



Listings That Sell

by
Natalie Danielson

A 7.5 hour course that covers the essentials of listing residential real estate
so that properties successfully sell.

PROFESSIONAL *Direction* INC

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A Washington State Approved Real Estate School for Clock Hour Education under R.C.W. 18.85.



Please Read this First! Thanks!

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Clockhours by Mail

1. You will be provided with a booklet of with the class material.
2. The course has been divided up into sessions. In Washington State a “clock hour” is 50 minutes. There are questions about each session. They can be answered while reading the material, at the end of the session, or at the end.
3. ***Answer*** the questions on the quiz answer sheet that you print out.
4. If you have any questions regarding the material or the questions, don’t hesitate to call or email Natalie Danielson.
5. ***Email*** Answer Sheet and Evaluation by PDF.
6. The certificate will be mailed ASAP of receipt of quiz and evaluation.

Disclaimer.. the course materials and questions are not to be used for legal advice. Information can change over time. Real estate transactions are handled different ways in different regions in the State of Washington. If you have any comments or concerns about the material contact Professional Direction.
Thanks so much for taking one of my classes!!!

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Listings that Sell

Curriculum

Session Hours	Major Topics	Equipment Materials	Assignment
1 1.5 hours	The Real Estate Market Agent Responsibilities Agency Law Class action lawsuit	Handout	Take Notes Quiz
2 1.5 hours	Contracts Listing Agreements Brokerage Agreements Compensation disclosure NWMLS rule changes Buyer agreements	Handout	Take Notes Quiz
3 1 hour	Property Valuation Valuation Concepts Market Analysis	Handout	Take Notes Quiz
4 1 hour	Property Condition Disclosure Fair Housing	Handout	Take Notes Quiz
5 1.5 hour	Marketing Managing a Listing Discussion questions on listings	Handout	Take Notes Quiz
6 1 hour	The Bottom Line Costs to Sell Compensation Summary Discussion	Handout	Take Notes Quiz

Section 1 The Real Estate Market

Why be a "Listing Agent?"

What a salesperson in the real estate field is a misnomer. We don't own any products to sell. We are "marketing consultants." We try to match prospective purchasers of real property to sellers. Often our job extends further into that of marriage counselor, janitor, referee, collections and answering service.

This is a unique business in that it is easy to get into with little or no investment and only a short training program. But, real estate is also easy to quit. Some statistics quote that approximately 80% of new agents will quit prior to their 2 year anniversary date. Often real estate agents would make more money working full time at a fast food restaurant based on income averages than hanging their license in a real estate firm.

As in your car, 20% of it gets 80% to 90% of the wear, so it is in the real estate business. About 10% to 20% of the agents make 80% to 90% of the income. The agents who are the top producers will all tell you that there are two primary ways you can make money. They include listing or selling property.

You can clean out your car and show buyers homes all day, every day, for a week. Then, they can walk into an open house and buy from a complete stranger. Buyers, unless they know you, have little tendency to remain "loyal." They are out in the world looking for something intangible that will satisfy their nesting needs and that includes a home or an agent.

When you are a listing agent, you have a contract with your client saying that when their home successfully sells, you will get paid a commission. You have a definite employment contract with them. You can make money while on vacation in Hawaii, while you are working with other clients, or while you are sitting at your desk. Yes, you have responsibilities as a listing agent, but these include getting information on that property to all agents in your multiple listing service so that other agents can sell the property.

As a listing agent, you are "open for business." Just as a store has inventory, so do you have your inventory of properties that you are marketing. Let the other agents in your area be the chauffeur for customers on a shopping trip and let your properties be the ones that they choose. But if you list properties that don't sell, you are in the business of listing and not in the real estate sales business. Take only listings that you believe will successfully sell and you will reap the reward.

Course Objectives

- Learn to identify the four ingredients that create sales of listings.
- Understand the statutory duties as defined in the agency law.
- Learn the 12 reasons why a consumer would list their home with a real estate agent.
- Understand the 10 principles of value and how they apply to a market analysis.
- Have the ability to discuss with a seller the disadvantages to overpricing property.
- Know the 5 factors that determine a valid contract.
- Understand the difference between real and personal property.
- Identify issues that affect property condition.
- Identify discussions on commission that may be construed as price fixing.
- Know how to manage a listing

Your Success vs. the Real Estate Market

What effect do the following have on your success in real estate? What effect do they have on the listings you have?

- *The real estate market statistics show that sales are up this month.*
- *The interest rate is now going to break the 12% mark.*
- *Your real estate company is having some management problems.*
- *Boeing just laid off 2600 workers.*
- *The Seattle Times just published an article on how worthless agents are.*
- *You are in a personal financial bind.*
- *You can now buy a home with only 2% down.*
- *Microsoft has just been split into three companies.*
- *Banks have tightened their standards for borrowers.*
- *The value of homes is declining rapidly*
- *It is early August and the sun is predicted to shine for a month.*
- *You just took a class on real estate law.*
- *You just received an award.*
- *The market is HOT!*

The Real Estate Market

The real estate market is constantly changing. But, there are some factors that remain constant.

- Sellers are real property owners.
- Real property is immovable
- Your market area encloses all your future listings.
- As an agent you can only control how many homes you sell not how many homes that sell.
- On the average, 20% of the population in the U.S. moves from one place to another.
- Theoretically, in 5 to 7 years all properties in your market area will change hands.
- The market is buyer driven. Buyers decide:
 - what they will buy
 - when they want to see it, and
 - when they will buy.

All property owners are potential sellers!!!!

Sellers Motivation

Take a look at the homes on the market, today. The reasons people are selling are as varied as the styles of the homes. Understanding the motivations of the sellers can help you, not only target your market, but also see the obstacles that may be present.

There is lots of talk always about the state of the real estate market. There will always be buyers and always be sellers.

As an agent of the sellers, you should realize that the reasons they are putting their property up for sale might be confidential. The motivation for selling should not affect the price for which the home is marketed. In other words, the sellers have the right to obtain the most money possible for their home on the market regardless of whether they are in a desperate situation or moving up. The sellers can choose to make their motivation known to the buyers in hopes of creating a sale within a smaller time period. The time factor can have a critical relationship to the price the sellers will accept.

Reasons to Sell

Homeowners choose to sell properties for a variety of reasons. Some sales are forced sales and some are joyful ones. Often there is more than one reason for selling and the consequences can have domino effects. The underlying reasons can create the most obstacles.

What are some of the reasons homeowners sell?

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No matter what condition the market is in, there will always be customers that have to sell and buyers that are ready to buy. When the market appears to be "dead" this list is the first thing you need to review! Families are growing and shrinking, having financial stresses, marrying, dying, and retiring.

When you choose listings, choose them based on motivation. Do they need, want, or really intend on selling? What are the consequences if they don't sell? If they don't want to sell, they probably won't.

When you determine the market value of a property, it should not be determined on the motivation of the seller. The seller can choose to price the property lower or higher depending on their motivation. But it is Not a factor in determining value.

One Dozen Powerful Reasons a Seller Lists a Home for Sale

Too often in the real estate industry we hear owners of properties complaining about the huge sum of money they must agree to pay in the form of commission once their property sells. Because of the minimum qualifications necessary there are times in this business that it could be questionable because of their lack of skill, expertise or knowledge. But a seller should get the most money possible for their property. The most effective way to accomplish that objective and make the property available to the largest audience is to list the property with a knowledgeable real estate agent who has all the skills and tools necessary. The powerful tools and expertise available in the real estate industry are most often not visible to the sellers. They don't really understand about marketing and representation.

Why are real estate agents worth the commission?

1. Marketing

There is usually no more effective way to market a property than through the multiple listing service. Each multiple is governed and managed differently, but the agents pay their share to belong. It currently is only available to member agents and real estate offices. So the information in the real estate market is currently in the hands of the agents. In the future, this most likely will change. No organization or advertising program for any amount of money can accomplish what the multiple listing service can do for sellers today. As a member of the multiple listing service the seller is hiring hundreds and maybe thousands of sales representatives for their property. Even with the internet. Go and search homes for sale in your own town... look at all the different sites.. everyone has a different number of listings. It is confusing. The buyers just don't have access to an accurate listing of what is currently on the market ... not all the sites have the same MLS data. Some sites are not updated accurately or have old information. The MLS is the most powerful database of active listings.

2. Negotiation

Negotiating an agreement to sell a property is most effective with an experienced third party. Either the owner will indicate too much eagerness to sell or the buyer too much eagerness to buy. Putting the buyers and sellers together directly can put one in a less than desirable strategic position. It's like going to a foreign market dickering for the right price for a straw hat. Did you really get a good deal or did the seller turn around with glee at taking advantage of a tourist. A real estate professional negotiates only on the basis of a signed contract and with the strictest loyalty to their client.

3. Objections

The owner often has some emotional attachment to the property and may take offense at the remarks made by the buyers. Real estate professionals know that sometimes buyers objections aren't exactly as they seem. They are trained to handle the objections by asking questions to discover the root and the direction if they are interested in looking at another property.

4. Contracts

Hope is a universal factor with buyers and sellers. The requirements of a lender and a contract cannot be wished away. Buyers and sellers on their own often assume too many things when they negotiate. Verbal agreements are not legally binding; however there is security in a valid contract. Real estate agents have been trained in contract law issues. A real estate professional is well versed in the terms and agreements in a contract. They are "held up to the standards of an attorney" when writing a real estate contract.

5. Security

A prospective buyer may badger the seller with frequent, possibly unscheduled visits. He may also ask questions that the seller isn't able to answer. He may not even be a potential buyer.

"For sale by owner" is inviting just about any complete stranger into their home at any time. That would be inconceivable just a week prior to putting the property up for sale. Your possessions, security and safety of the family are in jeopardy when inviting strangers inside the front door. Professional real estate agents pre qualify buyers and get personal information prior to taking them into the homes that are for sale. Agents have access to a property via an agreement and usually a key box system available only through the multiple listing services. Often these key box systems are coded when activated to keep a log of agents that enter the property.

6. Motivation

The owner can actually create objections to the sale by saying too much. Owners want to move for a variety of reasons and sometimes they simply no longer like the home or the neighborhood for any specific or tangible reason that is a material fact that affects the sale which can adversely affect the success of the sale. The reasons the sellers are moving are not critical information to the buyer. If the sellers are in a financial bind and in a desperate situation, getting a divorce, or his health is failing, the sellers have just as much right to get as much money for his property as a seller who is just moving to a larger home. The buyer does not need to know the reason for selling. The listing agent is the agent of the sellers and owes certain responsibilities to them.

7. Price

Real estate professionals must quote only the listed price of the home. A "for sale by owner" seller may quote different prices depending on his mood or the personality of his prospect. The pressure to sell can work unfavorably when a seller cannot defend his asking price. Real estate professionals are trained to research the current market conditions and advise sellers as the market value of their property. Sellers can search online for the value of their property, but most of those sites use computer modules and don't have accurate information on the sellers property or the comparables.

8. Education

Real estate professionals are in an industry that is constantly and rapidly changing. In order to keep up with the demands and the industry knowledge, agents are required to take continuing education in the real estate field. Even agents are surprised at the changes that they face each month from new laws to new forms and contracts.

9. Disclosure

Both buyers and sellers are afraid that the other party may be hiding something. It is possible that one or the other may not be totally honest in his representations. Even when this is not the case, the suspicions of either party can be a difficult barrier. The law states that there can be no misrepresentations and real estate agents must abide by it and bring to light any concerns about items of consequence in the transaction.

10. Compensation

Real estate agents belong to one of the largest groups of licensed professionals. The most valuable item they have to protect and defend is their reputation. The only thing they have to sell is their service. They are only paid when they actually complete a successful sale. They only get repeat business with successful dealings with clients. It is in their best interest to see that all parties are dealt with fairly.

11. Fair Housing

Real estate agents must be knowledgeable of the laws that govern fair housing. There are local, state and federal laws that govern conduct and advertising.

12. Agency

When a seller lists their home for sale with an agent, they are employing that agent to represent them. Washington State passed the Law of Agency which details the statutory duties of agency. It details the duties the agent owes to all parties.

A broker is required to have a Brokerage services Agreement signed “as soon as reasonably practicable” by anyone they represent prior to performing brokerage services. A listing agreement serves that purpose. The broker must also have a copy of the Pamphlet on the Law of Agency given to the sellers.

Ingredients That Create Sales

There are four ingredients that will create sales of your listings. In order to be successful in the business of listing property, you must keep these in mind.

1. Choose Inventory Carefully

Choose your listing inventory wisely. When you go out the door to a listing presentation, take the position that you want to see whether you want the listing. You do not want your sign hanging in a neighborhood for a year or more! The neighbors will be impressed with your skills when they see a sold sign. But, it will kill any potential referrals if the property does not successfully sell. Imagine all the excuses you will have to dream up for the seller when they haven't seen any quality buyers or an offer in a month, six months, or a year! No matter how hungry you think you are, a listing that won't sell will never pay your bills. It will sap your energy, drive, and savings.

You make a CHOICE to list a property. You are not a victim of every potential client that calls or walks through the office door. If the property is not going to sell or the seller seems unreasonable, you do not have to take the listing.

For example, I certainly do not go on a date with just any guy who asks me!

2. Pricing Property is a Critical Step

The primary factor in getting a property successfully sold is the **PRICE!** All those excuses are wasted effort because the seller is asking too high a price to get the potential buyers interested. The sellers determine the asking price with the advice of an agent. The price must take into consideration the condition or "quality" of the product. The property must "beat" the competition to the buyers. It doesn't matter what kind of song or dance you or the seller do to market the property, if it isn't priced competitively, the buyers will look the other way.

Every product has its price. Everything. If the property is not priced right... It will not sell.

For example, when you go into a hardware store and notice the displays at the front of the store. There are some products that sell right away. There are other products that do not. It is price vs value. Sometimes, you will use your cell phone or see another person comparing the price to an online option.

3. Finding the Largest Audience

The marketing program must connect the largest number of buyers to the property. In the real estate field it is unique that the price a seller often pays for the marketing of their property is seldom directly connected to the cost of the marketing campaign. It is also different from other industries in that, the high cost of marketing efforts *seldom* reflects higher prices or faster sales. In real estate the most effective way to market a property is through the multiple listing service. Over 90% of sales can be directly related to the multiple listing service and the agents that participate. A prospective buyer can locate a listing in the local MLS, as well as the web sites for most major real estate companies and the web sites for individual agents. But, the internet has become such a vast source of information that the MLS locally is still the most effective database of available properties. The larger the market, the larger the demand, and the higher the price. There are also ways to get that listing onto other sites like Yahoo, Google, Zillow, , Realtor, etc. Make sure that you have a profile and contact information on any site that you post your listings.

It is surprising when real estate brokers post their own listings on a social media site using a link to Zillow, for example, and not their own site.

4. The Seller Creates the Sale

The sellers must be in the frame of mind to sell the property. There is often an emotional attachment to a property. This attachment can include the security of a home nest, but also the financial consequences, the conclusion of an era or relationship, either with the property or the sellers. The seller's focus on creating a sale will be reflected in the price they choose to place on the property.

If a property is priced right and is available to the largest audience...if the sellers do not really want to sell...it either won't sell at all...or when it does, the seller will encounter more obstacles than necessary. Most sales will carry with them some kind of perceived pain in the form of emotional attachment, monetary loss, or fear of change.

When someone is selling their boat, there is often an emotional attachment. People kid about how it can be the best day when it is sold, but that is not often the case. If you go to purchase a boat from someone, that sale will happen if the seller is willing to let go of the boat and all the joy it brought them.

Listing Agent Responsibilities

When you evaluate your position as an agent of the seller, you are getting paid commission to successfully sell the property. That includes 5 major factors. Consider how much you are worth for each of the 5 factors.

1. Advising on pricing and market conditions

Often prior to signing an employment agreement, agents give their opinion of market value of the property. It is often this range of value from which the seller decides on the asking price. This is one of the most important aspects of your responsibilities. When an appraisal is done, only three current sales are evaluated. When completing a market analysis, the real estate agent evaluates sales, failed sales and current market activity to determine the probably market price.

2. Maintaining the Agency's representation

Once employed by the seller with a listing agreement, the licensee becomes an agent of the sellers. An agent can only get paid a commission if there is an employment agreement. The agent owes a fiduciary obligation to the seller who is the employer. A fiduciary is a person who stands in a special position of trust and confidence in relation to someone else. The other party has a legal right to rely on the fiduciary and the law holds the fiduciary to high standards of conduct. Review the Law of Agency for the duties of a sellers agent.

3. Marketing

When taking a listing the agent has the responsibility to market the property to the prospective buyers. The marketing programs vary from agent to agent and with the different types of property. But, the most important marketing tool is the Multiple Listing Service.

4. Negotiating Contracts

As an agent you have been trained in the legal forms and contracts that consummate a sale. You are held up to the standards of an attorney when filling out contracts. But, also, when an offer is made on a property, the listing agent looks to help the seller negotiate so as to get the most money possible for the property.

5. Tracking the Sale through Escrow

The listing agent has a responsibility to follow the progress of the transaction through the loan and closing process so that any problems which may arise can be tackled head on. About 100 people are involved to make the transaction come to a close.

What is your product?

Your only product in the real estate business is SERVICE.

You neither own, possess, nor control property.

You sell nothing but yourself.

Your ability to service your clients and customers depends upon the amount of pertinent knowledge you possess and can effectively apply in practice.

Class Action Lawsuit Largest in History

The real estate industry is rocked across the country with a class action lawsuit against the National Association of REALTORS and most of the top real estate franchises in the country. The lawsuit originates with a seller, Christopher Moehrl in Edina Minnesota who questions the compensation paid to real estate brokers.

Several of the companies involved in the lawsuit are in the process of settling. Washington State is not involved in the lawsuit. The Northwest MLS and Washington state are way ahead of the rest of the country with their laws and forms. We now have the requirement of a brokerage agreement for sellers and buyers and the compensation is now disclosed.

This is the basis of the lawsuits. There are a number of class action ones.

Christopher Moehrl is a resident Minnesota who listed his home for sale in 2017. The home was listed on the Northstar MLS. He was represented by a REMAX franchisee and the buyer was represented by a Keller Williams franchisee. As part of the transaction, he paid a total broker commission of 6%. The buyer's firm was paid 2.7% of the total commission paid by the seller. He started wondering why he was paying so much money to the buyer's agent because it wasn't evident that the commission matched the work he perceived.

The lawsuit claims a conspiracy with the National Association of Realtors, MLS's, and member brokers/firms. Briefly, the lawsuit claims:

- Realtors/MLS rules require all brokers to make a blanket non-negotiable offer of buyer broker compensation when listing on the MLS.
- The consumers are saddled with a cost that would be borne by the buyer in a competitive market.
- Without the rule, the buyer brokers would be paid by their clients and would compete to be retained by offering a lower commission.
- The Realtors and firms have kept buyer broker commissions in the 2.5 to 3% range for many years despite the diminishing role for buyer brokers.
- Buyer broker costs are similar regardless of the price of the home, yet they are paid based on the price of the home.
- Home sellers are forced to pay commissions to buyer brokers, their adversaries, in negotiation to sell their homes, therefore substantially inflating the cost of selling their homes.
- Home sellers have been compelled to set a high buyer broker commission to induce buyer brokers to show their homes. Home sellers have paid inflated buyer broker and total commissions.
- Price competition among brokers to be retained by home buyers has been restrained.
- Competition among home buyers has been restrained for the inability to compete for the purchase of a home by lowering the buyer broker commissions
- Real estate firms have increased their profits by inflated total commissions.

In addition, the lawsuit claims:

- A comparison of commissions paid in other countries with those of the US shows brokers in US are much higher.

- Commission rates have doubled over the years because house prices have risen. Rates are more than double the rate of inflation.
- There is a great conspiracy between the member firms and the MLS/Realtors.
- The buyer brokers are entirely compensated by home sellers.
- The structure of the MLS is such that an alternative MLS would not survive so there is no competition
- Realtors advise MLS to enter into non compete agreements with third party websites such as Zillow..

The example using the commission in other countries includes the UK. There is no MLS in the UK. The listing fees have sun since 2011. The seller pays on ly the listing agent who does not have the MLS fees and Realtor dues. Buyers find a house and pay a solicitor (attorney) to write up the transaction. The taxes for a buyer can be almost 15%. It is not effective to compare the two countries.

In the class action lawsuit, it includes a script used to train real estate agents dealing with a seller who wants to reduce the buyer's firm commission to save money. The training script at a major franchise gives agents a response to a seller. "When you reduce the commission, you reduce the incentive for that agent to bring a buyer to your home." The script goes on to say, "If an agent has 10 different houses to show, nine of which have an X% commission and one of which comes with a lower commission. Which house do you think they are going to show?" The lawsuit is trying to show collusion between firms.

This lawsuit is quite far reaching touching most of the major franchises and the National Association of REALTORS. It will most likely be in the courts for many years to come. No formal changes have been suggested by NAR to member MLS's

The Department of Justice Opens Investigation

The Department of Justice has opened it's own investigation in 2019 into real estate sales apart from the lawsuits. They have demanded information from CoreLogic, which is a platform for most of the MLS's in the country.

They are looking into whether or not MLS services prevent competition in the real estate fee structure. The question is whether agents are engaging in anti competitive practices. One such practice is that brokers in some areas can filter listings by the commission offered. In some markets, agents have been trained to only show properties with a certain minimum commission.

Section 2 Contracts

What Constitutes a Valid Contract?

In order to have a real estate transaction, it must be in writing as a contract. All the terms must be spelled out. If there is ever a dispute, attorneys go FIRST to the paperwork!

A listing agreement is a kind of employment contract between a seller and a broker. In order to enforce the payment of a commission, the agreement must be in writing. There are five essential elements for a real estate contract to be valid.

1. Capacity

To enter into a valid contract, a person must be at least 18 years old and be legally competent.

What if the sellers are drinking when they sign a contract?

2. Mutual consent

All the parties to the contract must consent to its terms. It is achieved through offer and acceptance. The acceptance must not vary the offer's terms or it creates a counteroffer. Mutual agreement occurs when there is constructive delivery which includes delivery after a final signature agreeing to all terms is delivered to the other party, the other party's broker, the other party's agent or the office of the other party.

When is it accepted? What about minor changes? What if only one spouse signs?

3. Consideration

The parties must exchange something of value. The consideration can be in the form of money or a promise. In the case of a purchase and sale agreement, it is a promise for a promise. An earnest money amount is NOT required for a valid agreement. The real estate agent no matter what is written on the agreement does not make the decision in the case of a dispute over an earnest money if the sale fails. The dispute goes to interpleading in the courts.

What if the buyer's agent does not bring along a check for earnest money when the offer is presented?

4. Lawful purpose

The purpose of the contract must be lawful at the time it is made. In other words, if a contract is fraudulent it is not valid. Any contract that contains provisions that are not legal or a contract without written provisions that are key to the transaction may not be valid. Check to see if the seller is owner of the property as recorded on the last deed. The "seller" could be the tenant!

What if there is fraud involved? What if the parties are not who they say they are?

5. Statute of frauds

This refers to the provisions of the Washington State Code that requires real estate contracts to be in writing. Listing agreements must be in writing in order to enforce the payment of a commission.

There are times in real estate sales where agents get agreements from clients over the phone. What is the problem with these verbal agreements? They can range from closing date to a verbal counter offer.

The Listing Agreement

When a prospective seller makes the decision to list the property, the listing agreement sets up the terms. The listing agreement includes the rights and responsibilities for the seller and the listing office. It discloses agency and explains the possibility of a dual agency situation.

The listing agreement cannot be for a term for longer than 5 years according to a 2023 law.

Compensation agreement

The seller agrees to pay compensation to the listing office. The details of the compensation are listed in the listing agreement. The amount of compensation for the buyer may or may not be listed as included by the seller.

The Northwest MLS is the largest MLS in the State of Washington. In October 2019, the rules regarding the disclosure of the selling office commission changed. The seller was no longer required to pay the selling office compensation.

In January 2024, the Law of Agency was amended to require that all Brokers working with prospects performing brokerage services are required to obtain a signed Brokerage Services Agreement which details compensation and that the customer received a copy of the pamphlet on the Law of Agency.

Ten Critical Elements on a Purchase and Sale Agreement

When a prospective buyer makes an offer on a listing, the contract is the most important element in the sale. Everything goes back to the contract. The sale cannot close without a legal contract with mutual acceptance. If there is a dispute, everything points to the contract.

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1. The complete names and how they will take title (The broker cannot advise.)
2. The complete legal description. If it is attached at the time of signing it does not necessarily have to be initialed. (where will you find the FULL legal description including easements, etc?)
3. The amount of earnest money and a clear date if it is not to be deposited upon acceptance. Earnest money is NOT required for a valid agreement.
4. The purchase price.
5. The size of the down payment and how the remainder of the purchase will be financed.
6. Any items of personal property to be included.
7. The agency disclosure.
8. The dates for closing, contingencies and notices.
9. The length of time the offer is valid.
10. The signature of all buyers and initials on all changes on the contract.

Section 3 Valuation Concepts

Defining Value

Value is an abstract word with many acceptable definitions. In a broad sense, value may be defined as the relationship between an object desired and a potential purchaser. It is the power of any goods or service to command other goods or services in exchange.

But, value is a concept that can be difficult to define. There are many factors that influence value and therefore prices. For example, value is....

- Not always logical....a car can cost more than a house
- Not always tied to a function....a diamond can cost more than a computer
- Not in our control.... bad movies cost as much as good ones
- Not based on location...a view can be worth more than waterfront
- Not always fair... waste management employees often can earn more than teachers
- Not based on improvements... cologne up to a certain point is sensuous, but too much is often nauseating
- Not based on depreciation... a dull antique mirror can be worth more than a new clear one

And so it goes in real estate valuation. There are no strict or set rules.

The definition of value in real estate is "**the present worth of future benefits arising from the ownership of real property.**" To have value in the real estate market, property must have these characteristics: **D.U.S.T.**

1. **Demand.** The need or desire for possession or ownership backed by the financial means to satisfy that need.
2. **Utility.** The capacity to satisfy human needs and desires.
3. **Scarcity.** A finite supply.
4. **Transferability.** The relative ease with which ownership rights are transferred from one person to another.

So seriously, what is value? When you tell a seller... "this is how much your house is worth" ... what does that mean. That "value" is what a seller might pay given D.U.S.T.

Market Value vs. Market Price

Market Value

A given piece of real estate may have different kinds of value at the same time. Consider the difference between market value, assessed value (used for tax purposes), insured value (for insurance), book value, mortgage value, salvage value, and depreciated value.

The definition of market value of real estate is:

Price	The most probable price a property will bring. It is not the average or the highest price.
Terms	Payment must be made in cash or its equivalent.
Relationship of the Parties	Buyer and seller must be unrelated and acting without undue pressure. What about foreclosures and bank owned properties. Using one as a comparable, might skew the value of the property next door.
Market Time	A reasonable length of time must be allowed for the property to be exposed in the open market.
Knowledge	Both buyer and seller must be well informed of the property's use and potential, including its assets and defects.

Market Price

The market value is an estimate of value based on an analysis of comparable sales and other pertinent market data. Market price is what a property has actually sold for. Market price is the current sales price. Theoretically, the market price would be the same as market value. It can only be accurate evidence of current market value if all of the above are factors.

Often when a buyer says that they purchased a property well below the market value, if the factors above are taken into account, the price they paid... the market price is the market value.

Market value is an opinion and an estimate of what the market price is anticipated to be.

Appraisal vs. Assessment vs. Market Analysis

Assessment

Assessment is the official valuation of real property for tax purposes, based on appraisals by local government officials. In Washington State, the assessed value is supposed to be the fair market value.

*Can you assume that the tax assessment is an accurate reflection of the current value of a home?
Where can you find the current assessment on a home in this county?*

Appraisal

An appraisal is one person's paid opinion of a property's value on the day it is appraised.

The primary purpose of an appraisal in a real estate transaction is to protect the lender. If the lender does not loan more money than the property is worth, then in the event of a default and the lender has to foreclose, the lender should be able to sell the property for at least the balance of the mortgage.

Appraisals can also be done for a variety of reasons other than the real estate sale. For example, to determine the value for a divorce settlement, insurance purposes, relocation, death, etc.

Who does appraisals in Washington State? Before the summer of 1990, the answer was; "anyone who wants to." Nothing has been required. But, now all appraisers have to take exams and have the experience and clock hours to be licensed. There are a number of professional organizations to whom they can pay dues to belong. (MAI Member Appraisal Institute).

Who pays for the appraisals?

How do appraisers arrive at the figures they use for adjustments?

Do appraisers look at current listings...the competition?

Market Analysis

Market Analysis is known as a comparable market analysis, competitive market analysis, complimentary market analysis or CMA.

It is an opinion of the current market value of a property from a licensed real estate agent.

What are your responsibilities and liabilities when you, as an agent, do a market analysis?

Real Property vs. Personal Property

One of the most common disputes at closing involves what was personal property and what was attracted to the real property as a part of the sale.

What are attachments?

Natural (trees, plants, crops)

Man-made (fixtures)

What are the "fixture tests?"

Method of Attachment

Intention of the annexor

Adaptability to the realty

Relationship of the parties

Evidence of a written agreement

Consider these:

Can an item be a fixture and change to personal property and back again? (toilet)

Should personal property be included in a market analysis when determining value? (a boat)

If there is an item of personal property included in the listing is it automatically included in the sale, if not written in the purchase and sale agreement? (hmmm?)

When is the hot tub a fixture?

What about prize rose bushes?

Does "tagging" items automatically make them personal property? (ever read in a law book about tagging?)

Ten Principles of Value

While many property owners could probably make a fair guess as to the value of their property, they would still be unable to identify all or most of the factors that contribute to that value. The knowledge of precisely what those factors are and how they influence value is part of what lends credence to a professional estimate of market value.

The basic value principles are interrelated and their relative importance will vary depending upon particular local conditions. When analyzing a property to determine market value, it is important to consider it in light of all the following principles.

- 1. Highest and Best Use.** The use that provides the greatest net return over a period of time. *In some cases the property may have more value if it could be developed into multifamily units.*
- 2. Supply and Demand.** Values tend to rise as demand increases and/or supply decreases.
- 3. Substitution.** The maximum value tends to be set by the cost of purchasing a replacement. *There is always an equally desirable substitute. Think about dating!*
- 4. Change.** The future is the primary consideration over the past when estimating value.
- 5. Balance.** When the addition of improvements increases the property value.
- 6. Conformity.** The value is affected by the conformity to the existing neighborhoods.
- 7. Anticipation.** Value can increase or decrease in anticipation of some future benefit.
- 8. Increasing returns.** As long as the improvements produce an increase or income or value. *Sometimes property owners make additions like converting a garage to a bedroom which could possibly make the property worth less on the market.*
- 9. Diminishing returns.** When the improvements do not add to the value.
- 10. Contribution.** The value an improvement adds to the overall value.

The Market Analysis Report

Choosing Comparables

In order to determine the current value on the market today, it is necessary to take a look at the past and the future market.

- Sales
- Active Listings
- Expired Listings

Comparing Features

In a perfect world, we would be comparing apples to apples. But, there are not two identical properties in the world. When evaluating the comparables, you need to first determine what amenities are the primary ones that direct the value.

- Baths
- Condition
- Location
- Style
- Appearance
- Bedrooms
- Neighborhood
- Family room
- Other
- Fireplaces
- Age
- Size
- Age
- Garages
- View
- Rec room
- Sale date

There are other items that can affect the value such as the source of heat, the hot water source, the drainage, for example.

Determining Value

The market analysis is only as accurate as the comparables chosen for an estimate of value.

Marketability Report

Today a seller can get information from the internet with an approximate value of his home. But, what a seller cannot get is how that value works in today's market.

What current market conditions will affect the sale of the home?

Are there any changes anticipated in the immediate area over the next 3-4 months that will have an impact on the value of the home?

What is the competition in the area? How many homes are presently competing with this home in its marketplace?

What is the price range in this area? Is this home in the range for the area?

What is the average marketing time in this area?

What is the ratio of sales price to list price?

What kind of sale closed on the comparables? Was it a bank owned property?

How does the condition of the home compare with the competition? What are things that the homeowner needs to correct or improve prior to selling?

The Dangers of Overpricing

Just about every property owner in the world believes that their property is worth more than the current market will bear. It is a given just about every time a real estate professional or an appraiser determines a range of value. If the owner intends to sell the property and attempts to get "top dollar", there are dangers to intentionally overpricing the property. The dangers include, but are not limited to, the following.

- The home may not meet lender qualifications. It must appraise for the buyer to get a loan.
- It will take longer to sell. It will be on the market too long and become "shopworn."
- The property will have fewer showings limiting the market. Buyers, as well as agents, are wary of overpriced homes.
- The seller may receive very low offers. Don't wait for them because they are rare and often insulting.
- The property will help sell the competition. The buyers will compare it against another property they are intending to purchase.
- The sellers have to weigh the "holding costs" during the longer marketing time.
- Once an agent sees an overpriced listing, they never go back. Agents don't want to show properties that are overpriced.
- Sellers end up selling for less than what they would sell for if the property was priced right initially.
- Overpriced listings attract the wrong buyers. Buyers have certain images of homes in that price range, based on what they have seen.
- The sales price reflects motivation and sellers are competing with sellers that HAVE to sell.
- Sellers look greedy by asking more than the competition.
- If the seller were a buyer, he wouldn't buy an overpriced house. Just put the shoes on the other feet.
- About 40% of properties sell in the first 30 days if they are priced competitively regardless of the market conditions.
- The impact from lowering the price is minimal and often overlooked. Therefore, it is highly recommended to list at a competitive price initially.

Consider the hardware store. The manager orders a bunch of new hammers. They are the hottest hammer on the market. The manager puts a high price on the hammers. People look, feel, hold, examine... the hammers but they do not buy. The display of the hammers is still there for 6 months. The price goes down, but no one notices. People start to wonder,... what is wrong with the hammers!

Market Time

The first 30 days of a listing period are the most critical marketing time. This is when the home gets the most exposure. Just about every tool the agents have at hand is used during this time. Research shows that most homes that are competitively priced sell in the first month.

Homes Sold Within....

1 Month	40%
2 Months	7%
3 Months	7 %
4 Months	20%
5 Months	10%
6 Months	7%
7 Months	9%

Why do most homes sell in the first month?

What types of marketing do agents do during the first month?

What types of marketing that are done in the first month cannot be repeated again?

Why is there a rise in the percentage of homes sold in the 4th month?

Why is there a rise in the 7th month?

This is very old... but still holds true in many cases.

Section 4 Property Condition

Evaluating Property Condition

When a real estate agent does research on a property and the area for a market analysis report, it is important to look carefully at the neighborhood and the structure. It is not always the questions that you are unsure of the answers, but the questions that you fail to ask. Ignorance will never hold up in a court of law. The condition of the property directly affects the value. The principles of value need to be weighed along with the condition and the amenities of the property.

Most lawsuits against brokers are in the area of Misrepresentation. The majority of them are based on water problems including storm water runoff, leaking basements, failed roofs, broken or leaky pipes, Siding problems, adequate water supply and mold. The agent is NOT an inspector, but it is important to at least evaluate the condition of the property. Walk around the perimeter of the structure on the outside and the inside! Look for problems that may require an expert before listing the property. Many problems are clearly evident and can be repaired before listing.

Start by evaluating the neighborhood. Zoning, new construction, parking, schools, parks, noise?

Utilities? Septic or sewer? Gas or electric? Cable? Water availability?

Access? Easements? Road Maintenance agreement?

Encroachments? Fences? Any obvious problems associated with the property size?

Roof? Condition? Type? Pitch? Age?

Gutters? Down spouts? Standing Water? Drainage? Look up and look down.

Landscaping? Earth to wood contact?

Environmental concerns? Asbestos, Formaldehyde, radon, lead?

Heating systems? All rooms heated? Hot water tank? Electric box? Appliances?

Insulation? Attic? Crawl space? Windows? Hot water tank?

Plumbing? Check for leaks? Septic tank condition? Was it pumped?

Attic accessible? Vented? Vented crawl space? Crawl space have visquine?

Dry rot? Bathroom floor? Behind tiles?

Peeling paint? Built before 1978 with lead paint?

Floor plan? Functional obsolescence?

Wood stoves? Approved wood stoves? Fireplaces? Chimneys?

Remodeling? Additions? Permits? Up to code?

Foundation? Type ? Cracks?

Most important... environmental issues.

Be very careful on the way you phrase a question or answer one. For example, "Is the property on the sewer line?" Does "on" mean hooked up or that it is running in front of the property? Actual lawsuits have centered on just this kind of misunderstanding.

Disclosure

The Property Information Disclosure is a state law RCW 64.04. The sellers fill out the form or the buyer has to waive right to purchase at any time in the transaction. There are some sellers that are exempt. The Disclosure Law Form deals strictly with the structure of the property itself. Agents are NOT to fill out the form.

The form is a vehicle for the seller to disclose any information about the structure and title of the property. If there are facts that are not asked on the form, the seller can attach additional pages.

What has to be disclosed by the seller is not completely defined. The only statutory definition of material fact is in the Law of Agency RCW 18.86. It states that information that “substantially, adversely affects the value of a property” or information that “impairs or defeats the transaction” is a Material Fact. In more simple terms, a seller and agent need to disclose anything that would affect the buyer’s decision to buy or how much would be paid.

The Law of Agency also says that certain information is NOT considered a material fact. “The fact or the suspicion that the property or any neighboring property is or was the site of a murder, suicide or other death, rape or other sex crime, assault or other violent crime, robbery or burglary, illegal drug activity, political or religious activity, or other act, occurrence or use not adversely affecting the physical condition of, or the title to the property is not a material fact.”

If you happen upon a prospective listing whereby there was a “negative stigma” that could affect a buyer’s decision to buy, it is important to contact the broker and corporate attorney about disclosure to the buyer!

A seller must fill out the environmental portion of the Seller Disclosure form if there is a “yes” answer to an environmental question.

Misrepresentation

Misrepresentation of a material fact is fraud when a person relies on the misrepresentation as the truth in deciding to enter into a transaction. This is the cause of most of the lawsuits in Washington State.

Active fraud is when an agent intentionally misrepresents a material fact concerning a transaction. It includes statements made recklessly, incomplete statements designed to conceal a defect.

Passive fraud imposes liability for silence where there is a duty to speak.

Negligent misrepresentation imposes liability for affirmative false statements which the broker did not know were false, but should have known they were false. It involves an affirmative misstatement of fact.

Negligence imposes liability based upon the failure of the broker to discover a defect and advise the buyer of the defect. It involves silence in the fact of a duty to speak.

Innocent misrepresentation imposes liability based upon the agent's misrepresentation of facts even though the agent had no reason to know that the represented facts were false. The Washington courts have refused to hold an agent liable for purely innocent misrepresentations. But, there is a fine line between what is considered innocent and what a broker *should* know.

Section 5 Marketing

Managing and Servicing a Listing

Service is your only product! Your motivation in any real estate transaction must spring from a spirit of service....not monetary gain. If a property is priced right it will sell. If it is overpriced, no amount of marketing will sell it.

Marketing Program for the Sale of the Listing

The Listing Process

1. Prepare a Competitive Market Analysis of the home.
2. Recommend a range of value for the home at today's market.
3. Discuss the marketing program for the listing.
4. Complete and review the Listing Agreement with the sellers.
5. Make recommendations for preparing the home for sale.
6. Install a key box and the "For Sale" sign.
7. Input the listing to the Multiple Listing Service.
8. Input the listing online

Marketing Program

1. Company Tour.
2. Information sheet on the home.
3. Brokers open house
4. Flyers distributed
5. Advertising
6. Internet marketing
7. Open house
8. Direct Mail
9. Other including the Internet or home page
10. Video on Youtube and other social media sites. Have you considered making your own video for 1-2 minutes that would get attention?

Negotiating the Sale

1. Negotiate all earnest money offers. All offers must be presented even if there is one signed by another buyer. All offers must be presented by law.
2. Make sure there is documentation that the purchasers have been pre qualified/approved.
3. Review the contracts.
4. Keep open lines of communication and work toward a mutual agreement.

Follow up

1. Keep in contact with the seller weekly.
2. Contact all agents that show the property.
3. Advise them on any changes in the market that may affect the listing.
4. Keep them informed as to the sales of competing homes in the area.

What is the most effective marketing tool you use?

Where Do Buyers Come From?

This is an old breakdown and doesn't include the internet. How has the internet changed the business and where buyers come from? Isn't most of your business still firm recognition or Salesperson Contact???

Firm Name Recognition or Salesperson Contact The buyer decided who to call before looking at homes!	40%
The "For Sale" Sign The buyers found a home, often in their own neighborhood, that they liked!	20%
Responded to an Advertisement They called about an ad but they purchased another property! How will the Web change this?	18%
Came to an Open House They came to see a house but they purchased another property!	8%
Referral or Relocation Another party referred them to a company or an agent!	7%
Bought an Advertised Property	3%
Bought an Open House They Saw	1%
Bought for a Combination of Other Reasons	3%

This is an old form. But it still rings true! Most buyers come because of a personal referral. Buyers compare an average of only 15 to 25 homes before making a decision to buy.

Where have your buyers come from?

Where did the buyers come from on your listings? Did they come from your marketing efforts?

How many of your buyers bought one of the first several homes they previewed?

How to Write a Successful Advertisement

Buyers look for when reading ads

Location	70%
Size and Number of Rooms	45%
Price and Terms	40%
Type of construction	33%
Condition or Appearance	20%
Age	17%
Type of Heating	17%
Basement?	8%
Size of Lot	6%
Details about features	4%

Buyers look for location first. There are some great real estate buys in the desert, wetlands, or in towns with a dying industry. So no matter the look, size, or price of a property most buyers are looking for location first. Think about the first question that pops in your head when you see an ad for a property for sale.

Can your seller and prospective buyer find your listing in the city it is listed when searching on the internet. Try finding it yourself. Give your sellers the link to their own property!

Write Ads that Sell

Use the AIDA method from all your old marketing texts!

ATTENTION Use the headline to attract the attention of the reader.

INTEREST Arouse interest in your opening sentence. Use emotional, economical or investment appeal.

DESIRE Create desire in the body of the ad by describing all the features of your home.

ACTION Impel action in your closing lines. Mention price and phone number. Create a sense of urgency.

No more boring advertising on listings. Take a photo of your bicycle in front of your listing if it is on the bike trail! Take some photos of details in the house. Think outside the box!

Fair Housing

The Fair Housing Act passed in 1968 outlaws almost every discriminatory notice, statement, and advertising that relates to the sale or rental of housing. This advertising rule applies even to those persons otherwise exempted from the Act. For the first two decades after 1968, there were few reported court cases involving discriminatory advertising. Beginning in the early 1970's, HUD issued Advertising Guidelines, which are now published in HUD's regulations.

The Fair Housing Act makes it unlawful to discriminate in the sale, rental, and financing of housing, and in the provision of brokerage and appraisal services, because of race, color, religion, sex, handicap, familial status, or national origin. T

The Fair Housing Act makes it unlawful to **make, print, or publish**, (or cause to be made, printed, or published), any notice, statement, or **advertisement**, with respect to the sale or rental of a dwelling, that shows an intention to indicate any **preference, limitation, or discrimination** because of **race, color, religion, sex**, (including LGBTQ), **handicap, familial status, or national origin**.

When advertising, bear in mind that you cannot use words that are discriminatory in nature. It is not the intent of the real estate agent... It is the effect. Can the words you choose in your advertising show a limitation or preference toward a protected class!

Avoid these words..

Adult	Single	Membership	Physically Fit
Bachelor	Two people	Approval	Person
Couple	Christian	Mentally Ill	Private
Family	Executive	Religious	Race
Mature	Exclusive	Religious	Restricted
No Children	Handicap as in	Landmark	Senior
One Person	not suitable	Older Persons*	Discount*
Retired	for...	Senior Citizens*	
Sex	Integrated		
Newlyweds	couple	Near church	
Dad/ Mom/Grandma			

*Housing for elderly may be exempt from the Fair Housing Act if specific criteria have been met.

Sell the property NOT the people!!!!

Protected classes are not necessarily "minorities." Protected classes were identified because discrimination has occurred toward individuals who fall under these classes. They may not have been a "minority" but discrimination occurred because of who they were or represent.

Washington Discrimination Law

Washington State Law in RCW 49.60 prohibits discrimination in employment, credit, and insurance transactions, in public resort accommodation or amusement and in real property transactions because of **race, creed, color, national origin, sex, marital status, age, or the presence or any sensory, mental, or physical disability or the use of a trained guide dog or service dog by a disabled person. Sexual orientation** and traits associated with race (such as hair) has been added to Washington Law. The law applies to ALL real property transactions including sale, appraisal, brokering, exchange, purchase, rental, or lease of real property or applying for a real estate loan. The word “handicap” was amended to read “disability.” Individuals with HIV or perceived HIV infection shall be evaluated in the same manner as other claims of discrimination based on sensory, mental, or physical disability. Same sex marriage is legal in WA state.

Other Jurisdictions have protected classes

There are protected classes in cities that might offer more protections. In Seattle, for example, some of the protected classes include: **Section 8, Military Discharge, Political Ideology, Gender Identity, Ancestry, Parental Status, use of Service Animal, etc.**

Love Letters from Buyer to Seller can be Toxic

**Roses are Red
Violets are blue
I love your letter
I'll sell my home to you!
“NO!”**

Whether a poem, photo collage or a love letter, buyers are trying to “promote” their offers to the sellers. Especially as the real estate market heats up and buyers may be competing with other offers that may be higher, writing a personal letter to appeal to the sellers emotionally to accept the buyers offer is becoming more common. The love letter is an attempt to entice the seller into accepting an offer based on factors when they have nothing to do with the purchase and sale agreement. There are articles all over the internet, samples of letters, and even templates.

Though it may appear innocent enough, the love letters can encourage a seller to discriminate when choosing a buyer for their home. The seller and the real estate agents must not violate Federal, State and local anti discrimination laws.

Homeowners selling their home cannot choose one buyer over another based on a protected class. Protected classes are NOT “minorities.” EVERY person falls under protected classes.

The love letters that are on websites from national news to Realtors most often describe the buyers as a “married couple with children.” Familial status is a protected class in the Federal Fair Housing Act. Familial Status and Marital Status are protected in almost every State and Local anti discrimination law. If a single woman, a gay couple with no kids, a single man, or a senior are bypassed because the seller goes with emotion and chooses the little family, the other buyers

have just as much right to purchase the property. Take it one step further. Many times the letters include photos of the little family and their pooch. The sellers could be encouraged to discriminate based on race, color, national origin or religion based on the photo.

Are the letters discriminatory? Consider how often a real estate agent would encourage buyers that originate from another country, are disabled, have misunderstood religious beliefs, is LBGT? Everyone, regardless of their background, beliefs, health/disability, etc has the right to purchase a home in the area chosen. When a seller chooses one buyer over another using any information that could be construed as discrimination, the buyers that lost the property have the right to file a case of discrimination. Let's say the seller and the real estate broker sit at the dining room table reading the "love letters" and they do choose the buyers based on, for example, the fact that they are married with children. They assume that no one will find out. It is still a federal crime! If a buyer files a discrimination lawsuit against the seller and the real estate agent, the fines can start at \$10,000 and the real estate agent and the seller would be required to tell the truth under oath. Real estate agents are bound by federal state and local discrimination laws and cannot discriminate.

If you speed down the road thinking you won't be caught, you still are violating a law. Unknown to you there might be radar, a curve you missed or a pedestrian that took a picture of your license plate. You are still violating a law whether you get caught or not.

The seller of the property is best to "*Choose the Paper... not the People*" when signing a purchase and sale agreement. Choose the offer on the property based on the terms of the contract and not the family, color, race, age, orientation, etc of the buyers. Do not open up the door to a discrimination complaint.

Single Woman Sues Real Estate Agent for Discrimination

In May of 2004 a young woman said she encountered discrimination when she tried to buy a house in Tacoma ... not because of her skin color, age, religion or ethnicity. She was discriminated against because she is single and a woman. She made an offer on a lovely two story house in Tacoma. "It was my dream house. A house that I wanted to purchase to raise a family," she said. The asking price was \$196,000. She offered \$199,000 and was pre approved for the mortgage. The listing broker said, "Your deal was a better one but they decided to go with the other deal just because it was a married couple and they felt they would be a little more stable.... They were a bit nervous about it being a single woman trying to buy the house and they were just concerned it would come down to financing and something could possible go wrong." It was discriminatory. The Federal Fair Housing act clearly states that it is unlawful to discriminate based on sex and familial status. The case was settled with the real estate company prior any court hearing.

The sellers of a house are liable under Federal, State and Local Fair Housing and anti discrimination laws. The buyers have the right to purchase property regardless what their background.

Section 6 The Bottom Line

Sellers Net Proceeds

When listing a property, the listing agent needs to give the seller a rough estimate of the costs involved and the net proceeds available at the time of sale.

The costs can include, but are not limited to:

- Title Insurance**
- Escrow Fee**
- Recording**
- Excise Tax**
- Brokerage Fees**
- Mortgage Interest**
- Buyers Costs**

The Compensation

The compensation for the performance of services related to a real estate transaction must be in writing and there must be a Brokerage Services agreement signed for all agency relationships. To be entitled to receive a commission in Washington, a real estate agent must be licensed in the state (unless they meet guidelines as a commercial agent with a reciprocal agreement according to the law). The seller may only be liable for the commission if the agreement was in writing.

Compensation Amount

The amount of compensation is always negotiable under federal anti trust laws. It is not set by laws, multiple listing services, real estate broker groups, or professional associations. The compensation amount is negotiable between the broker and the seller. Brokers cannot fix or set uniform commission rates. The commission must be negotiable due to anti-trust laws. Real estate agents and brokers from different companies are not to discuss commission rates or it could be construed as price fixing, a serious crime. This includes casual or what might be considered *innocent* discussions about the rates their brokers are charging. . The sales commission paid to cooperating brokers is published by the MLS. The broker of a real estate firm can establish the compensation rates to which the agents in that firm are to adhere when they list properties.

Payment of Compensation

All compensation in a real estate firm are paid to the brokers and not directly to the agents. The salesperson may only receive a commission from the broker that he/she is licensed under and there **MUST** be a Brokerage Services Agreement signed. The listing agreement should specify the amount and the time the compensation is due and payable. The broker is due the compensation when all the terms of the purchase and sale agreement are satisfied. This may be after conditions specified on the agreement are met.

Relationship of Value and Commission

When preparing the market analysis report, bear in mind that the value of the home is determined by analyzing similar properties. The value is not related to the amount of compensation paid on the sale. The compensation is not a part of the public record.

When do you earn commission?

Most Commonly Asked Questions about Listings

Where can I find more listings? What is the best prospecting method?

How can I convince the seller to reduce the price? The property has been listed for 3 months. The seller says that it is a unique property and I need to be more patient.

I have a condo listing that is priced well. It is right in the range of the other condos that have sold recently, but this one does not have activity and no offers.

The sellers say that they have to get \$400,000 for their property. They need that much to make the move to the new house. Their property is only worth about \$375,000. What do I say to them?

The sellers feel it is necessary to interview other real estate agents before they choose who to list with. What can I respond with?

The last agent the sellers met with told them that they could get much more money for their home than I told them. They say that they want to list with the agent that can get them the most money.

The seller says that she wants to sell to a nice family because her neighbors in the cul-de-sac will really appreciate that. Besides, the house is in a perfect family neighborhood.

The seller wants to negotiate the commission. They want me to reduce my commission by a half.

The seller is so excited about the offer coming in on the house that she drinks a couple of beers to calm down. Do I present the offer?

Summary

When you have a listing, you have a contract from sellers whereby they agree to pay you commission when you bring an offer from a ready, willing and able buyer on their terms.

The motivation the seller has for selling will often vary per the market. The market conditions, the interest rate, and the weather have little or no impact on the reasons your past 5 sellers decided to list their property for sale. When you are asked if they are motivated...the answer is “yes!” It is confidential why they are selling. “The sellers have moved, are moving, or planning to move.”

Your primary responsibilities as a real estate agent representing the seller include: Advise on pricing and market conditions, maintain agency relationship, market the property, negotiate the sale, and follow the sale through escrow.

The most difficult part of the agents responsibility is to translate what the buyers and sellers agree upon into contract form.

Brokerage Services Agreements include limited dual agency. Understand what that means.

There are no strict rules when preparing a market analysis and estimating value. There are guidelines to follow based on principles the appraisers follow.

The seller must disclose all material defects in the property. What does that mean?

The most powerful marketing tool is the Multiple Listing Service. There are many other tools that are used to market properties.

It is important to provide the seller with a detailed estimate of the costs to sell.

The commission is always negotiable between the seller and the broker.

Listing and Sales Agreements

Consider these Discussion Questions

John and Susan Jones have an exclusive right to sell agreement with Mary Smith at ABC Realty for a listing through July 1st.

A. An agent from Apple Realty brings an offer on the terms and conditions as listed in the agreement ...all cash and full price during the listing period. The Jones decide they don't want to sell the home and they refuse to sign the agreement.

1. Are the listing agency, ABC Realty, and the selling office entitled to the commission?
2. Can the buyers sue the sellers and force them to sell because their offer was full price and terms?
3. Can the sellers refuse to sell to the buyers if the buyers are a minority or because they are not married?
4. Can the sellers say they will only accept an offer from a Mormon (Jewish, Catholic, etc.) family because of the neighbors?

B. Susan Jones goes to work and announces to her colleagues that her home is listed for sale with ABC realty. Melinda informs Susan that she wants to buy the home.

1. Can the Jones sell the home to Melinda without paying compensation because they found the buyer?
2. If the Jones sell the house to Melinda a week after the listing expires, then do they owe a commission to ABC Realty.
3. Can Melinda write a lease agreement with the Jones with an option to buy the home and the Jones avoid paying a commission?
4. Do the Jones only owe half the commission because there was no "selling agent," just the listing agent?

C. Because John is always traveling, only Susan signs the listing agreement.

1. Mary Smith, when taking a listing, should ask and make her best effort to ascertain that those signing the listing are the sole owners.
2. Is the listing enforceable only if Susan has a Power of Attorney for John?
3. It is a community property state, so is it O.K. for only one spouse to sign?

D. The market is active and offers come in on John and Mary Jones' house.

1. There are multiple offers on the house but none of them are at or above the list price. Do they have to take or counter one of the offers?
2. There are multiple offers on the house and two of them are above the listed price and one is the same as what is listed. Do the Jones have to take the highest offer?

E. John and Susan are unhappy with Mary Smith at ABC Realty. They want to cancel their listing in June.

1. Does ABC Realty have to release the listing? The Jones signed a contract until July 1st and must they abide by it?
2. Could the Jones be liable for costs incurred by the ABC Realty if they cancel prior to July 1st?
3. A buyer that was interested during the listing period comes back after the listing is canceled. If the Jones sell to him do they owe a commission to ABC Realty?

More..... Listing Agreements Discussion Questions

When do you earn a commission?

What if the seller breaches the contract?

What if the seller gets ill and dies during the period of the listing contract?

What if you find a buyer and the Seller decides not to sell?

What if you find a buyer and the buyer doesn't qualify and the sale fails?

What if the seller sells the property to a relative during the listing period?

What if the seller sells 30 days after the listing expires to someone who saw it while it was listed?

What if only the husband signs the listing agreement?

What if the house burns down during the listing period?

What if the seller removes the stove when they move?

What if the seller wants to keep the chandelier?

What if the seller wants to list the home 20% higher than your market value range?

What if the seller has an appraisal that is higher than the range of market value you gave him?

What if you change from one real estate firm to another during the testing period?

What do you say to a seller when the house has an offer on it within 48 hours of being listed?

Listings That Sell

Fill out this QUIZ on the answer sheet for clockhours!

Section 1 The Real Estate Market

1. Real Estate agents don't _____ the products they sell.
2. Over 80% of the real estate business is typically attributed to ____% of the agents.
3. It is good practice to take only listings that _____.
4. The real estate market is constantly _____, though some factors remain _____.

List 6 reasons a homeowner chooses to sell their property.

- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

11. What is one reason to choose your inventory carefully? _____.

What are the four ingredients that create sales?

- 12.
- 13.
- 14.
- 15.
16. The primary factor in getting a property successfully sold is the _____.
17. Most real estate sales can be directly related to the _____.
18. Once employed by a seller, the licensee becomes an agent of the _____.
19. An agent is held up to the standards of a _____ when filling out contracts.
20. A Brokerage services agreement for the selling agent is the _____.

Section 2 Contracts

21. To enter into a valid contract a person must be ____ years old.
22. All the parties to the contract must consent to its _____.
23. Mutual acceptance must not vary the offer's terms or it creates a _____.
24. Mutual acceptance occurs when the final signature is delivered back to the broker of the other party. True/ False
25. Earnest money is not required for a valid contract because it is a promise for a _____.
26. The purpose of the contract must be _____ at the time it is made.
27. If the tenant signs a contract to sell the rental the contract may not be _____.
28. According to the Statutes of _____ all real estate contracts must be in writing.
29. In order to enforce the payment of commission, there must be a written listing agreement. True/ False
30. A verbal agreement regarding a sale of real estate is not _____.

Section 3 Defining Value

31. Value is not always logical. True / False.
32. Cologne up to a certain point is sensuous, but too much is often _____.
33. Value is not based on depreciation. True / False

The 4 characteristics a property must have to have value include:

- 34.
- 35.
- 36.
- 37.

38. The capacity to satisfy human needs and desires is called _____.
39. The definition of market value in real estate is the most _____ price a property will bring.
40. If the buyer and seller are related, the property may not be valued at the true market value because the relationship may affect the asking price. True / False.
41. The Market price is the current _____ price.
42. The assessment is the official valuation of real property for _____ purposes.
43. The Assessed value in this state is supposed to be the _____ value.
44. An appraisal is one person's paid _____ of value.
45. In Washington State appraisers have to be _____.
46. A market analysis complete by a real estate agent is often called a C ____.
47. A _____ is an example of a natural attachment that remains with the property.
48. An item can be a fixture and then change to personal property and then back to being a fixture. True / False (consider a kitchen sink... installed, taken out, installed again)
49. The use that provides the greatest net return over a period of time is called the _____ and best _____.
50. The _____ is the primary consideration over the past when estimating value.
51. A real estate agent looks at the past, current and future market when evaluating property for a market analysis. True / False.
52. The market analysis is only as accurate as the _____ chosen.
53. Most lenders use _____ established by FNMA.
54. If a property is overpriced it may not _____.
55. If a property is overpriced it may take longer to successfully _____.

Section 4 Property Condition

56. _____ will never hold up in a court of law.
57. The condition of a property directly affects the _____.
58. Some sellers are exempt from completing the Property Information Disclosure Form.
True/ False
59. The Property Information Disclosure law is a Federal Law. True/ False
60. The statutory definition of “Material Fact” is under the Law of Agency. True/ False
61. An agent can complete the Property Information Disclosure form for a seller. True / False
62. It is imperative that a real estate agent consult the broker if there is a negative stigma associated with the property that the seller does not want to disclose. True/ False
63. The buyer can choose to _____ the right to the property information disclosure.
64. Active Fraud is when an agent _____ misrepresents a material fact.
65. Passive fraud imposes liability for _____ when there is a duty to speak.
66. There is a fine line between what is considered innocent and what a broker should know. True / False

Section 5 Marketing

67. What is your only product as a real estate agent? _____
68. The most powerful marketing tool we have available for our listings is _____.
69. Approximately 40% of buyers were the result of firm recognition or salesperson contact.
70. Statistics have shown that only about ____% of buyers bought an open house they saw.
71. Buyers compare an average of only ___ to _____ homes before buying.
72. Buyers look for _____ first when reading a real estate ad.
73. When writing ads remember the AIDA method... _____, interest, desire, action.

74. It is unlawful to discriminate in the sale of all real estate. True/ False

75. Sell the _____ NOT the _____.

76. The Federal Fair housing Act was passed in the year _____.

77. Washington State Law prohibits discrimination in employment, credit, insurance, public resort or amusement accommodations and _____.

The City of Seattle has additional protected classes from the state and federal law. Name three additional protected classes in Seattle.

78.

79.

80.

81. Individuals with HIV or _____ HIV are considered under disability as a protected class in Washington State..

82. Protected classes are only “minorities.” True / False

Section 6 The Bottom Line

List the six most common costs a seller may be required to pay at closing.

83.

84.

85.

86.

87.

88.

89. The commission amount is always _____ under anti trust laws.

90. The payment of commission is NEVER to go directly to the agent. True/ FALSE



Answer Sheet... Listings that Sell

1		31		61	
2		32		62	
3		33		63	
4		34		64	
5		35		65	
6		36		66	
7		37		67	
8		38		68	
9		39		69	
10		40		70	
11		41		71	
12		42		72	
13		43		73	
14		44		74	
15		45		75	
16		46		76	
17		47		77	
18		48		78	
19		49		79	
20		50		80	
21		51		81	
22		52		82	
23		53		83	
24		54		84	
25		55		85	
26		56		86	
27		57		87	
28		58		88	
29		59		89	
30		60		90	

I attest that I have read the materials and have answered the questions.

Date Course Started _____ **Date Course Completed** _____

Print Name _____ **Company** _____ **Signature** _____

PROFESSIONAL Direction,
Email: clockhours@gmail.com
www.clockhours.com



Mandatory Evaluation

You can mail by US Mail the paperwork and tuition or Scan and include a credit card number.

- Did you read the material in the booklet on this date?** YES / NO
 Did you complete the quiz for the course? YES / NO
 Did you pay Tuition YES / NO
 Did you fill out and sign this form? YES / NO
 Did you attach the answer sheet for the quiz? YES / NO
 Why did you choose to take this course? Topic? Time? Cost? Ease? Other?
 A "clock hour" is 50 minutes. A 7.5 hour class should take about 6 hrs 15 min.

How long did it take you to complete the course? _____

	No	Yes
Will the material you learned improve your performance?	<input type="checkbox"/>	<input type="checkbox"/>
Were the course materials easy to follow?	<input type="checkbox"/>	<input type="checkbox"/>
Were the course materials relevant to your profession?	<input type="checkbox"/>	<input type="checkbox"/>
Were your objectives met by attending the class?	<input type="checkbox"/>	<input type="checkbox"/>
Was the course material interesting?	<input type="checkbox"/>	<input type="checkbox"/>

What are 3 things that you learned from the course?

1. _____
2. _____
3. _____

Would you take another correspondence course from Professional Direction? Yes/ No

Listings that Sell	
Print Name	Signature
Company	Address
City / Zip Code	Phone
Email	
License Renewal Date	Date(s) Class taken

Thanks for taking this class! I really appreciate the agents that take clockhours from my school! I am always working on my classes and writing new ones! Visit my website! Natalie

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