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Professionalism in Practice

What can I do to review and prepare for my real estate practice in 2016?

Consider the big picture, such as: unfair trade practices, trust account practices, office management, new CE requirements, ethics, and required disclosures. The resources offered by the GREC are there to assist licensees in their real estate profession. The following is a brief checklist of critical items and issues that the broker and the firm affiliates may benefit from reviewing. Each item in blue is a link to a detailed resource on the subject.

1. Unfair Trade Practices is a list of 36 items clearly identified as a violation of the License Law. [Unfair Trade Practices Rule 43-40-25](#).
2. If using or considering using Support Personnel, it must be done properly and in compliance with recent changes to the rules. The Rules and Regulations provide examples of what tasks support personnel may and may not perform. In addition, there must be agreements between the firm, the licensee, and the support staff as detailed in [Rule 520-1-.07 \(6\)\(d\)](#).
 - a. [Tasks Support Personnel CAN Do](#)
 - b. [Tasks Support Personnel CANNOT Do](#)
3. When the investigative staff conducts audits and reviews of trust accounts and firms, they use a form questionnaire that is very helpful to review as a good annual management practice or in preparation for an audit. The document is available on the [GREC site Office Practices and Trust Account Review Questionnaire](#).
4. Brokers managing agents can save time and simplify management procedures by [Making the Most of the Firm's Status Report](#).
5. Review the [Broker Management Summary](#) in the GREC School resources.
6. The recent changes to the [Advertising Rules 520-1-.09](#) are worthy of review, and it is critical to know how to properly [Market Another Licensee's Listing](#).
7. Quick answers to common questions regarding maintaining a license and other issues are listed in the [GREC FAQ](#).
8. A resource to research a subject in more depth, subject matter for a sales meeting, or to review certain topics can all be accessed in the [Georgia Real Estate Infobase](#).
9. ["How-To" Information and Articles](#) on the GREC web site include such subjects as fair housing, mortgage fraud, and appraisal articles.
10. Print a list of [10 Ways to Easily Avoid Common Violations](#).
11. Trouble finding a certain rule or law? Use the article ["How to look up a Law."](#)
12. If you like the printed book version of the License Law, Rules, and Regulations, here is a [source to purchase a book of the License Laws](#). It is updated yearly.
13. Additional lists and links can be found on the [GREC Real Estate School site under Student Resources](#).

For further review, the February issue of the GREC RENEWS will recap the 2015 changes to the License Law, Rules, and Regulations.

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

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

Georgia Real Estate Infobase

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Recap and Reminder about CE and Required Law Topics

Effective **July 1, 2015**, continuing education (CE) hours increased for non-grandfathered licensees from 24 to 36 hours over the four-year renewal period.

Beginning **July 1, 2016**, 3 of the CE hours must be on the topic of license law from a license law course approved by the Georgia Real Estate Commission. The GREC website provides a list of schools that have courses approved in Real Estate Law CE. Click on the Schools/Instructors tab at the top, then Schools, then Approved schools to view the list or [Click Here](#).

**Over 50 schools are already offering Real Estate Law CE,
including online options.**

Provided all requirements are met, a licensee can renew his/her license up to 4 months prior to the renewal date, but you must renew by midnight of the renewal due date to avoid lapsing and incurring a late fee. The online renewal system allows a licensee to renew a license 24 hours a day, seven days a week. <http://www.grec.state.ga.us/grec/renew.html>.

Georgia Real Estate License Rule Changes Video:
<https://www.youtube.com/watch?v=zS0AWylhzOI>

GREC Annual School Meeting 2015

Last week, the annual meeting of Real Estate Schools sponsored by the Georgia Real Estate Commission was held at Lanier Islands in Buford, Georgia. Attendees included approved real estate instructors, administrators, and proprietary school owners and directors, as well as regulators including Real Estate Commissioner Bill Rogers, and Deputy Commissioner Craig Coffee.

In addition to providing real estate Instructors with training tips using infographics and other visual tools, a review of the financing environment was provided to assist instructors in staying current with the changing industry. Approved real estate instructors must obtain 24 hours of instructor continuing education. Attendance at the school meeting qualifies for 7 hours. Other options to obtain instructor training include the GREC online courses, the Broker Workshop, and the GREC Trust Account workshop. Schedules for these courses and the Common Violations classes for 2016 are forthcoming.



Focus on Terminology: "Errors & Omissions Insurance"

Errors and omissions insurance is not required by the Georgia Real Estate License Law, Rules, and Regulations or by the Georgia Real Estate Commission. However, it is considered a good business practice to carry such insurance. In the ever-changing industry it may provide protection in an unusual situation or complicated transaction. As with any type of insurance, each policy will have certain types of transactions or situations they include and exclude. For instance, some policies may or may not cover certain commercial transactions unless it was originally included when the insurance was applied for and obtained.

A claim will only be valid if an act by the licensee or an omission of an act by a licensee occurs during the dates of coverage. In other words, obtaining E&O insurance after the event took place will not cover the event. This is important to note because the error may not be discovered until some time has passed, so continuous coverage is usually advised. Unrelated to insurance, but important for supporting a claim, the Georgia License Law, Rules, and Regulations require that real estate related documents must be maintained for 3 years from the transaction. <http://rules.sos.ga.gov/GAC/520-1-.10>.



The Appraisers Page

Useful Links:

[GREAB Web Site](#)

[Appraisal Act](#)

[GREAB Disciplinary Sanctions](#)

A Look at the ART of Appraising

By: D. Scott Murphy, SRA

There is no “one” number that any property is worth. There is always a range. This is due to the fact that the real estate market is not perfect. Buyers and sellers do not buy based off of some valuation guide or matrix. There are so many forces at work that can sway the value of any given property. You may have a seller who is extremely motivated to sell or a buyer who is a savvy negotiator. Interest rates could have risen or fallen recently which has a direct impact on buying power. Economic changes play a big role in valuation. Even



weather can impact the value of your home. The string of rainy days and particularly rainy weekends recently in Georgia may very well have impacted values as buyers were much less likely to get out and look at homes. The weather also delayed new construction which impacts the supply of homes which impacts value.

Real estate appraising is a science and an art. The science can only get you so far, the art is what differentiates a good appraisal from a bad appraisal or a good appraiser from a bad appraiser. Like any other art form it takes time to learn the craft. Many are blessed with an advance ability, others may practice or study for years and still never master it. The most important factor in mastering the art of appraisals is to focus on a particular area. Become a local expert. We call this geographical competency. While I am licensed to appraisal property throughout the state of Georgia, I would be very uncomfortable working in an area outside the metro Atlanta market. In which case, I would solicit assistance from an appraiser who is familiar with the area or turn down the appraisal assignment.

A good appraiser must first be able to distinguish the difference between sales in a neighborhood and comparables. Not all sales are comparables. They must have a firm understanding of what buyers are looking for and the impacts of various improvements on value. Appraisers must remain current on trends and home related technologies. It is very important for the appraiser to be talking with builders, homeowners, and agents. The single biggest error I see in residential appraising is the lack of communication and verification of information by the appraiser. How many times have you met an appraiser at a property and they tell you they cannot talk with you? That is absurd – not only CAN you talk to them, I feel they are required to talk to you. Certainly take any information you can supply but ask questions about the house and the neighborhood. It is a requirement of the appraiser to verify all sales by contacting an interested party to determine not only the sales price, sales date and closing costs but the motivations of the buyer and seller. What other properties the buyer may have looked at. There is so much information that can be obtained by a simply five minute conversation. So many appraisers



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Georgia Real Estate Appraisers Board

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take the position that they cannot talk to you and that you are biased. Of course you are biased, so what, take the information, verify it and use what is relevant. An appraiser will never master the ART of appraising if he does not communicate and verify.

There are very few appraisals which I develop and then quickly arrive at an estimated market value. The initial pass lays a foundation for my value but invariably I will revisit each comparable, looking at the adjusted value and its relationship to the other comparables. I analyze those comparables which are my outliers and contemplate which adjustments are causing them to exceed the norm. Quite often a change to one adjustment parameter will bring the higher one down and the lower one up. Then there are some reports where I need to step away from for a short time or sleep on them before completing my final review. These extra steps are imperative, in my opinion, and this is where the art of appraising is exercised. All pertinent information must be reviewed and reconciled. Far too many appraisers do not truly reconcile their reports.

Reconciliation is necessary with each approach to value as well as the final reconciliation which also takes into account prior sales and any current sales price. The appraiser must explain to the reader his justification for his value but also how it relates to any prior sales or current offers to purchase. It is not enough to complete the report and state a value.

Those who truly have mastered the art of appraising use this step to check their value conclusions. Often, further investigation is required in order to reconcile all value indicators. Here in lies the main problem with residential appraising today. In order to competently complete an appraisal, thoroughly research the market, verify the sales and truly reconcile all value indicators, it takes a lot of time. Appraisers who accept assignments with very short deadlines generally cannot possibly complete a competent and complete report. Others who accept an assignment for a fee which is not customary and reasonable cannot justify the additional time required to complete the report with the necessary detail.

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