

# **Management of Real Estate Brokerage Firms**

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## Case Study #1 - Davis

On May 17, 2012 DPOR received a written complaint from Christopher Hamilton, Principal Broker for Shaffer Realty, regarding Tina Davis, a salesperson for Shaffer Realty. The complaint stated that on May 14, 2012, he was notified by the company's secretary, Jenna Millar, that Davis had not submitted the Release Agreement and EMD check for the purchase of a property at 1804 Haversham Key, Virginia Beach, VA. in which Davis was representing the buyers, Ron and Teresa Martin. Campbell Realty was the listing firm and Robert Battle was the listing agent.

Hamilton stated Davis was representing the buyers and had looked at 30 or 40 houses with them. The buyers were in a big hurry to make a purchase. On April 19, 2012, Davis received a \$1000.00 EMD check from the buyers and on April 20<sup>th</sup> the contract was ratified. On April 22<sup>nd</sup> there was a home inspection where problems were discovered and the buyers wanted to back out of the contract. Davis still had the EMD check and returned it to the buyers. Davis told Hamilton she knew it was wrong to return the check but that Mr. Martin was being very pushy and wanted to make an offer on another property.

The secretary, Millar stated that the company policy requires their agents to submit all ratified contracts and EMD's to her for review and deposit. On May 14<sup>th</sup>, Davis came into the Shaffer office and discussed the subject property's sales file with Millar. At that time Davis had not submitted the Release Agreement or the EMD. Davis stated the buyers had backed out of the deal and she had returned the original EMD check to the buyers. Davis then submitted the Release Agreement and a copy of the EMD check to Millar.

Davis told investigators the EMD check had been received on April 19<sup>th</sup>. The buyers decided to withdraw from the contract and a Release Agreement was signed by all parties on April 25<sup>th</sup>. Davis returned the EMD check to the buyers on April 25<sup>th</sup>. On May 14<sup>th</sup> Davis realized the ratified contract had never been submitted to Shaffer Realty's office so she telephoned Millar. Davis knew the EMD check was supposed to be submitted within five days of ratification but forgot to take the folder containing the check and contract to the office.

What did Davis do wrong?

What should she have done?

## Case Study #2 – Escrow Violation – Betty Smith

### **BACKGROUND:**

On December 9, 2011, VREB received a report of a potential escrow violation.

On November 25, 2011, Y. Judd, as Buyer and E. G. Roberts Revocable Trust as Seller, entered into a residential contract of purchase for the purchase of 405 Stone Drive, Blacksburg, VA. Betty Smith Realty as Selling Firm and Betty Smith as the Buyer's Agent. Short and Fat Real Estate as Listing firm and J. Richards as listing agent.

### **FACTS:**

In addition to the facts outlined in the Background:

Paragraph 4 of the contract indicates: " Purchaser has made a deposit with B Smith Realty of \$2000.00...upon ratification of this contract by all parties, the deposit shall be held in escrow by the Escrow Agent."

On November 13, 2011, Smith received the EMD check from the buyer.

The EMD check was deposited into B. Smith's escrow account on December 6, 2011.

In response to the investigation Smith stated the following: "Good Faith check was deposited into escrow account on 7<sup>th</sup> business day of contract ratification. I was late by 2 business days . . . Nov. 16 I left Blacksburg for a 12 day trip overseas.. .

These are the contributing factors. The trip had been very stressful, outbound and inbound, with many weather related flight delays, cancellations and re-routing. .There was also the jet lag factor for 13 hour time zone difference and the client's indecisiveness. After home inspection on November 30, client was continually conflicted about completing transaction."

Smith told investigators that upon returning from her overseas trip, she was very behind with her paperwork. Further that the Buyers had second thoughts about purchasing the subject property and that she was preparing a Sales contract release when she discovered that the EMD had not been deposited.

### Case Study #3 – Escrow Violation - Sarah Duncan

#### **BACKGROUND:**

On July 20, 2012 the VREB received written information from Betty Jobs, principal broker of Coldwater Realty that there had been an escrow violation related to the deposit of an EMD receive by Sarah Duncan, selling agent.

On July 1, 2012 Mr. and Mrs. W. Grass, as buyers, and N. Marsh, as seller, entered into a MLS purchase agreement for the purchase of 2424 Harper Drive, Stafford, Virginia. No-Max Realty, listing firm and T. Cop, as the listing agent represented Marsh and Coldwater Realty as selling firm and Sarah Duncan as selling agent, represented Mr. and Mrs. Grass.

Terms stated, in part, that the Grasses make a \$1000.00 EMD to be held by Coldwater Realty.

#### **FACTS:**

On July 1, 2012, contract was ratified.

On July 1, 2012, Grasses gave Duncan EMD for \$1000.00 made payable to Coldwater Realty.

In a written response to VREB Duncan stated that Stafford County had substantial damage from a storm on June 30, 2012. According to Duncan, the Governor declared Stafford County in a State of Emergency and her home and Coldwater Realty's office were without power and telephone services for several days. She wrote the Grasses contract and received the EMD check on July 1, 2012. Duncan immediately placed the EMD check in a locked drawer in her desk at the office.

Duncan stated that her normal checks and balances were disturbed while Stafford County recovered from the storm. Upon review of her files on July 13, 2012, she saw that the EMD had not been deposited. She immediately deposited the EMD check on the same day.

## Case Study #4- Unworthiness and Incompetence – Clare Jones

### **BACKGROUND:**

During a review of the documents on B. Smith, licensed real estate salesperson for Clare Jones, principal broker of Dyno Realty, with Jones as supervising broker for Smith who was responsible for remitting rent proceeds check to V. Tanner, property owner. Smith failed to remit the January 2012 and March 2012 rent proceeds to Tanner in a timely manner.

It was further discovered that Smith failed to remit the May 2012 rent proceeds to Tanner in a timely manner.

On June 24, 2011, Stone Manor, seller and Tanner as purchaser, entered into a VAR Residential Purchase Agreement in the amount of \$128,400.00 to purchase 110 Art Place, Unit 111, Lynchburg, Virginia. Listing firm, Dyno Realty and Short and Fast Real Estate as selling firm.

July 26, 2011, transaction settled.

In accordance with the terms of the purchase agreement, Tanner reviewed and agreed to existing lease on the property dated April 15, 2011, and with a lease term beginning May 1, 2011 and The Rental Group, as landlord. Jones, as listing broker for Dyno represented the landlord, and Smith, was listed as landlord or duly authorized agent.

The Rental Group did not become a licensed real estate firm until June 29, 2012. Jones and Smith mistakenly believed The Rental Group was part of Dyno and Dyno managed approximately 150 property management clients and 200 property management units.

On August 17, 2011, Tanner, owner, entered into Property Management and Exclusive Rental Agreement with The Rental Group, as agent, by Smith as authorized rental designee by agent, to rent subject property for a period of 12 months, collecting monthly rent of \$1,100 but not less than \$1095.00.

### **FACTS:**

Between April 1, 2011 and January 4, 2012 Jones allowed Smith to negotiate lease and rental agreements while his salesperson's license was inactive with Dyno Realty.

The terms of the rental agreement for the subject property stated in part that Smith, the authorized representative, would promptly remit rent directly to the owner by the 15<sup>th</sup> of each month, provided the rent and other fees, as applicable, had been collected by that date.

Smith stated he was responsible for the collection and disbursement of rent monies for the subject property.

**Violation #1 :** Between December 15, 2011 and January 9, 2012, Smith collected 4 rent payments for January, February and March from one tenant, and 3 other rents for the month of January 2012. According to Smith, rents were deposited in a The Rental Group Sun Trust Account by end of January 2012.

From January 2012 through March 2012, Tanner repeatedly called and repeatedly emailed Smith inquiring about the rental proceeds.

Smith explained that on April 25, 2012, while preparing for the interview with the VREB agents, he realized after checking the property management account computer records that the rent proceed check had been drafted and the account computer records reflected no money, or a zero balance, was due. However, Smith came to realize that no actual check number had been generated and the check had not been printed or mailed to Tanner for January 2012. Once he realized this he drafted and printed the January 2012 rent proceeds and planned to mail the check to Tanner after the interview on April 26, 2012.

On April 26, 2012, Smith remitted to Tanner the check dated January 11, 2012 along with the owner statement.

Smith stated there were delays in remitting the January 2012 rent proceeds because he had 2 deaths in his family in January 2012 and was out of the office the majority of the month of January 2012.

**Violation 2:** On March 6, 2012, Smith collected rent payments from 3 tenants for the month of March 2012. On March 31, 2012, he remitted to Tanner the March rent proceeds plus the owner's statement.

Smith could not explain why the March 2012 rent proceeds check was remitted 16 days late to Tanner. Smith believed not mailing the rent proceeds check may have been an oversight o his part.

**Violation 3:** Between May 2012 and June 2012, Tanner notified the tenants that The Rental Group would cease managing the subject property and requested that future rent payments should be sent directly to Tanner. All three of the tenants confirmed receipt of this notice except Reese.

On May 8, 2012, Smith collected a rent payment from Reese for the months of July, August, and September 2012. Neither Smith nor The Rental Group through Dyno Realty disbursed the rent proceeds check to Tanner for Reeses rental payment at that time.

On June 3, 2012, a Letter of Acknowledgement of Termination of Services Agreement between Tanner and The Rental Group was signed which terminated the rental agreement. Smith signed for The Rental Group.

From July 2012 through October 2012, Tanner repeatedly emailed Smith inquiring about the status of the rent proceeds collected from Reeses.

According to Smith the check was deposited into The Rental Group Escrow account on May 10, 2012, however, on September 18 2012, Smith determined that the check had been mistakenly applied to a closed rental manager account instead of the Tanner account. The error was correct the next day. On September 24<sup>th</sup> the check was remitted to Tanner.

Case Study #5 – Jeff Jackson, Principle and Supervising Broker’s responsibility for acts of licensees and employees

**BACKGROUND:**

On 4/4/2012 Baker as buyer and Reynolds, as seller entered into a contract for the purchase of 9720 King George Drive Manassas, Virginia. Total Wonder Real Estate, as the listing firm and Nelson Via, as the listing agent, represented the seller. Fairfax Realty as the selling company, and Carlos Otto, as the selling agent represented the buyer. And EMD of \$1,000.00 was to be held by Fairfax Realty.

Jeff Jackson became supervising broker for Fairfax Realty on September 19, 2006. Otto has worked as a licensed Va. real estate salesperson from October 2007 to the present.

**FACTS:**

Contract ratified on June 18, 2010. Otto submitted ratified contract to Jackson on 9/20/10 along with the EMD and it was deposited into the firm’s escrow account this same date.

Baker failed to obtain financing for the contract and on March 18, 2011 a release of contract and deposit was ratified. Jackson advised the EMD was disbursed to Baker on March 23, 2011.

Baker did not have sufficient funds for the EMD when the contract was ratified in June 2010. Baker submitted a check for the EMD dated 9/17/10, and Otto submitted the EMD with the ratified contract to Jackson in September 2010.

In a letter to his agents, Jackson wrote, “if deposit checks (or re-deposits) are not provided to broker promptly after receipt from client, agent’s conduct of improperly handling escrow funds will be reported to the applicable state regulatory board and in Fairfax Realty’s sole judgment, agent’s license will be returned to the commission due to improper handling of escrow funds. . . Failure to turn in earnest money within 48 hours of ratification, fine \$150.00”

Jackson acknowledged that he did not fine Otto per the firm’s policy nor did he notify his principal broker or DPOR of the escrow violation.

Jackson was aware that Otto violated the Board’s regulations as well as Fairfax Realty’s policies and procedures. By failing to take reasonable action under the circumstances to remedy the situation, Jackson failed to take responsibility for the acts of a licensee with regard to the maintenance and management of escrow accounts.

Additionally, Jackson stated that he managed 92 agents so he is not always aware of every single contract until it is submitted by the agent for his review. Jackson vowed to have more personal contact with each of his agents.

By failing to supervise the firm’s day-to-day operations, not ensuring that the EMD was deposited according to the Board’s regulations and not notifying his principal broker of the violation, Jackson failed to act as a real estate broker in such a manner as to safeguard the interest of the public.





## TOP VREB VIOLATIONS

Beware of these most common Real Estate Board violations by licensees. You'll notice one common theme: escrow funds. Violations involving escrow funds continue to be some of the most frequently violated regulations for real estate licensees. Brokers, make sure you have policies in your office policy manual and provide education to prevent you and your licensees from engaging in any of these common offenses.

- 1. Failing to disclose in a timely manner to the licensee's client all material facts related to the property or concerning the transaction when failure to disclose would be a violation of ordinary care. See 18 V.A.C. 135-20-300.4**

*Make sure you represent your client's interests by disclosing all material facts related to the property or transaction. Remember, you are their representative, so help them by making sure they remain informed about the property and transaction!*

- 2. Failing to provide in a timely manner to all principals to the transaction written notice of any material changes to the transaction. See 18 V.A.C. 135-20-310**

*Not only do you need to make sure that you represent your client's interests, but you must inform all principals to the transaction of any material changes – this includes the party that you do not represent. This includes informing the parties if the earnest money deposit is not deposited in a timely manner.*

- 3. Failing to safeguard the interests of the public by not submitting documents to the broker in a timely manner, including earnest money deposits. See 18 V.A.C. 135-20-260.11.g**

*Licensees must remember to turn in all documents, such as contracts, listing agreements, and earnest money deposits, for which the broker has oversight responsibility. This ensures*

*that your broker can carry out his or her oversight responsibilities. Brokers need to have policies about when documents must be turned in, and practices on how exactly to carry out these duties. Make sure they are detailed in your office policy manual.*

- 4. Failing to notify the Real Estate Board in writing within 30 days of pleading guilty or no contest or being convicted or found guilty of a misdemeanor involving moral turpitude, sexual offense, drug distribution or physical injury, or any felony. See 18 V.A.C. 135-20-260.7**

*The Board must be notified in these cases to ensure that it continues to protect the interests of the public.*

- 5. Failing to disclose to an actual or prospective buyer or seller who is not the client of the licensee and who is not represented by another licensee the person whom the licensee represents pursuant to a brokerage agreement. See 18 V.A.C. 135-20-220**

*Upon a substantive discussion about a specific property or property, the licensee must disclose who he or she represents when speaking with an actual or prospective buyer or seller who is not his or her client and who is not represented by another licensee. The disclosure must be in writing and Virginia REALTORS® has a form that you can provide to comply with this requirement. Make sure your brokerage relationship is clear from the start of any conversation to avoid creating this issue.*

- 6. Failing to include the complete terms and conditions of the real estate transaction. See 18 V.A.C. 135-20-300.6**

*Licensees must include the complete terms in any real estate transaction, including any lease, property management agreement, or offer to purchase. Failure to do so is considered to be misrepresentation and/or omission on the part of the licensee. Using standard forms is a great way to ensure that you are complying with this requirement, but also make sure to carefully consider any necessary addenda or additional language from the standard clause library.*

- 7. Allowing unsupervised access to a home without the owner's authorization. See 18 V.A.C. 135- 20-260.11.I**

*Licensees must not allow unsupervised access to a home without the owner's authorization. Make sure you do not exceed the scope of what the owner has authorized when showing his or her property. Develop practices of not allowing individuals into houses by themselves unless you have written authorization from the owner.*



**8. Knowingly providing the broker with an earnest money deposit check from an account with insufficient funds. See 18 V.A.C. 135-20-260.11.k**

*Licensees must not present a check that they know is from an account with insufficient funds. If your client has indicated that the account from where the check will draw does not have insufficient funds, speak with your broker. You may need to amend the contract to ensure that there are not other escrow violations.*

**9. Representing that you have received the earnest money deposit check when you have not or when you have received a check you know is worthless. See 18 V.A.C. 135-20-12.h**

*Licensees must not represent that you have received an earnest money deposit check when you have not, or when you know the check is worthless. Watch for this in the contract and do not indicate that the buyer has provided the earnest money deposit check when he or she has not yet provided it to you.*

**10. Failing to deposit earnest money deposit into an escrow account. See 18 V.A.C. 135-20-180.B.1.a**

*Brokers holding escrowed funds for a transaction must deposit the funds by the fifth business banking day following ratification, unless otherwise agreed to in writing by the principals to the transaction. It is critical for licensees to turn in the earnest money deposit checks in a timely manner. Make sure you have policies and instructions for licensees so they can comply with these timelines.*

*Published April 2020*

## Manifestations of Hoarding

- **Acquisition of Items**  
The items were on sale or were a great deal.
- **Saving of Items**  
The items hold sentimental value or are seen as instrumental.
- **Disorganization**  
Things are kept in piles and the individual is afraid of discarding something that is important.

*"An individual may be in denial that he/she is a hoarder. They believe that they are doing something important by not wasting".*

## If someone you know, or one of your residents, hoards:

- Listen without being judgmental.
- Treat people who hoard as you would like to be treated, with respect and dignity.
- Focus on the person's good qualities, not the clutter in the dwelling.
- Recognize small steps of progress in eliminating clutter.
- Remember that good coaches help shape the decision so that it is easier to make; they do not make the decision for the person.

## FREE FAIR HOUSING SEMINARS AVAILABLE ACROSS THE COMMONWEALTH

### VISIT

<http://www.dpor.virginia.gov/FairHousing/>

Select the **calendar icon**



or the **Education and Outreach** tab to find and register for upcoming seminars.



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### VIRGINIA FAIR HOUSING OFFICE

Phone: 804-367-8530

TOLL FREE: 888-551-3247

TDD: Call Virginia Relay 711

Fax: 866-480-8333

[FairHousing@dpor.virginia.gov](mailto:FairHousing@dpor.virginia.gov)

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# HOARDING



## Hoarders, Housing Providers and Virginia Fair Housing Law

VIRGINIA FAIR HOUSING OFFICE



## What is Hoarding?

Hoarding is the excessive accumulation of items and the inability to discard them. Also known by the medical name “*disposophobia*,” it has gained more public awareness due to shows like “Hoarders” and “Hoarding: Buried Alive.”

## Who is a Hoarder?

- Hoarders can be men, women or children of any age—though they tend to be mostly elderly women.
- Hoarders are often intelligent and friendly.
- Hoarders are often fearful of authority.
- Hoarders are often ashamed, embarrassed and overwhelmed about their situation.
- An overwhelming number of hoarders are often obese.

## How Prevalent is Hoarding?

According to studies, hoarders make up 2-6% of the world’s population. This accounts for about 15 million adults—compared with the estimated 4.5 million elderly people who are suffering from Alzheimer’s or dementia.



## Hoarding and Co-Morbidity

In addition to hoarding, hoarders may also exhibit symptoms of the presence of one or more other disorders, such as:

- Major Depression - **60%**

- Social Phobia - **30%**
- General Anxiety Disorder - **20%**
- Obsessive-Compulsive Disorder – **18%**
- ADD/ADHD - **4%**

*A hoarder is not messy, lazy or defiant. The person has an illness that may require a reasonable accommodation.”*

## Hoarding that Violates Health & Safety Codes is a Lease Violation



Examples of lease violations include:

- **Odor**
- **Infestation**
- **Blocked Exits**
- **Fire Hazards** (blocked exits; paper near stove/vents; storing combustible items; resident is a smoker)
- **Animals** (multiple; unattended litter or feces; property damage)
- **Excessive Garbage**
- **Health/Fire Department Citations**
- **Unusable Bathroom Facilities**

## Reasonable Accommodations

***Changes in rules and/or policies that will allow residents with disabilities equal use and enjoyment of their dwelling.***

- In the case of hoarding, this could be allowing the resident to remain in the dwelling longer than usual to address the lease violation.
- The accommodation needed may include time or assistance to clean up the clutter enough to be in compliance with the lease.
- It does not mean the hoarder is allowed to violate safety and health rules indefinitely. Any imminent threats—such as fire, structural problems or contamination—must be addressed immediately.

## For Hoarders who meet the definition of “disability” under the Fair Housing Law ...

Housing providers must offer a reasonable accommodation even if they do not:



- Ask for an accommodation
- Admit to having a disability
- Agree that the unit needs cleaning

## Instead...

- Set goals
- Create a Plan
- Schedule follow-ups

*Hoarding is now classified by the Diagnostic Manual of Mental Disabilities (DSM-5) as a disability.*





# Lead Poisoning ✓ Home Checklist

The following questions will help you determine if your family is at risk for lead poisoning.

If yes, ✓

\_\_\_\_\_ **1. Was your home built before 1978?**

A majority of homes built before 1978 (especially homes built throughout the 1940s to 1960s), contain lead-based paint, which can have a dangerous effect on the health of young children (under the age of six) and pregnant women.

\_\_\_\_\_ **2. Do you see walls, furniture, or window sills in your home with chipping or peeling paint?**

Lead-based paint is unsafe if it peels, chips, or cracks. Harmful lead dust is created when windows, doors, edges of stairs, rails, or other lead-based painted surfaces wear away over time. You or your landlord can get your home checked for lead by hiring a trained, certified professional. Many young children put their hands or other objects covered with lead dust in their mouths, which can cause serious damage to their health. Wash children's hands, bottles, pacifiers, and toys often.

\_\_\_\_\_ **3. Do your children play in lead-contaminated soil near your home?**

Soil around homes with lead-based paint may have lead chips, dust, or flakes in it. Children can accidentally swallow this soil while playing outdoors, or the soil may be tracked indoors from shoes onto carpet and floors where children can eventually come into contact with it. Teach children to wipe and remove their shoes, as well as to wash their hands, after playing outdoors.

\_\_\_\_\_ **4. Do you store food in imported pottery that contains lead?**

Imported pottery and dishware usually contain lead. To protect your family from lead poisoning, use imported pottery only for decoration, and keep food and drinks in other safe, storage containers.

\_\_\_\_\_ **5. Do you work with lead in your job?**

You may be exposed to lead on the job if you work as a painter, ironworker, construction worker, cable splicer, automobile radiator repair mechanic, firearms instructor, metal shop worker, stained glass artist, or battery maker. If you work in a lead-related industry, change your work clothes before entering the home, wash your work clothes separately from the clothes you wear around your family, and remove your shoes before entering your home, as lead can be tracked indoors onto carpets, floors, and furniture.

**If you have answered yes to any of these questions, have your home tested by a certified professional by contacting 1-800-424-LEAD (5323) or visiting [www.epa.gov/lead](http://www.epa.gov/lead). If you rent, find out if your landlord has checked your home for lead. Have your children tested for lead poisoning by asking your doctor or your health specialist at a Head Start center to do a simple blood test. Medicaid should pay for the cost of the lead poisoning test.**



To find simple ways to prevent lead poisoning in your home look for the "Chance of a Lifetime" brochure at your Head Start center.



# ADVERTISING

## SOME BASIC CONTENT GUIDELINES



### PRINT

#### GENERAL

- ▶ FIRM NAME
- ▶ AGENT NAME

#### BUSINESS CARDS

- ▶ AGENT NAME
- ▶ FIRM NAME
- ▶ CONTACT INFO (PHONE OR WEB ADDRESS)

#### FOR SALE/ LEASE SIGNS

- ▶ FIRM NAME
- ▶ FIRM PRIMARY/ BRANCH PHONE

### DIGITAL

#### GENERAL

- ▶ AGENT NAME
- ▶ FIRM NAME
- ▶ CITY & STATE OF AGENT'S OFFICE
- ▶ STATES OF LICENSURE



**CONTACT INFO IS ON THE MAIN PAGE OR ONE CLICK AWAY AND SHOULD BE CLEARLY & LEGIBLY DISPLAYED**

# Separating Licensed & Unlicensed Activities

By: Guest Author, Virginia REALTORS® Senior Vice President of Member Programs, Adam Smith

If you have an unlicensed assistant or are looking to obtain one, here is a list of what activities do and do not require a license. (Outlined by the Virginia Real Estate Board in 18 VAC § 135-20-165 (6)-(7))

## **Does NOT require a license:**

- Perform general clerical duties, including answering the phones, responding by electronic media, and providing information shown on the listing;
- Submit listings and changes to the MLS;
- Follow up on loan commitments after contracts have been ratified;
- Have keys made for listings;
- Compute commission checks;
- Place signs on properties;
- Act as a courier service;
- Schedule appointments;
- Record and deposit earnest money, security deposits and advance rents;
- Prepare contract forms for approval of the licensee and supervising broker;
- Prepare promotional materials and advertisements for approval of the licensee and supervising broker;
- Assemble closing documents;
- Obtain required public information from governmental entities;
- Monitor license and personnel files;
- Order routine repairs as directed by licensee;
- Receive compensation for their work at a predetermined rate that is not contingent upon the occurrence of a real estate transaction; and
- Perform any other activities undertaken in the regular course of business for which a license is not required.

## **DOES require a license:**

- Show property;
- Hold an open house;
- Answer questions on listings, title, financing, contracts, brokerage agreements, legal documents;
- Discuss, explain, interpret, or negotiate a contract, listing, lease agreement, or property management agreement with anyone outside the firm; and
- Negotiate or agree to any commission, commission split, management fee, or referral fee.

Use this list to build an unlicensed assistant job description and, most importantly, to ensure you operating within the established regulations. For more information and frequently asked questions about licensure and other real estate topics, click [here](#).





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## Emerging Trends

- What's happening to the Real Estate companies themselves?
- What has technology done to our industry?
- What about regulations?
  - Local, State and Federal
- What about the consumer?
- What about Real Estate Agents?



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## Who is required to take this course?

- Principal Brokers
- Supervising Brokers
- Associate Brokers

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## Principal Broker

“Principal Broker” means the individual broker who shall be designated by each firm to assure compliance with Chapter 21 (54.1-2100 et seq.) of Title 54.1 of the Code of Virginia, and this chapter, and to receive communications and notices from the board which may affect the firm or any licensee active with the firm. In the case of a sole proprietorship, the licensed broker who is the sole proprietor shall have the responsibilities of the principal broker. The principal broker shall have responsibility for the activities of the firm and all its licensees.

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### Supervising Broker

“Supervising Broker” means (i) the individual broker who shall be designated by the principal broker to supervise the provision of real estate brokerage services by the associate brokers and salespersons assigned to branch offices or (ii) the broker, who may be the principal broker, designated by the principal broker to supervise a designed agent as stated in 54.1-2130 of the Code of Virginia

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### Associate Broker

“Associate Broker” means any individual licensee of the board holding a broker’s license other than one who has been designated as the principal broker.

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### Qualifications for licensure

- 18 years of age
- High school diploma or equivalent
- Passed written examination within prior 12 months
- Shall disclose all misdemeanors and/or felonies
- Photo submission
- Meet education requirements
- Shall have been actively engaged in real estate 36 of 48 previous months preceding application
- Finger printing required

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### Licensure by Reciprocity

- 18 years of age
- High school diploma or equivalent.
- Actively engaged in real estate 12 of preceding 36 months salesperson; 36 of preceding 48 months broker
- Disclose all misdemeanors and/or felonies
- Pass the Virginia's state examination
- Sign a statement verifying they have read and understands the Virginia Real Estate Regulations
- Be in good standing as a licensee in every jurisdiction licensed.

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### Qualification for Renewal - Salespersons

- All active salespersons, except those on active duty, shall complete 16 hours of continuing education (CE) classes
  - Classroom , correspondence or online
  - Each licensing term ( 2 years)
  - Classes
    - 2 hours Fair Housing Laws
    - 3 hours Ethics and Standards of Conduct
    - 1 hour in Virginia real estate laws and regulations
    - 1 hour Virginia agency
    - 1 hour contracts
    - 8 hours elective

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### SPLE – First Year Licensee Requirements

- 6 hours of Real Estate Laws and Regulations
- 6 hours of Contract Writing
- 3 hours of Escrow
- 2 hours of Fair Housing
- 3 hours of Ethics and Standards of Conduct
- 2 hours of Current Industry Issues and Trends
- 3 hours of Agency
- 3 hours Risk Management
- 2 hours Finance

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## Broker's Classes

- 6 hours in supervision and management of real estate agents and management of a real estate brokerage firm
- 2 hours broker supervision requirements in Code and regulations
- 2 hours fair housing laws
- 3 hours in ethics and standards of conduct
- 1 hour in Virginia real estate laws and regulations
- 1 hour Virginia agency
- 1 hour contracts
- 8 hours elective

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## Place of Business

- Definition:
  - Place where business of a real estate company is transacted
  - Can receive business calls and direct business calls to be made
- If a residence, must be separate and distinct from the living quarters (due to Covid, this may be changed by 2023 General Assembly)
- Accessible by the public
- Availability of licenses to the public–
  - firm license
  - Principal broker license
  - Salespersons licenses



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## Place of Business - continued

- Branch Office
  - Branch office license must be posted
  - Roster of every salesperson or broker assigned to the branch must be posted in a conspicuous place
- Each place of business and each branch office shall be supervised by a supervising broker
  - May assign another broker to assist with those duties

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## Duties of the Supervising Broker

- Be available to all licensees under his/her supervision in a timely manner
- Provide training
- Provide a written policies & procedures manual with clear guidance. See next slide .....



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## Procedures and Policies Manual

- In writing
- Available to agents
- Cover everything outlined in the Broker Audit, laws and regulations.
- [VR's sample manual](#)



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## Duties of the Supervising Broker

- Ensure proper handling of escrow deposits



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### Maintenance and Management of Escrow Accounts

- Must keep in federally insured separate escrow account in the name by which the company is licensed
  - Unless otherwise agreed in writing by all principals to the transaction
- The account must be labeled “escrow” and designated as “escrow” accounts with the financial institution.



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### Escrow Accounts -

- Funds must be placed in an escrow account *by end of the fifth (5<sup>th</sup>) business banking day* following ratification of the contract.
  - Unless otherwise agreed in writing by parties to the transaction
- Same is true for Lease transactions



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### Escrow Accounts -

- The escrow account may include moneys which ultimately belong to the broker
- Escrow funds shall not be paid directly to the licensees of the firm
- Must disclose if the account is interest bearing
- Escrow funds may be used to purchase a CD

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### *Escrow Accounts- Disbursement of funds from Escrow Accounts*

- Funds must remain in Escrow until the transaction is consummated or terminated.
- If transaction is not consummated, broker shall hold funds in escrow until
  - All principals to the transaction agree in writing to their disposition
  - A court orders disbursement of the funds
  - Broker can pay funds to the principal who is entitled to receive them in accordance with clear and explicit terms of the contract



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### *Escrow Accounts - Disbursement of Escrow Funds Continued*

- There must be sufficient money on deposit in that account to the credit of the individual client or property.
- Unless agreed in writing, expenses incidental to closing, e.g., fees for appraisal, insurance, credit report, etc., shall not be deducted from a deposit or down payment.



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### *Escrow Accounts - How may a Broker Disburse Escrow Funds?*

1. Hand delivery receipted for by the addressee
2. Certified mail, return receipt requested with copy to the other parties that payment will be made unless receive written protest from that principal within 15 days
3. Notice may be sent by email or fax if that information is provided & it's sent within 90 days of date of non consummation of contract.



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*Escrow Accounts- Improper Maintenance of Escrow Funds*

- Accepting anything of value not readily negotiable as a deposit
- Commingling funds
- Failure to deposit escrow funds
- Failure to have sufficient balances in an escrow account
- Failure of the Principal Broker to report to the VREB within 3 business days improper conduct of a licensee which has caused noncompliance.

**Commingling Funds -- A Big No-No!**

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**Case Studies on Escrow Violation**



- Horn
- Maze
- Rasid
- Poe

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**Types of Regulatory Risk REALTORS® Face**

1. Ensure compliance with federal and state **Fair Housing** laws and regulations in residential and leasing / property management.
  - Hoarding

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**Manifestations of Hoarding**

- Acquisition of Items**  
The items were on sale or were a great deal.
- Saving of Items**  
The items hold sentimental value or are seen as instrumental.
- Disorganization**  
Things are kept in piles and the individual is afraid of discarding something that is important.

"An individual may be so afraid that he/she is a hoarder. They believe that they are doing something important by not using."

**If someone you know, or one of your residents, hoards:**

- Listen without being judgmental.
- Treat people who hoard as you would like to be treated, with respect and dignity.
- Focus on the person's good qualities, not the clutter in the dwelling.
- Recognize small steps of progress in eliminating clutter.
- Remember that good coaches help shape the decision so that it is easier to make; they do not make the decision for the person.

**FREE FAIR HOUSING SEMINARS AVAILABLE ACROSS THE COMMONWEALTH**

VISIT <http://www.dpor.virginia.gov/FairHousing/>

Select the calendar icon

or the Education and Outreach tab to find and register for upcoming seminars.

**HOARDING**



**Hoarders, Housing Providers and Virginia Fair Housing Law**

**VIRGINIA FAIR HOUSING OFFICE**

Phone: 804-367-6530  
TOLL FREE: 866-551-3247  
TDD: Call Virginia Relay 711  
Fax: 866-480-8333  
[FairHousing@dpor.virginia.gov](mailto:FairHousing@dpor.virginia.gov)

**DPOR**

The work that provided the basis for this publication was supported by funding from a Cooperative Agreement with the U.S. Department of Housing and Urban Development. The substance and findings of the work are reported in the public domain. The author and publisher are solely responsible for the accuracy of the statements and interpretations contained in this publication. Such interpretations do not necessarily reflect the views of the Department. Reprinted by NCHM 8/2009

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**What is Hoarding?**

Hoarding is the excessive accumulation of items and the inability to discard them. Also known by the medical name "diogenophobia", it has gained more public awareness due to shows like "Hoarders" and "Hoarding: Buried Alive."

- Hoarders can be men, women or children of any age—though they tend to be mostly elderly women.
- Hoarders are often intelligent and friendly.
- Hoarders are often fearful of authority.
- Hoarders are often ashamed, embarrassed and overwhelmed about their situation.
- An overwhelming number of hoarders are often obese.

**How Prevalent is Hoarding?**

According to studies, hoarders make up 2-6% of the world's population. This accounts for about 15 million adults—compared with the estimated 8.5 million elderly people who are suffering from Alzheimer's or dementia.




**Hoarding and Co-Morbidity**

In addition to hoarding, hoarders may also exhibit symptoms of the presence of one or more other disorders, such as:

- Major Depression - 60%
- Social Phobia - 99%
- General Anxiety Disorder - 20%
- Obsessive-Compulsive Disorder - 18%
- ADD/ADHD - 4%

A hoarder is not messy, lazy or delusional. The person has an illness that may require a reasonable accommodation."

**Hoarding that Violates Health & Safety Codes is a Lease Violation**



**Examples of lease violations include:**

- Odor**
- Infiltration**
- Blocked Exits**
- Fire Hazards** (Blocked exits; paper near stoves/vents; storing combustible items; resident is a smoker)
- Animals** (multiple; unattended litter or feces; property damage)
- Excessive Garbage**
- Health/Fire Department Citations**
- Unusable Bathroom Facilities**

**Reasonable Accommodations**

Changes in rules and/or policies that will allow residents with disabilities equal use and enjoyment of their dwelling.

In the case of hoarding, this could be allowing the resident to remain in the dwelling longer than usual to address the lease violation.

- The accommodation needed may include time or assistance to clean up the clutter enough to be in compliance with the lease.
- It does not mean the hoarder is allowed to violate safety and health rules indefinitely. Any imminent threats—such as fire, structural problems or contamination—must be addressed immediately.

**For Hoarders who meet the definition of "disability" under the Fair Housing Law...**

Housing providers must offer a reasonable accommodation even if they do not:

- Ask for an accommodation
- Admit to having a disability
- Agree that the unit needs cleaning

**Instead...**

- Set goals
- Create a Plan
- Schedule follow-ups

Hoarding is now classified by the Diagnostic Manual of Mental Disabilities (DSM-5) as a disability.

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## Types of Regulatory Risk REALTORS® Face

2. Environmental Issues

- What environmental issues do we see affecting real estate transactions today?

3. Agency Relationships

4. RESPA – Hotline Question

**Rebates & Referrals Video** 2:26

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## Types of Regulatory Risk REALTORS® Face

### 5. Lead Based Paint

- New Renovation Requirements
  - [www.epa.gov/lead](http://www.epa.gov/lead)




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## Types of Regulatory Risk REALTORS® Face -

### 6. Antitrust Traps to Avoid

- Price/term fixing
- Territorial Assignments
- Boycotts
- Association meetings
- [NAR Antitrust Video](#)




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## Types of Regulatory Risk REALTORS® Face

### 7. Drones

- Federal Aviation Administration (FAA) has begun issuing waivers for some drone operators to legally operate.
- Companies with real estate related purposes
- All drones prohibited without a waiver
- FAA has an approved list of operations on their website
- <https://www.nar.realtor/drones>




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## Types of Regulatory Risk REALTORS® Face

### 8. National Flood Insurance Program and flood hazard areas information

- PL and CE curricula required for all licensees 1/1/2016

### 9. Consumer Financial Protection Bureau changes:

- Loan Estimate takes the place of the Good Faith Estimate
- Closing Disclosure takes the place of the HUD-1
- Went into effect October 1, 2015.

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## Duties of the Supervising Broker

- Oversee advertising and marketing



**ADVERTISING**  
SOME BASIC CONTENT GUIDELINES

<b>PRINT</b>	<b>GENERAL</b> <ul style="list-style-type: none"><li>• FIRM NAME</li><li>• AGENT NAME</li></ul>	<b>BUSINESS CARDS</b> <ul style="list-style-type: none"><li>• AGENT NAME</li><li>• FIRM NAME</li><li>• CONTACT INFO (PHONE OR WEB ADDRESS)</li></ul>	<b>FOR SALE/LEASE SIGNS</b> <ul style="list-style-type: none"><li>• FIRM NAME</li><li>• FIRM PRIMARY BRANCH PHONE</li></ul>
<b>DIGITAL</b>	<b>GENERAL</b> <ul style="list-style-type: none"><li>• AGENT NAME</li><li>• FIRM NAME</li><li>• CITY &amp; STATE OF AGENT OFFICE</li><li>• STATE OF LICENSURE</li></ul>		<b>CONTRACT INFO IS ON THE MAIN PAGE OR ONE CLICK AWAY AND SHOULD BE CLEARLY &amp; LEGIBLY DISPLAYED</b>

\*\*\*\*\* FOR MORE INFO, VISIT [VIRGINIAREALTORS.ORG](http://VIRGINIAREALTORS.ORG) \*\*\*\*\*

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## Duties of the Supervising Broker

- Oversee negotiating and drafting of contracts, leases, and brokerage agreements.



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## Duties of Supervising Broker

- Oversee use of unlicensed individuals



### Separating Licensed & Unlicensed Activities

By: Grant Butler, Virginia REALTOR® Senior Vice President of Member Programs, Active Search  
 28 practices are recommended to separate licensed and unlicensed activities. Some are a list of other activities that need to be separated from a licensee. (Cited by the Virginia Real Estate Board as 18 VAC 135.20-140 (8/1/17))

- Does NOT require a license:
- Perform general clerical duties, including answering the phone, responding by electronic mail, and providing administrative services on the listing;
  - Submit listings and changes to the MLS;
  - Follow up on lease commitments after contracts have been certified;
  - Show keys ready for delivery;
  - Complete commission checks;
  - Place signs on properties;
  - Act as a escrow service;
  - Schedule appointments;
  - Record and deposit earnest money, security deposits and advance rents;
  - Prepare contract forms for approval of the licensee and supervising broker;
  - Prepare promotional materials and advertisements for approval of the licensee and supervising broker;
  - Assemble closing documents;
  - Obtain required public information from governmental entities;
  - Monitor license and personal files;
  - Check contract copies on closed file licenses;
  - Review correspondence for files such as a prohibited case that is not contingent upon the occurrence of a real estate transaction, and
  - Perform any other activities not prohibited in the explicit course of business for which a license is not required.

- Does require a license:
- Show property;
  - Hold an open house;
  - Answer questions on listings, MLS, financing, contracts, brokerage agreements, legal documents;
  - Discuss, explain, interpret, or negotiate a contract, listing, lease agreement, or property management agreement with anyone outside the firm; and
  - Negotiate or agree to any commission, commission split, management fee, or related fee.
- Use this list to build an advertisement job description and, most importantly, to ensure you operating within the established regulations. For more information and frequently asked questions about licensee and other real estate topics, click [here](#).

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## Duties of the Supervising Broker

- Recruit and Hire Support Staff
  - Licensed or Unlicensed Assistants
  - Skills required
  - Background check/references




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## Recruiting and Hiring Support Staff Scenario #1 Open House

You have an open house scheduled from 1-4. On your way to the store to get cookies for the open house, your car breaks down.

You know you're not going to be able to make it to the house by 1 and your sellers have been difficult so far. Can you call your unlicensed assistant who lives right around the corner from the listing and ask her to walk over and just sit at the house until you can get there around 1:30?




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### Recruiting and Hiring Support Staff

#### Scenario #1 Open House

No.

The VREB has clearly said that holding a house open is an activity that requires a license. Even though it will only be for a few minutes, having your assistant sit there will violate the regulations.



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### Recruiting and Hiring Support Staff

#### Scenario #2 Answer the Phone

Your unlicensed assistant is screening your calls for you while you are in a meeting. A call comes in from someone who has a few questions. Which of these can your assistant answer if you give consent in advance?

1. What is the list price of the home?
2. What school district is it in?
3. Can we move into the property before settlement?



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### Recruiting and Hiring Support Staff

#### Scenario #2 Answer the Phone

Questions 1 (list price) & 2 (school district) are fine, but your assistant should not answer whether the seller would be willing to accept certain addenda or contingencies as part of a contract.



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### Recruiting and Hiring Support Staff

Scenario #3 Show Him the Money

I'm not sure how much I'm actually going to need an assistant, I can just pay him for each transaction he works on that settles.

True or False?



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### Recruiting and Hiring Support Staff

Scenario #3 Show Him the Money

False.

Assistants can only be paid for their work at a predetermined rate that is not contingent upon the occurrence of a real estate transaction.



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### Duties of Supervising Broker



- Oversee creating agency or independent contractor relationships
- Ensure distribution of information on new or changed statutory or regulatory requirements.
- Oversee policies on disclosure of matters relating to the condition of property.
- All matters necessary to assure competence of licensees to comply with VREB's regulations and Chapter 21 of Title 54.1 of the Code of Virginia

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## Duties of Supervising Broker Continued



- **Ensure Proper Record Keeping**
  - Maintain complete record of financial transactions
  - At place of business
  - Maintain bookkeeping system
  - Accurately and clearly disclosing full compliance with escrow regulations
  - Maintain for 3 years from date of closing
    - Or ratification of contract if transaction did not close

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## Maintenance of Licenses

- Principal broker must keep the board informed of :
  - Current firm name
  - Addresses for firm and all branch offices
- Principal broker must return all licenses of brokers and salespersons no longer with the firm within 10 days of termination.



Department of Professional and Occupational Regulation

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## Public Policy Issues

- **Local Issues**
  - Affordable and Workforce Housing
  - Transfers of Development Rights - TDRs
  - Green Development
  - Real Estate signs
- **State Issues**
  - Redistricting
  - Cluster Amendments
  - License Immunity for Reliance on Public Information
  - RE Assessments
  - Disclosure of Chinese Drywall
  - Private Transfer Fees
- **National Issues**
  - Mortgage Interest Deduction
  - Fannie Mae and Freddie

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## Do Not Call Rules & Regs

- [Window to the Law: Comply with the Do Not Call Registry](#)  
4:42



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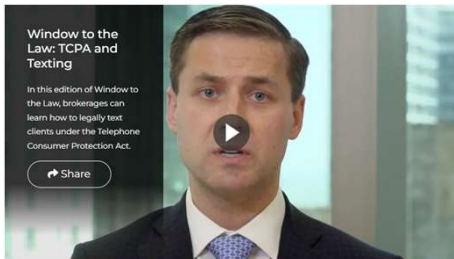
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## Do Not Text

- Window to the Law: TCPA and Texting



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## VREB Broker Self-Audits

- Effective January 1, 2013
- [Form on DPOR site](#)
- Required at the company license renewal date.
- Maintained by the Broker
- What are the focuses?



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## Risk Management – What is it?

- Identifying everything in your real estate practice that may create legal risk
- Establishing a comprehensive system for dealing with those risks



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## Risk Management

- Policy and Procedures Manual to avoid risk
- Use lawyers and accountants
- What does your company training program look like?
- What forms are you using in your company?
- Are your agents properly trained on all forms?
- How do your company files stack up to VREB regulations?



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## Risk Management–Continued

- Are you prepared for Litigation?
- Insurance
  - **General Liability:** Protects against claims of injuries on the company's premises
  - **Fidelity Insurance:** Reimburses a company for loss of money or property due to a dishonest worker
  - **Property Insurance:** Protects from losses arising from physical damage or theft
  - **Directors & Officers Liability:** Protects from suits brought against them for wrongful acts
  - **E & O Insurance:** Protects against claims resulting from mistakes or negligence

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## E & O Insurance

- Includes the legal defense against a claim as well as damage awards
- Company should offer a group policy which each licensee can participate
- Know the terms, conditions and deductible
- Create policy to insure licensee's know their responsibility



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## Insurance -- Continued

- **Workman's Company Insurance:** Protects employees injured on the job
- **Automobile Insurance:** Protects both physical injuries to others and damage to vehicles
  - Policy Manual should include requirement that all sales associates carry comprehensive auto insurance and company named on their policy as a co-insured
  - Check with your insurer

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## Top 10 Legal Issues Facing Brokers

- 1. Misrepresentation**  
Includes failure to disclose
- 2. Agency**  
Many include undisclosed dual agency
- 3. Fair Housing**  
Testers - common technique used
  - [Long Island Divided](#) (2 minutes)
  - [NAR Bias Video](#) (3:15)
  - [NAR Fairhaven Challenge](#) (earn CE in Virginia)
- 4. Antitrust**  
Office policies are key
- 5. False or misleading advertising**  
Internet advertising is being more closely observed

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## Legal Issues - Continued

**6. Salespeople's employment or independent contractor status**

**7. Environmental issues**

What are the issues in our area and how do you monitor agents?

**8. RESPA**

Referral fees between Brokers only if both licensed

**9. Unauthorized practice of law**

Urge clients to seek legal advise

**10. Americans with Disabilities Act**

You must do what is "readily achievable with reasonable effort and expense to serve your clients with disabilities."

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## Risk Management --Continued

- NAR has several videos available:
  - [Hot Topics in Risk Management](#) 5:10
  - Risk Management Planning for Your Brokerage
  - Risk Management Identity Theft
  - Risk Management Lead-Based Paint

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## Risk Management and the Code of Ethics

- Go to [www.VirginiaRealtors.org](http://www.VirginiaRealtors.org)
- Videos available on the hottest Ethics topics
  - <https://virginiarealtors.org/code-of-ethics-resources/>

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## Dispute Resolution



- **Ombudsman**
- **Mediation and arbitration** are alternatives to court
  - Speedy
  - Affordable
- **Mediation** is a forum in which the parties come together with an impartial mediator and negotiate a resolution to their dispute.
- **Binding arbitration** involves an arbitrator or panel that hears both sides and makes a decision

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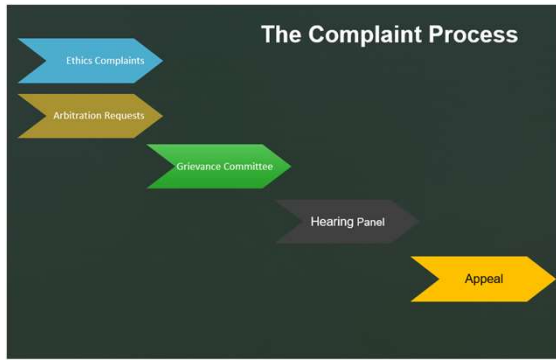
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## Dispute Resolution



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## Dispute Resolution

### After the Hearing ...

- Ethics: BOD approval before decision is final.
- Arbitration: No BOD approval.
- Parties have limited appeal rights:
  - Arbitration: Procedural deficiencies.
  - Ethics: Misapplication of Code, severity of discipline, procedural deficiencies.

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## Dispute Resolution

### Authorized Discipline – Ethics Complaints

Letters of warning or reprimand

Fines up to \$15,000

Attendance at educational courses/seminars

Suspension or termination of membership

Suspension or termination of services including MLS

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## Flood Information

- **Flood definition:** A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from overflow of inland or tidal waters, from unusual and rapid accumulation or runoff of surface waters from any source, or from mudflow.
- 100-year floodplain is an area that will be flooded on average once every 100 years
  - 1% chance of being flooded in any given year
  - Over 30-year mortgage, there is 25% chance that area will flood.



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## The National Flood Insurance Program

- The National Flood Insurance Program (NFIP) is :
  - Aimed at reducing the impact of flooding on private and public property
  - Providing affordable insurance for property owners
    - NFIP subsidizes flood insurance
    - Local governments required to establish and maintain sound floodplain management
    - Must establish floodplain ordinances and meet NFIP criteria
    - Must regulate what takes place in flood hazard area
    - Flood hazard area defined as area in the 1 percent annual chance floodplain



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## National Flood Insurance - Continued

- 2014 the Homeowner Flood Insurance Affordability Act became law.
- Administered by FEMA under US Dept. of Homeland Security through state-licensed insurance companies
- FEMA identifies flood hazard areas on Flood Insurance Rate Maps (FIRMS) and Flood Hazard Boundary Maps (FHBMS)
  - FIRMS are the official map of a community delineating special hazard areas and risk premium zones applicable.



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## National Flood Insurance - Continued

- NFIP is a voluntary program
- Reduces flood insurance premiums in the community that exceeds the minimum NFIP standards
- Communities that participate must perform an annual update report of potential hazards and mitigation efforts to be undertaken
- Community Rating System (CRS) requirements also
  - Enhance public safety
  - Reduce damages to property and public infrastructure
  - Avoid economic disruption and losses
  - Reduce human suffering
  - Protect the environment

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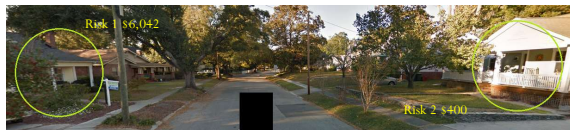
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### Problem 2: Neighbors with very different rates



- Hypothetical, identical houses\*
  - Risk 1 near a creek
  - Risk 2 across the street from Risk 1
  - Risk 3 far away from the creek
- Current NFIP premiums:
  - Risk 1: \$6,042
  - Risk 2: \$400
  - Risk 3: \$400

Source: Milliman



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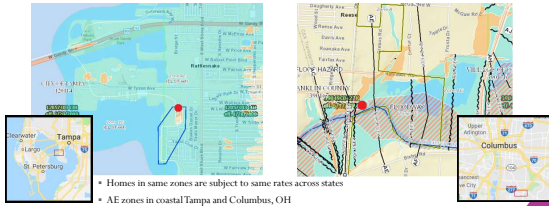
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**Problem 3: Many paying more than their share of the risk**



- Homes in same zones are subject to same rates across states
- AE zones in coastal Tampa and Columbus, OH
- Identical houses at these locations
  - One-story frame house worth \$250K
  - First floor 1 foot above base flood elevation
  - No basement, built 1990

Source: Milliman




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**Solution 1: Risk Rating 2.0 is product of collaboration and science**

**TIME:** Research, design, analysis, development, and testing translates to 5+ years of work and thousands of hours.

**PEOPLE:** The cross-functional team of 20+ NFIP program experts, including 8+ full-time actuaries, collaborated with a diverse network of experts from a wide range of disciplines.

- Academics
- Actuaries
- Building scientists
- Engineers
- Insurance industry experts
- Mappers
- Underwriters
- Mitigation experts

**TECHNOLOGY:** Cutting-edge technology and best available data used to make a modern-day program:

- Private Sector: Rate Setting Methods
- Private Sector: Catastrophe Models
- Government Models, Available Data, and Collaborations



Source: FEMA




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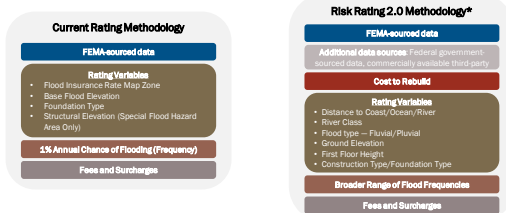
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**Solution 2: Risk Rating 2.0 prices individually rather than by flood zone**



Source: FEMA




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### What's Not Changing

- Residential & Commercial Policy Coverage stays the same
- Buyer can still assume/transfer the Seller's policy so no big jumps on day 1.
- Still have 18% or 25% maximum increases for existing policies when transferred
- Still required to have flood insurance if in a Special Flood Hazard Area like AE & VE and have a federally backed mortgage
- Community Rating System (CRS) discounts of 5-45% still apply
- Elevation certificates are now optional and can be used if it will help get more favorable rates

Source : FEMA



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### What Realtors® Need To Know

- Prepare your clients that change is coming
- Utilize NAR resources provided - Handout NAR FEMA flyer to clients
- Be their calm professional ... Pause – Breathe – Get the facts
- Encourage clients to start early and work with experienced, knowledgeable flood insurance agents to understand process and all their options.
- Don't assume - remember your license and training
- Make sure you have a knowledgeable Insurance Advisor on your team.



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### NAR Resources for You

- NAR Member Information Packet <https://www.nar.realtor/national-flood-insurance-program/fema-risk-rating-2.0-equity-in-action>
- FEMA-NAR Flyer for Homeowners <https://www.nar.realtor/national-flood-insurance-program/major-improvements-coming-to-the-national-flood-insurance-program>
- NAR Frequently Asked Questions (FAQs) <https://www.nar.realtor/national-flood-insurance-program/fq-fema-risk-rating-2.0-townhall>
- NAR Member Legal Guidance <https://www.nar.realtor/flood-insurance#section.166024>
- Video: FEMA Risk Rating 2.0: A modern equitable flood insurance system <https://www.nar.realtor/videos/risk-rating-2.0-part-1-a-modern-equitable-flood-insurance-system>
- Video: FEMA Risk Rating 2.0: The Impact on Your Business <https://www.nar.realtor/videos/risk-rating-2.0-part-2-impact-on-your-business>
- Video: NAR-FEMATownhall <https://www.nar.realtor/videos/nar-town-hall-featuring-fema-senior-executive-david-maurstad>



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## More Flood Information- Continued

In general, a broker or agent must **disclose** the following facts when they have actual knowledge:

- that a property is in an area where flood insurance is required;
- that flood insurance was required in past;
- that the property is located in an area that has flooded in the past;
- and that the property is located in an area subject to flood risk that may cause many or most owners to purchase flood insurance.



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● Questions??

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