Broker Management: Establish & Maintain a Successful Brokerage

4 Hours Correspondence Continuing Education

Broker Management- Establish and Maintain a Successful Brokerage

Orientation

The learning objectives of this course are as follows:

1. Ownership and Organization

2. Identifying the Type of Company

3. Identifying Niches

4. Analyzing the Market

5. Staffing, Training, Support Staff, and a Policies and Procedures Manual

To enhance comprehension, review questions will be asked throughout the course.

A final exam will be administered after the course is completed to check for mastery of the material.

If you do not pass the final exam, you can review the course material and retake the exam at no additional cost.

If assistance is needed with this course you can contact PDH Academy at 888-564-9098 or at pdhacademy@gmail.com.

After completing the course and final exam, we ask that you take our course survey to help us continue to provide high-quality continuing education.

Module 1

Introduction

Welcome to the PDH Academy course Broker Management: Establish & Maintain a Successful Brokerage. This course is designed to outline how to set up and run a real estate brokerage. Our learning objectives for the entire course include:

1. Identify how the company will be owned and organized
2. Identify what kind of company the brokerage will be: residential, commercial, property management, general
3. Identify what niche(s) the company will serve
4. Analyze the existing market to determine the need for a real estate company, and potential income from a brokerage
5. Explain the steps in staffing an office with both licensed and non-licensed individuals, including hiring, firing, training, and having a Policy and Procedures Manual

This course is designed to be an introduction to the topics outlined above. It is a survey course, in that the time frame for this course does not allow in-depth exploration of these topics. Students who take this course and open their own offices will undoubtedly seek additional learning and seminars in the day to day operation of a real estate brokerage.

Most people who become owners of real estate brokerages come from the industry as salespeople. The skill set needed to list and sell real estate is very different from the skill set needed to run an office, and manage other people. Many agents segue into management, or owning their own company, because they are bored with selling and are looking for another challenge. Some are seeking to make more money, although many agents find out the hard way that their income can be negatively impacted, for a variety of reasons we will discuss in an upcoming module.

Some of these individuals have progressed to management within an existing company, and from there they either open their own company or buy an existing company. License laws vary from state to state, with some states having “all-broker” status, but even in states with “all broker” licensees, one individual is the broker in charge. This is variously referred to, in different states, as “broker of record”, “managing broker”, “broker in charge”. Whatever the nomenclature, this person is responsible for supervising the licensees and other employees in the company. Even if the company is owned by several brokers, and they, in fact, share responsibilities, in the eyes of the licensing body, there is one broker in charge. This person may be the owner of the company, but not necessarily. However, every firm needs to

have someone in charge, and licenses are required to sell real estate in all 50 states. The specific requirements of a real estate office vary from state to state, so you will want to get and review those requirements from your state licensing board. Some states require an inspection before an office is opened to the public.

If you are the licensee, and you plan to be the owner, the next question to ask is how the business will be owned. The National Association of REALTORS®, the largest trade group for real estate brokers, both in the United States, and internationally, collects data about real estate firms. If you are a REALTOR®, you can access this data through their website, www.realtor.org .

Some of the interesting facts from this report include the following:

- Most real estate companies are *small*; 80% have a single office typically with two full-time real estate licensees
- 79 % of firms specialize in residential brokerage
- The most common form of ownership is the LLC at 32%; followed by sole proprietorships at 29%; S-Corps at 27% and C-Corps at 10%

If you are starting small, plan to specialize in residential, and are thinking of either an LLC or a sole proprietorship, you are certainly not alone; in fact you meet the model of a "typical firm".

Ownership

How the firm is owned is important, because of tax ramifications, liability, and what happens to the firm when the owner dies. Let's compare some of these types of ownership.

LLCs

One benefit to the LLC (Limited Liability Company) is that income passes through to the owners, without any corporate tax being charged or paid. This contrasts with C-Corporations, which pay taxes at the federal level, and possibly the state level. Because it is limited liability it ostensibly shelters the individual owners from claims and losses in a lawsuit. However, most banks when financing a loan for an LLC require the individual owners to personally sign for financing. This puts the recourse for the loan on the individuals, not the LLC. Another advantage is that the LLC can live on past the death of the owner or owners. LLCs can have multiple owners, and the ownership can be any percentage interest as determined by the owners; income is paid based upon percentage of ownership, or as directed in the corporate documents.

If you choose to go the LLC route with another person, who is not your spouse, you should have clear instructions in the Articles of Incorporation regarding buying or selling out an

interest. People anticipate that they will continue to get along with business partners, but you need to have a "Plan B" if there is disagreement, or if the other owner dies and the heirs of the estate want payment for his or her share. You own the LLC through corporate shares. In the Articles of Incorporation things to be addressed include: transfer of corporate shares, i.e. right of first refusal, transfer of partial interest, etc. In the Articles of Incorporation, you can set a value for shares; some companies also decide to carry "key man" insurance on the other partners, so in the event that one of the partners dies, the remaining partner(s) have the funds to buy out that person's share. Are there any disadvantages? There is a cost to set up the LLC, although most people who use LLCs find the cost, which can be a few thousand dollars to be worth it for the other benefits. There are record keeping and reporting requirements for LLCs.

Sole Proprietorships

Many real estate companies are set up and run as sole proprietorships, because these are very simple. It is ownership by one person. The income passes through to the owner, who then must file a Schedule "C" with his/her federal tax return to report it. The Schedule "C" will list gross income, and deduct all expenses and depreciation, leaving an adjusted gross income. This is taxed at the rate for the tax payer, based on his/her income from all sources. The most glaring disadvantage is there is no "corporate shield" to protect the owner from lawsuits, so if the company is sued, the personal assets of the owner are at risk. Another disadvantage is that this form of ownership terminates with the death of the individual.

S-Corps and C-Corps

S-Corps and C-Corps are other forms of corporate ownership which some brokerages use. S Corporations issue stock, have shareholders, and are managed by elected directors. S Corporations do not pay taxes at the corporate level. LLCs, in contrast, are managed by the owners. C Corporations are shareholder owned, managed by directors, and taxed at the corporate level. In the real estate industry, a good example of a C Corporation on the national level is Realogy, which owns ERA, Century 21, and Coldwell Banker. Before you decide what kind of ownership suits your needs, you should consult with your accountant and your attorney. One consideration should always be what will happen to the business if you die. Will your heirs have something to sell, or will it end with you? And, hopefully, you will retire before you die, so another question is are you structuring and building your real estate brokerage so that it can be sold when you are ready to retire? These and many other questions should be thoroughly discussed with a knowledgeable accountant and/or tax attorney who specializes in setting up small businesses, particularly real estate companies.

Module 1 Review Questions

1. Which of the following types of ownership is taxed at the corporate level?
    a. C Corporations
    b. LLCs
    c. S Corporations
    d. Sole proprietorships

2. Which of the following types of ownership, in the event of the owner's death, ceases to exist?
    a. C Corporations
    b. LLCs
    c. Sole proprietorships
    d. S Corporations

3. Which is correct concerning brokers at real estate firms?
    a. The owner of a real estate firm must be a broker
    b. There can be many brokers at a real estate firm, but one broker will be the managing broker
    c. There can only be one broker at a real estate firm
    d. There can be many brokers, and they can jointly manage the firm, with respect to how the licensing board views the company

4. The typical real estate company in the United States, per statistics from the National Association of REALTORS® is which of the following?
    a. A multi-office operation with around 100 sales associates
    b. One office, with about 24 agents
    c. A "Mom and Pop" operation, with 2 full time real estate licensees
    d. A small office with 5 to 10 sales agents

5. Approximately what percentage of real estate firms, per the National Association of REALTORS® specialize in residential real estate?
    a. 80%
    b. 90%
    c. 60%
    d. 50%

6. Which of the following is the most common form of ownership of a real estate company, per information from the National Association of REALTORS®?
    a. Sole proprietorship
    b. “C” Corporation
    c. “S” Corporation
    d. LLC

7. One of the tax benefits of an LLC is:
    a. Taxes are paid at the corporate level
    b. They are tax-free
    c. Income passes through to the individuals, without being taxed at the LLC level
    d. The LLC reduces the individual’s federal tax rate by 10%

8. Which of the following would typically be included in Articles of Incorporation?
    a. An agreement to sell the business at a specific point in time
    b. A right of first refusal to buy shares from a co-owner who wants to sell them
    c. A non-compete clause
    d. All of the above

9. Which of the following types of ownership does not protect the owner, personally, from lawsuits?
    a. Sole proprietorship
    b. LLC
    c. “S” Corporation
    d. “C” Corporation

10. Which of the following are disadvantages of LLCs?
    a. More record keeping and paperwork
    b. No taxation to the individual owners
    c. No “corporate veil” when it comes to lawsuits
    d. All of the above

Module 1 Review Question Answers:

1. A 2. C 3. B 4. C 5. A 6. D 7. C 8. B 9. A 10. A

Module 2

In this module, we will cover the following learning objectives from our main course outline:

1. Identify what kind of company the brokerage will be: residential, commercial, property management, general

2. Identify what niche(s) the company will serve

Among the many choices a real estate company owner has to make is what kind of company they will have. This includes whether or not the company will be a franchise; what size company you will have; what aspects of real estate services the firm will offer; and what niche(s) the company will serve. One thing is usually a recipe for disaster: trying to be "all things to all people". Your choices should reflect your budget, your strengths, your background and training, and the composition of the market where you want to locate your company. Let's take these one by one, starting with franchises.

Franchises

Although real estate franchises may appear ubiquitous in some markets, they actually comprise about 15% of all real estate firms in the United States, per research from the National Association of REALTORS®. The last survey NAR did of franchise firms versus non-franchise firms was in 2011, and can be accessed on their website.

If you read the report, it tells you that the initial fee to purchase a franchise can range from a low of a couple of thousand dollars to a high of $35,000 of more. The fees charged on the revenue of the firm are usually in the 4% to 6% range. Many franchises charge extra fees for branded marketing materials, conventions, training, etc. Most franchise owners cite advantages as including: national advertising and brand recognition; marketing materials, identity with a national brand, and having marketing and consulting resources available to owners.

Of course disadvantages include the initial cost, the ongoing expense, and the length of the contract that the franchisor might require (some are as lengthy as 15 years). A good way to get a view of a franchise that isn't a sales pitch is to locate other brokers who own the franchise you are considering buying, and ask them to speak frankly, and off the record about their experience with the franchise. A "big picture" consideration for you is whether or not owning a franchise will enhance your ability to draw agents to your company. How would your franchise company compare to other companies in the area, particularly in terms of how it affects the agent's bottom line? Although there are 100% commission concept companies, the sales agents at these companies pay a certain "desk fee" which includes the franchise fees. If

you are starting a company where you are already well known as an agent, you may not need a franchise behind you to help you get business. If you are moving to an area where you are not known well, the franchise name will bring in business.

Size of the company

Unless you purchase an existing company, which is certainly a viable way to become an owner, you will usually start small and add agents as you go along. From the agent's point of view, unless or until your firm is established, with a proven track record, they are taking a chance by affiliating with you. Name recognition is very important, and no agent wants to feel as if they are losing out on business because consumers have never heard of their company. It is an easy trap, as a potential owner to think that more agents will result in more commission dollars, and hence more profit for the company. However, as the "Pareto Principle" illustrates, generally speaking, 80% of the work is done by 20% of the people.

More agents will demand more of your time and energy; if your strengths are in listing and selling real estate, you will be taking time away from your personal production to manage other people; their sales efforts may not end up producing the same level of income for you.

Some questions you need to answer include:

- What are my long term goals for the size of the company, in terms of agents?
- How many agents can I supervise personally, and at what point will I need additional managers?
- Will I be a selling broker, or a managing broker? Will I begin by being a selling broker, but segue to only management?
- At what point will I have to hire more people, and what jobs will they do? Will you need, for example, a closing coordinator, a sales manager, a trainer, etc?

Real estate companies typically evolve over time. Many people bring in family members first, as they will often do clerical work for free to help you out. Some firms grow through mergers and acquisitions.

One path to consider, before starting a real estate company from scratch, is whether or not there might be a company in your market area where the owner is ready to sell. You would want a company with a solid local reputation, but handled correctly, you can often purchase an existing firm and have many, if not all, of the existing agents stay with the company. If you are thinking of purchasing an established company in the area, make certain that the company enjoys a good local reputation. Part of the negotiations with the owner should include the former owner endorsing you and your ownership, via letters to past and current clients; social media posts; advertising, etc. Another aspect is whether the selling broker will stay on for a

certain length of time to help with a smooth transition. Because you will be paying this broker for the business, you will want to have a "non-compete" clause in the sales agreement for the brokerage. It is very important to have an attorney review this, as non-compete clauses are not always upheld by the courts. The reason is that some courts view them as too severe a restriction on the person's ability to make a living. A good non-compete clause will reference the sale of the brokerage, so it is clear that the former owner was compensated for the business, and for agreeing not to compete. The clause needs to be defined in terms of time and distance. It can't be anywhere in the state or country, and it can't continue forever. An example of a typical non-compete clause would be:

"Selling Brokerage agrees not to open another real estate company and compete with Buying Brokerage for a period of five years from the date of the sale of the brokerage, in Lycoming County, Pennsylvania, and Selling broker further agrees to not affiliate with another brokerage located in Lycoming County Pennsylvania for a five year period, commencing on the date of the sale of the brokerage."

Will you be the only owner and manager, or will you have a partner, or partners? If you have a partner, or are considering joining with a partner or partner, try to find someone whose strong points are where your weak points are. For example, a good combination is a "numbers person" with a "people person". Keep in mind that you, and any partners you have will have to make many decisions about how the company will be run, from the mundane question of "How do we want people to answer the phone?" to the big question of "Where do we want our firm to be in 5 years, 10 years, 15 years". All of these are "big picture" items for you to consider. Another consideration as you segue from sales to management is that everything is now *your* responsibility. That means from the big issues: "We didn't have that closing, and we have bills and payroll due" to "We are out of copy paper". Although ideally you would delegate lower level details to another person, typically in the early stages of running a brokerage, you are "it".

Niches

Another decision you need to make is what niche(s) the company will serve. Here's a list of potential real estate niches, with "sub-niches" underneath them.

- ✓ Residential
  - First time buyers
  - Resort or second home buyers
  - Move up buyers
  - Luxury buyers
  - Condos
  - Golf course communities

- 55+ communities
- Military
- REO, foreclosure and short sales
- Relocation
- New construction

✓ Commercial & Industrial
- Small commercial, e.g. mixed use buildings, small office buildings
- Large commercial, e.g. shopping malls
- Small industrial
- Large industrial

Note that this niche will involve leasing as well as sales, and large streams of income can be realized through leasing

✓ Land, Farms, Ranches
- Land development and construction
- Farms and ranches
- Recreational land

✓ International buyers for all kinds of real estate
- Depends on your market: Florida, for example, has a very high percentage of international buyers

✓ Appraisal and consulting
- Note that a specific, separate license is required to be an appraiser

✓ Property management
- Residential
- Commercial
- Both

✓ Auction
- In some states, a separate license is required to be an auctioneer

The advantage of specialization is that you can hone your skills and become the expert in that particular niche. Note that we are defining markets by both the type of property and the buyer. First time buyers are radically different than luxury buyers. Not only do you need a skill set for each niche, you need to determine if there is enough activity in that niche to make it worthwhile. For example, consider a market where the demographics are: older people, mostly high school education, median income below state average. If this is your market, it will probably not support luxury sales.

Let's look again at our list of residential niches:

- ✓ First time buyers
- ✓ Resort or second home buyers
- ✓ Move up buyers
- ✓ Luxury buyers
- ✓ New construction
- ✓ Condos
- ✓ Golf course communities
- ✓ 55+ communities
- ✓ Military
- ✓ REO, foreclosure, and short sales
- ✓ Relocation

All of these are residential, but the properties, buyers and skill set required will vary. The first set of questions you must ask yourself before deciding on a niche is whether or not there is enough activity in that niche to provide income. The corollary question is whether or not the niche is already overcrowded with other agents. So, here are questions you must answer:

- What is the price range of residential real estate in your market?
    - If the price range of real estate available provides a wide range of prices that is generally favorable. It allows you to sell houses all over the spectrum of price.
- What is the economy based on in your market? What is median income? What is the median home price?
    - People can only buy what they can afford. Is your area a blue collar town, or are you in a high tech area? Can the person making a median income afford a median priced home?
- What are the types of residential real estate available in your market?
    - Do you have a mix of single family homes, condos, townhouses, 55+, luxury? Can you and your company locate sellers to provide listings for the buyers?
- What are the demographics of your market: age, income level, education level, interests?

Look at age ranges, for example. If you plan to specialize in first time buyers, but your town is a retirement community, you do not have a good fit.

First time buyers:

The advantage of starting with first time buyers is that if you and your agents stay in touch with these buyers, they will typically move again, and again, and you can keep serving them. Also, many agents really enjoy the satisfaction of helping young people find their first home. First time buyers are not all couples; in fact, per the NAR Home buyers and Home sellers Survey of 2014, 16% of buyers were single women and 8% were single men. Some markets do not provide much opportunity for first time buyers; usually because the entry level price range is too high for first time buyers. This comes down to geography; buyers who can't afford houses in downtown San Francisco, for example, will have to expand their search to outside the city limits. The general rule is that the further you go from a major city, the less expensive the real estate is. The downside for the buyer is the time and expense of commuting.

Resort or second home buyers:

The National Association of REALTORS® has a certification available for practitioners who are active in this niche. For more information visit their website.

Second home buyers can be found in many markets, including college towns where parents buy "kiddie condos" or houses for their children while they are attending college. And, obvious locations for second homes are in areas that provide activities second home buyers are looking for. Second home buyers of vacation homes follow their interests, so the beach crowd is generally not interested in the mountain cabin, and vice versa. So, are there recreational opportunities in your area? Are you near the beach? Do you have lakes? Are you in the mountains, where people can hike and ski? Are you near areas where people enjoy hunting and fishing? If you have second homes in your market, this can be a wonderful niche. Things to remember about these buyers:

- ✓ No one *needs* a second home; people *want* a second home. So, there is not the same level of urgency as a permanent home buyer
- ✓ The area the buyer will consider is generally large, and may encompass areas *not* in your market

Move up Buyers/Luxury buyers/New construction

Do you have "move up housing"? Is it just a higher price range, or does part of your market include luxury homes. Luxury homes are a niche which requires a base of buyers with the financial wherewithal to purchase, as well as available inventory. In any high priced market, the biggest competition to existing homes is new homes; buyers may look at many homes and then just conclude they would rather build to suit. With new construction, there are agents and companies which work exclusively for one builder, although this may limit your income

stream too much. The advantage a full service real estate agency brings to the builder is that you can provide a buyer for the new house, as well as sell the old house.

Condos/Golf Course Communities/55+ Communities

You can actually have one golf course community which has condos, and is a 55+ community! You can also have condos nowhere near a golf course. Buyers for condos generally cite the "lock it and leave" aspect of condo ownership as a plus; they are not responsible for maintenance. If you want to specialize in condos, there have to be condos in your market, and then you need to become very familiar with each project, from understanding what amenities are offered to knowing what the HOA (Home Owner Association) fees are. Golf course communities attract buyers who play golf, but also those who do not, but like the "green space". These communities also have HOA fees, and some have rather extensive restrictions about appearance of property, e.g. what colors can be used on the exterior, even what annual flowers can be planted! Many buyers *do* buy in these communities because they like to golf, so an agent who can golf with them will have a decided edge in this market. 55+ communities will again be based on your demographics: if you don't have a population old enough to create enough demand, they will falter. However, they are very popular, all over the United States.

Military

Military is a specialty enjoyed by many agents, particularly in communities which have military bases. Many of these agents are successful because they are personally former members of the military, and they actively market themselves through military service clubs, such as the VFW or the American Legion. NAR offers a certification course for this, the MRP, Military Relocation Professional.

REO/Foreclosure/ Short Sales

This is the niche which requires some toughness on the part of an agent, and can be a lot of work, sometimes for not a lot of money. REO is Real Estate Owned, so these are properties which have been foreclosed on, and the former lender is selling them. They are often in poor repair; sometimes in poor locations. Foreclosure sales are the step before the lender forecloses, and can involve working with sellers who are in very desperate financial straits, and not at all happy about losing their house. They may be uncooperative, and the house may be in poor shape. Many of these sellers are going to have to do a short sale, where the balance of the loan exceeds the current market value of the house. This will involve negotiations with the lender(s), which can be protracted (some agents report waiting for answers on short sales for *months),* and again, can be a sale with not much in the way of a commission, but a lot of work. In most markets, there will be agents who specialize in this area, and although the overall commissions are low, they have a high volume.

Commercial and Industrial Real Estate

This niche is quite different from residential real estate in many respects. The skill set is different, the buyers and tenants have different motivations, and the time frames are much longer between contacting the client and consummating the sale. If you do not yet have experience in this niche, don't try to open a brokerage and specialize in this. Your best move would be to locate a leader in your market who specializes in this niche, then affiliate yourself with that company to acquire the skill set needed. The National Association of REALTORS® has a designation, CCIM® which provides excellent courses for commercial and industrial practitioners. This designation is arguably the most difficult one for a REALT0R® to obtain, as it requires extensive course work (with lots of math) and millions of dollars in closed commercial transactions.

Land/Farms/Ranches

Land can be a development niche that goes with residential, as the buyer is a developer who plans to build residential property. It can also be a commercial or industrial niche, as the buyer plans to build commercial or industrial real estate. Finally, the land can be sold to farmers or ranchers, which come under the broad category of agricultural uses. All of these require specialized knowledge. It is very likely that a specialist in agricultural area, such as farms and ranches, would not work with developers, either residential or commercial, and vice versa. Again, the resource is found through NAR, at the Land Institute website. This institute, one of the many NAR Chapters for specialties, offers the ALM designation, Accredited Land Manager. As is true for commercial and industrial, this is not a niche you would attempt to build a real estate business around without experience and specific education.

International Buyers

International buyers come in all shapes and sizes; they purchase residential and commercial, and they come from all over the world. That being said, certain parts of the United States attract foreign buyers from specific locations. For example, Canadians, British, and German citizens have long been fans of Florida real estate. Western Canadians buy in the southwestern United States. If there is international activity in your area, you will be aware of it, and it may be a part of your business already. Additional skills to pick up with international buyers include learning another language, or languages. And, NAR has a series of courses available for practitioners who sell to international buyers. The designation is CIPS (Certified International Property Specialist) and information can be found on NAR's website.

Appraisal and Consulting

As we mentioned previously, appraising requires a specific license. Some states allow appraisals for **non-federally related transactions** to be done by licensed appraisers, or even brokers or salespeople. But for **federally related transactions,** which are those for lending purposes, including Fannie Mae, Freddie Mac, FHA, VA, USDA, and any institution insured by the FDIC or the FSLIC, a certification is required. If you are reading this and are not already a certified appraiser, you will need a college degree, and the following additional requirements:

	Licensed Appraiser	Certified Residential Appraiser	Certified General Appraiser
General Education	30 semester hours of college	4 year college degree	4 year college degree
Appraisal Specific Education	150 hours of appraisal education	200 hours of appraisal education	300 hours of appraisal education
Experience	2000 hours of experience in no fewer than 12 months	2500 hours of experience in no fewer than 24 months	3000 hours of experience in no fewer than 36 months; 1500 hours of experience must be in non-residential appraisals

As you can see, becoming an appraiser is now a fairly arduous journey. If you are an appraiser, and considering your own real estate company, you might want to consider partnering with a broker to generate income from two sources. **Consulting**, in some states, may be done by licensees. Generally, the fees generated from consulting alone are not sufficient to live on.

Property Management

Property management is something that many residential brokers do because of the nature of their brokerage business. For example, many real estate companies in beach and other vacation communities also handle seasonal rentals because it is a service which their clients expect. Also, if someone else is doing the management the owner is likely to use that firm when deciding to sell the property, unless the other company does not do sales. Property management requires additional skills and training, and reporting to owners. In some markets, it is very lucrative. Again, NAR has designations and courses available for REALTORS® who want

to explore this niche. A designation, Certified Property Manager (CPM) is offered by IREM (Institute of Real Estate Management).

Auction

Finally, in many parts of the United States, auctions are a popular way to sell real estate, and sometimes, personal property. In some states, a separate, specific auctioneer's license is required. In other states, this is not the case. Most brokerages add auction as an adjunct to a residential or farm brokerage.

REALTOR® or Licensee?

Throughout this segment, we have referenced courses and designations available through NAR, the National Association of REALTORS®. Membership in NAR is sometimes required to take certain courses, but not all. Membership in NAR, and a state and local association of REALTORS® is not a requirement to sell real estate. NAR, and each state and local association are entities run for real estate practitioners who want the benefits of a trade group. REALTORS® adhere to a Code of Ethics, which is above and beyond license law. In most areas, the Multiple Listing Service (MLS) is owned and operated by the local Association of REALTORS®, so you may first decide to join the association to have the benefits of the MLS. Other benefits to REALTOR® membership include: education; Code of Ethics enforcement, which includes arbitration of monetary disputes between members; government affairs activities, which include lobbying on behalf of the real estate industry, and much more. Most members find that the benefits to REALTOR® membership are well worth the dues.

Module 2 Summary

In this module, we have discussed decisions you need to make as a broker or manager. They include whether or not the company will be franchised; the size of the company; the niche(s) you will serve, and the specialized skills needed for some of those niches. Now you are ready for the Module Quiz before we move on.

Module 2 Review Questions:

1. Which of the following types of real estate brokerage, per NAR, is the type almost 80% of real estate firms are involved in?
    a. Commercial
    b. Property management
    c. Residential
    d. Land and Farm

2. Which of the following types of real estate companies would require the owner and operator to have the *greatest* amount of education, experience, and other requirements?
    a. Residential
    b. Auction
    c. Appraisal
    d. Commercial

3. An advantage of a real estate franchise is:
    a. The initial purchase price
    b. The ongoing franchise fees
    c. The length of the contract with the franchisor
    d. National marketing and a recognizable name

4. Nationwide, the percentage of real estate firms affiliated with a franchise is about:
    a. 70%
    b. 15%
    c. 50%
    d. 5%

5. Which of the following is an alternative path to starting a brokerage?
    a. Locating a company where the owner is ready to sell
    b. Buying several real estate companies
    c. Working at a large brokerage to gain experience
    d. Waiting for a brokerage to approach you to sell the business to you

6. A clause you would probably want to include in the contract for sale if you purchase an existing brokerage would be:
    a. A “hold harmless” clause
    b. A “force majeure” clause
    c. A “non-compete” clause
    d. A “parent company guarantee” clause

7. The “big picture” assessment of your brokerage will include:
    a. Whether or not you will need partners
    b. How much you will pay the receptionist
    c. Where you will order supplies
    d. Whether or not you will have a holiday party for your agents

8. A non-compete clause would generally include which of the following:
    a. An unlimited time frame
    b. An unlimited geographical area
    c. A specific geographical area and a specific period of time
    d. None of the above

9. A subset of residential real estate sales would include which of the following:
    a. Second homes for vacation use
    b. Commercial properties
    c. Farm properties
    d. Industrial sales

10. One of the ways you can determine whether or not your market supports first time buyers is to:
    a. Check courthouse records
    b. See if local lenders offer first time homeowner programs
    c. Correlate median income with median sales price, to see if first time buyers can afford to buy
    d. Correlate median sales price with median commissions paid, to see if this niche is lucrative enough for you

Module 2 Review Question Answers:

1. C 2. C 3. D 4. B 5. A 6. C 7. A 8. C 9. A 10. C

Module 3

In this module, we will discuss the following learning objectives:

- How to analyze the existing market
- Staffing the office with agents and support staff

Analyzing the Existing Market

This goes hand-in-hand with determining what niche(s) you want to serve, because you can only sell the kinds of real estate in your market. For example, if your market is rural, with a median income below both the state and national median level, you are unlikely to succeed in the luxury home niche. But the other analysis includes your competition, how much business is out there, and which companies are already serving which niches. Along with this, you will analyze the competition for weaknesses and gaps.

Your best source of how much real estate is sold in a particular market in any given year will be statistics from the local REALTOR® Association, if there is one. If not, look to the state association of REALTORS(s). They often release these statistics in news releases. Other sources would include the local Chamber of Commerce, an economic development council or board, or, as a last resort, public records.

If you are already practicing in this market, and a member of the local MLS, it is very simple; you can easily access data which will tell you:

- How many millions of dollars in real estate were sold by the members last year
- How many units were sold
- How many sides were sold—remember in real estate, we count both the buyer and seller as a side, so if office "A" lists the property, and office "B" sells the property, there are two sides
- What the breakdown is for types of real estate, e.g. how many dollars and sides for commercial, how many for residential, how many for farms or ranches, how many for industrial
- Breakdowns of price ranges that sold, with the activity in each price range
- Company share of the market, both by dollar volume and units sold
- Agent share of the market, both by dollar volume and units sold
- Median prices
- Average DOM (days on market)

From here, you can make some calculations. You can determine an average commission rate and take that figure times the dollars sold to get an estimate of the commission dollars generated. You can also determine how many sides, and come up with an average commission per side. You can look at the median price, determine a typical commission, and take it times the sides you would expect an agent to generate to estimate production on a per agent basis. According to NAR, the average agent in the United States grossed $45,800 last year from sales commissions.

The next set of analysis is analyzing the competition. It is here you will find that the Italian Economist, Pareto, had theories and observations which still hold true today. Pareto observed that 80% of the wealth was in the hands of 20% of the population. He then observed that in many cases, 80% of the results came from 20% of the people. He extended his analysis, even to the peas in his garden (80% of the peas came from 20% of the plants), and posited his 80/20 rule.

How does it apply to real estate? In most offices, most of the transactions are done by a small group of agents. In any market, you can find agents who have not had a single transaction in months, maybe even a year. Some managers and owners appear happy to tolerate this for whatever reason; we don't recommend it. Unproductive agents are taking up space, using your time, and are dangerous in terms of transactions for the simple reason that if an agent isn't doing lots of transactions, it is easy for them to miss very important things. We are assuming your goal is to staff your office with the 20% who produce, and part of your market analysis involves identifying the movers and shakers in your local market. You are doing this for two reasons: first of all, what are they doing? Which segment(s) of the market are they pursuing? Is there enough of that market that there is room for other agent(s) to take some of it? And, finally, can you possibly attract these agents to your company?

The other analysis you need to make is your personal strengths and weaknesses, as well as those of any partners or agents you have already lined up to come with your company. What has your niche been? What about your prospective partners? What about prospective agents? You may also want to recruit agents, both experienced and new, whose personal demographics line up with your market. For example, if you plan to market to millennials, you may want to hire millennials, who will connect well with others in their generation. If you are going after that high-end market, look around for a seasoned agent who is established in the community, and perhaps is personally wealthy, belongs to the local country club, serves on charitable boards patronized by the wealthy, etc. This type of person will connect with that segment. Do you have a military base in your town? You might want to have an agent who is retired military and looking to serve that niche. Maybe that person is still in the reserves, and belongs to military type clubs, such as the VFW and the American Legion. Are you intending to pursue

investors? You'll need an agent with good math and analytical skills. As you conclude your analysis of your market, remember that you want to avoid the overcrowded niches, and the ones which don't produce much income. If there is already a "foreclosure queen or king" in your market who has a lot of the foreclosure business, but the commissions generated are low, you may want to leave that segment alone and let that agent have that business.

Bear in mind that your business will grow as you go along. You may be able to successfully recruit agents to come with you when you first start out, but some agents will hold back, waiting to see if you are successful. You can consider, if you like, offering shares in the LLC that owns your company (if that is your ownership model) to top agents you want to recruit. That way, if you prosper, they prosper. This can be very attractive for any agent who does not have profit sharing at his or her current firm. Finally, don't start out trying to be all things to all people. It's hard to market that to the public, because it is a confusing message. Remember, you can add niches as time goes on "ABC Real Estate is excited to announce we have started a commercial division!"

Staffing

We have been discussing staffing already, but now we need to look at it directly. You need agents, and they should be productive, an asset to your business, honest, ethical and hardworking. Agents need to get along with customers, other agents in their own office, and agents in other offices.

Supervision of real estate agents is a challenge today, with many agents working from home on their tablets or laptops. This is why it is very important to have a Policy and Procedure Manual which outlines your company policies and what you expect from agents in terms of behavior. Training of agents and you personally, is an ongoing thing. Most states require continuing education (CE), but this is often not sufficient to keep agents up to date on all the issues which affect real estate, and becomes more challenging every year. The list of rules and laws which affect real estate include: license law, state law, environmental law, financial laws, federal laws, and local laws.

Recruiting is an on-going process. It can be focused on new agents, or experienced agents, or a combination of the two. Let's look at the pros and cons of each group:

New agents:

Pros:

- Untrained, you can train to suit
- Generally enthusiastic

- May have good skills from a previous occupation
- Usually willing to follow advice and direction

Cons:

- Untrained, so the learning curve is much higher than it would be with an experienced agent
- Expectations may be unrealistic
- May not have sufficient financial resources to sustain them until they begin earning money
- May have difficulty adapting from “regular hours/ regular paycheck” to real estate

Experienced agents:

Pros:

- Know the business; may have been trained
- Have an existing client base to bring along
- Have realistic expectations about the business
- Have adapted to real estate schedules, commission income

Cons:

- Previous training may have included techniques you don’t want; worst case scenario they worked at a company where unethical and illegal behavior was tolerated
- May not want to learn new methods
- May be looking to change companies not because their company is the problem, but because they have issues.

New Agent Recruitment

Some companies recruit by holding “career nights”. These events are open to the public, and allow you to give prospective agents a rundown about the real estate business. Some companies recruit new agents by identifying people they know as good prospects for the real estate business. More than one agent has been a former client of a real estate agent. It is very important to be honest and upfront with new agents about the pluses and minuses of the real estate business. It can be very rewarding, both personally and financially, but it can also involve working evenings and weekends, and waiting for long periods between paydays.

Existing Agent Recruitment

The advantage you have here is that you probably already know how they perform, and how they conduct themselves with clients, customers, and other real estate agents. You want to consider, as well, these factors:

- Are they a good fit for your company? Will they get along with others in the company?
- Do they bring with them a client base or niche you do not currently have access to?
- Do they enjoy a good reputation for being honest, trustworthy, and professional?
- Do they have personality issues that overshadow their productivity? Some top producers have been described as either "divas" or "800 pound gorillas". Neither is good.

Your next step is to approach the agent to see if they are interested in making a move. Even if they are not currently interested, things change, and they will remember that you approached them. Keep your eye on what is happening in your market. The sale of a company or the retirement of the owner may trigger an experienced agent making a change. Keep in touch with the agents you would like to recruit, and if you have a transaction with them which goes well, send a handwritten note or small gift, such as a gas card, thanking them for being so good to work with.

What Does Your Company Offer?

You need to look at your company through the eyes of agents, and recognize what your image is. If you acquired a company, what image came with it? Was it perceived as being old fashioned, or up to date and progressive? What image are you working toward for your company?

Why do Real Estate Companies Recruit?

According to NAR, the reasons brokerages recruit are:

- 55% to grow their business
- 37% to attract younger agents
- 32% to expand into new market
- 33% to replace agents leaving the firm
- 16% to expand into new specialty areas, or lines of business

Another source of adding agents can be agents within your company. They may be able to identify someone who would be a good fit, and help you to recruit them.

Mentoring and Assistants

Many agents who are successful attribute it to having had a good mentor when they started. Many firms, recognizing this, are encouraging new agents to first work as a licensed personal assistant for a top producing agent. The compensation is usually an hourly rate, plus a share of sales commissions. In essence, the new agent gets one on one training, or, if working for a team, the opportunity to learn from a few good agents. This solution also takes some of the pressure off of you for training a new agent completely on your own.

The Interview Process

Most brokers will do a two-step interview process, especially with new agents. The second interview can actually be a business dinner, where you include the person's spouse, partner, or significant other. The reason for this is that without support from the important people in the agent's life, it will be very difficult to succeed in real estate.

Full time or Part time?

Will you hire full or part time agents, or both? We know that those who are successful in real estate work full time, but we also know that not everyone can begin full time. If you are going to take on part time agents, will it be with the goal that they become full time, or will you allow part timers indefinitely? You also will need to hammer out how problems that occur during "normal business hours", when the part time agent is unavailable, will be handled.

Trial period

For all your employees, both agents and support staff, you probably want to use a 90 day trial basis. This allows you to see how they work out, and they can decide if they are happy in the company. It allows both parties to exit somewhat gracefully.

Firing, Goals and Expectations

You will inevitably fire people, for a variety of reasons. You should have zero tolerance for anyone who breaks any laws, steals money or property, sexually or physically assaults anyone, or is using drugs and alcohol which are affecting their ability to do their job. Every job, whether support staff or an agent, should have a written job description that spells out your expectations. Goals need to be established with all agents, and most important of all, *followed up!* Many brokers take the time to sit down with agents to establish goals, but then never follow up. The goals need to be realistic, but not too easy, and not vague. If you should find it necessary to fire an agent, or a support person, have an exit interview. Ask them how *you* and the *company* disappointed them, or failed to meet their expectations.

Clerical and Support Staff

It has been said that if you don't have an assistant, you become your own assistant. Managing a real estate brokerage can be extreme multi-tasking. Consider that your job includes: advertising and marketing; financial duties, including setting budgets, reviewing bank statements, running a trust or escrow account, as well as an office account, filing tax returns, payroll reports, and any other financial reports required by the local government, state, federal, or your franchise; maintaining the physical aspects of the office, which includes ordering everything from toilet paper to copy paper, marketing materials to muffins for the sales meetings, making certain the office is clean, equipped and attractive; hiring, training and supervision of agents and staff, and supervision includes reviewing the contracts the agents write, tending to the myriad details required to get the transaction to closing, including solving problems; compliance with federal, state and local laws; and possibly, still listing and selling real estate on your own to keep the revenue stream coming in! Obviously, you will need help. Let's talk about various types of assistance.

Virtual Assistants

Many brokers, managers, and top producing agents hire virtual assistants who work via the Internet. These virtual assistants can do many tasks, including: entering properties into the MLS and syndication services; doing online marketing; writing blog posts for you; maintaining the office website and the office Facebook Fan page; Tweeting for you; monitoring social media to protect the reputations of you and the company; emails to set up closings and solve problems, and many other tasks. Keep in mind that *any unlicensed assistant, real or virtual, will be unable to perform tasks for which a license is required in your state.*

Personal Assistants/Secretary/Receptionist:

Unlike the virtual assistant, the personal assistant is someone who will work out of the office with you. The advantages are many for both parties. This is a great "first step" for someone who wants to be an agent. And, if you employ a **licensed personal assistant**, they can stand in for you when you are unable to do things like showing property, getting signatures on documents, etc. They can put up signs, run Open Houses, enter data into the computer, answer the phone, order supplies, help with closings, balance the checkbook, and much more. They can answer emails, compose some emails, and take care of small problems that don't require your personal attention. Although the word "secretary" has been pretty much replaced with "personal assistant" or "aide", the job still describes someone who does clerical work in an office, and a good person in this position, regardless of the title is a wonderful asset. The right person can handle both jobs, which involves answering the phone, directing calls, helping callers with assistance, and being a nerve center for the business by remembering all kinds of

details, for example, that Agent X will be calling about the transaction with Sue in your office, and the information Agent X needs is whatever. For a large office, having a "front line" person may be necessary. This person also can open mail, packages, handle faxes (if you are using a fax machine), order office supplies, make certain that the printers, scanners and copiers are working, and much more.

Closing Coordinator:

Depending upon what state you practice in, a closing coordinator may be necessary for your real estate business, once it reaches a certain size. This is the person who will stay on top of the upcoming closings and monitor what needs to be done, by whom, and when. Things that happen between the contract and the closing are often the things which can derail a sale. They include: inspection issues, appraisal issues, title issues, etc. This person monitors what is due when to make certain nothing "falls through the cracks". He or she will make sure that payoffs are obtained; and if the title company is obtaining them, they will make certain the title company has written authorization from the sellers to get that information. This job includes making certain that inspections, and replies to inspections, are done within the time frames of the contract, that final utility readings are done, that you have instructions from the seller, in writing, if they are not attending closing, and that the file is complete and contains all the documentation required both by your state and by your company policy. At a certain level of activity, you will need a closing coordinator.

Trainer:

Again, at a certain level, you may need a trainer, because you will have enough agents to train, and not enough time to both train, supervise, and manage. The trainer for a very large company might be a full time position, but you can probably contract a trainer to use when needed.

Outsourcing:

Some tasks, especially financial ones, are outsourced to an accountant. This can be a good solution if you don't want to spend time doing payroll reports, tax returns, and balancing check books. Some marketing and advertising functions can be outsourced, especially those for a limited time or campaign.

Module 3 Review Questions

1. Which of the following statistics gives you the overall size of the real estate market in your area?
    a. The average income of a typical agent
    b. The dollar volume sold in a given year
    c. The estimated gross commissions earned
    d. All of the above

2. According to the National Association of REALTORS®, the average real estate agent in the United States earned:
    a. Less than $50,000
    b. Less than $30,000
    c. More than $50,000
    d. More than $65,000

3. The Pareto principle, applied to a real estate brokerage, would state that:
    a. 20% of the sales are made by 80% of the agents
    b. 80% of the agents make 20% of the earnings of the top agents
    c. 80% of the sales are generated by 20% of the agents
    d. 80% of the agents generate 40% of the sales

4. Which of the following is an advantage to hiring an experienced agent over a new agent?
    a. They know everything there is to know about real estate
    b. They are always receptive to new training
    c. They are eager to learn from you
    d. They bring with them clientele and experience

5. Which of the following is a disadvantage to hiring an agent with no experience?
    a. They are usually enthusiastic about their new career
    b. They will generally be receptive to training
    c. They may not be prepared for the schedule of working real estate, and living on a commission income
    d. They have clients they are bringing with them

6. When hiring an **unlicensed** assistant, what must the broker/manager be mindful of?
    a. That because they are not licensed, you cannot tell them what to do
    b. That state laws most probably restrict what they can do
    c. That they need a license to work in any capacity in a real estate office
    d. That they won't be able to understand their job if they don't have a license

7. A company has hired a person whose job is to take the files from agents when contracts are signed, and "shepherd" the contract through closing, handling all of the details required. This person's job title is most likely:
    a. Administrative assistant
    b. Trainer
    c. Receptionist
    d. Closing coordinator

8. According to NAR, what is the reason cited most often by brokers for recruiting new agents?
    a. They want to grow their business
    b. They want to attract younger agents
    c. They want to expand into different markets/specialties
    d. They want to replace agents who have left the company

9. The advantage of a licensed personal assistant over an unlicensed personal assistant is:
    a. They will be harder workers, because you are probably sharing profits with them
    b. They can stand in for you at a showing, or to get contracts signed
    c. They are easier to work with
    d. They work as virtual assistants

10. One of the things the market analysis will tell you is:
    a. The depth of the various niches in the market, in other words, where the most sales are concentrated by price range, type, etc.
    b. What your competitors are planning to do in the next year
    c. Whether or not agents at other companies are happy where they are
    d. Whether or not you can gain any market share

Module 3 Review Question Answers:

1. B 2.A 3. C 4. D 5. C 6. B 7. D 8. A 9. B 10. A

Module 4

In this module, we will cover the following learning objectives:

- Identify training needed for new and experienced agents
- Describe goal setting and review of goals with agents
- Identify training needed for support staff
- Review items needed in a Policy and Procedures Manual

Training is an absolute requirement for everyone in your business, from the experienced agent to the new support staff. Training will tie in and reference your policy and procedures manual, because that provides the expectations for the company. You will train agents and support staff by referring to the manual, but some of the details will not be in the manual. Let's start with a job description, and expectations, for agents.

Agents

A job description for a real estate agent would typically include the following:

- List and sell real estate
- Actively prospect for buyers and sellers
- Fill out pre-printed forms for obtaining listings and writing contracts on properties
- Do appropriate research for clients, both buyers and sellers, in order to provide the best possible information about the property and the transaction for the clients
- Make all required disclosures, meaning those required by: federal law (lead notice) state law (usually agency notice, seller's property disclosure notice); local notices (occupancy permits required, etc.)
- Follow up promptly and courteously to all inquiries from customers, clients, and cooperating brokers
- Enter data for listings into the MLS system, as well as any other portals where the brokerage puts listings, such as syndication services, the company website, etc.
- When listing a property, obtain all the necessary information, take photographs, place signage on the listing (with the seller's permission)
- Market listings and the company's services
- Handle details of property settlements, assisting as needed to get documentation to lenders, title companies, attorneys, etc. and working to ensure a smooth settlement
- If floor time is offered, and the agent elects to participate in floor time, he or she will either be present for floor time, or will obtain a substitute

This is a list which isn't completely inclusive of all tasks, depending upon your business; also, in some large companies, some of these tasks may be handled by support staff.

What are the skills you need to be a successful real estate agent? This is a basic list, but the qualities and skills include:

- Ability to communicate well with people, in a variety of ways, such as face to face, by email, text, and phone
- Time management skills, as this job does not have the structure provided in other jobs, and agents are often juggling many tasks and clients at one time
- Knowledge of real estate license law in your state, and the ability to comply with license law
- Understanding of how to price property, both for sellers and buyers
- Basic computer skills needed for real estate. These include: email, word documents, using an on-line MLS, preparing contracts using software, sending and receiving documents with electronic signatures, scanning, saving files as PDFs, etc.
- Knowledge of mortgage financing, including the ability to calculate mortgage payments for consumers
- Knowledge of federal, state and local laws which affect real estate; these range from environmental laws to zoning
- Organization skills, to organize time, materials and data to keep track of a number of varied tasks

On top of this, real estate is an industry which changes constantly. Long time agents can remember when radon was only an element on the periodic table—not an issue raised in a home inspection. As this course is being written, a major change in mortgage lending has been just instituted, with the Consumer Finance Protection Bureau (CFPB) taking over the enforcement of RESPA. What was once known as a "HUD-1" will now be known as a closing statement; closings are now "consummations", and the responsibility for preparing the closing statement is now in the hands of the lender, not the Title Company or attorney. Seasoned agents are busy catching up with this change.

Goal Setting With Agents

Many brokers and managers have very good intentions about goal setting with agents. In fact, many brokers and managers do the first part: they ask agents to set goals. Sadly, for many managers, it ends there. Setting goals is great, but without follow-up, it is a futile exercise. So, go into this prepared to assist your agents in both setting their goals and in following up on those goals. These meetings need to be *regular,* and set up in advance. When

you set the follow up time, both of you should have the attitude that this is "set in stone"; a postponement because people are "busy" will often mean that you never get around to it.

What are realistic goals?

Experts agree that goals need to be attainable, but not too easy. A new agent who sets an unattainable goal will become discouraged; an experienced agent who sets the bar too low will stagnate. To determine goals, go back to your analysis of the market in general, and your company's share in particular. Obviously, you hope that your agents will assist you in obtaining additional market share for the company. A good way to start is to look at the median price for the types of real estate you sell, and then determine the median commission, in terms of each side.

For example, assume that your market is predominantly residential single family homes in a portion of the market as a whole. Your median sales price is $200,000, and the typical gross commission is 6% (this is for ***EXAMPLE PURPOSES ONLY***). So the gross commission on the sale is $12,000, or $6000 per side. If one of your agents wants to gross $60,000 a year, that agent needs to have 10 sides—either 10 sales in which she has either buyer or seller, or 5 sales where he has both sides.

The next step is the agent's job. He needs to analyze where all the business he had last year came from. So, if she sold 6 houses last year, where did the buyers come from? Were they a result of personal marketing? Did they come from floor time or Internet inquiries into the office? From social media? From Open Houses? You can see that the agent needs to really think about the sources of the buyers. The reason is that whatever is working to obtain more buyers is something the agent should keep on doing; things that do not work should be dropped.

The next step is more difficult, because the agent needs to recall his failures. How many buyers did she work with that never bought a house? Why didn't they buy a house? Were they unqualified? Did they buy from another agent? Did he fail to follow up? Next, the agent needs to analyze the listings taken and sold last year. Where did they come from? Company leads? Personal referrals? Internet and social media? Farming efforts? Again, whatever is working should be given more effort; things which are not working should be abandoned (providing that the agent has given it enough time and effort—way too many agents quit too soon).

The difficult next step is to determine how many sellers they interviewed with, and did not get the listing. Why not? Did the seller list with another agent? Why (if you know)? Which listings expired unsold? Why? Were they overpriced, or was the seller unmotivated? Both of these analyses—buyer and seller—will help the agent determine his/her "batting average". If a substantial number of listings do not sell, they are probably overpricing them. If a substantial

number of buyers do not buy, they are either unqualified, or the agent is not providing the services the buyer is looking for.

At the end of this analysis, you and the agent are ready to set some realistic, achievable goals—which should surpass what they did the previous year. Tell the agent *before* your meeting to do the homework outlined above.

Now, let's get back to our agent who said $60,000 a year—but after reviewing everything, this agent says: "I really think that's too low a goal; I would like to do around $80,000, which is 14 sides" (13.33, to be exact). That's not impossible; it is slightly more than one closing a month, and even in a competitive market, an agent who is working reasonably diligently should be able to pull together one closing a month. The $80,000 sounds wonderful to many agents; however, remind them they have taxes, including self-employment tax; expenses, which includes everything from MLS fees to gas for their car; and any benefits they want/need, such as health insurance, 401K etc., must be self-funded.

So, now we know our agent wants 14 closings next year. The next thing to determine is when those closings will occur. In many markets, the first quarter is slow for closings, because there is a seasonal slowdown during the last quarter of the year. In other markets, that's the busiest quarter. You should already know, from historical data, what the busier quarters are in your market, and assuming first quarter is slow, second quarter busier, third quarter, usually the highest one for sales and closings, and fourth quarter, a slowdown, then your agent might plan to take 3 listings in the first quarter, and close two sales (probably sales which were made in the fourth quarter of the previous year).

So far, we are at 2 sides. The second quarter, the agent plans to take 4 listings, and close 3 sales, as well as have 3 of their listings sell by others. Now we are at another 6 sides, for a total of 8. The third quarter, the agent plans to take 5 listings, and have 5 closings. We are now at 13 sides. The fourth quarter, the agent plans to take 2 listings and have 2 closings (so now we are at 15 sides, and ahead of the goal!)

Among other things, you need to analyze typical days on market, so an agent can estimate when closings might occur. For instance, if our agent took 3 listings in the first quarter, and 2 of them sold "on schedule", which was under contract within 30 days, and closed within another 90 days, then by the second quarter, these closings will become sides. The goals need to be <u>concrete</u>, not at all vague; supported by <u>facts and a plan;</u> as in "I will continue to do farming efforts in my two subdivisions, until I obtain 3 listings in the first quarter"; and they need to have deadlines.

You need to meet with every agent every quarter. You need to email them a few days in advance alerting them to the event, which you scheduled back in December, when you scheduled the entire year. In the email, remind them of their goal and correlate it with their activity. "I'm looking forward to our meeting; your goal for the first quarter was to take three listings, and I see you took five listings in the first quarter. I'm very impressed and can't wait to hear how you did it." You may want to take the meeting out of the office to make certain you do not get interrupted, and to make it more like a 'date'. If you take the agent to breakfast or lunch, make certain it is a place where you can reasonably have some privacy. In addition to talking to the agent about goals, the agent may be looking for guidance from you about how to obtain more listings, or sell more houses. They may be frustrated with the way things are going, and looking for you to offer guidance and assistance. Remember, part of an agent's goal setting should be not directly financial, but things like: "I'd like to obtain the ABR© Designation" or "I'd like to serve of the Board of Directors for the local REALTOR® Association" or "I'd like to work toward a broker's license." Your agent needs to know that she is getting your full support, for all her goals, and that you are there to help attain those goals.

Support Staff

Contract Staff

The job descriptions for support staff are as varied as the job titles and job duties. You may contract out work for accounting, cleaning, and training, for example. However, even work contracted out has to have a description of expectations. One expectation which you would have for all three of those jobs would be that of preserving **confidentiality** of the company's secrets and client's information. So, whether the person is emptying the waste cans, posting the escrow account records, or training your agents, you would make certain that they understand that your company collects and maintains confidential data about clients, their properties, their financial situation, and much more, and that **all** of this data is confidential. You might want to consider having everyone sign a statement agreeing that all client data, company procedures, files, policies, and trade secrets are confidential information.

Some of the jobs you can contract out to others would include: training, accounting, cleaning, lawn care, snow plowing, sign installation, photography, creation of virtual tours, staging, ad campaigns, marketing, social media monitoring—and this is just a partial list. The decision to contract out some jobs will usually be based on an analysis of the time, money, equipment and skills required to do the job, matched up against your skills and time. For example, if you have a background in accounting, you might not contract out payroll and tax preparation, but if looking at numbers makes you cross eyed, you may very well elect to farm

that out. Some jobs require specialized equipment—lawn mowing, snow plowing—and the time involved takes you away from more productive uses of your time. Whichever tasks you decide to contract out, understand that over time you may add or delete from this list. For example, your teenagers might want to take over the job of cleaning your office for spending money. And, as your business grows, you will find running the business and managing the sales people will require more and more of your time, and tasks you formerly did you will end up contracting to others.

Employees

When you hire employees, many things happen, all of which complicate your life. You will be responsible for payroll and payroll taxes, worker's compensation, as well as paying the employee, and offering benefits, if you choose. Even though the actual mechanics of this can be contracted out to an accountant, getting the money around to pay the employee isn't the hard part—training, retaining and supervising the employee is. One suggestion is to first employ a temporary worker –a "temp" from a local agency. The benefits of a temp are: someone else pays all the taxes and any insurance; you will pay a fee to the agency which covers this. You can simply "terminate" the employee by calling the temp agency and saying that you have no additional need for the person, or that they did not work out. Temp agencies are also a great place to get a fill in employee for when a regular employee is on vacation, maternity leave, or any other prolonged absence. However, at some point you will probably take the plunge and hire an employee on your own. How do you start?

Job Description

The best way to start is to first decide what you want and need the assistant to do. Then, put the tasks in order from most important to least important. Your list should begin to coalesce around a particular skill set, which will lead you to the kind of person you need. For example, if you list looks like this, from most important to least important:

- ✓ Monitor social media/post on behalf of you/company
- ✓ Market real estate in a variety of venues, from online to billboards
- ✓ Create schedule for agent floor time
- ✓ Schedule showings on listings
- ✓ Answer phone

This list shows that creative tasks are most important to you. Working from the bottom up, the two bottom tasks require very little creativity; just a pleasant voice and an ability to book an appointment with the seller, notify the agent who wants to show it, and also give a reminder to the agent who has the listing. Creating a schedule is more complicated, but many programs exist to do this; even if you design your own, once it is in place, it usually only takes

maintenance. The top two categories require creativity, and some "thinking outside the box". Anyone who is going to post in social media on your behalf needs to understand you, and your personal and business philosophies. These requirements will lead you to a more creative person, as opposed to a numbers person.

Full time or Part time

Part of this consideration, for staff, is your needs and your budget. You may start out with part-time employees, and then move on to full time. If you are looking for part time staff for your office, consider any agents who have retired from the business, but are still interested in some work, just not full time. The advantage here is that these are people who know the business, but just do not want to invest the time to sell full time. Some of the jobs described can be done remotely, and might interest someone with a background in real estate who is a new parent, or working another job full time, but would like to keep current with real estate part time.

Policies and Procedures Manual

Your policies and procedures manual is the blueprint for your expectations for all staff, agents and employees. Everyone should have a copy (digital or paper) and you should have signatures agreeing to abide by the manual. For your agents, you will want an Independent Contractor Agreement which references the P & P Manual. Make certain you have a qualified attorney review your independent contractor agreements to make certain they comply with federal and state law, as well as reviewing the manual. What should go in a P & P Manual? Here are some minimal suggestions:

- Requirement that all employees and agents adhere to your state real estate licensing law
- Requirement that all employees and agents adhere to any and all state, local, and federal laws as they apply to your business
- Fair housing policy (no discriminatory behavior is tolerated)
- Sexual harassment policy (no sexual harassment is tolerated)
- Use of drugs and/or alcohol when on company property, or when representing the company in any capacity
- Advertising policy, including social media; who can post or update company websites or "fan pages"; whether agents can blog; if they can blog, does it have to be reviewed by management?
- Business procedures: everything from presentation of offers, to handing over escrow deposits, to obtaining coverage when you will be away from the office

- Communications, including texting, email, snail mail; requirement to keep copies for company files of some communications
- Ethical standards (may be the REALTOR® Code of Ethics
- Disclosure requirements: includes both agency disclosure, material fact disclosure, and interests (if any) in related, affiliated businesses
- Expenses and office equipment
- A commission schedule, or reference to a commission schedule to be given to agents
- A list of holidays the business will be closed
- An Equal Opportunity statement
- Performance reviews
- Workplace privacy
- Confidentiality
- RESPA compliance
- Errors and Commissions Insurance, including any proration of the premium, and requirements for turning in claims and potential claims

Excellent resources can be found at NAR, or at the resources listed below.

Course Summary

Throughout this course we have gone through material that is designed to help real estate brokers understand the basics of managing a real estate office. We discussed various types of ownership including LLCs, Sole Proprietorships, S-Corps, and C-Corps. From there we covered the benefits and disadvantages of each type of ownership such as tax ramifications, having multiple owners, and the passing on of the company. Afterward we discussed how to analyze the market and covered the various niches that a real estate company may want to specialize in, as well as what requirements are necessary to be successful in that niche. Finally, we discussed the logistical aspects of hiring agents, and support staff. The benefits of outsourcing and virtual agents was also covered as well as what should be included in training and a policies and procedures manual for all staff of a brokerage.

Module 4 Review Questions:

1. A job description for a real estate agent would typically include all but which of the following?
    a. Ability to research details on houses and prepare a CMA
    b. Fill out preprinted forms for listings and sales
    c. Enter data into the MLS
    d. Prepare tax returns for clients

2. Which of the following tasks would require that a real estate agent have knowledge of license law?
    a. Following up promptly to inquiries from other agents and consumers
    b. Entering data into the MLS system
    c. Taking floor time
    d. Making required disclosures about agency relationships, material facts, and other factors pertinent to license law

3. Which of the following skills would be useful as a real estate agent?
    a. A background in commercial lending
    b. Knowledge of laws governing wills and estates
    c. Knowledge of mortgage financing, including the ability to calculate mortgage payments
    d. A background in quantum physics

4. Which of the following statements is correct about people getting into the real estate business?
    a. It is easy to segue into real estate from any other field, as the job is very similar to other jobs
    b. Time management skills are essential; as real estate is not as structured as other jobs
    c. They can rely on making money from day one
    d. It is a very reliable schedule, with predictable times

5. Which of the following statements is correct about training of agents?
    a. Training never ends; the industry changes constantly
    b. Seasoned agents do not need to be trained
    c. New agents need only a week or so of training
    d. Some agents need training, but most do not

6. Which of the following things is a typical failure on management's part?
    a. Sitting down with agents and setting goals
    b. Assisting agents in analyzing their clients and customers
    c. Helping agents quantify goals
    d. Not following up with agents who have set goals

7. In order for an agent to plan and make goals for next year, he/she needs to know:
    a. The profitability of the company as a whole
    b. The total number of listings sold in the MLS last year
    c. The median sales price and median commission in your market
    d. The number of listings taken throughout MLS which did not sell

8. An agent is analyzing what percentage of the listings they took last year sold. This can be referred to as a:
    a. List price to sales price ratio
    b. "Batting average"
    c. Comparative market analysis
    d. Supply and demand analysis

9. Which of the following jobs might you, as a broker, most likely contract out to another person or firm?
    a. Cleaning the office
    b. Doing payroll and accounting
    c. Training agents
    d. All of the above

10. One requirement you would have for all employees and salespeople, including contract employees is:
    a. A knowledge of license law
    b. An agreement to adhere to the REALTOR® Code of Ethics
    c. A requirement to keep all company information confidential
    d. A dress code

11. One of the first steps you would make in hiring a person is:
    a. Coming up with a job description
    b. Doing a background check
    c. Negotiating salary and benefits
    d. Determine whether or not the potential employee is a good fit for the company

12. Which of the following would you typically find in a Policy and Procedures Manual for a real estate company?
    a. A requirement that all employees undergo mandatory sensitivity training
    b. Business procedures: including presentation of offers, handling escrow funds
    c. An outline of how to plan the company picnic
    d. A requirement that every person who works for the company be licensed

13. With respect to a drug and alcohol policy in your manual, which is correct?
    a. You have the right to demand that your employees and agents never use drugs or alcohol, at any time
    b. "Don't ask, don't tell" is the best policy
    c. Your policy should specifically address drug and alcohol use when on company property, or when representing the company
    d. You have no business having any policies about drugs or alcohol, these are private issues

14. In addition to the Policy and Procedures Manual, which of the following items would specifically pertain to your agents?
    a. An Independent Contractor Agreement
    b. A commission schedule
    c. A only
    d. A and b

15. With respect to the Policy and Procedures Manual, which is correct?
    a. All agents and employees should acknowledge in writing receipt of a copy (printed or digital) and an agreement to abide by the P & P Manual
    b. One printed copy at the office is sufficient for everyone's needs
    c. You need not have it reviewed by an attorney
    d. Only agents need to review and sign

Module 4 Review Question Answers:

1. D 2. D 3.C 4.B 5.A 6.D 7.C 8.B 9.D 10.C 11.A 12. B
13. C 14. D 15. A

Correspondence Course Affidavit:

By signing your name below, you hereby attest to the following:

I understand that I must personally complete the entire course. My work in this course will be based solely on my own efforts, unassisted by any unauthorized individual or resource. I understand that receiving unauthorized assistance will invalidate my course credit.

_____ _____

(Signature) (Date)

_____

(Printed Name)

Broker Management- Establish and Maintain a Successful Brokerage

Final Exam- 40 Questions:

1. "C" Corporations:
    a. Pass through all income to the owners, who then pay taxes on it
    b. Are tax free
    c. Do not provide any "corporate veil" to the owners
    d. Are the most common form of ownership for real estate firms, per the National Association of REALTORS®
2. A key characteristic of a sole proprietorship is:
    a. Taxes are paid at the corporate level
    b. The business continues after the death of the owner
    c. The business terminates with the death of the owner
    d. The owners' assets are protected from lawsuits
3. Approximately 80% of real estate firms in the United States specialize in which type of real estate?
    a. Residential
    b. Commercial
    c. Property Management and Appraisal
    d. Farm and Ranch
4. Which of the following are benefits of LLC ownership?
    a. Taxes are paid at the corporate level
    b. They are tax-free
    c. Income passes through to the individuals, without being taxed at the LLC level
    d. The LLC reduces the individual's federal tax rate by 10%
5. Which of the following types of ownership would allow a lawsuit to come after the owner(s)' personal assets?
    a. Sole proprietorship
    b. LLC
    c. "S" Corporation
    d. "C" Corporation
6. A disadvantage of a real estate franchise is:
    a. The identity associated with the franchise
    b. The marketing materials supplied by the franchisor
    c. The length of the contract with the franchisor
    d. National marketing and a recognizable name
7. Where would you begin looking for a real estate brokerage to purchase?
    a. Locating a company in your market area where the owner is ready to sell
    b. Advertising on craigslist
    c. Searching national newspapers, such as The Wall Street Journal
    d. By contacting the National Association of REALTORS®

8. The "big picture" assessment of your brokerage will include all but:

    a. Whether or not you will need partners
    b. How many agents you can supervise
    c. What your strengths are; and by contrast, what strengths you would want in a business partner
    d. Your commission scale
9. A commercial practitioner would generally:
    a. Sell commercial property only
    b. Lease commercial property only
    c. Sell and lease commercial and industrial property
    d. None of the above
10. Analyzing demographic trends in your market will help determine which of the following?
    a. If you have a viable first time homebuyers market
    b. If you have a viable luxury homes market
    c. If you have a viable 55+ community market
    d. All of the above
11. To determine the dollar volume of a particular market in a particular year, the best source would probably be:
    a. The local MLS system
    b. The Chamber of Commerce
    c. The Department of Labor and Industry
    d. The National Association of REALTORS®
12. The Pareto principle, in general stated that:
    a. 20% of results are made by 40% of the people
    b. 80% of those trying produce 20% of the results
    c. 80% of the results are generated by 20% of those trying to generate results
    d. 80% of those trying to generate results produce 40% of the results.
13. Which of the following is a disadvantage to hiring an experienced agent over a new agent?
    a. They usually have good basic knowledge about real estate
    b. They bring with them clientele and experience
    c. They are used to the varied schedule of a real estate agent
    d. They may think they know enough, and don't need any training from you
14. Which of the following is an advantage to hiring an agent with no experience?
    a. They are usually enthusiastic about their new career
    b. They will generally be very used to the schedule of real estate
    c. They will have a great working knowledge of contracts and forms
    d. They will be earning money from day 1
15. Most brokers, in order to grow their businesses:
    a. Recruit new agents
    b. Change the commission split
    c. Advertise more
    d. Outsource as many tasks as they can

16. One of the things the market analysis will tell you is:
    a. How the market is allocated among types of properties sold, and price ranges

   b. What your competitors' market share will be next year
   c. How many agents are likely to leave the business next year
   d. Whether or not you can gain any market share
17. The purpose of a Policy and Procedures Manual is to:
   a. Provide a framework, or blueprint, of expected behavior by agents and staff at a real estate company
   b. Answer every possible question that might arise in the real estate business
   c. Provide the manager with answers about how to manage agents
   d. Look impressive when you interview agents
18. Which of the following companies would be "most typical" for a real estate brokerage in the United States?
   a. Company "A", which has 100 agents, and specializes in residential real estate
   b. Company "B", which has 10 agents, and specializes in commercial real estate
   c. Company "C", which has 150 agents, two locations, and specializes in both commercial and residential real estate
   d. Company "D", which has less than 5 agents, and specializes in residential real estate
19. The simplest form of ownership for a real estate company is:
   a. "C" Corporation
   b. LLC
   c. Partnership
   d. Sole Proprietorship
20. Which of the following types of ownership will not live on after the death of the owner?
   a. LLC
   b. "C" Corporation
   c. "S" Corporation
   d. Sole Proprietorship
21. A good place to obtain information, and not necessarily a sales pitch, about a franchise would be from:
   a. Corporate headquarters for the franchise
   b. The salesman for the corporation
   c. The National Association of REALTORS®
   d. Another broker who owns the same franchise
22. If you are contemplating having a business partner in your real estate firm, which of the following should you consider?
   a. Finding someone whose skills complement yours; a "numbers person" if you are the "people person"
   b. Finding someone just like you in every way
   c. Finding someone who will let you make all the decisions, and have all the responsibilities
   d. Someone with experience in a field other than real estate

23. A variation, or sub-set of the second home buyer is:
   a. Buyers who purchase REO properties to flip

   b. Buyers who purchase a combination residential/ commercial building so that they can "live above the shop"
   c. Parents who buy "kiddie condos" for their children attending college
   d. People who buy into continuing care facilities
24. A Certified Property Manager (CPM) would typically work in:
   a. Residential sales only
   b. Commercial sales only
   c. Property Management, possibly both residential and commercial
   d. Land development
25. A benefit of hiring an experienced agent is:
   a. They understand the business, and know how it works
   b. They will need to be trained on every aspect of the business
   c. They will not be used to commission income
   d. They will not have any existing clients
26. Which of the following activities would a personal assistant need a license to do for you?
   a. Put signs in
   b. Enter data into the MLS
   c. Review a contract with a client, and show them where to sign
   d. Photographing listings
27. A person who is in charge of handling the details from contract to closing would be:
   a. The accountant
   b. The trainer
   c. The broker
   d. The closing coordinator
28. Two of the ways of analyzing your market position are:
   a. Dollar volume and number of agents
   b. Dollar volume and number of sides
   c. Market share and number of agents
   d. Number of sides and company dollar
29. One of the things you need to consider when attempting to hire agents is:
   a. How good your company picnics are
   b. What image you have in the community as a real estate company
   c. How good you are at "schmoozing" with people
   d. How many other brokers are hiring
30. The following statement would pertain to which part of a Policy and Procedures Manual: "Any agents who write real estate related blogs will have management review all blog posts before they are posted."
   a. Sexual harassment
   b. Social media
   c. Equal Opportunity
   d. RESPA compliance
31. Which of the following might not be included in a Policy and Procedure Manual, but would be referenced in the manual as a separate document for agents only?
   a. A commission schedule

   b. An Equal Opportunity statement
   c. Policies about confidentiality
   d. Sexual harassment policy

32. When preparing to meet with an agent at the end of the first quarter, to review goals set before the beginning of the year, and the current situation, things you should pull out and have to discuss with the agent include:
   a. Total listings the company has taken during that quarter
   b. Total closings the company has had during that quarter
   c. The salesperson's records of listings taken; contracts written; sales in pending, and closed sales for the quarter
   d. The records for the top producer in the company, to compare with this agent's production

33. Which of the following things might be grounds for immediate dismissal from your company, per your Policy and Procedures Manual?
   a. Violating state license law for real estate
   b. Speeding, and getting a ticket
   c. Posting a picture on Instagram showing yourself enjoying an adult beverage
   d. Running off a copy of your child's report card on the office copier to mail to grandma

34. In addition to analyzing where buyers and sellers came from, an agent also needs to analyze:
   a. What the new car they want will cost
   b. How much more money it will take to buy a bigger house
   c. Their failures, and why they failed
   d. What the broker did wrong

35. An agent earned $100,000 in sales last year. Assuming that most of the time, he/she sold a median priced house, which in this market is $200,000, with a commission per side of 3%, which is correct?
   a. The agent had at least 16 sides
   b. The agent had at least 8 sides
   c. The agent had at least 32 sides
   d. The agent had over 32 sides

36. Things that need to be considered before joining with another partner or partners in a LLC to form a real estate company include:
   a. The skill set(s) of each potential partner
   b. The goals of each potential partner
   c. How it will be handled if a partner dies, or wants out of the LLC
   d. All of the above

37. A statement that everyone who works at or for the company, whether a contract employee or firm, a licensee, or a clerical person would be:
   a. An Independent Contractor Agreement

   b. A non-compete clause
   c. A confidentiality agreement
   d. A salary and distribution agreement

38. Which of the following clauses in a Policy and Procedures Manual references state, local, and federal law?
   a. List of holidays the business is closed
   b. Requirement that everyone adhere to state license law
   c. Reference to the REALTOR® Code of Ethics
   d. Fair Housing Policy

39. Which of the following is an advantage of hiring a new agent over an experienced agent?
   a. They are not competitive
   b. They are excited and enthusiastic
   c. They have an existing client base
   d. They know how to fill out all the forms

40. Which is correct?
   a. Approximately 25% of all real estate firms in the United States are franchise firms
   b. Approximately 5% of all real estate firms in the United States are franchise firms
   c. Approximately 15% of all real estate firms in the United States are franchise firms
   d. Approximately 33% of all real estate firms in the United States are franchise firms

Course Evaluation Form

Name:_____

Course: _____ Completion Date:_____

On a Scale of 1 to 5 (1 being low and 5 being high) rate your instructor on the following:

Demonstrated knowledge of course content _____

Encourage feedback and questions _____

Responded to my questions quickly _____

Instructor's support of student _____

Instructor/student interaction _____

On a Scale of 1 to 5 (1 being low and 5 being high) rate the content & materials on the following:

Orientation was thorough and clear _____

Organization of content _____

Course objectives were clearly stated _____

Content was what I expected _____

Value of resource materials _____

On a Scale of 1 to 5 (1 being low and 5 being high) rate the delivery method on the following:

Satisfied with my learning experience _____

Course provided interactivity with instructor _____

Course provided interactivity with other students _____

Program met my needs _____

Degree of problems with self -paced instruction _____

Please answer the following questions in your own words:

How was the orientation session accomplished?

Who answered your questions regarding course content?

Were they able to sufficiently help you? If not, explain.

What suggestions do you have to improve this program?