May 2015
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Monthly Newsletter of the Georgia Real Estate Commission

GREC RENews

This Issue:

I Just Do Referrals. My license is with a referral company…..

In order to receive any payment for real estate brokerage activity, a licensee must maintain his/her license on active status. This means that the licensee must comply with all requirements to stay active whether or not he/she actually practices real estate brokerage. Maintaining a license and keeping it active involve the following:

1. Paying license renewal fees.
2. Completing the required education to maintain and renew a license.
3. Notifying the Commission of address or email changes with 30 days of the change.
4. Notifying the Commission of any changes regarding disciplinary actions, convictions, etc.

Just the Facts:

- If a license is on inactive status, the licensee cannot be paid a referral fee.
- If a licensee does not renew his/her license and/or it lapses, he/she cannot receive a referral payment or any other commission payment related to real estate brokerage activities.
- There are only 2 choices regarding license status….active or inactive.
- There is no difference between a license used in practicing real estate brokerage and the license used to receive referrals.
- There is no such thing as a referral license, or referral status or retired status.
- If you want to receive a fee for referrals of relocations, commercial or residential transactions, or any other brokerage activity, your license must be registered on active status with the Georgia Real Estate Commission.

A "referral company" is still a brokerage company and that firm must have a qualifying broker that holds the licenses affiliated with the firm. If a license is inactive, it is placed with the Commission and no broker is involved. A licensee cannot be paid any fee for brokerage activities except through the broker holding his/her license.

The amount of continuing education hours to reactivate a license depends on the length of time it has been inactive or in lieu thereof, surrendering the license and qualifying as an original applicant. For further information regarding activating a lapsed or inactive license, review Rule 520-1-05.

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2015 Calendar

GREC Brokerage Course & Trust Accounts Class Dates:

- June 10 & 11, 2015
  Carpet Capital AOR
  usamls.net/dalton
- August 5 & 6, 2015
  Greater Augusta AOR
  augustarealtors.com

Common Violations Class Dates:

- June 4, 2015
  Valdosta BOR
  Valdosta, GA
  229-242-2085
- June 10, 2015
  Greater Rome BOR
  Rome, GA
  706-295-1727
- June 17, 2015
  Golden Isles AOR
  Brunswick, GA
  912-264-2915

Link to the Georgia Real Estate License Laws, Rules, and Regulations

Link to GREC Disciplinary Sanctions View Current Suspensions and Revocations

Updated Format!

GREC Online Courses

Click Here

Also approved for Instructor CE

Comments or Suggestions Click Here.

To sign up to receive the GREC RENewsletter Click Here

Link to the Georgia Real Estate License Laws, Rules, and Regulations

Georgia Real Estate Commission
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International Tower
229 Peachtree Street NE
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It should be clear that the qualifying broker of the firm and the firm itself must also have active licenses. It is possible for licensees affiliated with a firm who actively maintain their licenses to become inactive if the broker does not maintain the firm and his/her broker licenses. In that case, the licensees affiliated with that firm are not longer active.

It is easy to check the status of any licensee. Just go to http://www.grec.state.ga.us and click on the **Consumer tab** along the top of the page. Select **Find a Real Estate Agent** or **Find a Real Estate Company** and search for licensees as needed.

Match the Phrase that best describes the term.

A. FHA	1. Loans to help low-income individuals purchase homes in rural areas. (Rural Housing Service).
B. VA loans	2. Mortgage usually 5-7 year term when the borrower must pay the full remaining balance in lump sum or refinance.
C. RHS loans	3. U.S. Department of Veterans Affairs supports loans to make housing more affordable for eligible U.S. veterans.
D. ARM	4. Adjustable-rate Mortgages. Mortgage that starts with a lower interest rate in the early years offering lower payments and the interest rate is adjusted periodically.
E. Balloon Mortgage	5. Part of the U.S. Department of Housing and Urban Development, insures some home loans.

(Answers at bottom of page)

Focus on Terminology: **"Reverse Mortgage - HECM"**

"The Home Equity Conversion Mortgage (HECM) is FHA's reverse mortgage program, which enables you to withdraw some of the equity in your home. The HECM is a safe plan that can give older Americans greater financial security. Many seniors use it to supplement Social Security, meet unexpected medical expenses, make home improvements and more. You can receive additional free information about reverse mortgages in general by contacting the National Council on Aging at (800) 510-0301 or downloading their free booklet, "**Use Your Home to Stay at Home**," a guide for older homeowners who need help now. It is smart to know more about reverse mortgages, and decide if one is right for you!"

"A reverse mortgage is a special type of home loan that lets you convert a portion of the equity in your home into cash. The equity that you built up over years of making mortgage payments can be paid to you. However, unlike a traditional home equity loan or second mortgage, HECM borrowers do not have to repay the HECM loan until the borrowers no longer use the home as their principal residence or fail to meet the obligations of the mortgage. You can also use a HECM to purchase a primary residence if you are able to use cash on hand to pay the difference between the HECM proceeds and the sales price plus closing costs for the property you are purchasing.

When the home is sold or no longer used as a primary residence, the cash, interest, and other HECM finance charges must be repaid. All proceeds beyond the amount owed belong to your spouse or estate. This means any remaining equity can be transferred to heirs. No debt is passed along to the estate or heirs."

Quoted from the U.S. Department of Housing and Urban Development Website:
www.HUD.gov
http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/rmtopten

Matching: A-4, B-3, C-1, D- 5, E.-2

The Appraisers Page

Georgia Real Estate Appraisers May 2015

Useful Links:

[GREAB Web Site]

[Appraisal Act]

[GREAB Disciplinary Sanctions]

Different Appraisal Types

By: D. Scott Murphy, SRA

One of the most common questions I am asked when I speak to groups or teach a class is – what is the difference in a refinance appraisal and a purchase appraisal? Or do you appraise a property differently for an individual that you would for a bank? Or clients will call and request an appraisal be done like we would for a refinance or a purchase.

The bottom line is that most appraisals are more alike than you might think. With only a few exceptions, the vast majority of appraisals are to estimate market value of the subject property as of the day the appraiser inspects the property. That is, what would the property sell for on that date?

The definition of market value is "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

(1) Buyer and seller are typically motivated;
(2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
(3) A reasonable time is allowed for exposure in the open market;
(4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
(5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale." (FIRREA - SOURCE: The provisions of this Part 323 appear at 55 Fed. Reg. 33888, August 20, 1990, effective September 19, 1990, except as otherwise noted)

Unless the appraiser is asked for another type of value, every appraisal should be based on this common definition. Examples of other types of value are retrospective – the client wants to know the value of the property as of a previous date, this is common in tax appeal work where the value would be January 1st of a given year. Quick sale or liquidation value – the client wants to know what the property would be worth if the marketing time were to be reduced. Another valuation which often gets confused is the value of a property for relocation purposes. In a standard relocation appraisal, the appraiser completes an ERC appraisal report which does not ask the appraiser to arrive at a market value as of the date of inspection but an anticipated net sales price so many days in the future (typically 90 or 120 days). There are a number of other specialty valuations which are done based on the agreed scope of the appraisal but these are not common and certainly are not done for typical mortgage appraisal purposes.

The other question that comes up is why are refinance appraisals always higher than other types of appraisals? I can understand why this is a common misconception because there may have been some truth to it in the past. I hate to say it but we saw many appraisers, pressured by lenders and homeowners, tend to stretch the value when completing a refinance appraisal. This caused many people to be upside down with regards to the relationship between there mortgage balance and true market value.

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Different Appraisal Types

By: D. Scott Murphy, SRA

The fact of the matter is that regardless of whether an appraisal is done for a divorce, a refinance, a purchase, prelisting, or any other matter where the objective is to arrive at the current market value – the outcome or resulting value should be the same. It does not matter if it is a desktop appraisal, a drive-by appraisal, a full appraisal completed on a standard form or a full blown narrative report, the resulting value should be the same.

Appraisers are licensed and bound by the rules of the state for which the property is located. They are also governed by a set of national standards called USPAP (Uniform Standards of Professional Practice). There are certain instances when the appraiser can deviate from the USPAP rules but for simplicity the point is all appraisers must follow the same rules and standards. This applies to how the property is measured to how the comparables are located. It applies to which approaches to value are to be used and when certain approaches can be eliminated.

As a very generalized statement, the appraiser goes through the exact same process with every single appraisal assignment and should arrive at the same value regardless of the intended use of the appraisal. The difference is in the appraisal assignment type. If it is a driveby the fee might be lower because the appraiser does not inspect the interior of the property and does not have to measure the property. That time savings translates to a lower fee. However, the appraiser still researches the comparables the same way, makes the same adjustments and arrives at the same value. He has to make certain assumptions about condition, quality and amenities and relies on public data for physical information such as square footage and room count. The client is aware that a driveby might be less reliable than a full appraisal and the appraiser outlines any assumptions he has made in his report.

If you were to have a prelisting appraisal done one day, a refinance appraisal done the next day and a purchase appraisal done the following day – all should arrive at a similar value. The reason I did not say “the same value”, is that an appraisal is an estimate of market value. Appraising is not a perfect science. There is an element of art was well as the fact that the market is not perfect. Homes do not sell for a specified price or X% of the list price. However, these three appraisals should be within a reasonable range – which is generally thought to be 5-8%+/- of each other.

So while there are a variety of uses for an appraisal and there are a variety of forms and formats the appraisals are presented in, for the most part, the appraiser is striving to report the true market value of the subject property as of the date of the inspection. I am sure I have said this in previous articles, but appraisers need to remember that they do not determine market value they interpret market value. I see more variance in appraised values on the same property due to appraisers who do not understand this fact and who do not accurately research the market, the type of appraisal, or the purpose of the appraisal.

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