Session 2: Working With Sellers

Course Licenses

Policy

- Copyright © 2015 by Real Estate Institute
- All rights reserved. No part of this presentation may be recorded, reproduced, stored in any retrieval system or transcribed in any form or by any means (electronic, mechanical, photocopy, recording or otherwise) without the prior written permission of the Real Estate Institute.
- A considerable amount of care has been taken to provide accurate and timely information. However, any ideas, suggestions, opinions, or general knowledge presented are those of the authors and other contributors, and are subject to local, state, and federal laws and regulations, court cases, and any revisions of the same. The viewer is encouraged to consult legal counsel concerning any points of law. This presentation should not be used as an alternative to competent legal counsel.
- This presentation is available exclusively for students enrolled in a course with Real Estate Institute.
Session 2: Working With Sellers

Working With Sellers

- The Listing Presentation
- Fact Finding
- Market Analysis
- Seller Net Sheet

Listing Presentation

Fact Finding

- Inspecting the Subject Property
- Measurements
- Condition
  - Latent Defects
  - Amenities
Session 2: Working With Sellers

Fact Finding

• Seller’s Motivation or Goal

  • Voluntary
    • Work Change
    • Change in Personal Situation
      • Health, Death, Birth

  • Involuntary
    • Financial Issues
    • Foreclosure
    • Short Sale

Interviewing the Seller

• Seller’s Motivation or Goal

  • Involuntary
    • Financial Issues
    • Foreclosure
    • Short Sale
Session 2: Working With Sellers

Market Analysis

- Computer Generated
- Zillow, Trulia, and Other Commercial Websites
- MLS
- Doing Research

Market Analysis

- Creating the CMA
- Selecting Comparable Properties
  - Location
  - Status
    - On Market
    - Sold
    - Expired
- Evaluating Differences
  - Physical
  - Timing
  - Reason For Sale (Forced Sale)
- Estimating Value
  - Agent or Seller
Session 2: Working With Sellers

Appraisal Approach

• Sales Comparison
• Income
• Cost

Income Approach

• FORMULA: IRV

Income Approach Exercise

• Gather the facts:
  • Sue Seller owns a 12-unit building.
  • Each unit rents for $800 per month.
  • The building has a 5% vacancy factor.
  • The cap rate is 5%.
  • The expenses are as follows:
    • Monthly mortgage $2,500
    • Yearly taxes $18,000
    • Yearly insurance $8,750
    • Other yearly expenses $ 3,400
  • What is the value of this property?
Session 2: Working With Sellers

Income Approach Exercise

1. Write the formula.
2. Plug in the variables.

Answer:

<table>
<thead>
<tr>
<th>Income</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>109,480</td>
<td>5%</td>
</tr>
</tbody>
</table>

Transfer Tax

• Formula For Calculating Transfer Tax:
  • S
  • P
  • A
  • T
Session 2: Working With Sellers

Transfer Tax

• Formula For Calculating Transfer Tax:
  • Sales Price
  • Personal Property (if any)
  • Assumed Mortgage (if any)
  • Taxable Amount

Sales Price: $200,000
Personal Property: 0
Assumed Mortgage: 0
Taxable Amount: $200,000

\[
\text{Taxable Amount} = \frac{\text{Sales Price}}{500} = 400
\]

\[
400 \times 0.75 = 300
\]

Transfer Tax: $300
### Transfer Tax

- **Calculate Sue Seller’s transfer tax:**
  - **Sales Price:** $200,000
  - **Personal Property (if any):** -$5,300
  - **Assumed Mortgage (if any):** - 0
  - **Taxable Amount:**

\[
\text{Taxable Amount} = \left( \frac{\text{Sales Price} - \text{Personal Property (if any) - Assumed Mortgage (if any)}}{100} \right) \\
= \left( \frac{200,000 - (-5,300) - 0}{100} \right) \\
= 194,700 \times 0.75 \\
= 146,025 \\
\]

**Answer:** $146,025

### Working With Sellers

1. Listing Agreement
2. Additional Documents and Disclosures
Session 2: Working With Sellers

Types of Listing Agreements

- Open
- Exclusive Agency
- Exclusive Right to Sell

Session 2: Working With Sellers

Types of Listing Agreements:
- Open

Session 2: Working With Sellers

Types of Listing Agreements:
- Open
- Exclusive Agency
Session 2: Working With Sellers

Types of Listing Agreements:
• Open
• Exclusive Agency
• Exclusive Right to Sell

Listing Agreement-Scenario

Sue Seller subdivided her acreage and offered the lots for sale. Larry Licensee told Sue that he could sell the lots. Sue orally agreed to pay Larry a commission if he sold her land. While Larry was looking for buyers, Sue sold the lots on her own. Much to Larry’s surprise, Sue has refused to pay a commission to him.

How should Larry Licensee proceed?

Listing Agreement-Scenario

Sue Seller subdivided her acreage and offered the lots for sale. Larry Licensee told Sue that he could sell the lots. Sue orally agreed to pay Larry a commission if he sold her land. While Larry was looking for buyers, Sue sold the lots on her own. Much to Larry’s surprise, Sue has refused to pay a commission to him.

How should Larry Licensee proceed?
Session 2: Working With Sellers

Listing Agreement-Scenario

- Larry should proceed by:
  A. Suing the seller for his commission
  B. Hiring an attorney
  C. Reporting the seller to IDFPR
  D. Learning from this experience and making sure that next time he gets an exclusive right to sell listing agreement - in writing!

Listing Agreement

- Exclusive listings must:
  - Be in ______ and include:
    - Duration with termination date clearly set forth or provide the client with a right to terminate annually by giving no more than 30 days’ prior written notice.
    - Amount or basis for computing compensation
      - Antitrust, Price fixing, Boycotts
    - Time of payment of compensation
    - Clear identification of the property
    - Statement regarding illegal discrimination (Fair Housing)
Session 2: Working With Sellers

Listing Agreement

- Exclusive listings must:
  - Be in **writing** and include:
    - Duration with termination date clearly set forth or provide the client with a right to terminate annually by giving no more than 30 days’ prior written notice.
    - Amount or basis for computing compensation
    - Antitrust; Price fixing, Boycotts
    - Time of payment of compensation
    - Clear identification of the property
    - Statement regarding illegal discrimination (Fair Housing)

- The sponsoring broker, through its sponsored licensees, must:
  - Deliver of and present all offers
  - The client in developing, communicating, negotiating, and presenting offers, counteroffers, and notices that relate to the offers and counteroffers
  - The client’s questions relating to the offers, counteroffers, notices, and contingencies

These services cannot be waived and apply to all transactions, including commercial.
Session 2: Working With Sellers

Listing Agreement

- Exclusive listings must be in writing and include:
  - Statement regarding Minimum Services
  - The sponsoring broker, through its sponsored licensees, must:
    - accept delivery of and present all offers
    - assist the client in developing, communicating, negotiating, and presenting offers, counteroffers, and notices that relate to the offers and counteroffers
    - answer the client’s questions relating to the offers, counteroffers, notices, and contingencies

These services cannot be waived and apply to all transactions, including commercial.
Listing Agreement

- Exclusive listings must be in writing and include:
  - Statement regarding Minimum Services
  - The sponsoring broker, through its sponsored licensees, must:
    - accept delivery of and present all offers
    - assist the client in developing, communicating, negotiating, and presenting offers, counteroffers, and notices that relate to the offers and counteroffers
    - answer the client’s questions relating to the offers, counteroffers, notices, and contingencies

These services cannot be waived and apply to all transactions, including commercial.
Session 2: Working With Sellers

Listing Agreement

- Exclusive listings must be in writing and include:
  - Statement that any change must be in writing and signed by the parties
  - Name of the sponsoring broker
  - Name of the seller
  - Signatures of the parties or their authorized representatives
  - No blanks can be left unused.

Listing Agreement

- Net listing

Net Listing Agreement

- Sue Seller wants to net $350,000 from the proceeds of the sale. How much should Larry Licensee list the property for, if he plans to charge 4% commission?
Session 2: Working With Sellers

Net Listing Agreement

• Sue Seller wants to net $350,000 from the proceeds of the sale. How much should Larry Licensee list the property for, if he plans to charge 4% commission?

• 350,000
• 96%  364,583

Session 2: Working With Sellers

Net Listing Agreement

• Sue Seller wants to net $350,000 from the proceeds of the sale. How much should Larry Licensee list the property for, if he plans to charge 4% commission?
• And...the seller will have $3,500 in additional closing cost?

• 350,000
• 96%  364,583

Session 2: Working With Sellers

The Listing Agreement
Larry Licensee entered into an exclusive brokerage agreement with Sue Seller. For a small fee, Larry agreed to go to Sue’s house, write down information about her property, and add it to the MLS. Interested buyers and their representatives were instructed to contact Sue directly. Since Larry was charging less than his competitors, he reasoned that he did not have to present offers to Sue or provide any additional services to her.

Can Larry Licensee do this?

At a listing presentation, Larry Licensee explained to Sue Seller the benefits of listing with his company. Sue asked, “Why is your company’s commission so high?”

How should Larry Licensee respond?

Larry should respond by saying:
A. “It’s not too high. That’s just the going rate.”
B. “You will not find anyone who charges less.”
C. “If you do find someone who charges less, it’s probably some kind of low-budget discount firm that will not be able to sell your home.”
D. “Our firm spends a lot of money promoting our company’s listings in order to try to find a buyer and sell your property in the shortest possible time.”
Session 2: Working With Sellers

Listing Agreement-Scenario

• Larry should respond by saying:
A. “It’s not too high. That’s just the going rate.”
B. “You will not find anyone who charges less.”
C. “If you do find someone who charges less, it’s probably some kind of low-budget discount firm that will not be able to sell your home.”
D. “Our firm spends a lot of money promoting our company’s listings in order to try to find a buyer and sell your property in the shortest possible time.”

Session 2: Working With Sellers

Federal Laws

• Innocent Conduct or Illegal Behavior?

Session 2: Working With Sellers

Antitrust Laws
Session 2: Working With Sellers

Antitrust Laws

- Price Fixing
- Group Boycotting
- Market Allocation
Session 2: Working With Sellers

Antitrust Laws

- Price Fixing
- Group Boycotting
- Market Allocation
- Tying Agreements

Quick-Fire Review

• It’s a good idea to compare commission rates with licensees from other firms.
Session 2: Working With Sellers

Quick-Fire Review

• It’s a good idea to compare commission rates with licensees from other firms.
  • FALSE

Quick-Fire Review

• Only licensees are regulated by antitrust laws.
  • FALSE
Session 2: Working With Sellers

Seller Disclosures

• Residential Real Property Disclosure Report
• Seller should complete independent of broker
• Delivery is key issue for licensee
Session 2: Working With Sellers

Seller Disclosures

- Disclosure of Information on Radon Hazards

Radon Disclosure

- Lead-Based Paint Disclosure
Session 2: Working With Sellers

Lead-Based Paint Disclosure

• Agents Need to Disclose Condition

Session 2: Working With Sellers

Seller Disclosures

• Agents Need to Disclose Condition
• Disclosure of Physical Condition
• Stigmatized Properties
Session 2: Working With Sellers

Seller Disclosure-Scenario

- During the listing appointment, Sue Seller tells Larry Licensee that a tenant was murdered at the property she is selling. Larry tells Sue that this information does not impact the physical condition of the property and does not need to be disclosed.

- Is this permitted?

Session 2: Working With Sellers

To Tell or Not to Tell...

- Stigmatized Properties

Session 2: Working With Sellers

Working With Sellers - Final Checklist

- Checklist to a Successful Listing Presentation
- Fact Finding Research
- CMA
- Prepared the Paperwork
  - Contract
  - Disclosures
  - Signatures
- Prepared Marketing Plan
  - Advertising
  - Open Houses
- Property is SOLD 😊
Session 2: Working With Sellers

Quick-Fire Review

• All exclusive brokerage agreements must provide a minimum service requirement.

• TRUE
Session 2: Working With Sellers

Quick-Fire Review

• Advertising the property is a minimum service requirement.

• FALSE
Session 2: Working With Sellers

Quick-Fire Review

• The listing agent of residential real property (1 to 4 units) shall complete all applicable items in the Residential Real Property Disclosure Report.

• FALSE

Quick-Fire Review

• Licensees are required to disclose that the property was the site of a murder.

• FALSE

Quick-Fire Review

• Licensees are required to disclose that the property was the site of a murder.
Session 2: Working With Sellers

Quick-Fire Review

- Licensees are not required to research issues or occurrences at a location that do not have a direct physical or financial effect on the property.

- **TRUE**

Open Questions
THE END

Thank You For Attending Today's Class!

www.InstituteOnline.com