

## 2013 Calendar

### GREC Brokerage Course & Trust Accounts Class Dates:

- February 27 & 28, 2013  
Albany Board  
<http://www.albanyboardofrealtors.com/>

- March 27 & 28, 2013  
East Metro Board  
<http://www.embor.com/>

- April 24 & 25, 2013  
NAMAR  
<http://www.namar.org>

### GREC Georgia Instructor Training Workshop

- May 8 & 9, 2013**  
Atlanta, GA  
<http://www.grec-git.com/>  
[Register Online](#)

### Common Violations Class Dates:

- March 12, 2013  
Augusta Board  
706-736-0429
- March 22, 2013  
GAMLS  
770-493-9000
- April 15, 2013  
Savannah Board  
912-354-1513

[Click here to  
see GREC  
Disciplinary  
Sanctions](#)

Georgia Real Estate  
Commission  
Suite 1000  
International Tower  
229 Peachtree Street NE  
Atlanta, GA 30303-1605  
Phone 404-656-3916



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## 2012 Year in Review

Several legislative amendments and rule changes that affect real estate licensees and appraisers were passed or became effective in 2012.

### 2012 Law Changes

Senate bill 365 was passed and it clarifies certain terms and issues in the License Law, including the following:

1. Defined disciplinary sanctions and allows the Commission to consider the disciplinary actions of another state when determining the severity of a new sanction. Code Section 43-40-25
2. Defined a "Letter of Findings". It is a confidential disciplinary tool that can be used by the Commission when it has been determined that a licensee violated the License Law, but there was no harm to a third party or to the public. A Letter of Findings is basically a letter of warning and shall not appear in the License History of a licensee. Code Section 43-40-25.2
3. Clarified the definition of a "Felony" to mean any offense committed: (i) Within this state and deemed a felony under the laws of this state or under the laws of the United States or in another state and deemed a felony under the laws of that state. Code Section 43-40-15
4. Increased the amount that can be recovered from the Real Estate Recovery fund from \$15,000 to \$25,000 per transaction and from \$45,000 to \$75,000 for multiple transactions per licensee. Code Section 43-40-22
5. Changed the notification provisions required to obtain funds from the Real Estate Recovery Fund making it easier and allows the ability to make a claim after judgment or settlement of a suit rather than at commencement of a suit. Code Section 43-40-22
6. Required that a licensee must be actively licensed for 3 of the 5 previous years before he/she can sit for the state examination for broker. Code Section 43-40-8

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## Wednesday, March 6, 2013 GREFPAC 9th Annual Mortgage Fraud Conference

Both real estate licensees and appraisers receive continuing education credit for attending the day-long conference. An afternoon session addresses "Mortgage Fraud and the Real Estate Professional".

[www.grefpac.org](http://www.grefpac.org)

To sign up to receive the GREC RENEWSletter  
Click Here

Comments or Suggestions  
Click Here.



## Online Courses from GREC

\$10 each  
3 Hour CE Course  
Total of 9 Hours CE Available

*“Avoiding Trust Account Trouble”*

*“Practicing Real Estate & Staying Out of Trouble”*

*“Being a Broker and Staying Out of Trouble”*

[Click Here](#)

### Georgia Real Estate Commission

Suite 1000  
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# 2012 Year in Review

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## 2012 Law Changes

- Amended the Appraiser Act regarding relocation companies specifying an Appraisal Management company does not include a relocation company. Code Section 43-39A-2
- Allows the Commission or the Appraiser Board to revoke a license that is surrendered after the commencement of an investigation.
- Although passed in 2011, the Georgia “Illegal Immigration Reform and Enforcement Act of 2011” became effective January 1, 2012. Each licensee must submit a secure and verifiable document of identity and a lawful presence affidavit of residence. Documents can be sent via fax to (404) 656-6650, e-mail [verify@grec.state.ga.us](mailto:verify@grec.state.ga.us), U.S. mail, or by visiting the office.

## 2012 Rule Changes

- Rule 520-1-.10 (6) was amended to clarify rebates from licensees to principals.
- Rule 539-1-.24 was adopted clarifying that Appraisers acting as a hearing officer or arbitrator in tax appeal cases is not considered to be doing an appraisal activity.
- In addition, it clarified that anyone can represent a taxpayer or himself in a property tax appeal and can give an “opinion of value” without being a licensed appraiser.

**NOTE:** Each year, the **February** issue of the **GREC RENEWS** contains a recap of the law and rule changes from the previous year. Archives of past issues are accessible from the GREC home page. Adopted legislative or rule changes affecting real estate licensees are posted on the GREC web site at <http://www.grec.state.ga.us/about/readopted.html>. Pending and Proposed changes are posted as well

## Georgia Real Estate InfoBase Project

Georgia real estate customers, practitioners and legal professionals can now access information on a broad range of industry topics at the [Georgia Real Estate InfoBase Project](#), a free online resource presented by the Georgia Real Estate Commission and the Georgia State University Department of Real Estate.

[www.gareinfobase.org](http://www.gareinfobase.org)



### *Focus on Terminology: “due diligence”*

In most real estate contracts the buyer requires a period of time to investigate, research, and otherwise determine if a property fits his/her needs. This research includes title issues, environmental concerns, property characteristics, zoning issues, permitting issues, and whatever else is critical for the buyer to decide if the property meets his/her criteria. Usually the buyer has some obligation to perform this process diligently and with due care. It may be called an inspection period, due diligence period, or whatever the parties may agree, and the time period is subject to negotiation among the parties.

Real estate licensees also have some obligation to research and be familiar with the property listings he/she holds. The licensee is held to a higher professional standard than the public, and therefore must be diligent in his/her research as well. However, the licensee must be careful not to give advice beyond the level of his/her expertise or to provide advice to the customer to avoid creating any undesired dual agency situation.



# The Appraisers Page

Georgia Real Estate Appraisers Board

February 2013

## Useful Links:

[GREAB  
Web Site](#)

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[Appraisal Act](#)

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[GREAB  
Disciplinary  
Sanctions](#)

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## ***Why Don't Appraisers Rely On The Cost Approach?***

***By D. Scott Murphy, SRA***

Appraisers do not rely on the cost approach because it is very difficult to estimate the cost, or the contributory cost of the improvements. Even if we were able to rely on various cost manuals or information from local builders, it is very difficult to determine the value of the subject site. How do you calculate the site value? The three most common methods to calculate site value are (1) sales comparison method; (2) allocation method; and (3) extraction (abstraction) method. I will briefly discuss the first two methods then explain the subject of the article: the *extraction method*.

### **Sales Comparison Method**

The Sales Comparison Method is probably the most preferred and reliable method for estimating site value. This method is similar to valuing an existing house, comparing the subject to recently closed sales of vacant lots. The problem is there are very few recent sales of lots similar to the subject.

### **Allocation Method**

The Allocation method is not commonly used, but if a newly constructed home is built on a site that was purchased recently, it can be effective. The Allocation method can be applied as a percentage or proportion of the total value of an improved property.

### **Extraction Method**

In a nutshell, site value is the difference between the sale price of a property and the contributory value of its improvements. So how do you determine the contributory value of the improvements? There are several ways to do this. The contributory value of the improvements is the same as the depreciated value of the improvements as observed in the market. In other words, it can be construed as cost new, less the accrued depreciation. Accrued depreciation is calculated as the effective age divided by the total economic life of the improvements. If you still have your appraisal books from your basic appraising course, look up *Accrued Depreciation*. An excellent reference book you should always have is *The Appraisal of Real Estate*, currently the Thirteenth Edition, by the Appraisal Institute.

When valuing the subject property the appraiser calculates the effective age by an onsite visit to the property and observes any physical deterioration in order to arrive at the effective age. However, the appraiser does not have the luxury of visiting the interior of a comparable sale or even walking around the outside of the comparable sale that is a good candidate for the site value by the abstraction method. But if the property is listed on the Multiple Listing Service, there is a possibility that there are photographs of the interior and exterior of the property. You can also contact the listing agent to get additional information regarding the physical condition of the improvements to arrive at a more supportable effective age. Remember, effective age of a property is based on the appraiser's judgment and observation.

Therefore, the proper procedure would be for the appraiser to calculate the replacement cost new of the improvements first and then subtract the depreciated value (contributory value) of the improvements. But what about the site improvements such as the swimming pool, driveway, landscaping, etc? Yes, that too has to be subtracted from the replacement cost new of the improvements. Where do you get your replacement cost figures? There are several sources. One is Marshall & Swift (also referred to as Marshall Valuation Service). The other is Building-Cost.net, which is free.

So to be honest with you, the extraction method is nothing more than finding some sales, calculating the costs and depreciation and then backing into the land value by subjecting those numbers from the sales price. It is certainly not my preferred method of completing the cost approach and good reason to not rely on the cost approach in general.