June 2018
Volume 14 Issue 6

Monthly Newsletter of the Georgia Real Estate Commission

GREC RENews

This Issue

2018Calendar

Common Violations Class

- July 24, 2018
  Augusta BOR
  Augusta, GA
  706-736-0429
- August 14, 2018
  Valdosta BOR
  Valdosta, GA
  229-242-2085

Georgia Instructor Training (GIT)

- August 1-2-2018
  Georgia Realtors®
  Atlanta, GA

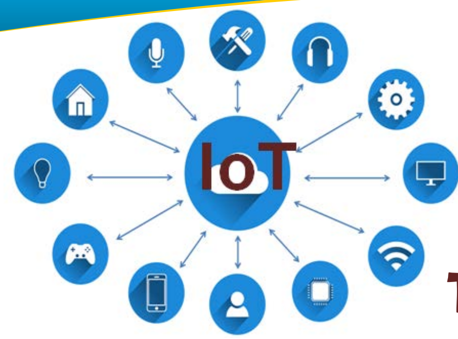
GREEA@garealtor.com

[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]

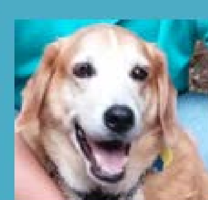
Georgia Real Estate Infobase
[Click Here]



The Internet of Things (IoT)

The Internet of Things, **IoT**, is a concept, a strategy, a tool, a process, and more. **IoT** is becoming woven into the fabric of our daily lives. The Internet of Things (**IoT**) refers to a network of Internet-connected devices allowing communication between objects or internet-enabled devices as well as systems. Whether they are vehicles, home appliances, electronics, sensors, healthcare devices, transportation systems, or software, the connectivity of things allows these objects to exchange data...in effect communicate.

The connectivity of interrelated mechanical and digital machines can help manage building systems to run diagnostics and determine when they need service, allocate labor, and even log maintenance records. **IoT** is expected to impact commercial real estate with the efficiency of systems such as building infrastructure for building owners and managers, and tenants. Transferring data over a network or devices or to a group of connected people can improve the efficiency of real estate transactions and services without requiring person to person or person-to-computer interaction. There is unlimited application to the IoT.



Virtually anything from an airplane to a dog to a capsule can become part of the **IoT**; it is just a matter of connectivity.

The core of real estate brokerage is people and providing valuable services to those people. Technology, whether it is **IoT**, digital signatures for contracts, or data mining for targeted advertising, it is critical to remember that technology is a tool to be used to increase and better the services provided, not the core of the real estate business – that is the people.

Given the increasing trend of **IoT** and basic connectivity of systems, the real estate

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June 2018 Meeting - Commission Actions Taken	
Cases Sent to the Attorney General for Review and Disposition by Consent Order or by Hearing	1
Cease & Desist Orders Issued	0
Citations Issued	5
Letter of Findings Issued	0
Consent Orders Entered Into	1
Final Orders of Revocation of Licensure	0
Cases Closed for Insufficient Evidence or No Apparent Violation	24
Licensing Cases - Applicant has a Criminal Conviction - License Issued	16
Licensing Cases - Applicant has a Criminal Conviction - License Denied	0
Total	47

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

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
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The Internet of Things (IoT)… *continued from page 1*

licensee should consider that real estate brokerage is a service industry and people provide unique value added service. Although data exchange and data mining can make marketing more efficient and personalized, the real estate licensee must still consider the human concept of value added. While the concept of branding is critical to real estate promotion, combining the personal touch with the **IoT** may be an opportunity for the forward thinking real estate licensee or brokerage firm.

In addition, whether it is a Customer Relationship Management (CRM) system, or a social media platform, the real estate broker and all the affiliates of the firm must be vigilant in utilizing any new technology system in a way that does not conflict with the Georgia Real Estate License Law, Rules and Regulations. For instance, the increasingly efficient ability of social media to target advertising to specific groups must be carefully evaluated to be applied in compliance with Fair Housing Laws, Civil Rights Laws, anti-discriminatory practices all of which are a violation of the License Laws Rules and Regulations as well as the federal acts.

Some business are considering the use of intelligent agents like Google Assistant or Alexa as a way of interacting with clients and customers and building a more personalized brand experience. With the use of a more personal approach comes the need for security controls. Whatever technology systems are implemented, the real estate broker must continually review and implement protocols to ensure the security and privacy of information for the licensee, the firm, the client, the customers as well as meeting all the License Law, Rules, and Regulations.

Real estate is a relationship business. By mining and managing and in effect using personalized data to target clients and customers, it minimizes the person to person or person-to-computer interaction.

REIationship House

Find the words that relate to real estate transactions and relationships in the REIationship House.

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              L
            R P O
          N J G V F
        E P H A G C Y
      T S E C U R I T Y
    Q E A H E E S T U R S
  H M C E P L W E W F E C Z
X J I H T V U P R C L L P B Y
    N N     O Z V     A B
    T O     S J I     T G
    E L     W J C     I C
    R O F B R R E T A O U
    N G D B I O T D C N S
    E Y V Q       V L S T
    T J O N       U I H O
    I R Z B       J E I M
    D P N N       P N P E
    V D M K       P T S R
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BRRETA
CLIENT
CUSTOMER
INTERNET
IOT
RELATIONSHIPS
SECURITY
SERVICE
TECHNOLOGY

*Focus on Terminology: "**Brokerage Relationship**"*

BRRETA, the Brokerage Relationships in Real Estate Transactions Act defines a brokerage relationship. "Brokerage relationship" means the agency and nonagency relationships which may be formed between the broker and the broker's clients and customers" [10-6A-3 (5)].Notice that a relationship exists between clients as well as customers…the distinction between the two is "agency" or "nonagency." Real Estate is a relationship business in a service industry. Therefore the real estate licensee must develop relationships to maintain and increase their business. BRRETA describes the duties and obligations stipulated for each type of relationship, whether representing the seller, buyer, landlord or tenant.

The Appraisers Page

Georgia Real Estate Appraisers Board June 2018

Useful Links:

[GREAB Web Site]

[Appraisal Act]

[GREAB Disciplinary Sanctions]

Real Estate Appraisal Alternatives

By: D. Scott Murphy, SRA

History often repeats itself. The real estate market has reestablished itself and is humming along with the last recession well out of sight and out of mind. Lenders are easing qualifying criteria and new creative loan products appear every day. Very low or no down payment loans are back as are the infamous low doc or no doc loans.

To better the competition, lenders are pressing the appraiser for faster turn times in hopes of reducing days to close and attracting new business. Buyers are shopping lenders in the eternal pursuit of the ultimate deal. Sellers, flush with multiple full price offers are negotiating for fast transactions, often taking a slightly lower cash offer or one promising a less than 30-day closing.

Values are rising at record pace with no foreseeable end in sight. Sellers eager to cash in are shedding the earth tones, feverishly coating their walls with agreeable gray paint, purging years' worth of memorabilia and trying to figure out if brushed nickel or some new type of brass hardware is in. Most sellers I have talked to do not even know where they will go when their home sells. With inventory so low it becomes a Catch 22.

The next predictable pattern by lenders (really initiated by Fannie and Freddie and the rest of the secondary market) is some type of restricted appraisal. Its easy now to forget the past and lower the guard. The market is demanding a more expedient and streamlined lending process. The appraisal generally adds 3-10 days to the process. It makes sense that if the risk is less that the extent of collateral valuation could be minimized. In prior cycles the secondary market lenders would allow BPO, drive-by appraisals, or desktop appraisals in certain circumstances. These were aided by AVM's (automated valuation models) to increase the confidence and ensure proper collateral management.

Fannie and Freddie have spent the past decade mining appraisal data and developing more accurate AVM's. They have devised several new appraisal alternatives which they have tested over the past few years and will increase their use in the future. Freddie launched a product called automated collateral evaluation (ACE), which lenders can use to determine whether they can underwrite a Freddie Mac-eligible mortgage without a property appraisal. "ACE boils smart lending down to a science. It leverages algorithms that use our extensive historical and public records data, MLS, repeat sales and prior appraisals to assess the condition and marketability risks tied to a home. This allows Loan Product Advisor to assess whether the value provided by the lender is acceptable" states David Lowman, Executive Vice President of Freddie Mac's single-family business. He goes on to state that "at its core, ACE relies on terabytes of data to help our lenders simplify the mortgage lending process, while ultimately facilitating Freddie Mac's management of collateral valuation risk. All this data gives us the confidence to provide immediate relief from representations and warranties related to the property's value, condition and marketability for those loans that qualify for ACE".

Lowman comments "thanks to ACE, borrowers may be able to save as much as $500, and closing times may be reduced by as many as seven to 10 days, in cases where Freddie Mac's innovative new capability

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determines an appraisal isn't needed on a loan eligible for sale to us". Angele Belk, loan consultant at Caliber Home Loans, commented that ACE "…takes the guesswork out of the equation, so that the customer knows that they can refinance with less out of pocket expense."

This is what I consider the biggest use of this technology will be, the ability for someone refinancing to be able to apply for a loan and receive an instantaneous response on valuation. For as long as I have been an appraiser, loan officers have been placed in this difficult position of trying to refinance a property for an owner without knowing if the home was worth enough to do the loan. They would call us, back in the days when loan officers could talk to appraisers, and ask us to "pull comps". They were looking for a rough estimate of market value. This put the appraiser in a difficult position of having to do a good bit of work for no pay but more importantly it is illegal for an appraiser to offer an opinion of value (even a range of value) without following a very detailed, verifiable protocol (USPAP – Uniform Standards of Professional Practice, prohibit an arbitrary opinion of value, the appraiser must document his work and be able to prove his opinions or be subject to disciplinary action or the loss of their license).

Prior to HVCC and the Dodd Frank Act, it was also standard practice for some lenders to order an appraisal and if the appraiser had completed the report or got to a point where the value did not meet the stated ***expected value***, he was to stop and not charge for the appraisal. Lenders and buyers felt they should not have to pay for an appraisal they could not use, irrespective of the appraiser's time spent arriving at that conclusion.

Not every property will quality, as a matter of fact, initial estimates are that less than 5% will qualify. But as time goes on and the database builds, more will have the ability to obtain a property appraisal waiver. Fannie Mae has a similar program called Property Inspection Waiver (PIW). Not to be confused with a home inspection, the program will allow certain properties under specific loan criteria to qualify for the loan without a physical appraisal inspection. This program will also be very limited. Among the requirements is that Fannie Mae must have a recent appraisal of the subject property in their system. Initial statements are that it will also focus on refinances but some purchases may qualify.

There is an additional appraisal alternative available to lenders under certain strict circumstances called a Hybrid Appraisal. This appraisal is done with the assistance of one person inspecting the property and an appraiser writing the appraisal report. The lender will hire an individual, possibly a home inspector or a real estate agent, to visit the property, measure the house, take notes and photographs. That information is then transmitted to a licensed appraiser who will complete the appraisal. To me this is the most troubling alternative appraisal of the group. There are no required qualifications for the person inspecting the property and for the $30-50 they are being paid, who are you going to be able to get? They are not trained in ANSI measuring standards, they are not able to adequately discover or determine latent issues with the property. They have no liability. On the other hand, the homeowner or agent who is required to meet this person expends a great deal of time assisting them and assumes a great deal of liability escorting them through the property. The

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Useful Links:

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appraiser who writes this appraisal report is being paid $50-75 to complete an appraisal he is normally paid $400-500 to complete (granted he does not have to visit the subject property and he does not have to visit the comparable sales). His report will have more asterisks than you can count. He is not going to be liable for inaccurate measuring, inaccurate photographs or missing key improvements, it is not within the scope of the report he is asked to complete. This is all done, as one lender told me, to save the borrower $300. Do not allow this type of transaction. Demand a full appraisal completed by a licensed appraiser.

Each of these alternatives will present several issues that you as an agent will have to be prepared for. How will the appraisal contingency in the contract work if no appraisal is completed? Will the buyer still wants his own independent appraisal? Can a buyer exercise certain provisions of the contract based on one of these alternatives? Is he entitled to return of escrow? Can he demand a reduction in sales price?