

Ch 2: Ethics, Bus.Practices & Planning

- Recognize Ethical issues as related to disciplinary action
- List significant DRE regulations
- Discuss salesperson training
- Describe broker-licensee relationship
 - Broker supervision
 - Successful sales agent action
- Differential DRE & IRS Independent Contractor status
- Identify elements to earning a commission
- Specific topics in an office policy & procedure manual
- List typical new licensee expenses

No R.E. License required to:

- Prepare a CMA as trainee appraiser or prior to a listing.
- Review government or trade publications.
- Participate in office training and sales meetings.
- Keep records, post listings & sales.
- Property management duties, not including rent collection.
- Assist in preparing escrow instructions.
- Contact with licensees, MLS, lenders, VA, FHA, CalVet, FNMA, DRE, OREA, title company, pest control, inspector, contractors, appraiser or similar.
- Prepare advertising copy, flyer or mailer.
- Telephone assignments (excluding information on PRICE)

R.E. Commissioner Regs (Code of Ethics)

1. Misrepresentation of value
2. Saying you have a signed offer, when you don't
 - Saying you can get a high price just to get your sign up
3. ALL commissions and fees are negotiable
5. Underestimating actual costs and/or fees
7. False or misleading statements about buyer's ability to perform
8. Prima facie evidence of fraud
9. representation of value without knowledge
10. Representing property condition without actual knowledge of costs (puffing)

Code of Ethics (continued)

11. Representing size without valid reason
12. Agent's visual inspection requirement
13. COE – Close of escrow
14. Failing your duty to your client
15. Contingency clauses
16. disclose relationship to buyer
18. Disclose interest or profit

DRE Commissioner

- DRE Investigates complaints
- Commissioner acts as complainant
- Disciplines licensees
 - suspended
 - revoked
- R.E. Commissioner's Reg 2726
 - Written broker sales agreement
 - amount and type of broker supervision
 - duties of the parties
 - Compensation

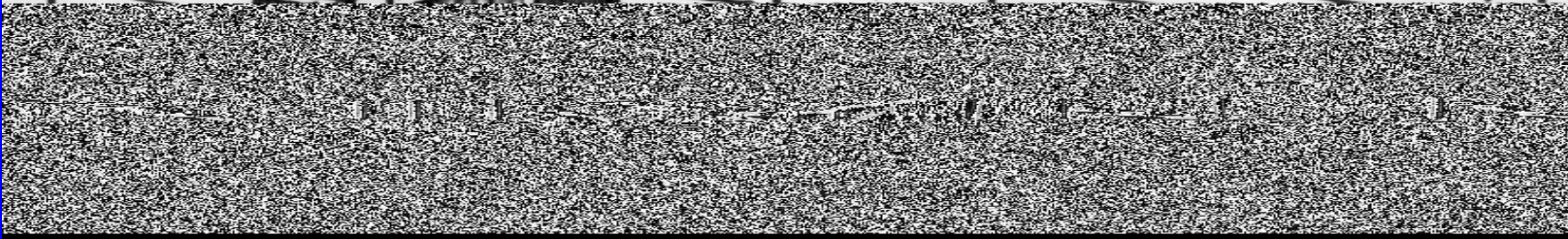
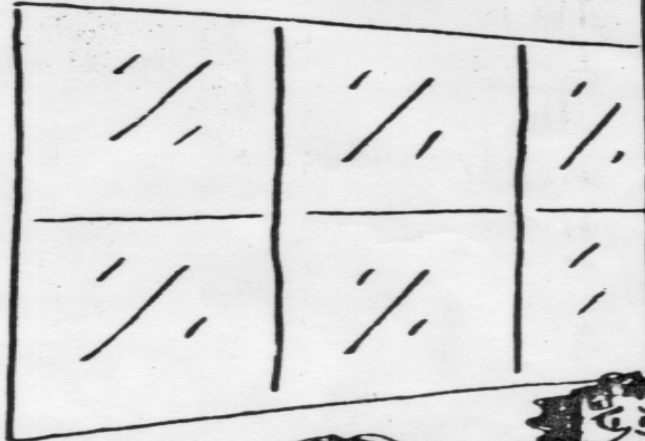
Broker Supervision

(Business & Profession's Code 10177)

- Reasonable supervision over broker's licensees
- Maintain adequate records of:
 - Licensees
 - Client funds
 - Transactions
- Review all contracts
- Familiarize licensees with the laws
- Licensee training

TERMS

APPRAISAL
FEE SIMPLE
LEASE LAND AGONY
DOWN PAYMENT
ESCROW
OPEN HOUSE
MORTGAGE 1,2,3,4,5,
BALLOON TITLE
INTEREST DEED
SCAM



Successful Sales Agent:

- Has

- Circle of influence
- Record for success
- No financial problems
- Well-groomed appearance
- Self-discipline
- A desire to succeed
- Integrity & good moral & ethical habits
- Self-confident
- Initiative

- Is

- A hard worker
- Efficient & organized
- Dependable & reliable
- Adaptable to new people & situations
- A good listener
- Persistent
- In good health
- Cooperative
- Honest & sincere
- Eager to learn

Broker Interview Questions

- Income

- Initial & advanced commission splits
- Referral fees, franchise fees
- Does rate ever go back to a lower level
- When & how paid

- Expenses

- What will I expect to be charged for?
- Explain E & O insurance
- Costs for training, assistant, supplies

Ask the Broker about:

- Advertising:
 - Who writes, approves, places, cancels ads
 - Where are ads placed & how often
- Office support:
 - Explain telephone service & office hours
 - What equipment is available for use
- Practice
 - Explain farms and caravans
 - How are referrals handled

Training

- Average cost of sales training per salesperson
 - 0 to 6 weeks = 60%
 - 6 wk to 3 mo = 26%
 - 3 mo to 6 mo = 18%
 - 6 mo to 1 yr = 10%
 - Over 12 mo = 15%
- Management median cost to train salesperson
 - 29% - Time spent with salesperson
 - 24% - Materials for training program
(cd/tapes/on-line, book, trainer, facilities)

90 Day Commitment Licensee Guarantees Broker

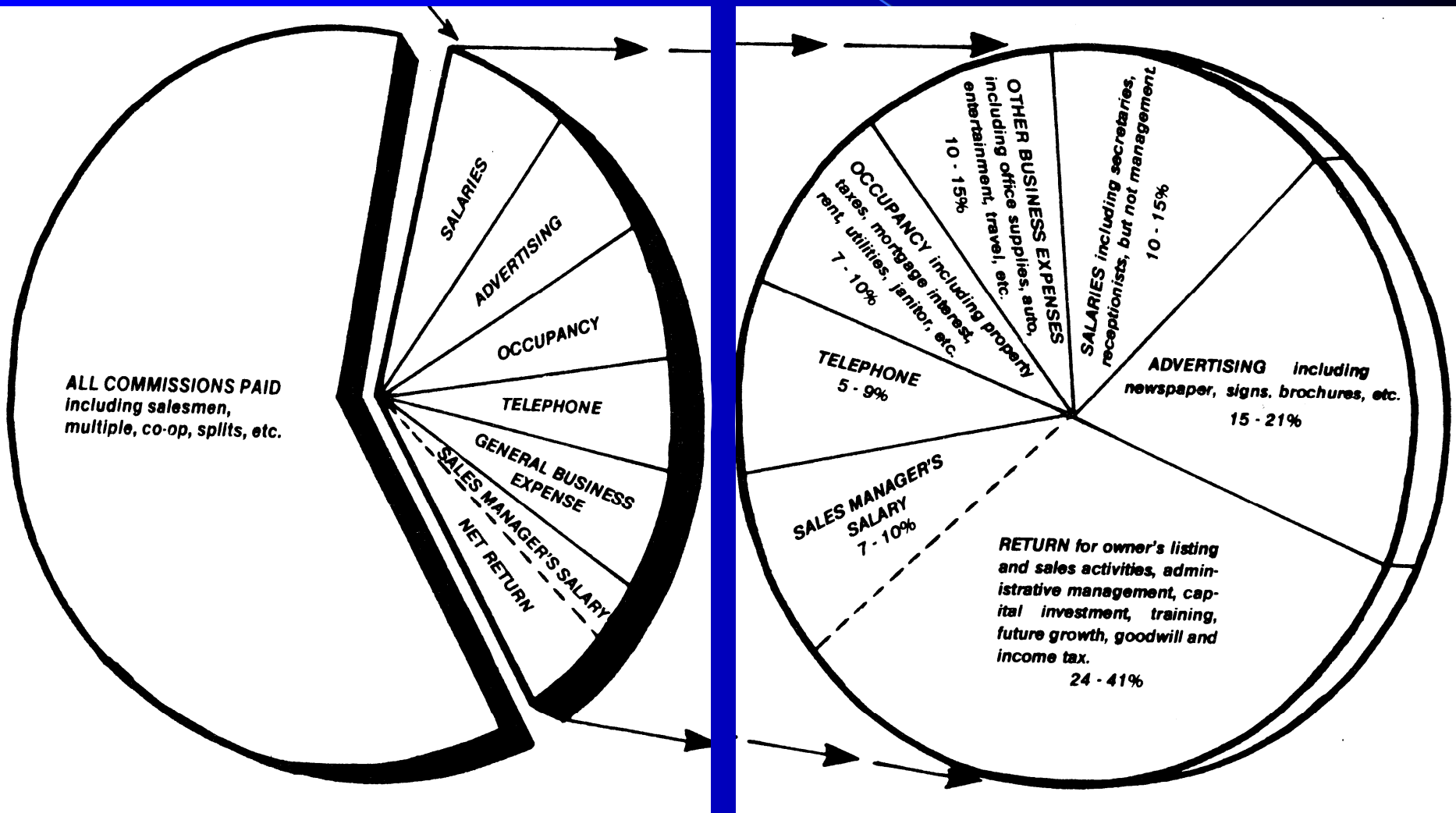
- Attend ALL
 - Office training
 - Sales meetings
 - Farm meetings
 - Seminars and additional classes suggested by broker or required by Association of Realtors or DRE
- Join Association of Realtors
- Set up farm with minimum of 300 homes
 - Mail introductory letter to each
 - Delivery personal brochure
 - Deliver monthly newsletter
- Talk to 100 people weekly by phone
- Come into office each day at same time
- Pick up messages within 2 hours

3. Independent Contractor vs. Employee

- DRE = Licensees are ALWAYS employees, under the direct supervision of the broker.
- IRS = Depends on who renders what!
 - Who furnishes supplies
 - What are benefits, reporting process, license requirements for the task, written contract
 - When & how are commissions negotiated
 - Responsible for results, not how accomplished

The Real Estate Office

- Company dollar

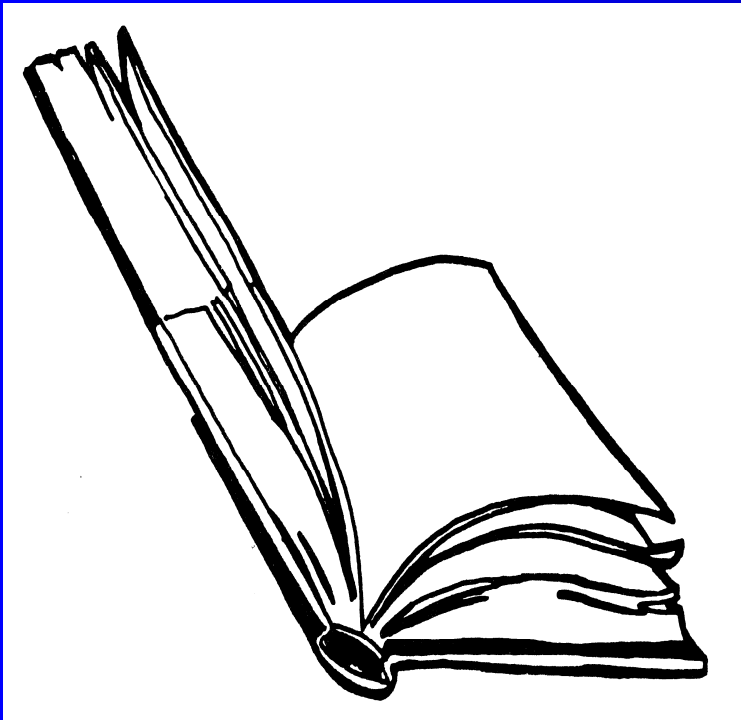


Earning a Commission

- b. No state law forbidding a referral fee paid to a non-licensee, if they don't help.
- Federal law (RESPA) requires disclosure of all funds, including payment of referral fee.

Office Manual

- Policy Manual
 - Outlines responsibilities of each person
 - Includes personnel issues, license, DRE



Procedure Manual

Tells how things are to be done
Covers referrals, files, meetings

E. Real Estate Budget

- Advertising (cards, flyers, stationary, paper)
- Supplies (briefcase, calculator, office stuff)
- Equipment (hardware, software)
- Legal reserve (1% per transaction in savings)
- Accounting services (quarterly estimates, annual prep)
- Association dues/fees (MLS, designations)
- License & education (DRE & OREA req)
- Communications (phone, pager, messages)
- Auto Insurance
- E&O (Errors and Omissions) Insurance
- medical, life insurance

F. Time Management Day Planner

- Outlook
- Act
- Ascend
- Palm Pilot
- Top
Producer

Pg 28

First American
Title

THINGS TO DO TODAY IN ORDER OF PRIORITY

DATE: _____

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

10. _____

11. _____

12. _____

APPOINTMENTS TO KEEP

6:00 _____

:30 _____

7:00 _____

:30 _____

8:00 _____

:30 _____

9:00 _____

:30 _____


10:00 _____

:30 _____

11:00 _____

PHONE CALLS TO MAKE

A.M. _____



WEEK ENDING _____

Total Contacts to be made _____

Listings to be acquired _____

	M	T	W	Th	F	S	Su	TOTAL
New contacts from canvassing								
New contacts from walk-ins								
New phone contacts								
Follow-up on seller contacts								
Follow-up on buyer contacts								
Listings secured								
Properties sold								

NOTES:

Total contacts made								
Total listings acquired								
Properties sold								

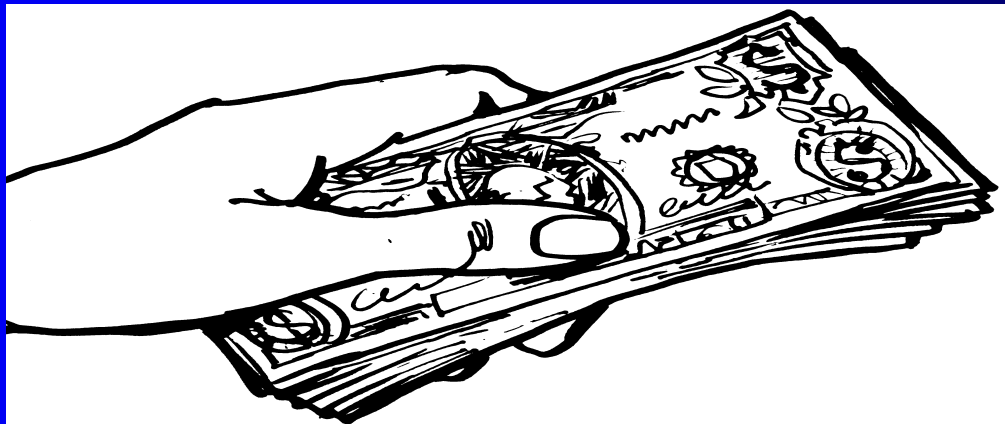
NOTES:

Goals

- Business goals
- Personal goals
- Civic goals
- Religious goals
- Retirement goals
- Possession goals
- People/family goals

Commission

- Requirements for a R. E. Commission
 - Valid broker's license
 - Written agreement
- Agreement when Commission is earned
 - Ready, willing and able buyer
 - If owner withdraws property or cancels contract
 - “Safety” clause for period after contract term



Commission Fee Split

- Firm “A”:

- 12 month period, adjusted quarterly

- Gross Commission Licensee %

- Under \$50,000 50 %

- \$50,001 – 70,000 55 %

- \$70,001 – 90,000 60 %

- \$90,001 - \$100,000 65 %

- Over \$100,000 70%

- Firm “B”:

- Transactions 1 – 3 50 %

- Transactions 4 – 10 60 %

- Over 10 transactions 65 %

Real Estate is a NUMBERS Game

- If 50 contacts per week = 1 closed escrow
- If average sales price in South Bay is \$470,000
- If average commission to your office for your side of the transaction is 2.5%, office= \$11,750
- If you obtain a 60% split, your average commission is \$7,050
- Your annual earning is :
 - \$61,100 if you close 1 every 6 weeks
 - \$84,600 if you close 1 per month
 - \$169,200 if you close 2 per month
- How many contacts must you contact per week in a year to earn \$75,000?

\$75,000 per year for ME!

- $\$75,000 / \$7,050 =$
- 10.64 closed escrows per year
- 50 contacts = 1 closed escrow
- $10.64 \times 50 = 532$
- You must make contact with
- **532** persons each and every year !
- $532 / 250$ days = 2.2 every day you work!

**GOOD NIGHT
I'M GOING HOME**

