice the smell? And why did the HVAC technician not question three replacements of coils in 11 years?

The issue is that the hazards of Chinese drywall are relatively undiagnosed in Georgia. Furthermore, there are really only two other ways to identify it: look for the corrosion of the pipes and fixtures or to be able to physically inspect the drywall to find "Made in China" printed on the back.

We were fortunate that the subject had an unfinished basement, and the rear of the drywall was easily

accessible. You can also identify Chinese drywall by pushing aside the insulation on the floor of the attic to reveal the back of the drywall.



Now let's talk about how this affects the value of a home. When it comes to valuation of a property, we use the same techniques with Chinese drywall as we would with other more common substances such as radon or mold. We first must determine the cost to properly remediate the home. The appraiser relies on estimates from trained professionals. The property in Cumming, for example, would have to be taken back to the framing stage because the Chinese drywall was evident throughout. This means removing not just the drywall but carpeting, moldings, fixtures, plumbing, electrical, HVAC systems, etc. This house was approximately 3200 square feet with a "prior to incident value" (the value it would have been worth if it was not infected with the toxic Chinese drywall) of approximately \$375,000. The bids from three contractors ranged from \$160,000 – 202,000 or \$50 – 65/sf. This number can vary significantly based on the quality of the subject property. In addition to these hard costs, the appraiser must consider acquisition costs, carrying costs, disposition costs and entrepreneurial profit. These costs are typically 15-30% of the "after repaired value" (the value that the home will be worth once it is satisfactorily remediated and tested, and construction is complete).

To arrive at the as-is value, the appraiser would determine the after repaired value and then deduct the cost to remediate and other soft costs outlined above. The final question is that of diminution in value. Now that the owner has to disclose that the property had this issue, would the market further discount the value of the home?

In the case of my subject property, the resulting "as-is" value may be equal to or less than the value of the vacant lot. Other considerations then would be the cost of demolishing the whole house, the market reaction to a new house versus a rebuilt house, and then whether a new house would eliminate the issue of diminution of value.

As a side note, the subject property is scheduled to go into foreclosure and be sold on the courthouse steps. One might be reluctant to purchase a house sight unseen at the courthouse steps. Furthermore, if it goes into foreclosure, would the lender or Fannie Mae have to disclose the Chinese drywall? Are they liable in any way if it is discovered after a subsequent purchase? The answer is no.

Always have a home inspection and make sure the inspector is well qualified and experienced. This property was under contract and three weeks away from closing. Had the home inspector not been trained on Chinese drywall, it could have been your buyer living in this house.