

2016 Calendar

GREC Brokerage Course & Trust Accounts Class Dates:

August 3-4 2016
Rabun County BOR
www.rcbor.org

October 26-27, 2016
Empire Board of Realist
<http://www.empireboard.com/>

Common Violations Class Dates:

June 20, 2016
Golden Isles AOR
912-264-2915

July 19, 2016
NAMAR Duluth, GA
770-495-7300
www.namar.org

[Link to
Proposed Rule
Changes](#)

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

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

Georgia Real Estate Infobase

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

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GREC Disciplinary Actions

The role of the Georgia Real Estate Commission is to administer the license law and as a regulator it is to protect the public. Although the Commission regulates licensees, "...the members of the Real Estate Commission and its staff must supervise and administer the regulatory and disciplinary powers of the license law to provide that licensees and the public receive due process rights" <http://www.grec.state.ga.us/about/grec.html>. Due process, including the right to a hearing, is also governed by the [Georgia Administrative Procedure Act O.C.G.A. 50-13-13\(a\)\(4\)](#)

The Georgia Real Estate Commission continually reviews, and investigates formal complaints sent to GREC. There are currently 413 pending investigations. In this issue and future issues of the GREC RENEWS, the Commission will publish a list of disciplinary actions the Commission imposes each month, as shown below:

May 2016 Meeting - Commission Actions Taken

Cases Sent to the Attorney General for Review and Disposition by Consent Order or by Hearing	2
Cease & Desist Orders Issued	1
Citations Issued	7
Letter of Findings Issued	1
Consent Orders Entered Into	1
Cases Closed for Insufficient Evidence or No Apparent Violation	15
Licensing Cases - Applicant has a Criminal Conviction - License Issued	20
Licensing Cases - Applicant has a Criminal Conviction - License Denied	1
Total	48

Although the Commission must review every formal complaint received, not every complaint merits a disciplinary action as you can see from the chart. In the month of May, 15 cases were dismissed because there was insufficient evidence of any violation; it could be merely an unfounded complaint by a disgruntled customer or client. The category with the highest number was in the licensing cases. Every applicant for any type of real estate license must disclose criminal convictions. The Commission reviews the type and circumstances of the criminal conviction and makes a decision whether to grant the real estate license or to deny the license. In the month of May there were 21 applications that required review of criminal convictions. On the following page is a legend with descriptions of the disciplinary actions the Commission may impose:

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GREC Disciplinary Actions

Continued from page 1...

Online
Courses from
GREC

\$10 each
3 Hour CE
Course
Total of 9 Hours
CE Available
(Also Approved as
Instructor CE, not
approved as License
Law CE)

**“Avoiding Trust
Account
Trouble”**

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

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

[Click Here](#)

To sign up to
receive the GREC
RENewsletter
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SUBMIT

Comments
&
Suggestions

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

- 1) **Cease & Desist Order:** The C&D orders the party to immediately stop a certain activity that is in conflict with the License Laws, Rules, and Regulations. For example, a person practicing real estate without an active real estate license can face substantial fines for each day the individual continues the violation.
 - 2) **Citation:** Typically a Citation is for an infraction that does not warrant a more severe sanction. A Citation does not appear on a license history. However if someone inquired about a Citation, the Commission must provide information on any record of Citations issued to a licensee. An example would be the failure of a licensee to properly advertise real estate.
 - 3) **Letter of Finding:** This is basically a letter of warning concerning a minor infraction of the License Laws, Rules, and Regulations that did not cause harm to a third party or member of the public. It is confidential and not provided upon inquiry. An example would be the failure of a licensee to include his/her license number on the contract of sale.
 - 4) **Consent Order:** The Consent Order is basically used to establish a settlement between the parties instead of pursuing a full hearing. A licensee has the right to a hearing in a contested case, or could agree to a Consent Order. A Consent Order is entered into voluntarily by the Commission and the Respondent by mutual consent and agreement. By entering into a Consent Order, an individual freely, knowingly, and voluntarily waives her/his right to a hearing in that particular case. A Consent Order or a Final Order from a contested case could impose the following:
 - a. **Revocation:** If a license is revoked, the licensee is permanently prohibited from conducting real estate brokerage activity. Revocation is the most severe action and is used in those cases where the licensee has caused harm to the public. *(It is possible that an individual could reapply as a new applicant after an extended period of time depending on the individual situation.)*
 - b. **Suspension:** If a license is suspended, the licensee cannot perform brokerage activity of any sort during the suspension period.
- Any of these actions could require the licensee to:
- reimburse the Commission for legal and administrative expenses
 - complete a course of study in real estate brokerage or instruction
 - file periodic reports by an independent accountant on a real estate broker's designated trust account
 - and/or pay a fine not to exceed \$1,000.00 for each violation, with fines for multiple violations limited to \$5,000.00 in any one transaction.

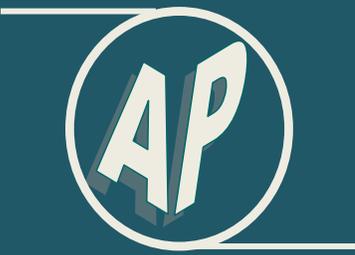
July 1, 2016 is Just around the corner.

Effective **July 1, 2016**, 3 of the 36 CE hours must be on the topic of license law from a license law course approved by the Georgia Real Estate Commission. Licensees must obtain 36 hours of continuing education (CE) hours over the four-year renewal period.



Focus on Terminology: “Attorney General”

“The Attorney General is given his authority and obligations by the Georgia Constitution and the Official Code of Georgia.” His duties include: Serving as the attorney and legal advisor for all state agencies, departments, authorities, and the Governor; providing opinions on legal questions; representing the State in all civil, capital felony cases and cases before the Supreme Court of the United States; prosecuting public corruption cases involving illegal activity when dealing with the State of Georgia; initiating civil and criminal action on behalf of the State, and preparing all contracts and agreements in which the State of Georgia is involved. The AG does not provide legal advice to private citizens. Source: law.ga.gov/duties



The Appraisers Page

Georgia Real Estate Appraisers Board

June 2016

Useful Links:

[GREAB Web Site](#)

[Appraisal Act](#)

[GREAB Disciplinary Sanctions](#)

Adjustments

By: D. Scott Murphy, SRA

It is time to reveal the big mystery of appraising – “where do we get those adjustments”. Many people have asked where they can go to get a list of the adjustments. If you follow this link you will find a list of the adjustments appraisers use www.TherelsNoListOfAdjustments.com

Sorry but there is no list of adjustments. There is no magical website to go to and no secret red book of adjustments is given out when one becomes an appraiser. If it were only that easy! If there were specified lists of adjustments we would not need appraisers. This is one of the reasons the online websites like Zillow are not very accurate. They can crunch enormous amounts of data, run regression analyses but many of the most important adjustments must be extracted from each and every market. It is also important to realize that adjustments change over time. This is due not only to the increased value of most items but changes in supply and demand. All adjustments are based on what a typical buyer would pay for that item or more of that item (ie: square footage, bedrooms). Also remember, appraising is not like going to the grocery store and adding up all the items in your cart.

There are significant differences in incremental change. For instance, in most suburban markets there is a much larger difference in value when going from a three-bedroom home to a four-bedroom home than would be from a four-bedroom home to a five-bedroom home. You have to ask yourself how much would a typical buyer pay for that additional item. Sometimes the answer is nothing. That is why sometimes you see no adjustment for relatively small differences in square footage and lot size. Would a buyer really pay any more for that seventh bedroom?

There are three important factors to consider when trying to determine the adjustment for a particular item. The first is the **location** of the property. The adjustment for a given item will vary by location. This is based on differences in supply and demand and local likes and dislikes. In ground pools are always contentious items when we talk about adjustments. Let me ask you this, in general, is a pool more valuable in Florida or New York? I would say Florida, there is more demand in Florida and the pool season is significantly longer in Florida. So a set list of adjustments does not work in this case due to location.

The second factor is **price range**. Would the buyer of a \$1 million property pay more to have a pool than the buyer of a \$200,000 home? Could you think of a situation where the typical buyer may not pay any extra for a pool or even consider it a negative? This might be the case in the lower price ranges particularly in a neighborhood with a swim and tennis club. So a set list of adjustments does not even work in a given sub-market.

The third factor is **cost**. I specifically listed this one last because cost does not equal value so it is not the primary factor in determining the adjustment. However, it establishes a basis for the value of the improvement. All adjustments are based on what a typical buyer would pay for that item and a buyer is natural going to think what it would cost to add that item. The key word is **typical**. Not all buyers would value the item the same. We must determine what would the typical buyer pay for that item. So basing adjustments off of the cost does not work either.

The only way to truly determine the adjustment is to extract it from the market. The best method for that is the **Paired Sales Analysis**. This method looks at two homes, which are virtually identical except for one item – for instance

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baths. One has three baths the other has four baths. By taking the difference in the two sales prices you can determine the value of a bathroom. You can imagine what a long and arduous process this would be to determine the adjustment for each item on each and every appraisal. Not to mention that it is not that simple. We do not have dozens of nearly identical comparables sales hanging around. This is why experience and geographical competency is so important in the appraisal field. On one appraisal I may have great sales that give me a very clear idea what a pool is worth. On the next I may have a number of sales that allow me to determine the value buyers are paying in that market for a bedroom. We accumulate this knowledge and apply it to future appraisal reports.

Let's consider an outdoor stone patio, stone fireplace and kitchen area. These "outdoor living spaces" have gained popularity in Georgia over the past 10 years or so. Therefore the desirability or demand for the outdoor living spaces goes up and the more buyers the feature that will attract. This results in a higher return on the investment and higher sales price. We first have to consider the location of the home. How common are outdoor living spaces in the subject location? This can be determined by reviewing all listings in the subject's immediate area. Your search must be for "comparable" properties, which would be similar in age, size, and lot size. Then consider how the demand changes between different price tiers. The last factor to consider is the cost of the outdoor living space. In general, most buyers will not pay more than the cost to complete the item. Use the cost as a benchmark and reduce the adjustment until you find a balance between comps with and

without the feature.

Other questions to ask yourself include:

Is the outdoor living space of proper magnitude? Is it too big or too small for the subject property? Was it professionally installed and what is the overall quality? Does it function properly – in other words was it built in a way that is flows properly and was well thought out? All of these questions must be answered through the eyes of a typical buyer of the subject property.

After considering all these factors we can estimate an adjustment. Generally the limits of the adjustment are from zero to the cost of the item. It is critical to find other comparables, which have similar improvements. If all your comparables have a similar outdoor living space to the subject then your job is easy – there is no adjustment. Some may have a superior outdoor living space, in which case you would make a negative adjustment (CBS – comp better subtract). If the comparable's improvements are inferior you would make a positive adjustment (CIA – comp inferior add). Ideally we look for some superior and some inferior comparables. This creates positive and negative adjustments. This practice is called bracketing and allows you to "prove" your adjustment.

With practice you can eventually gain confidence and accuracy in making proper adjustments. Remember, appraising is both an art and a science. Continually ask yourself if the adjustments you arrive at make sense.

I welcome your comments and feedback. Please send me ideas for future articles.

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