

2015 Calendar

GREC Brokerage Course & Trust Accounts Class Dates:

- April 29 & 30, 2015
Newnan-Coweta BOR
www.ncbor.net
- June 10 & 11, 2015
Carpet Capital AOR
www.usamls.net/dalton

Common Violations Class Dates:

- April 21, 2015
GAMLS Tucker, GA
770-493-9000
- May 5, 2015
Athens Area AOR
706-353-1126
- May 19, 2015
Warner Robbins, GA
478-922-0099

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Flexible Workspace & the Impact on Managing Affiliates

Surveys indicate what real estate licensees have known for years. Working remotely can be very productive and allow autonomy and creativity. **Microsoft®** performed a survey regarding Flexible Workspaces. The survey sought the opinions and preferences of managers and bosses regarding work-styles and productivity. The survey addressed the perceptions of those managing a remote workforce. This easily applies to managing a firm of independent contractor affiliates. Licensees typically operate as independent contractors and to maintain that status the brokers can supervise, but not control and micro-manage how and when the work is done. (Reference 43-40-30.1 Employer-employee or broker-independent contractor relationships between licensees).

By nature of the business, real estate professionals must be out of the office to show property, typically think independently, and like working within their own style; so remote offices are a natural environment. Effective managing brokers learn to set up monitoring and measurement systems requiring licensees to maintain communication whether it is by email, video-link, or meeting in person. Perceptions of the **Microsoft®** survey are interesting to note. Consider the following survey results:

Source: <http://www.newswire.ca/en/story/946299/survey-shows-office-workers-bosses-want-to-work-from-everywhere-and-anywhere>*

- 62% Managers believe they (themselves) are more productive when working remotely.
- 25% Managers believe their employees/contractors are more productive working remotely.
- 55% Workers/contractors believe remote working made them more productive*

Continued on Page 2...Flexible Workspace article...

The Case of the Mismanaged Salesperson

A Salesperson whose license was held by **Jones Realty** did the following:

- (1) Conducted brokerage activities in the name of "Bold New Investment Group," an unlicensed firm while her license was affiliated with Jones Realty;
- (2) Failed to properly account for and remit rents and security deposits collected from tenants;
- (3) Deposited said funds into a bank account not designated as a trust account and not registered with the Commission;
- (4) Accepted commissions as management fee from landlords in the name of the unlicensed firm; and
- (5) Failed to include in advertisements the name and telephone number of the firm holding her license.

Continued on Page 2...Case article...

Violations: O.C.G.A. §§43-40-20 (a), 43-40-25 (b)(3), (4), (5), (8) & 23) and 43-40-30 (a) & (b) and Substantive Regulations 520-1-.08 (b) and 520-1-.09 (2), (2.1), (7)(a) & (c).

2 Important Changes for Licensees:

1. On July 1, 2015: Required Hours of Continuing Education increase from 24 to 36.
2. On July 1, 2016: 3 of the 36 hours must cover specific topics of License Law. The course must be identified by the GREC as meeting this mandatory topic requirement.

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

Flexible Workspace... *Continued from Page 1*

The message here is that brokers can have affiliate licensees that seldom come to a physical office, however it requires that the Broker establish policies and implement procedures that insure that the licensees who place their licenses with him/her are monitored and “managed”. Monitored means that the licensees must have clear and easy methods to contact the Broker and the Broker must be able to easily communicate with the licensees.

Not only is communication critical, but the Broker is responsible for seeing that any licensee affiliated with his/her firm practices brokerage in compliance with the license Law, Rules, and Regulations.

- **In Georgia, every Broker is required to provide training to licensees. Reference License Law 43-40-18:**The broker or qualifying broker shall be responsible for establishing, implementing, and continuing procedures for providing programs for study and review of this chapter 43-40, and its rules and regulations for all licensed associates..... and
- **Reference Rule 520-1-07 (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.**

The Microsoft® survey indicated that the most frustrating aspects of managing remote workers were:

1. Inability to talk face-to-face (49%),
2. Lack of focus (26%)
3. Lack of accountability (22%)
4. Belief that employees are doing less work (22%).*

Brokers can probably relate to these issues and have similar responses, but technology is constantly providing alternatives to the face-to-face meeting. Training programs could be provided via video conferencing, online training, monthly in-office sales meetings, or other venues. But it is essential that the Broker instill a consistent training culture so that licensees are made aware of new policies, new license laws, and various professional requirements.

Case of the Mismanged Salesperson... *Continued from Page 1*

The Salesperson was required to pay to the Georgia Real Estate Commission, One Thousand Eight Hundred Dollars (\$1,800.00), which sum included (1) a fine against the salesperson in the amount of \$800.00 and (2) reimbursement to the Commission for its administrative, investigative, and legal costs and expenses in this matter in the amount of \$1,000.00; **How could these violations have been prevented?** Training and communication from her broker would have likely resulted in compliance with the License Law, Rules, and Regulations.

43-40-18 further states that the broker is responsible for reviewing for compliance with this chapter (43-40) and its rules and regulations all advertising, listing contracts, leases, sales contracts, management agreements, and offers to buy, sell, lease, or exchange real property secured or negotiated by the firm's associates.

Focus on Terminology: “Programs of Study”

Brokers are required to provide instruction and “programs of study” regarding the License Law, Rules, and Regulation and must also incorporate policies and procedures to insure that brokerage business is conducted in compliance with them. The GREC allows latitude in the types of study programs offered within or outside of the firm. GREC approved real estate schools and the GREC offer several options to fulfill the requirements regarding regulatory issues, however the broker is still responsible for training all licensees within his/her firm to insure that firm policies, offices and procedures are understood, implemented, and practiced to maintain compliance.



The Appraisers Page

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Gross Living Area (GLA)

By: D. Scott Murphy, SRA

Probably one of the most important elements of a home, in terms of value, is its overall living space, or "gross living area" (GLA). It is probably one of the most misunderstood elements as well. There are a number of standards for calculating GLA but the one that is used by appraisers is the "ANSI" – American National Standard Institute.

The ANSI standards define "finished area" as "an enclosed area in a house suitable for year-round use, embodying walls, floors, and ceilings that are similar to the rest of the house." Measurements must be taken to the nearest inch or tenth of a foot, and floor area must be reported to the nearest square foot. Garages are specifically excluded.

The way I explain it is that if you put your foot on the floor of any given level and any portion of that floor is below the grade of the ground, it is considered below grade space and CANNOT be included in GLA. Another way to think of it is that you could not put a door on any part of the perimeter, then it is below grade space. This comes into play in parts of the country where there are homes with basements and other home styles such as split-level and split-foyer homes where some levels are below the grade of the ground.

The appraiser then will take the areas above grade and count the rooms. The appraiser will count the total number of rooms, then the number of bedrooms and then the number of bathrooms. The room count will only include rooms that are above grade; bedrooms and bathrooms below grade will not be included in the room count. Foyers, breakfast areas, laundry rooms and bathrooms are excluded from the total room count. So for example, we might have a typical two story traditional home. The first floor has a foyer, living room, dining room, family room, kitchen, breakfast area, laundry room and a half bathroom. The second floor might have four bedrooms and two full bathrooms. Our total room count is eight (living room, dining room, family room, kitchen and four bedrooms), our bedroom count is four and our bathroom count is two and a half (8-4-2.5).

Let's define a bedroom before we go any further. A bedroom is a room of "adequate size" – which is defined as no less than 100 square feet. It must have a closet, a window, and a door; it must be heat/cooled and finished to the same quality as the rest of the house. It must be ABOVE GRADE to be counted as a bedroom. And the most forgotten or unknown factor in defining a bedroom is that it must have ready access to a FULL bathroom. A full bathroom is one that has a shower or a tub as well as sink and toilet. Think about it: if you have a bonus room finished up over a garage, it may have a closet, window, door, heating/cooling, and is finished to the same quality as the rest of the house. If you have to go down the stairs and across the house to use the bathroom, though, the room cannot function on a long-term basis as a bedroom. Another common scenario is that you might have four

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“bedrooms” on the second floor of a house. Three of the bedrooms have private baths. How is someone in the fourth bedroom supposed to get to the bathroom? If you answered “by going through one of the other bedrooms”, you are incorrect. It just doesn’t count as a bedroom. That does not function on a long-term basis as a bedroom. We would instead call it a den or office. Probably the most common scenario is as follows: let’s take a traditional two-story house. On the first floor, you have a living room, dining room, kitchen, one half bathroom, laundry and a “bedroom”. The problem here is that the “bedroom” is only serviced by a half bath. Again, this does not function on a long-term basis as a bedroom. Here is where it is valuable to have an appraiser as a consultant during or prior to the construction process of a new house.

Getting back to below grade space, let me stop right here and assure you that value is given to these “below grade” spaces; they just have to be handled separately. By creating and utilizing these measuring standards, appraisers are able to accurately compare and value homes. All appraisers use the same

measuring standards as a basis for determining GLA; however, there may be some local exceptions, so it is important to check with a local certified appraiser. One example of a local exception is in lakefront or mountain home communities. The homes are built on such a slope that often, living areas are built into the hill and may span three or four levels. Many times the upper level (the only part above grade) is just the entry area and great room. Kitchens, bedrooms and other living areas are below grade. The most important thing to remember here is consistency. As long as you are consistent in how you define the space and are sure your comparables are calculated in the same way as your subject, you will be fine. GLA is not as much an issue in parts of the country where all the homes are built on slab.

With the exception of condominiums, all measurements are made on the exterior. Its generally easy to measure the first floor but how does an appraiser measure the exterior of the second floor? Most second floor areas are visible from the exterior; however, some areas must be measured from the interior. For instance, bonus rooms with knee walls.

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Gross Living Area (GLA)

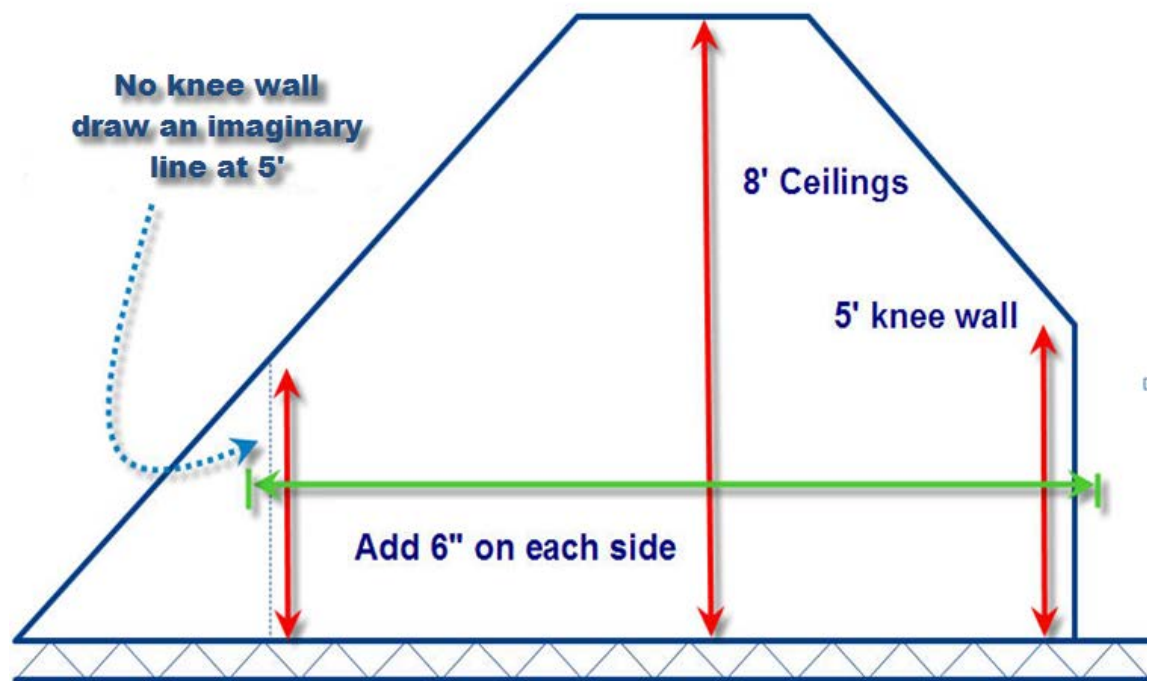
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Measuring a bonus room

It is important to remember that all other measurements are exterior so any interior measurements must be equated to an exterior measurement. This is the biggest error I see continuously in appraisals I review. The appraiser measures some or all the second floor from the interior but does not allow for the thickness of the walls.

It is critical that you recognize these factors and determine gross living area correctly. This forms the foundation for the valuation of the entire property.