

Business Planning

Section 1 (Orientation)



SECTION 2

PLANNING YOUR REAL ESTATE BUSINESS



BUSINESS PLANS AND GOALS

- SUCCESSFUL ENTREPRENEURS HAVE WELL-FORMED BUSINESS PLANS.
- YOUR BUSINESS PLAN WILL SERVE AS YOUR ROADMAP TO ENABLE YOU TO ACHIEVE YOUR GOALS AND OBJECTIVES.

YOUR BUSINESS PLAN

- A BUSINESS PLAN WILL DOCUMENT YOUR VISION AND MISSION, SET GOALS FOR YOUR BUSINESS, AND DEFINE THE SERVICES YOU PROVIDE.
- A BUSINESS PLAN WILL GIVE YOU A STRUCTURE FROM WHICH YOU'LL PERFORM YOUR DAILY ACTIVITIES, MARKET PROPERTIES, FIND CLIENTS, AND GENERATE SALES.

CREATING YOUR BUSINESS PLAN

- YOUR BUSINESS PLAN SHOULD:
 - BE CAREFULLY CONSTRUCTED, STARTING WITH YOUR VISION, GOALS, AND DESIRES FOR WHAT YOU WANT YOUR BUSINESS TO BECOME.
 - INCLUDE YOUR VISION OF THE FUTURE, GOALS AND OBJECTIVES, SWOT ANALYSIS, END RESULTS, BRANDING, MARKETING AND PRODUCTION STRATEGIES, AND FINANCIAL FORECASTING AND OPERATIONS.
 - LEVERAGE YOUR VISION STATEMENT, MISSION STATEMENT, AND GOALS IN ORDER TO GENERATE THREE KEY STRATEGIES FOR YOUR BUSINESS: OPERATIONAL STRATEGIES, MARKETING STRATEGIES, AND FINANCIAL STRATEGIES.
- THE FIRST SECTION OF YOUR BUSINESS PLAN SHOULD BE AN OVERVIEW OF OPERATIONAL STRATEGIES AND INCLUDE: BACKGROUND INFORMATION, MISSION STATEMENT, DESCRIPTION OF SERVICES, KEY VALUES, THE TYPE OF BUSINESS ENTITY, YOUR VALUE PROPOSITION, AND SERVICES OFFERED.

THE MARKET

- WHETHER IT IS A "BUYER'S MARKET" OR "SELLER'S MARKET" DEPENDS ON ECONOMIC CLIMATE AND REGIONAL FACTORS.
- "MARKET SHARE" DESCRIBES A PORTION OF THE REAL ESTATE BUSINESS SUPPLY.

SUCCESS

- **MORE THAN 80% OF NEW LICENSEES DON'T LAST TWO YEARS IN THE REAL ESTATE BUSINESS.**
- SUCCESSFUL REAL ESTATE PROFESSIONALS OPERATE FROM WHAT'S BEEN CALLED AN ABUNDANCE MENTALITY. THEY LOOK AT THE WORLD AS AN OPEN FIELD OF OPPORTUNITY.
- A SCARCITY MENTALITY IS THE OPPOSITE OF AN ABUNDANCE MENTALITY. SCARCITY MENTALITY ASKS, "HOW CAN I GET MY PIECE OF THE PIE?" AN ABUNDANCE MENTALITY ASKS, "HOW CAN I MAKE THE PIE BIGGER?"

GOALS

- WRITE DOWN SPECIFIC GOALS IN YOUR BUSINESS PLAN. HAVE CLEAR OBJECTIVES ABOUT WHAT YOU WANT TO ACCOMPLISH.
- CREATE A VISION FOR YOUR BUSINESS BASED SOLELY ON WHAT YOU CAN DO, WHAT YOU CAN GIVE, AND WHAT YOU CAN CONTRIBUTE.

COOPERATION NOT COMPETITION

- THE REAL ESTATE BUSINESS IS BUILT ON COOPERATION, NOT COMPETITION.
- ARTICLE 16 OF THE NAR CODE OF ETHICS OUTLINES THE RESPONSIBILITIES OF REALTORS® TOWARD OTHER PROFESSIONALS IN THE INDUSTRY.
- ARTICLE 16 STATES “REALTORS® SHALL NOT ENGAGE IN ANY PRACTICE OR TAKE ANY ACTION INCONSISTENT WITH EXCLUSIVE REPRESENTATION OR EXCLUSIVE BROKERAGE RELATIONSHIP AGREEMENTS THAT OTHER REALTORS® HAVE WITH CLIENTS.” (AMENDED 1/04)

SELF- EMPLOYMENT AND SELF- DETERMINATION

AS THE LEADER OF YOUR BUSINESS:

- **YOU'RE RESPONSIBLE FOR COMPLIANCE: ABIDING BY ALL FEDERAL AND STATE LAWS REGARDING LICENSING, AGENCY, TRUST FUND HANDLING, FAIR HOUSING, CONTRACTS—ANYTHING THAT RELATES TO YOUR INDUSTRY AND REAL ESTATE PRACTICE.**
- **YOU'RE RESPONSIBLE FOR INCOME GENERATION: ACTIONS WHICH RESULT IN SALES, AND THE NUMBER AND DOLLAR AMOUNT OF THOSE SALES ARE RELATIVE TO YOUR PERSONAL PRODUCTION.**
- **YOU'RE RESPONSIBLE FOR BILL PAYING: IF YOU'RE THE BROKER, YOU'RE RESPONSIBLE FOR OVERHEAD, PERSONAL AND TRANSACTION-RELATED EXPENSES, TECHNOLOGY, COMMUNICATIONS, AND TRANSPORTATION.**
- **YOU'RE RESPONSIBLE FOR GENERATING A PROFIT: INCOME IN EXCESS OF ALL OPERATING EXPENSES.**
- **YOU'RE RESPONSIBLE FOR BUDGETING: WHEN THE MARKET SHIFTS AND BUSINESS SLOWS, IT IS IMPORTANT TO HAVE A "CASH STASH" TO HELP YOU MAKE IT THROUGH.**
- **YOU'RE RESPONSIBLE FOR PAYING TAXES: TALK TO YOUR ACCOUNTANT ABOUT WHAT THIS MEANS FOR YOU AND YOUR BUSINESS.**
- **YOU'RE RESPONSIBLE FOR PLANNING FOR RETIREMENT: MAKE SURE YOU PLAN FOR RETIREMENT THROUGH A SAVINGS PLAN, INDIVIDUAL RETIREMENT PLAN, OR OTHER RETIREMENT SAVINGS VEHICLE. SEP-IRAS ARE GEARED TOWARD SELF-EMPLOYED INDIVIDUALS.**

YOUR VISION AND MISSION

- DEVELOP AN UNDERSTANDING OF TWO KEY ELEMENTS: YOUR VISION AND YOUR MISSION. YOUR VISION IS A CLEAR PICTURE OF YOUR FUTURE. YOUR MISSION IS A CLEAR UNDERSTANDING OF YOUR BUSINESS PURPOSE.
- A VISION STATEMENT DESCRIBES WHAT THE FUTURE LOOKS LIKE FOR YOU AND YOUR ORGANIZATION; IT DEFINES FUTURE RESULTS, ACHIEVEMENTS, AND SUCCESSES.
- A MISSION STATEMENT IDENTIFIES WHAT YOU AND YOUR ORGANIZATION STAND FOR TODAY; IT EXPRESSES YOUR PURPOSES, PROCESSES, AND PERFORMANCES.

SWOT

- ANALYZING YOUR CURRENT POSITION INVOLVES FOUR KEY AREAS OF CONSIDERATION: **STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS.**
- STRENGTHS ARE THOSE ASPECTS ABOUT YOU AND YOUR BUSINESS THAT BRING VALUE AND ADVANTAGE TO YOUR VISION.
- WEAKNESSES ARE ASPECTS THAT NEED TO BE OVERCOME TO ACHIEVE YOUR VISION.
- OPPORTUNITIES ARE THOSE FACTS OR SITUATIONS THAT YOU MAY USE AS A GUIDE TO ACHIEVE YOUR GOALS.
- THREATS ARE EXTERNAL FACTORS THAT MAY REQUIRE ADDITIONAL ATTENTION FOR YOU TO ACHIEVE YOUR VISION.

SMART

- GOALS ARE REALISTIC, TANGIBLE STATEMENTS THAT FOCUS YOUR ATTENTION AND DIRECT YOUR PATH
- **SPECIFIC:** WHEN YOU WRITE A GOAL, BE AS SPECIFIC AS POSSIBLE, INCLUDING DETAIL.
- **MEASURABLE:** YOUR GOALS SHOULD INCLUDE THE ABILITY TO MEASURE WHETHER YOU'VE ACHIEVED THE DESIRED RESULTS.
- **ATTAINABLE:** CREATE GOALS IN WHICH EACH STEP LEADS TO THE NEXT, AND IN WHICH INDIVIDUAL GOALS ARE ATTAINABLE IN THE SHORT TERM.
- **REALISTIC:** SET YOUR GOALS BASED ON YOUR STRENGTHS AND YOUR WEAKNESSES.
- **TIMELY:** EACH GOAL (LONG TERM OR SHORT TERM) SHOULD HAVE A TIME BY WHICH IT MUST BE ACCOMPLISHED.

BUSINESS ENTITIES

- SOLE PROPRIETORSHIP
- GENERAL PARTNERSHIP
- LIMITED LIABILITY PARTNERSHIP (LLP)
- LIMITED LIABILITY COMPANY (LLC)
- C-CORPORATION
- S-CORPORATION

YOUR MARKETING PLAN

- A MARKETING PLAN SHOULD:
 - BE DEVELOPED AFTER DETERMINING THE OVERALL DIRECTION OF THE FIRM TO SUPPORT THE BROKERAGE'S MISSION STATEMENT AND BUSINESS PLAN.
 - INCLUDE:
 - A SITUATION ANALYSIS
 - TARGET MARKET
 - GOALS AND OBJECTIVES
 - STRATEGIES AND TACTICS,
 - BUDGET BREAKDOWN AND A MEASUREMENT METHOD.
 - THE PURPOSE OF A MARKETING PLAN IS TO ANALYZE THE COMPETITION.

TIME AND MONEY MANAGEMENT

- A BUDGET IS A CRUCIAL COMPONENT OF A SUCCESSFUL BUSINESS PLAN.
- EVALUATE EQUIPMENT NEEDS AND BUDGET FOR MAJOR ITEMS, AS WELL AS MONTHLY EXPENSES, SUCH AS TELEPHONE AND INTERNET FEES.

DETERMINING NEEDED MONTHLY REVENUE

- TO DETERMINE THE AMOUNT OF MONTHLY REVENUE YOU NEED TO PRODUCE TO MEET YOUR BUDGET, CONSIDER PERSONAL, BUSINESS, AND MARKETING EXPENSES.

CLOSED TRANSACTIONS AND PERCENTAGE OF COMMISSION

- DETERMINE HOW MANY CLOSED TRANSACTIONS YOU'LL NEED PER MONTH AND PER YEAR TO GENERATE THE REVENUE YOU MUST GENERATE IN ORDER TO MEET YOUR GOALS.
- DETERMINE WHAT PERCENTAGE OF THE SALE PRICE WILL YOU COMMONLY RECEIVE AS A COMMISSION, AT A FIRM LEVEL AND AT A PERSONAL LEVEL.

AVERAGE REVENUE

- TO CALCULATE YOUR AVERAGE REVENUE PER TRANSACTION, MULTIPLY THE AVERAGE SALE PRICE IN YOUR MARKET BY YOUR FIRM'S COMMISSION PERCENTAGE RATE AND THEN BY YOUR PERSONAL COMMISSION SPLIT RATE. THIS ESTIMATES WHAT YOU CAN EXPECT TO EARN FOR EACH TRANSACTION.

REVENUE EXPECTATION

- MULTIPLY THE AVERAGE REVENUE PER TRANSACTION BY THE NUMBER OF THE AVERAGE CLOSED TRANSACTIONS YOU EXPECT TO PRODUCE. THIS WILL TELL YOU HOW MUCH YOU CAN EXPECT TO MAKE PER MONTH OR PER YEAR IF YOU CLOSE SALES AT YOUR TARGET SALES FREQUENCY.

TIME MANAGEMENT & DAILY ACTIVITIES

- TIME MANAGEMENT CONSISTS OF TWO COMPONENTS: PLANNING AND PERFORMANCE.
- PLANNING INCLUDES THE WEEKLY ACTIONS OF CALENDAR MANAGEMENT, CREATING TO-DO LISTS, AND SCHEDULING ACTIVITIES FOR THE COMING WEEK OR MONTH.
- PERFORMANCE (OR PRODUCTIVITY) INCLUDES THE DAILY ACTIONS YOU DO TO GENERATE BUSINESS, SUCH AS MAKE PHONE CALLS, SEND E-MAILS, ATTEND SHOWINGS, CONDUCT INTERVIEWS, SET UP SALES CALLS, SCHEDULE LISTING PRESENTATIONS, AND DEPOSIT THOSE COMMISSION CHECKS.

PRIORITIES

- LIST THE TOP THREE TO SIX PRIORITIES TO ACCOMPLISH EACH DAY.
- PLAN FOR THE WEEK, BUT CREATE DAILY SCHEDULES OF EVENTS, APPOINTMENTS, AND TASKS.
- BLOCK OUT YOUR TIME SPECIFICALLY, CONSCIENTIOUSLY, AND CONSISTENTLY: ADMINISTRATIVE TASKS, PROSPECTING TASKS, AND FAMILY TIME.

RECORDS



A RECORD IS ANYTHING THAT YOU GENERATE OR DOCUMENT AS PART OF YOUR BUSINESS.



PAPER DOCUMENTS, ELECTRONIC RECORD, AND GRAPHIC IMAGES ARE ALL EXAMPLES OF RECORDS.



KEEP RECORDS FOR LEGAL, ORGANIZATIONAL, DECISION-MAKING, AND ADMINISTRATIVE PURPOSES.

MANAGING AND MAINTAINING RECORDS

- RECORDS THAT SHOULD BE MAINTAINED ARE CLASSIFIED INTO TWO CATEGORIES: VITAL RECORDS (CLIENT AND CORPORATE DOCUMENTS, CASE FILES, LISTING AGREEMENTS, CONTRACTS, ACCOUNTS RECEIVABLE, BANK RECORDS), AND GENERAL (BILLS, INVOICES, RECEIPTS, EMPLOYMENT RECORDS)
- TO MANAGE YOUR BUSINESS RECORDS, YOU MUST CREATE A RECORDS MANAGEMENT SYSTEM. THIS SYSTEM INCLUDES FIVE KEY COMPONENTS: CREATING RECORDS, STORING RECORDS, SEARCHING AND RETRIEVING RECORDS, SECURING RECORDS, AND DESTROYING RECORDS.
- NEVER THROW SENSITIVE RECORDS IN THE TRASH.

SPHERE OF INFLUENCE

- MAINTAINING APPROPRIATE CONTACT WITH YOUR SPHERE OF INFLUENCE IS THE MOST IMPORTANT ACTION YOU CAN TAKE TO HELP YOU BUILD AND INCREASE YOUR REAL ESTATE BUSINESS.
- OBVIOUS BENEFITS OF AN SOI BUSINESS MODEL INCLUDE LESS REJECTION, LOWER COSTS, AND MORE LOYAL CLIENTS.
- LESS OBVIOUS BENEFITS OF AN SOI BUSINESS MODEL INCLUDE MORE FUN, MORE ACCOUNTABILITY, AND FORMING GOOD HABITS.

SUCCESS

Friends, family, and current and past clients make good additions to a sphere of influence database.



Business success depends on positive relationship-building.

MAYORAL CAMPAIGN

- THE MAYORAL CAMPAIGN CONSISTS OF ASKING CONTACTS WHETHER THEY HAVE A REAL ESTATE LICENSEE THEY WOULD TURN TO IN THE EVENT OF A REAL ESTATE NEED. IF NOT, THEY MAY BE A GOOD ADDITION TO ONE'S SPHERE.

SORTING YOUR DATABASE

Sorting a SOI database into A, B, C, and D categories helps determine where to spend your time and energy: Focus on A contacts and delete D contacts.



Common business mistakes licensees make include not maximizing their sphere, not managing time well.

PAYING REFERRAL FEES

- YOU CAN'T PAY SOMEONE FOR REFERRING BUSINESS TO YOU UNLESS THAT PERSON IS A REAL ESTATE LICENSEE.

SALES CONTRACTS & AGENCY ROLES

- LICENSEES USE THE LISTING AGREEMENT TO CREATE AN AGENCY RELATIONSHIP WITH SELLERS.
- SELLERS' AGENTS' MARKET AND SELL THE PROPERTY, COLLECT AND DEPOSIT (USUALLY WITH THE BROKER) EARNEST MONEY FROM THE BUYER, KEEP THE SELLER INFORMED, NEGOTIATE FOR THE SELLER, AND COMMUNICATE WITH THE BUYER OR BUYER'S REPRESENTATIVE.
- SELLERS' AGENTS HAVE THE DUTY TO ADVOCATE FOR THE SELLER AND SEEK A SALE OF THE PROPERTY AT THE BEST PRICE AND TERMS ACCEPTABLE TO THE SELLER. THEY MUST ALSO INFORM THE BUYER THAT THEY REPRESENT THE SELLER.

BUYER'S AGENT'S TASKS

- A BUYER'S AGENT'S TASKS INCLUDE:
 - REVIEWING TRANSACTION DOCUMENTS WITH THE BUYER AND CLARIFYING, WHEN NECESSARY (WHILE AVOIDING THE UNAUTHORIZED PRACTICE OF LAW) AND NEGOTIATING CONTRACT TERMS THAT ARE FAIR AND AGREEABLE TO THE BUYER.
 - SHOWING THE BUYER PROPERTIES THAT MEET THE BUYER'S CRITERIA, ENSURING THAT THE BUYER RECEIVES ALL REQUIRED DISCLOSURES, AND ENSURING THAT THE BUYER UNDERSTANDS THE IMPORTANCE OF A PROFESSIONAL INSPECTION.
- A BUYER'S AGENT REPRESENTS ONLY THE BUYER AND HAS THE DUTIES OF ADVOCATING FOR THE BUYER TO OBTAIN THE BEST PRICE AND TERMS ACCEPTABLE TO THE BUYER.

ESSENTIAL ELEMENTS OF A CONTRACT

- VALID CONTRACTS INCLUDE AN OFFER AND ACCEPTANCE, CONSIDERATION, LEGALLY COMPETENT PARTIES, AND LEGAL PURPOSE.
 - **OFFER AND ACCEPTANCE** OCCUR WHEN THE PARTIES ENTER INTO AN AGREEMENT WITH MUTUAL FULL UNDERSTANDING OF THE CONTRACT TERMS.
 - **CONSIDERATION** IS SOMETHING OF VALUE BARGAINED FOR IN EXCHANGE OF THE REAL ESTATE.
 - **LEGAL PURPOSE** MEANS THAT CONTRACTS ARE VALID ONLY WHEN THEIR CONSUMMATION WOULD RESULT IN LEGAL OUTCOME.
 - **LEGALLY COMPETENT PARTY** IS ONE WHO HAS THE LEGAL AND MENTAL CAPACITY TO ENTER A CONTRACT.

CONSENT OCCURS WHEN THE PARTIES ENTER THE CONTRACT VOLUNTARILY, WITHOUT DURESS OR UNDUE INFLUENCE

FOCUS ON PROPERTIES

- ALWAYS CHECK YOUR CLIENTS' PAPERWORK FOR POSSIBLE FAIR HOUSING LAW VIOLATIONS AND REFER THEM TO AN ATTORNEY WHEN IN DOUBT.
- ASK QUESTIONS THAT HELP YOU GET OBJECTIVE, NON-DISCRIMINATORY INFORMATION.
- IN MARKETING, FOCUS ON PROPERTIES RATHER THAN POTENTIAL BUYERS OR SELLERS OR NEIGHBORHOODS.

UNAUTHORIZED PRACTICE OF REAL ESTATE

The duty of reasonable skill and care means you don't offer advice in areas in which you have no expertise.

Acting outside the scope of your license by offering legal advice is unauthorized practice of law.

LISTING AGREEMENTS

The exclusive right-to-sell listing agreement affords the most protection for the listing agent's commission.



In an exclusive agency listing agreement, a seller reserves the right to locate the buyer and avoid paying commission to the listing agent.

LEGAL CONTRACT

- FLORIDA LISTING AGREEMENTS SHOULD BE IN WRITING (TO BE ENFORCEABLE IN COURT) BUT MAY ALSO BE BY SPOKEN AGREEMENT.
- ONCE A LISTING AGREEMENT HAS BEEN SIGNED BY THE SELLERS AND THE AGENT, AS A REPRESENTATIVE OF THE BROKER, IT'S A LEGAL CONTRACT.

MLS & LOCKBOXES

You must obtain the seller's permission before posting the property on the MLS or installing a sign or lockbox on it.

A listing agreement (or listing contract) is a binding contract entered into by the seller of a property and you, as the seller's listing agent.

LEAD BASED PAINT

- RESIDENTIAL REAL ESTATE TRANSACTIONS INVOLVING PROPERTIES BUILT BEFORE 1978 MUST PROVIDE A LEAD-BASED PAINT DISCLOSURE, AND BUYERS/TENANTS MUST BE GIVEN A COPY OF THE EPA PAMPHLET.
- LEAD CAN BE FOUND IN PAINT, PLUMBING, DUST, SOIL, AND DRINKING WATER.
- BABIES, CHILDREN, AND PREGNANT WOMEN ARE MOST SUSCEPTIBLE TO LEAD EXPOSURE.
- LISTING AGREEMENTS, WHICH ARE LEGAL CONTRACTS, MAY BE TERMINATED FOR SEVERAL REASONS. THESE INCLUDE THE SALE OF THE PROPERTY, MUTUAL AGREEMENT, EXPIRATION, AGENT ABANDONMENT, AND SELLER'S REQUEST (SELLER MAY OWE COMMISSION).

PURCHASE AGREEMENTS

A sales contract is a binding, written agreement entered by a potential property buyer and the property's seller.

The sales contract identifies the parties and their licensees and establishes the transaction's terms and conditions.

Florida doesn't prescribe the use of any single sales contract.

APPRAISAL

To a lender, “value” (which is what loans are based upon) is the lower of either the sales price or the appraised value.

A lender will use the lower number of the appraised value or sales price to calculate the LTV ratio.

- THE APPRAISAL CONTINGENCY PROTECTS THE BUYER AND THE BUYER'S LENDER WHEN THE PROPERTY APPRAISES FOR LESS THAN THE AGREED-UPON SALES PRICE.
- AN APPRAISAL CONTINGENCY USUALLY RESERVES THE OPTION FOR THE BUYER TO TERMINATE AND RECEIVE A REFUND OF THE EARNEST MONEY IN THE EVENT THE PROPERTY DOESN'T APPRAISE AT OR ABOVE SALES PRICE.
- IF THE APPRAISAL COMES IN LOWER THAN THE SALES PRICE, SOME OTHER OPTIONS MIGHT INCLUDE THE BUYER PLACING MORE MONEY DOWN OR THE SELLER LOWERING THE SALES PRICE.

APPRAISAL CONTINGENCY

HOME INSPECTIONS

- LICENSEES SHOULD ENCOURAGE ALL BUYERS TO OBTAIN A HOME INSPECTION.
- SELLER DISCLOSURES ARE NOT ALWAYS ACCURATE, AND SELLERS MAY NOT BE AWARE OF ALL DEFECTS WITH A PROPERTY. A HOME INSPECTION CAN TELL THE TRUE CONDITION OF A PROPERTY.
- A HOME INSPECTION CONTINGENCY IS ONE OF THE BEST WAYS TO PROTECT THE BUYER'S EARNEST MONEY.



- "TIME IS OF THE ESSENCE" IN CONTRACTUAL LANGUAGE MEANS THAT THE PARTIES AGREE TO PROCEED IN GOOD FAITH WITHOUT UNDUE DELAY.
- WHEN A SPECIFIC DATE IS NOT PROVIDED IN THE CONTRACT, PERFORMANCE MUST TAKE PLACE WITHIN A "REASONABLE TIME."

**TIME IS OF
THE
ESSENCE**

PROCURING CAUSE



- COMMISSION PROTECTION CLAUSES STATE THAT A LICENSEE WILL BE PAID IF A CONTRACT IS SIGNED WITHIN A CERTAIN NUMBER OF DAYS AFTER THE AGREEMENT EXPIRES IF THE LICENSEE WAS THE PROCURING CAUSE.
- WHEN LICENSEES ARE INVOLVED IN IDENTIFYING THE PROPERTY OR THE BUYER, THEY'RE THE "PROCURING CAUSE."

OFFERS

- WHEN STRUCTURING OFFERS, THE TYPE OF MARKET, THE BUYER'S NEEDS AND CAPABILITIES, AS WELL AS THE SELLER'S NEEDS ARE ALL CONSIDERATIONS.
- IF POSSIBLE, HELP YOUR BUYERS CONSTRUCT AN OFFER THAT MEETS THE SELLER'S NEEDS.
- ALL OFFERS SHOULD BE IN WRITING AND MUST BE PRESENTED TO THE PROPERTY OWNER AS SOON AS IS REASONABLY PRACTICAL.

OPTIONS

- WHEN SELLERS RECEIVE AN OFFER, THEY HAVE FOUR OPTIONS: ACCEPT IT, REJECT IT, COUNTER IT, OR IGNORE IT.
- COUNTER-OFFERS KILL THE ORIGINAL OFFER AND SHOULD ONLY BE USED TO COUNTER UNACCEPTABLE TERMS THAT ARE WORTH RISKING THE DEAL OVER.

PRESENTING OFFERS



- WHEN PRESENTING OFFERS, LICENSEES SHOULD PREPARE NET PROCEED STATEMENTS ON ALL OFFERS FOR THE SELLER AND NOT GIVE PREFERENCE TO AN OFFER JUST BECAUSE IT WAS THE FIRST RECEIVED.
- WITH MULTIPLE OFFER SITUATIONS, CONSIDER PRICE AND TERMS, AND WORK WITH THE OFFER MOST CLOSELY RELATED TO THE SELLER'S NEEDS.



CLOSINGS

- THE CLOSING AGENT IS OFTEN EITHER AN ATTORNEY OR THE TITLE COMPANY'S REPRESENTATIVE.
- PRIOR TO CLOSING:
- AGENTS SHOULD EXAMINE THE CLOSING DISCLOSURE FOR ERRORS, PARTICULARLY ENSURING THAT THE DOWN PAYMENT HAS BEEN CREDITED APPROPRIATELY.
- THE BUYER LEARNS HOW MUCH MONEY WILL BE NEEDED TO CLOSE. THIS IS COMMONLY PROVIDED BY WIRED FUNDS.
- THE BUYER MUST OBTAIN AN INSURANCE BINDER.
- AGENTS SHOULD EXAMINE THE CLOSING DISCLOSURE FOR ERRORS, PARTICULARLY ENSURING THAT THE DOWN PAYMENT HAS BEEN CREDITED APPROPRIATELY.

LENDER'S ROLE

- THE LENDER'S ATTORNEY REVIEWS TRANSACTIONAL DOCUMENTS PRIOR TO OR AT CLOSING.
- THE LENDER WILL REQUIRE THE PROPERTY TO BE FREE AND CLEAR OF ENCUMBRANCES AND WILL REQUIRE TITLE INSURANCE AND HAZARD INSURANCE TO PROTECT THE LENDER'S INVESTMENT (THE LOAN).
- THE LENDER WILL REVIEW THE APPRAISAL AND INSPECTION REPORT.

AT CLOSING

- AT CLOSING, THE SELLER CONVEYS TITLE TO THE BUYER, AND THE BUYER PAYS FOR AND RECEIVES TITLE TO THE PROPERTY.
- AT CLOSING, THE BUYER'S AND SELLER'S AGENTS SHOULD BRING TRANSACTIONAL DOCUMENTS FOR CLARITY, IF NEEDED, AND PROVIDE SUPPORT TO THE CLIENTS.
- AT CLOSING, THE TITLE COMPANY REPRESENTATIVE PRESENTS ALL DOCUMENTS TO THE PARTIES AND OBTAINS SIGNATURES AND DELIVERS EVIDENCE THAT THE TITLE IS INSURED.

ETC.

Contracts signed at closing include the sales agreement, mortgage loan commitment, and title insurance contract.



Title changes hands when the deed is transferred from the seller to the buyer.



Transaction commissions are paid to the brokerages. Each brokerage will then distribute commissions to its licensee.

BUYER'S AND SELLER'S ROLE

- SELLERS ARE RESPONSIBLE FOR THINGS SUCH AS COMPLETING ALL REQUESTED REPAIRS AND REQUESTING A LOAN PAYOFF STATEMENT FROM THEIR LENDER.
- BUYERS ARE RESPONSIBLE FOR ORDERING AN APPRAISAL (GENERALLY INITIATED BY THE LENDER), COMPLETING THE LOAN APPLICATION, ORDERING THE INSPECTION, AND PURCHASING HOMEOWNERS' INSURANCE.
- THE PURPOSE OF THE FINAL WALK-THROUGH IS TO DETERMINE IF CONTRACTED REPAIRS HAVE BEEN MADE, IF THE PROPERTY HAS BEEN CLEANED AND READIED FOR MOVE-IN, AND WHETHER ONLY APPROPRIATE ITEMS HAVE BEEN REMOVED.
- LEADING UP TO CLOSING, AGENTS MUST BE COGNIZANT OF DEADLINES AND ADVISE CLIENTS REGARDING REPAIRS, PAPERWORK, AND CONTINGENCIES.

- ESCROW IS A FINANCIAL AGREEMENT INVOLVING A BUYER AND A SELLER, WHERE MONEY IS KEPT IN SAFEKEEPING BY AN ESCROW AGENT OR TRUSTEE UNTIL PREDEFINED CONDITIONS ARE MET BY BOTH PARTIES.

ESCROW

ILC

- AN IMPROVEMENT LOCATION CERTIFICATE (ILC) IS A BASIC WAY TO DESCRIBE AND LOCATE PROPERTY AND IS OFTEN REQUIRED BY LENDERS OR TITLE INSURANCE COMPANIES.

SURVEY

A survey may be used to verify, clarify, correct, or create the legal description for a property.

A survey is used to determine whether encroachments exist and to determine the boundaries of the property.

HOME INSPECTIONS

Licensees should encourage buyers to obtain a home inspection.

A home inspection contingency is one of the best ways to protect the buyer's earnest money in the event a defect is found during the inspection that the buyer and seller can't negotiate.

TITLE

- AN ABSTRACT OF TITLE PROVIDES A SUMMARY OF THE TITLE HISTORY.
- A CHAIN OF TITLE ESTABLISHES PATH AND PROOF OF OWNERSHIP.
- A TITLE INSURANCE POLICY INSURES THE POLICY OWNER AGAINST FINANCIAL LOSS IF THE TITLE TO THE REAL ESTATE HAS COVERED DEFECTS.

DEED

- **A DEED IS USED TO ESTABLISH PROOF OF OWNERSHIP; RECORDING OF THE DEED IS PUBLIC NOTICE OF THAT OWNERSHIP.**

PRO-RATIONS

- A PRORATION IS AN AMOUNT THAT IS PROPORTIONALLY SPLIT BETWEEN THE BUYER AND SELLER.
- A CREDIT IS AN AMOUNT THAT APPEARS AS A SUM IN THE PARTY'S FAVOR—AN ALREADY PAID, REIMBURSED, OR PROMISED AMOUNT.
- A DEBIT IS AN AMOUNT A PARTY HAS TO PAY.
- THE CLOSING STATEMENT LISTS ALL COSTS AND CREDITS FOR BUYERS AND SELLERS IN A CLOSING TRANSACTION.

MISC. TASKS

The closing agent has several tasks to complete after the closing, including properly recording documents, accounting for and disbursing funds, and delivering closing documents.

Real estate licensees have just a couple of required tasks after the closing, including returning settlement statements to their brokerage firms and ensuring the transaction file is complete.

TITLE INSURANCE

- OWNER'S TITLE INSURANCE COVERS LEGAL COSTS FOR TITLE ISSUES THAT ARISE AFTER THE SALE AND MAY NEED TO BE PURCHASED IN ADDITION TO LENDER'S TITLE INSURANCE.
- WHEN TITLE INSURANCE IS PURCHASED BEFORE A SALES TRANSACTION, THE TITLE COMPANY CONDUCTS A TITLE SEARCH TO UNCOVER ANY TITLE ISSUES THAT NEED TO BE CLEARED BEFORE THE SALE.
- TITLE INSURANCE PROTECTS LEGAL OWNERSHIP CLAIMS TO REAL PROPERTY.

TITLE EXAMINATION

- A TITLE EXAMINATION IS A SEARCH OF PUBLIC RECORDS (AT LEAST THE PAST 60 YEARS) OF A PROPERTY TO SHOW OWNERSHIP DURING THAT TIME (CHAIN OF TITLE).
- A LIMITED TITLE SEARCH IS ONE THAT SEARCHES AND INDEXES PUBLIC RECORDS GOING BACK FEWER THAN 60 YEARS.
- A TITLE REPORT PROVIDES THE BUYER WITH INFORMATION ABOUT THE PROPERTY'S TITLE RECORD, LEGAL DESCRIPTION, AND OTHER MATTERS AFFECTING THE TITLE THAT MAY NEED TO BE ACTED UPON TO OBTAIN A MARKETABLE TITLE.
- A CHAIN OF TITLE ESTABLISHES THE PATH OF OWNERSHIP OVER TIME.
- AN ABSTRACT OF TITLE PROVIDES A SUMMARY OF THE TITLE HISTORY.
- A TITLE SEARCH IS PERFORMED TO DETERMINE WHETHER THE TITLE IS MARKETABLE (MEANING FREE OF ENCUMBRANCES).

CORRECTION DEED

- A CORRECTION DEED IS USED TO CORRECT ANY ERRORS FOUND IN THE CHAIN OF TITLE, SUCH AS A MISSPELLING OF AN OWNER'S NAME.

TITLE ISSUES

- COMMON TITLE ISSUES INCLUDE RECORDING ERRORS, UNKNOWN LIENS, AND BOUNDARY ISSUES.
- IN THE EVENT OF A CLAIM, THE TITLE COMPANY WILL EITHER PAY THE DEBT OR TAKE THE CLAIMANT TO COURT. IF THE TITLE COMPANY PAYS THE CLAIM, IT MAY SEEK REIMBURSEMENT FROM THE AT-FAULT PARTY.

RECORDATION

- RECORDATION AND PHYSICAL POSSESSION OF THE PROPERTY PROVIDE CONSTRUCTIVE NOTICE TO THE PUBLIC AS TO THE RIGHTFUL OWNERSHIP OF THE PROPERTY.
- RECORDATION PROVIDES PROTECTION FOR THE BUYER FROM COMPETING CLAIMS OF OWNERSHIP.

