

2019 Calendar

Common Violations Class Dates

- June 19, 2019
Middle GA BOR
478-493-9000
- June 27, 2019
Hall County BOR
www.halbor.com

Georgia Instructor Training Workshops (GIT)

- October 16 & 17, 2019

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

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

[Link to Proposed Rule Changes](#)

Georgia Real Estate Infobase

[Click Here](#)



The Role of the Broker

The Broker or Qualifying Broker of a real estate brokerage firm wears many hats and juggles many roles, such as the following:

- Supervisor/Manager of licensed affiliates and unlicensed office personnel
- Trust Account Manager
- Administrator and Manager of records
- Advisor in real estate matters
- Ultimate approver of advertising and contracts
- Negotiator
- Enforcer of policies
- Responsible party for the firm
- Officer of the firm organized as a company, LLC, or partnership

The Georgia Real Estate Commission licenses and authorizes the broker as the individual ultimately responsible for the activities of a real estate brokerage firm. With authority comes responsibility as outlined in the License Law and Rules, particularly Rule 520-1-.07 Management Responsibilities of Real Estate Firms.

The Broker is a manager and that includes managing affiliated licensees and other employees of the firm. In most firms, licensees are independent contractors and the Broker does not direct their day-to-day activities. Still, the broker is responsible for seeing that the licensees are trained and informed so that all activities are performed in compliance with the Georgia Real Estate License Law, Rules, and Regulations.

Continued on page 2...

May 2019 Commission Actions Taken

Cases Sent to the Attorney General for Review and Disposition by Consent Order or by Hearing	0
Cease & Desist Orders Issued	0
Citations Issued	1
Letter of Findings Issued	0
Consent Orders Entered Into	3
Final Orders of Revocation of Licensure	0
Cases Closed for Insufficient Evidence or No Apparent Violation	13
Licensing Cases - Applicant has a Criminal Conviction - License Issued	9
Licensing Cases - Applicant has a Criminal Conviction - License Denied	0
Total	26

[Click here to review a legend of the disciplinary actions the Commission may impose.](#)

This Issue

The Role of the Broker	P. 1-2
Supervision is Not an Option	P. 2
Disciplinary Stats	P. 1
Focus on Terminology	P. 2
The Appraisers Page	P. 3-5

SUBMIT**Comments
&
Suggestions**

To sign up to receive
the GREC
RENewsletter
[Click Here](#)

**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”**

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

The Role of Broker

...Continued from page 1

As business models evolve and brick and mortar offices are used less often or not at all, it is critical the Broker establish effective methods of communication so that he or she is available to licensees in a timely manner. The brokerage policies and procedures of the firm must also be kept updated as the firm grows and changes.

In many of the investigations conducted by the Commission, a salesperson violates a License Law or Rule and the Broker was unaware because there was not a thorough review of a contract. For example, cases result in Citations because the license number of the firm and/or the licensee was not included in the contract or the dates in the contract were not consistent with the date the trust money was deposited. These types of violations can easily be avoided if the Broker has a proper system established to review contracts.

GREC offers many resources to assist the Broker in training licensees such as those on the [GREC School website](#), GREC Brokerage and Trust Account Courses, the [GREC Common Violations Classes](#), and [GREC online courses](#).

Broker Supervision is Not an Option

The Broker is held responsible for the violations of licensees affiliated with his/her firm. The Broker must ensure licensee are trained and that written policies and procedures are implemented and followed. Not only does the License Law require the Broker to train and supervise the affiliated licensees of the firm, but also it is in the best interest of the Broker to do so. Written policies and procedures can protect the Broker in the event an affiliated licensee commits a violation. The Broker will not be held responsible for such a violation if the Broker can prove the following:

- (1) The Broker had reasonable procedures in place for supervising the affiliate's actions;
- (2) The Broker did not participate in the violation; and
- (3) The Broker did not ratify the violation.

Absolutely **M**ust **K**now Section



The Broker is required and responsible for training all licensees affiliated with his/her firm in the License Law, Rules and Regulations as well as office policies and procedures, and training, and policies should all be well documented.

Rule 520-1-.07. Management Responsibilities of Real Estate Firms

Responsibilities of Brokers or Qualifying Brokers.

- (b) Every broker or qualifying broker shall be responsible to instruct licensees affiliated with the broker or the broker's firm of the provisions set forth in the License Law and its Rules and Regulations.

<http://www.grec.state.ga.us/about/relaw.html>



Focus on Terminology: “Responsible”

Merriam-Webster defines **responsibility** as “moral, legal, or mental accountability, reliability, something for which one is responsible; burden.”* Synonyms include the word “liability.” As it relates to broker responsibilities, the Broker can be liable for the acts of one of his/her licensees if it is clear that he/she did not train, instruct and supervise the licensee sufficiently to avoid any violation of the Georgia License Law, Rules, and Regulations. *Source: <https://www.merriam-webster.com/dictionary/responsibility#synonyms>



The Appraisers Page

Useful Links:

[GREAB Web Site](#)

[Appraisal Act](#)

[GREAB Disciplinary Sanctions](#)

Common appraisal reporting errors – Part 2 -The 1004MC

By: D. Scott Murphy, SRA

Last month I covered common errors found in a standard appraisal report in the Subject and Neighborhood sections. As a follow-up, it makes sense to jump to an addendum form added by Fannie Mae in 2009, the 1004MC. This form helps the appraiser present information regarding sales of comparable properties in the subject market area. That information will be used to complete the neighborhood section of the report, as well as to support adjustments in the sales comparison approach. When Fannie Mae released the form, they conducted numerous live training sessions as well as posting training videos online. Unfortunately, a rather large percentage of appraisers were never properly taught how to complete the form.

As we talked about in the previous article, appreciation or depreciation should be calculated based on the activity of **comparable** properties. Different segments of the subject market will behave differently. It is entirely possible that homes in the \$100,000 - \$200,000 range are appreciating at 10% per year; the \$200,000 - \$500,000 range at 5% per year, and the \$500,000 - \$1MM+ range is declining at 2% per year. The blended rate might be around 7% - that is what is published in article with titles such as "Hometown neighborhood appreciates at 7% per year". It is critical that the appraiser focuses on the subject's submarket and only use properties that are truly comparable in the analysis.

Below are the instructions on the form for the appraiser. It clearly requires the appraiser to use sales and listings that compete with the subject property.

Instructions: The appraiser must use the information required on this form as the basis for his/her conclusions, and must provide support for those conclusions, regarding housing trends and overall market conditions as reported in the Neighborhood section of the appraisal report form. The appraiser must fill in all the information to the extent it is available and reliable and must provide analysis as indicated below. If any required data is unavailable or is considered unreliable, the appraiser must provide an explanation. It is recognized that not all data sources will be able to provide data for the shaded areas below; if it is available, however, the appraiser must include the data in the analysis. If data sources provide the required information as an average instead of the median, the appraiser should report the available figure and identify it as an average. Sales and listings must be properties that **compete with the subject property**, determined by applying the criteria that would be used by a prospective buyer of the subject property. The appraiser must explain any anomalies in the data, such as seasonal markets, new construction, foreclosures, etc.

Inventory Analysis	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend
Total # of Comparable Sales (Settled)	22	14	20	<input checked="" type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Dec

Notice the line titled "Inventory Analysis" which reports the total number of sales over the past 12 months. The first box has 22 sales, the second box shows 14 sales, and the third box shows 20 sales. How could that be considered "increasing" (which is what I have selected on the form)? Look at the time periods at the top of the chart, the first box is for a 6 month period and the other two boxes are for 3 month periods. In order to interpret this form correctly, you must divide the number in the first box by two. This gives you 11, 11, 14 and 20 – which is *increasing*. I have found most appraisers do not recognize that and incorrectly interpret an increasing market as either stable or declining.

It is important to note that the numbers reported in this grid are **median** numbers. There are arguments for using the median and arguments for using the average. The problem with using the median is that outliers and a small dataset can cause misleading results. It is very important that the appraiser not simply report the finding but analyze them and if necessary adjust the search parameters in order to report the most reliable results.



The Appraisers Page

Useful Links:

[GREAB
Web Site](#)

[Appraisal Act](#)

[GREAB
Disciplinary
Sanctions](#)

Common appraisal reporting errors – Part 2 -The 1004MC

By: D. Scott Murphy, SRA

The numbers in this report are generated through the local MLS system. In Atlanta, both GAMLS and FMLS have built a report which can be generated in their system. If you would like to try it, first do a search for comparable properties using the parameters you would if looking for comparable for a typical buyer. Set the Sold or Closed parameter to 0-365 days (so you are including sales for the past year). Select all Active, Pending and Contingent listings. A good rule of thumb is that you would like to have 40-80 results (active, sold, pending and contingent). Less is okay but the smaller the dataset the less reliable the outcome. More than 80-100 results mean you are probably not using truly **comparable** properties. Review your parameters and consider additional filters. You can run the report with 40 results and then you can run it again with 80 results and again with 120 result if you would like and then compare outcomes. The question you have to ask is are the comparables in this report properties that a typical buyer would consider as alternatives to the subject property.

Below is an excerpt of the results of a recent search. You will note that the number of comparable sales is increasing, which is a positive trend. The absorption rate is increasing, with more homes selling each month. The number of active listings is declining (this is something to consider but this will vary by time of year and an increase in the number of listings is not necessarily a bad thing). Taking the absorption rate and the number of active listings give the months of housing supply. Generally, 0-6 months is an undersupply, 6-12 months is stable, and over 12 months is an oversupply. This varies greatly by market but 0.6 months of supply is unquestionably low and an indication of a sellers' market.

Inventory Analysis	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Total # of Comparable Sales (Settled)	22	14	20	<input checked="" type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Absorption Rate (Total Sales/Months)	3.67	4.67	6.67	<input checked="" type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Total # of Comparable Active Listings	17	12	4	<input checked="" type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Months of Housing Supply (Total Listings/Ab.Rate)	4.6	2.6	0.6	<input checked="" type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Median Sale & List Price, DOM, Sale/List %	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Median Comparable Sale Price	218,191	231,131	241,786	<input checked="" type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Median Comparable Sales Days on Market	15	27	48	<input type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input checked="" type="checkbox"/> Increasing
Median Comparable List Price	240,809	237,144	247,154	<input checked="" type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Median Comparable Listings Days on Market	52	49	35	<input checked="" type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Increasing
Median Sale Price as % of List Price	100.65	100.04	100.41	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining
Seller-(developer, builder, etc.)paid financial assistance prevalent?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			<input type="checkbox"/> Declining	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Increasing



The Appraisers Page

Useful Links:

[GREAB
Web Site](#)

[Appraisal Act](#)

[GREAB
Disciplinary
Sanctions](#)

Common appraisal reporting errors – Part 2 -The 1004MC

By: D. Scott Murphy, SRA

The main focus of this form is the line highlighted in green – Median Comparable Sales Price. This shows the progression of the median sales prices of comparable properties in the subject market. In this case the median price has gone from \$218,191 to 241,786 over the past 12 months. To calculate the rate of appreciation you would subtract \$218,191 from \$247,786 and divide it into \$218,191, as follows:

$$\begin{aligned} \$241,786 - \$218,191 &= \$23,595 \\ \$23,595 / \$218,191 &= 10.8\% \end{aligned}$$

So this report suggests that in the subject submarket, properties comparable to the subject have appreciated 10.8% over the past 12 months. The appraiser can then take this information and apply it to the sales in the appraisal report to properly adjust for the time lapse between their date of sale and the effective date of the appraisal.

The appraiser could also look more closely at when each comparable sale closed and line it up with the data above. This would be useful if the data suggested that the market did not appreciate in a linear form (not the same amount each month).

There are a number of factors which can impact the results from this report. The first, as discussed above, is the fact that we are using median numbers (line the data up and take the one in the middle). Another is that we are using unadjusted comparables. Let's say we had two sales in our neighborhood in the past three months. The first sold for \$550,000 and the second sold three months later for \$530,000. Does that mean the market is declining? (If you calculated it you would have 14.5% annual decline). Not necessarily, is one comp larger than the other, is one in better condition? Let's say they are both the same size, condition, room count, etc. However, the first comp to sell had an inground pool. If you were to exclude the adjusted value of the pool (\$40,000) the market actually is appreciating from \$510,000 to \$530,000 – or 15.7%.

The point is that the appraiser must first understand what dataset to use and how to properly develop the report. Then the appraiser must use common sense and good judgment to properly interpret the data in order to arrive at a true and meaningful result. Unfortunately for the public, this process requires considerable time and analysis and most appraisers simply default to calling the market stable and not making any time adjustments. Generally, when I am presented a "low" appraisal to review or rebut, the main reason it is low is because the appraiser did not properly adjust for appreciation.

This article is the second in a series of articles looking at the standard appraisal form and pointing out important areas and common errors. Next month I will focus on the site and improvements section. To view previous articles in this series or other appraisal articles written for the GREC newsletter, go to the GREC website and click on newsletters. The appraisal articles are always at the end of the newsletter each month.