



# Business Management

by  
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This 30 clock hour course looks at what is needed to run a real estate business in Washington State.

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*A Washington State Approved Real Estate School under R.C.W. 18.85.*



## Clockhours by Mail

1. You will be provided with a booklet of with the class material here in a pdf format. It is a THIRTY (30) CLOCKHOUR CLASS. It is written using the curriculum provided by the Department of Licensing.
2. The course has been divided up into chapters. In Washington State a “clock hour” is 50 minutes. There are questions about each session. There is a separate workbook.
3. You must complete all the questions in the workbook and the Final Exam to receive clockhours.
4. **Answer** the questions directly in the workbook or on the answer sheets.
5. If you have any questions regarding the material or the questions, don’t hesitate to email Natalie Danielson.
6. **SCAN and EMAIL** the entire workbook or the answer sheets along with the Mandatory Evaluation to Professional Direction. Our email is: [clockhours@gmail.com](mailto:clockhours@gmail.com)
7. The certificate will be emailed ASAP after receipt of quiz and evaluation.

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

Thanks!

*Natalie Danielson*

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# Business Management

## Curriculum

<b>Session Hours</b>	<b>Major Topics</b>
1 3 hours	<b>Business Planning</b> Learn about a business plan and how to evaluate the mission, structure and business needs.
2 3 hours	<b>Starting and Organizing a Business</b> Know what is involved in starting a business in WA state. Learn about issues regarding choosing a name Learn the requirements to be a real estate firm in WA state.
3 3 hours	<b>Site and Office Design</b> Evaluate the options for an office space and different leases Identify the requirement for a real estate firm in WA State
4 3 hours	<b>Fiscal Management</b> Identify requirements to set up accounts Be able to roughly evaluate financial statements Identify client trust funds, , depositing, records and disbursements.
5 3 hours	<b>Office Management</b> List what is covered in a office Policy and Procedures Manual Know recordkeeping requirements for a firm and auditing guidelines
6 3 hours	<b>Human Resource Management</b> Evaluate the staff requirements and sales crew for a company Understand the importance of carefully delegating duties Identify issues regarding training, recruiting, retention and compensation of staff and brokers
7 3 hours	<b>Information Technology</b> Determining minimum needs for office technology Know the importance of a good transaction management program Evaluate the importance of having a web presence Identify privacy and security issues
8 3 hours	<b>Business Ethics</b> Understand the need for ethical practices and the relationship to laws Identify standards of practice that relate to “ethical” business practice and how they affect business.
9 3 hours	<b>Elements of a Marketing Strategy</b> The components of a marketing plan Know the primary laws that affecting marketing in the real estate industry
10 3 hours	<b>Strategic Planning</b> Evaluate the company ability to weather the good weather and the storms Be prepared for the future

# Section 1

## Business Planning

As a result of taking this section the real estate agent shall be able to:

<b>Putting my name on the door</b>	Discover Natalie's story of starting a business.	
<b>You can start a business</b>	Questions to ask yourself before starting a business.	
<b>Business Planning</b>	Identify what is required in a business plan.	

Brokers taking Business Management want to learn what it would take to open their own brokerage, are contemplating management with a firm, or are just polishing up skills for their own business.

The most important aspect of any business management curriculum is planning. A good business plan can make or break any business, but surprisingly, many real estate brokers do not have a better plan than a wish list. It is often put on the back burner or the pot is boiling and decisions are made quickly and in emergency mode so that the future business is not considered. We can plan for those emergency situations when the pot is boiling if there is an effective plan in place.

No two business plans are the same. A good description of the business, the organization, the marketing, and projections can make or break a business in the first year. You must have the basic structure of a business plan and what needs to be included.

People look at business plans through a variety of different glasses. Some plans are all about money and statistical projections. Other plans focus strictly on the marketing. Some plans are general and some are very detailed down to the week. Some plans must be adhered to strictly and others are just a general guide. Some plans are just a thought in the mind of the broker.

There is no requirement to have a business plan unless it is being used to obtain financing, work with a partner, or to plan ahead for growth. But, a plan is like a road map for the business.

Sitting down at a computer to write a plan can be a bit overwhelming. Look for resources. The internet is an amazing tool. You might find a plan online that is similar to what you are thinking. You can learn from what others use as a plan when creating your own.

When should you write a plan? If you do not have one, then now is the time. You start today. You can start analyzing your past business... Where it originates.... Where you are successful in business.... What you like and don't like... What you see in the future. Look at your financials. Ask yourself, how did you get to this place and how can you continue to build your business?

# Putting my Name on the Door

Putting your name on the door of your own business can change your entire life. Oh, the joy you feel when you stand back and look at the sign, hold your new business cards in your hands and then sit at your desk.

“The hardest thing about starting your own business is listening to the advice you get that you’ll never need and missing the advice you need that you never get.” Natalie Danielson April 1993

I was 38 years old when I started my own business after a decade as a real estate Broker and Associate Broker. I longed for my own independence away from a manager. I was a real estate broker in a relatively large office in a room where I felt like I was always competing and struggling to keep my own leads. There wasn’t great chemistry with management who had handpicked certain people for those coveted corporate and bank leads.

I also had experience at a firm where I had my own office and paid a desk fee. There, I was independent and loved the sense of running my own business. I was limited to the business structure and my own footsteps to create my income. But, one day the manager announced that we had to pack our desk and the office was closing and I lost all the investments and income from future closings.

After stints at a few firms, I decided to open my own business. I had to believe in myself and my abilities, live with a positive outlook, and follow a realistic plan. I opened one of the first real estate schools that specialized in continuing education. In addition, I had a real estate brokerage in the same location. I was a single mother of two young children with little, if any, child support. My mother passed away and I took a chunk of the inheritance and, with a budget for the first year, invested into my own business, Professional Direction.

I created a business specializing only in continuing education for real estate agents. It did not exist anywhere else. It was the first year that real estate agents needed to take continuing education. I was at the right place at the right time.

I signed a lease including designing tenant improvements in a downtown Bellevue office building. I had to evaluate the size, price per square foot, access, parking, ADA requirements, and effectiveness. It was the single biggest expense that I was committed to for a year, so I had to be able to project the income and have savings to back it up. I chose a name with an attorney. I designed a logo using my own calligraphy and help from a graphic designer. I wrote a plan.

I sit at my desk almost 25 years later still in the role of business owner. This business has supported me all these years. I had success that I never dreamed of experiencing. I had control of my own time and direction. I supported my family and worked around their schedules. And, most importantly, I have made a difference in the lives of many people along the way.

As with any business, I have made some mistakes and made some poor judgments. I struggled through difficult times in the real estate industry. I have had challenges with employees, real estate agents, and clients. I had occasionally times when I had to deal with questions from the Department of Licensing. And, there were times I had to juggle my time with my family and work finding myself at the office in the middle of the night or late to pick up the kids.

But, I never lost money or my sanity. I am still the “boss” and have seen my business evolve along with the real estate industry. Technology has been a force in about every aspect of my business today. I wake up every morning looking forward to where I will take my business that day.

I am grateful for all the help I did get to make Professional Direction a reality from so many people and mentors. In early winter in 1993, Clem Buckley, past president of the Seattle King County Association of REALTORS helped me create the  
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structure and register my name. He reviewed my Department of Licensing application for a school and said, "Get in the car. We are driving to the Department of Licensing and get your school approved!" That day, fifteen minutes later, I walked out of the Olympia, WA office as a real estate approved school with 5 courses. I owned a school! I had classes!

The next day, I went to see Craig Michalak. He was the owner/broker of a successful commercial real estate firm in downtown Bellevue. He said, "Put your coat back on because we are going across the street to your new office space." I signed the lease and designed the entire space from the walls, doors and lighting. Steve Otto ran my real estate firm out of the same office a year or so later. He taught me about the world of the internet and found me the URL [clockhours.com](http://clockhours.com).

I was on a very limited budget starting the business, so I worried about how to fill an office. Where would I get furniture? I had to decide on my priorities and instead of an upscale look, the furnishings had to be affordable. With advice from my mentors, I went to a business office furniture store. I was directed to the basement to find the rental return desks, chairs, and file cabinets. Along with a few additions from my own house, I had furnished the office. I went to Boeing surplus and found supplies from huge white boards to office equipment. I bought an old copier and one of my friends gave me a used phone system. A past real estate client worked for the phone company and in a few hours hooked up my phones for the three offices and classroom.

A referral from one of my contacts at the Chamber of Commerce ended up with a feature story on my company on the nightly news. It was a light news day, so there was quite a long video that also included a brief interview about me with my 10 year old. The Bellevue Journal American newspaper noticed the story and I was featured on the front page of the business section. I had my 15 minutes of fame.

It was important to have exposure in the real estate industry. I was actively involved with the Association of REALTORS on committees. I even served as a Director at the Seattle King County Association and even was presented with the President's Award before I started my company. I continued my volunteering with the REALTORS as they would sponsor and support my school. I was involved in many women's organizations because I had sold homes to many single women. I attended meeting after meeting... networking with real estate brokers and the community.

I created my school and office from scratch. Some people thought I was just crazy, but they often just asked about how I expected to be successful. There were questions from building management about a single woman signing a lease, but my mentors made sure it happened and watched over the terms. The bank refused to let me take credit cards without a spouse which I fought and won. Competition copied my business model and on several occasions blatantly copied courses I wrote.

I was full of fear sometimes. I questioned myself constantly. I had no family or friends to consult with or lean on. I was basically the sole support of two small children. I had a mortgage, an old car, some money in savings. My closest confident and friend, my mother, had just gone to heaven. I was warned it all could be a recipe for disaster. As I write this, my eyes well up because I knew I was taking a big risk stepping outside of the box. I didn't have anything or anyone to fall back on. Once I took that leap, I had to make Professional Direction successful! Any success was celebrated often myself while making dinner for the kids or running to a sports event.

For 25 years, this company has supported my family and helped pay for the college tuition for two children. It was a risk I took that had positive results from the start because I had, mentors, a written plan, savings to help support me, and I worked unbelievably hard to create success.

Today, Professional Direction has one of the largest varied selections of continuing education courses in the State of Washington. Classes are available from the website, from the number of instructors that teach under the school, and from me, Natalie, as I travel from one office to another. I often say that it is "the most successful real estate school on the Planet!" Hardly a day goes by when I am not thanking others for supporting this company!

# You can Start a Business

If that voice inside of you is whispering or maybe even yelling at you to break free and become independent, then it might be time to listen. It could be the best advice you take but the risk is rather great.

According to the Small Business Administration roughly 80% of businesses survive one year. The survival rate drops to about 50% survival rate for 5 years. A small business is defined as one with less than 500 employees. About 20% have paid employees. The primary reason for failure is cash flow. The primary challenge to starting or buying a business is the investment required.

You can start a business from scratch. Be completely independent and create the business that you dream about. You can also buy a business that is currently in place. There are opportunities to be a part owner, also.

When evaluating whether to be a business owner or not, it is important to ask these questions.

- What kind of business do I envision?
- How will I compete for business with others in a similar situation?
- Do I have the investment capital to survive for the first 2 years?
- Do I know the industry and the challenges ahead?
- Do I have a mentor or consultant to help with decision making?
- What will the business look like in 3 years? 5 years? 10 years?
- Do I have the knowledge to market the business to bring in clients?
- Are you willing to recruit real estate brokers to work for the business?
- Should I be independent or should I join a franchise?

Real estate is a service business. There is no inventory. The staff is minimal. The location can be almost anywhere now with the advent of technology.

Your real estate business can be just your sales under your own shingle. Your sales create the cash flow.

If you choose to have a business that is not reliant on your own footsteps, then your success is dependent on the sales of real property primarily by other brokers that are recruited. Cash flow is dependent on the closed sales. Recruiting brokers is the most difficult yet, the most important aspect of management that can make or break a real estate firm.

Some of the largest, well known and most successful real estate firms are franchises. This includes Remax, Keller Williams, Century 21, Coldwell Banker, and Berkshire Hathaway. Many franchises are now branching into other countries. Some local Washington state companies are also building franchises. Franchises share common branding, along with operational, marketing and agent recruitment methods. The theory is that consistency helps the franchises build name recognition and grow.

A franchise requires an additional up front cost and an ongoing percentage of income. The perceived benefits can make the addition of a well-known brand can increase sales and recruitment efforts. There are franchise opportunities that can almost be “turn-key” and offer many benefits. It is important to closely evaluate the contracts.

# Business Planning

Writing a comprehensive business plan is the first step to start a business. Your business plan will:

- Guide you like a map as you make your business a reality.
- Help you avoid costly mistakes
- Assist you in preparing financially.
- Gain the confidence of other who may have an interest in your business including brokers, partners, investors, and landlords.

The seven steps for an effective business plan include:

## 1. Mission and vision statement

A mission statement is a brief description of what you do. It helps you and those working with you to stay focused on what is important. A vision statement answers the question: "What do we want to become?" It provides you direction as you make decisions that will impact the future of your business.

## 2. Business Description

Your business description provides the "who, what, when, where" of your business including ownership, the type of business, start date and the location.

## 3. Ownership Structure

Your business ownership structure will be included in this section. A business is a legal entity. It can own property, hold bank accounts, and is required to pay taxes. There are different types of business entities, each with unique benefits and limitations. It is best to seek counsel to understand your obligations and the structure. The business structure is dependent on several factors.

- The number of owners now and in the future
- The types of owners .. whether individuals or entities
- Liability concerns
- Federal tax implications
- Registration and tax filing
- Paperwork and management considerations.

**Sole Proprietorships** are owned by a single person or married couple. These businesses are inexpensive to form and there are no special reporting requirements. The owner is personally responsible for all business debts and federal taxes.

**Limited Liability Companies (LLC)** is a limited legal liability like a corporation but has fewer governance requirements. Creating an LLC requires filing with the Washington State Secretary of State. For federal taxes they are typically treated like sole proprietorships if there is one owner or like partnerships if there is more than one owner. Although not required, forming an LLC should be done with the help of a qualified legal professional. A governance documents called an Operating Agreement must be created.

**General Partnerships** are like sole proprietorships with more than one owner. Partners share managerial duties, profits and losses. Each is personally responsible for all business debt. The Actions of one partner can result in personal liability for the other partners. They are less popular since LLC's have been created. The Partnership is required to file a partnership return with the income or loss going to each partner based on how much business each owns.



**Corporations** are more complex in that there is a limited legal liability. There are directors and shareholders. A governance document would be filed including bylaws, stock issues, annual meetings. Corporations file federal corporate tax returns.

**Limited Partnerships** are not used very often for small businesses, but they are common for real estate ownership. They are composed of one or more general partners and one or more limited partners. The general partners manage the entity and share fully in its profits and losses. Limited partners share in the profits but losses are limited to their investment.

#### **4. Market Analysis**

A market analysis will help you determine if there is a need in the marketplace for your product or service. You need to identify who would most likely be your clients and why they would choose your business. For a real estate firm, the owner must recruit other brokers. The real estate market in the area needs to be analyzed to determine the benefits for an additional firm to be in competition. In addition, the listing and sales need to be analyzed to determine if the market supports another firm and more brokers. Is there a demand for a new type of real estate firm structure? Is the industry in a time of growth? What are the statistics for sales in the area? How will real estate brokers be recruited from the community and other firms?

#### **5. Marketing Plan**

Once you have identified your customer, you need to explain how you will get your customers to choose your service. Why will a consumer choose to enlist one of your brokers? Why would an agent choose your firm?

- Your pricing strategy and how it relates to your competition.

- Your desired image and how to achieve it.

- Your promotion and advertising strategy.

- The costs and timing of your marketing activities.

#### **6. Operations Plan**

Your operations plan will be the framework for your business.

- Your location.

- Ownership and management.

- Furnishings, fixtures, technology.

- Number of brokers.

- Staff requirements.

- Policy and Procedures manual.

- Management responsibilities to brokers and staff.

- Legal needs and requirements.

- Recordkeeping and accounting.

- Emergency Preparedness.

You will need to evaluate the support services. For example, you may need to hire outside help in the form of accounting or legal consultation. In addition, you might want to pair up with an escrow company or lender to form an alliance for co-marketing.

#### **7. Personnel Plan**

You will most likely need to hire an employee or several that will be the staff to make the firm run day to day operations. Hiring an employee requires basic regulation because they fall under state and federal laws including minimum wage, overtime pay, workplace safety, workers comp. and more. In Seattle, they fall under sick leave requirements.

In addition, you will need to recruit real estate brokers to perform sales activities to bring in cash flow. Most real estate brokers fall into the independent contractor category. In WA state, real estate brokers falling under independent contractors are still required to pay workers comp.

## 8. Financing Plan

You will need to have a well researched estimate of the start-up and operating costs of your business. In addition, you will need a realistic expectation of the amount of money your business will bring in. That is the base from which you will make a financial plan for starting the business whether you finance yourself or seek outside loan or investors.

- Start up costs. You will need to have an investment for rent, equipment, furnishings, supplies, signage, licenses and permits.
- Start up costs must include an income for you for the first 6 months to a year.
- Monthly cash flow projection is effectively your budget. You should budget at least 2 years at a high level of detail. You need to project the total funds needs for the business to reach the point of sustainability.
- Projected profit and loss statements for at least 2 years. They show a picture of the business using the equation:  $\text{Revenues} - \text{Expenses} = \text{Profit (or loss)}$
- Projected balance sheets for the start of the business the end of year one and two. A balance sheet shows:  $\text{Assets} - \text{Liabilities} = \text{Net Worth (or equity)}$

You will need to know how much money your business will require to reach the point where it can begin supporting itself and how you can get the needed funds.

## Section 2

# Starting and Organizing a Business

As a result of taking this section the real estate agent shall be able to:

<b>Choosing your Business Name</b>	Choose a name and legal issues	
<b>Requirement for WA State Licensing</b>	Registering your business with the state	
<b>Real Estate DOL requirements for a Firm</b>	Know requirements for Firms and Designated Broker	
<b>Workers Comp Insurance</b>	Know requirement and benefits for Workers Comp	

When the time comes and you decide you want to start a business, the business plan must be the roadmap. From that map, it is important to follow the steps that are required to open and run a business in Washington State.

You will need to start with a legal name and follow the steps to become licensed in the state and under the real estate laws. In addition, you will need to be listed under Workers Comp.

All the help you need is a few clicks away, just by Googling, you will find all the requirements you need. The Secretary of State website has all the information about licensing. The Small Business Administration is a valuable resource. In addition, you will find FAQ's and helpful steps by just looking up Master Business License in Washington state. You can get a link to the Department of Revenue and find a free guide.

This section touches on the basics so that you know where to start and the questions to ask.

# Choosing a Business Name

There are many factors to consider when choosing a business name. It is important that it is recognizable and memorable.

With the internet searches having such an impact on businesses, it is important that you do some research on URL's that could be used. The name you chose should also have a URL available

Make sure that you are not infringing on the legal name, trademark or service mark of another company. Washington State laws are specific on what you can and cannot have as part of your name. Review Uniform Business Organization codes Article 3 for Legal Entity name. You should also search the US patent and trademark office, the Business Licensing Service in WA and the Secretary of state.

If your business is a corporation or LLC you must indicate it in the name.

Under real estate license law RCW 18.85, a real estate firm cannot adopt a name that is the same or similar to currently issued licenses or that implies the real estate firm is a nonprofit or research organization, or is a public bureau or group.

Under the WAC the Department of Licensing can deny, suspend, reject firm names or assumed names that are in the department's opinion: Derogatory, similar or the same as other licensed firm names, implies that it is a public agency or government, implies nonprofit or research organization.

A real estate firm shall not be issued a license nor advertise in any manner using a name which is in the department's opinion similar to currently issued firm or assumed name licenses or imply that either the real estate firm is a nonprofit organization, research organization, public bureau or public group. A bona fide franchisee may be licensed using the name of the franchisor with the firm name of the franchisee.

# Requirement for Licensing

Most businesses are required to be licensed at both the state and local levels and many need professional licenses too. If you are a sole proprietorship or general partnership, you do not register with the Secretary of State. Most small businesses are formed as LLC's and they are required to register. The information is on the Secretary of State website.

You will need to file the state Business Licenses form, Washington Business License Application, which will establish your accounts with multiple Washington State Agencies including the Department of revenue, Employment Security and Labor and industries.

If you decide to rent space and open an office, there is registration and licensing in the different jurisdictions.

The following are a list of tax requirements that may or may not affect your business.

- Internal Revenue Service. This is the federal tax that includes income tax, social security tax, medicare and unemployment tax.
- WA Department of Revenue. Business and occupation tax, sales tax, use tax and specialty taxes
- WA Labor and Industries. Contractor Licensing, wage and hour laws, and Workers Comp (required for real estate agents even though they are independent contractors.)
- WA Employment Security Department. State unemployment tax
- County and City taxes are required also.

You will need a Federal ID number, WA state UBI number, and a Governance document if you are a corporation or LLC. With those you can set up a bank account.

A UBI number is a Washington State Unified Business Identifier. A UBI number is a 9-digit number that registers you with several state agencies and allows you to do business in Washington State. A UBI number is sometimes called a tax registration number, a business registration number, or a business license number.

## Real Estate Department of Licensing Requirements for a Firm

Under WA state real estate license law there are specific requirements to set up a firm under RCW 18.85.091.

The minimum requirements for a firm to receive a license are that the firm:

- (a) Designates a managing broker as the "designated broker" who has authority to act for the firm, and provides the director with the name of the owner or owners or any others with a controlling interest in the firm;
  - (b) Assures that no person with controlling interest in the firm is the subject of a final departmental order, as provided in chapter 34.05 RCW, suspending or revoking any type of real estate license; and
  - (c) Does not adopt a name that is the same or similar to currently issued licenses or that implies the real estate firm is a nonprofit or research organization, or is a public bureau or group.
- (2) An applicant for a real estate firm's license shall provide the director with:
- (a) The firm name and unified business identifier number;
  - (b) Washington business mailing and street address, contact telephone number, if any, and a mailing and physical address for either the firm's trust account or business records location, or both;
  - (c) Internet home page site and business email address, if any;
  - (d) Application fee prescribed by the director; and
  - (e) Any other information the director may require.
- (3) The firm must provide the following to the department for renewal of the firm's license:
- (a) Renewal fee;
  - (b) Notice of any change in controlling interest for the firm; and
  - (c) Notice of any change in the firm's registration or certificate of authority filed with the secretary of state.

The firm's license and any branch office licenses must be prominently displayed at the address visible for the public appearing on the license along with the licenses of all of the firm's brokers and managing brokers.

The definition of Designated Broker is:

- (a) A natural person who owns a sole proprietorship real estate firm; or
- (b) A natural person with a controlling interest in the firm who is designated by a legally recognized business entity such as a corporation, limited liability company, limited liability partnership, or partnership real estate firm, to act as a designated broker on behalf of the real estate firm, and whose managing broker's license receives an endorsement from the department of "designated broker."

Registration and Endorsement for Designated Brokers.

A designated broker must hold a license as a managing broker and may act as a designated broker for more than one firm. The Department of Licensing registers designated brokers.

A managing broker for a firm must be registered to that firm as its designated broker if that managing broker accepts endorsements from other firms as their designated broker.

Registered designated brokers must immediately notify the department of additional firms for which they serve as designated broker, and shall receive a printed endorsement on their managing broker's licenses indicating the names of all firms for which they serve as designated broker.

The address on the designated broker's endorsement will be the location where the designated broker is the managing broker. The real estate program will register each firm's address where the designated broker accepts endorsement from other firms according to the WAC.

## **Workers Comp Insurance**

Most real estate brokers are considered independent contractors. In many situations, independent contractors are exempt from paying and receiving the benefits of workers comp which is also known as industrial insurance. But, in Washington State, a 1993 court decision requires that real estate agents pay premiums and receive the benefits of workers comp.

The real estate firms pay workers comp premiums quarterly. Premiums are paid into a state fund and used to pay for injured workers. The firm can pass the cost of the premiums on to the real estate brokers. Real estate assistants licensed and unlicensed are also required to pay premiums.

## Section 3

# Site and Office Design

As a result of taking this section the real estate agent shall be able to:

<b>The Office Space Decision</b>	Learn the options for a real estate firm	
<b>Requirements for a Firm office</b>	Know what is required to be a firm in WA State	

The largest long term commitment for a business is often the lease for office space. About two decades before the turn of the century, a retail office space with prominent signage was the norm for a successful residential real estate firm. Most real estate offices were near shopping with plenty of parking and office space for a few dozen real estate agents.

Today, the real estate industry has changed dramatically with the introduction of the internet. Actual floor space and signage is no longer what is expected for a successful real estate firm. The size of the sign, the number of affiliated agents, and whether it was a franchise are no longer the defining factors for success for a company.

Most of the business of real estate is invisible. The focus is the property for sale. Most clients never walk into a real estate firm. A real estate agent can now work using mobile technology. In the palm of a real estate agent's hand lies almost all the tools that were provided by a brick and mortar building. This includes documents, mail, phone, and listing information. In addition, the agent can show videos and photos and help with mortgage consulting.

When opening a real estate firm, though the agents will be using mobile computing, the firm must be able to connect and have programs that make the tools available.

The office space chosen often is the center of the firm. It may be a room with the designated broker's desk and minimal staff. It may be a large office space for brokers to use for work. That decision will be an important factor when determining the office requirements for any firm you might choose to open.

# The Office Space Decision

In the past, a brick and mortar office completely visible to the community would be the ideal site for a real estate firm. There are still offices on the corner when you drive through small towns. But, real estate offices have grown and due to the advent of technology, parking challenges, and the cost of rent, the larger real estate companies are in office buildings and complexes often not seen by the average person driving through the community. There are other real estate firms that have gone completely the other direction and become virtual with no location for the brokers or the public existing only on the internet. Few new businesses will consider purchasing office space though there is some office space available that is in a condominium format or shared ownership.

## Options for Office Space

When joining a franchise, buying a real estate firm, or just deciding to open a large firm the decision to lease a large space accommodating multiple agents, the support staff and meeting and storage space is a major initial operating expense. This is a big step in the cost of doing business. Considerations include:

1. Privacy for agents and clients including determining floor space.
2. Communications equipment including a telephone system
3. Computers and information technology equipment including wifi
4. Visibility and client presentation
5. Access and parking space
6. Training/conference areas
7. ADA accessibility
8. Signage and office hours
9. Staff requirements

The cost for each square foot of office space needs to be evaluated closely for the first three years. There is no limit to the amount of money that can be spent on interior design. Signage can be a much greater expense than most new businesses expect. It is often dictated by the building management, city codes, and esthetics. Managing a real estate office can be challenging because even though there are dozens of desks and offices comprising the floor space of an office, most real estate agents are working from home or their car. An office with 100 brokers might be lucky to have a dozen strolling around the office or sitting at a desk. This makes it more difficult for management to communicate with brokers. Office meetings become more important but unless there is a real perceived benefit, only about a third of the brokers will attend.

## Virtual Office

With technology tools like smart phones and operating in the cloud, firms can reduce requirements for floor space and desks and even consider a virtual office. Document and task management can be done online, and we can communicate better with agents using mobile communication. The upfront costs can be very minimal. A virtual office can be isolating. As with any large office, there are many brokers that do not know any of their colleagues. It may not be a priority, but it can help when brokers have a challenge or are looking for some support or marketing ideas, for example.

## Cloud Office

A cloud real estate firm has an "office" online. It could be the wave of the future. A real estate broker will sign in to go to the "office." There will be direct communication with the staff who can see their photo as they talk. It could include something like Facetime or Skype so that the interaction is more personal. Meetings could be like a Google Hangout. This could improve communication amongst the brokers and management.

## Home Office

A real estate managing broker who is the designated broker can work out of their personal residence or other type of shared office space. The old rule was repealed in 1999 that included requirements for working out of a residence, though many real estate brokers are not aware of that.



## Commercial Leases

There are a number different types of leases when renting office space.

### **Fixed or Gross Lease**

This is where there is a fixed rental amount that covers everything including maintenance, utilities, and taxes. This is typical for many residential rentals. The lease can have a written provision that might require the tenant to pay for utilities, for example.

### **Graduated Lease**

This is a lease where there is a written provision that provides for a periodic increase in the rent. It is also called a step-up or index lease. The escalation clause allows the lease payment to change based on an index used which could be the consumer price index, for example.

### **Net Lease**

This requires the tenant to pay a fixed rent plus some or all the operating expenses. Commercial leases are often net leases. A Triple Net Lease is where the tenant pays the rent plus the taxes, insurance and maintenance. Tenants are typically billed for the expenses in addition to the rent.

### **Percentage Lease**

Most retail businesses have percentage leases where the rent is based on a percentage of the gross or net income from the business. They is usually a minimum rent.

### **Ground Lease**

This is when a tenant agrees to construction on land that is leased.

## Requirements for a Firm Office

### The Firm Office

The requirements for a real estate office in Washington State have changed over the years. In the past, the laws were very strict with regards to signage and entrance requirements

The Department of Licensing requirements for a firm include:

- A Washington business mailing and street address and contact telephone number.
- The Internet home page site and business email address, if any;
- A mailing and physical address for either the firm's trust account or business records location, or both;
- Every licensed real estate firm must have and maintain an office or records depositories accessible in this state to representatives of the director. The firm must maintain and produce a complete set of records as required by this chapter. The director may prescribe rules for alternative and electronic record storage.

## Branch Offices

A designated broker may apply to the director of the Department of Licensing for authority to establish one or more branch offices under the same name as the real estate firm upon the payment of a fee.

The director shall issue a duplicate license for each of the branch offices showing the location of the real estate firm and the particular branch. Each duplicate license shall be prominently displayed in the office for which it is issued.

Each branch office shall be required to have a branch manager who shall be a managing broker authorized by the designated broker to perform the duties of a branch manager.

A branch office license shall not be required where real estate sales activity is conducted on and, limited to a particular subdivision or tract, if a licensed office or branch office is located within 35 miles of the subdivision or tract.

The definition of a Branch office under the WAC includes:

- (a) A separate physical office of the real estate firm; and
- (b) Has a different mailing address of the main firm office; and
- (c) Uses the real estate firm's UBI (unified business identifier) number.

## Section 4

# Fiscal Management and Trust Funds

As a result of taking this section the real estate agent shall be able to:

<b>Setting up a Business Operating Account</b>	Learn the options for a real estate firm	
<b>Trust Accounting</b>	Know what is required to be a firm in WA State	
<b>Evaluate a Financial Statements</b>	Know the basic formulas to evaluate a company	
<b>Client Trust Funds</b>	Handling and the disbursement of trust funds	

Here we are dealing with the “bottom line.” The reason to go into business is to use your resources and talent to make money. How you invest in your business and how you manage the income and balance the expenses will determine the success of your efforts.

You will need to evaluate how you will finance the business and weather any storm that might affect income. All kinds of predictions can be made about the required monthly income, but it is the actual income that affects the bottom line.

There will always be expenses. The fixed expenses including lease payments or employee salary must be evaluated as part of your initial investment for a period of time.

There will be so many temptations when it comes to spending money. A business plan as a roadmap needs to be used as a guide and to evaluate any expense. Every expense reduces the income.

Debt has a tendency to grow. At a certain point, debt can reach a point where it is beyond paying off. Every business should know that tipping point. It can break a business slowing it down to a crawl and sucking all income dry.

On the other hand, if the financials are evaluated and controlled, the business can soar and soon generate a profit.

Handling client funds is a unique aspect of the real estate industry. There are funds from earnest monies to property management deposits that must be closely accounted for under the many laws that protect consumers. They can never be comingled with operating funds.

# Setting up a Business Operating Account

A business is all about the money! After identifying the name and structure of your business, it is important to set up accounts at the bank.

You need to first choose a bank vs a credit union. Some credit unions do not handle business accounts.

Many real estate brokers run their income and expenses through their own personal or even joint account. Once you set up a business you will need to have a business account and in some case, as a real estate firm, you may want to have a trust account.

## **Federal Requirements for Bank Accounts**

As with a consumer account, the first thing you need to open your business account is a form of personal identification. As dictated by the Patriot Act, Dodd Frank Act and Consumer Financial Protection Bureau (CFPB), consumer and business owners must provide certain details and data to corroborate their identities and their business models. You will need to provide a driver's licenses for the account holder and signers of the accounts, as well as any professional licenses you might need for your business.

## **Sole Proprietor requirements**

If you're a sole proprietor, you will need is a Federal Taxpayer Identification Number (TIN), your Social Security number, as well as a driver's license or passport. Even if your business is a sole proprietorship, a separate bank account makes it easier for you to keep your business expenses separate from your personal expenses. This is so important on tax day! You will need a name registration showing your name and the business name. If you are doing business under another name you will need a Doing Business AS (DBA) registration from the Secretary of State.

## **Business Entity requirements**

A separate business account is imperative for Partnerships, LLC's and Corporations because the business is legally distinct from any individuals including LLC members and managers or corporation shareholders, officers, and directors. The business's accounts must be kept separate from people's personal accounts. If you form a business as a Limited Liability Partnership (LLC), a Corporation or other separate legal entity, you will need the articles of organization or incorporation that you filed with the state. If you are one of multiple owners, you will also need to bring a resolution from the other owners or board granting you the right to transact financial business for the company in general, or open and control the bank account specifically especially if it is not clearly documented in the articles.

## **Trust Accounts**

When starting a real estate firm, you may want to set up a trust account. A trust account is an interest bearing demand deposit account in the State of Washington. It is not required to have a trust account because earnest money, for example, can be held in a third-party escrow account. But, if conducting property management, a real estate firm must have a trust account if accepting security deposits.

Banks will require information and it is a specialized account.

# Evaluating Financial Statements

Financial statements give business owners with the tools to know how their business is performing. They are also used for banking, lending and finding investors. The information on financial statements are also used to prepare tax returns, though they are not filed. When the times comes that the business is sold or closed, then the financial statements give a picture of the value of the business. If there is an audit, the financial statements are analyzed.

The two key reports are the Balance Sheet and the Income Statement.

## The Income Statement

The income statement looks at the income and the expenses resulting in a profit or loss over a given period of time. It will include:

The revenue or income flowing into the business. It will also include accounts receivable

The value of returns and allowances subtracted from gross sales (primarily for retail businesses)

The gross profit or gross margin.

The operating expenses which can include machinery/ administrative

The total (net) operating income.

The pretax income which is added to total operating income( if the business is a C Corporation.)

The Net Income or profit. This is the bottom line.

## The Balance Sheet

A company's financial position is defined by its assets and liabilities. The standard format for the Balance Sheet would list the assets followed by the liabilities.

Assets and liabilities are usually broken into current and non-current items. Current assets and liabilities are those with an expected life of less than 12 months. Companies try to manage cash flow to ensure that the funds are available to meet short term liabilities. The ratio, dividing assets by liabilities, is commonly used to analyze a company. The non-current assets and liabilities are those that will be expected to survive beyond the next year. This would include equipment and leases.

If you subtract the liabilities from the assets we are left with the equity in the company which is called the "book value."

When evaluating a company's balance statement, it is important to note:

Are they making money?

Is there growth

Is there cash leftover for shareholders *after* investing in the business

How conservatively is the company leveraged?

In addition, the company's total debt can weigh heavily on its potential to repay it. Related to debt is the interest on the debt. The operating expenses need to be evaluated to see if they are in line. And, the financial statements from one year to the next give a picture of the growth of the company.

The color of ink at the bottom of any financial statement for a company is the most important. Is the company making money?

The return on investment (ROI) is usually expressed as a percentage and is typically used to compare a company's profitability. The formula is the net profit divided by the cost of investment multiplied by 100. It measures the rate of return per period on money invested. It gives an investor or banker a snapshot of profitability adjusted for the size of the investment assets tied up or invested. It is complicated by factors such as time, financing costs, investment consideration and the goals of the company.

Example: If your net profit is \$50,000 and your total assets are \$200,000 your ROI would be 25%.

Company name and address

# Income Statement

For the Period Ended \_\_\_\_\_

Revenue	20__	20__
Sales Revenue		
(Less Sales Returns and Allowances)		
Service Revenue		
Interest Revenue		
Other Revenue		
<b>Total Revenues</b>	<b>\$ 000000</b>	<b>\$ 0000000</b>
<b>Expenses</b>		
Advertising		
Bad Debts		
Commissions		
Cost of Goods Sold		
Depreciation		
Employee Benefits		
Furniture and Equipment		
Insurance		
Interest Expense		
Maintenance and Repairs		
Office Supplies		
Payroll Taxes		
Rent		
Research and Development		
Salaries and Wages		
Software		
Travel		
Utilities		
Others		
<b>Total Expenses</b>	<b>\$ 000000</b>	<b>\$ 0000000</b>
Net Income Before Taxes	\$ 000000	\$ 00000
Income Tax Expense		
<b>Income from Continuing Expenses</b>		
<b>Below-the-Lined Items</b>		
Income from Discounted Items		
Effect of Accounting Changes		
Extra Ordinary Items		
<b>Net Income</b>		

# Client Trust Funds

The handling of client trust account money and records is one area when firms run into challenges. These challenges keep the Washington State auditors busy. Any client funds must be handled with care, meet deadlines for deposit and be receipted.

## Handling Trust Funds

Consumer funds if held by a firm, must be handled properly. The misuse of funds can result in a violation of the laws and rules. If any broker exercises control over real estate transaction funds, those funds are considered "trust funds."

Current Washington State guidelines require that all money relating to the sale, rental/ lease or option for real estate or business opportunity must be placed in a trust account in a bank, savings bank, or credit union. The designated broker of the firm is responsible for the administration of trust funds including:

- Depositing
- Holding
- Disbursing
- Receipting
- Posting
- Recording,
- Accounting to principals
- Notifying principals and cooperating licensees of material facts
- Reconciling and properly setting up trust accounts.

These funds cannot be used for the benefit of the broker, managing broker or real estate firm. They cannot be co-mingled with other funds or used for operating expenses.

If a firm takes earnest money or client funds for deposit, the real estate firm shall maintain a polled interest-bearing trust account for deposit of client funds. Property management trust accounts are exempt from the interest bearing accounts. The interest accruing on the account less any bank service fees or charges is paid to the state treasurer for the Washington Housing trust fund and the real estate education program account.

All brokers and managing brokers will physically deliver all funds, moneys, negotiable instruments or items of value to the appropriate managing broker, branch manager or their designated broker within the shorter of the following:

- Two business days of the client's signature. Business days do not include Saturday, Sunday or legal holidays as defined in the Washington State laws. These include New Years' Day, Presidents' Day, Memorial Day, 4<sup>th</sup> of July, Labor Day, Veterans' Day, Thanksgiving Day, Native American Heritage Day (the Friday after Thanksgiving) and Christmas Day.
- Sooner if the terms of the written contract necessitate quicker delivery.

The Washington Administrative Code (WAC) establishes the responsibilities for the designated broker for handling trust fund monies. The designated broker is responsible for handling trust funds as provided herein. Bank accounts shall be designated as trust accounts in the firm name or assumed name as licensed.

## Interest on Client Trust Funds

Interest credited to a client's account must be recorded as a liability on client ledger. Interest assigned or credited by written assignment agreement to the firm may not be maintained in the trust account. The designated broker is responsible for making arrangements with the financial institution to credit this interest to the general account of the firm.

## **Record Keeping**

The designated broker shall establish and maintain a system of records and procedures approved by the real estate program that provides for an audit trail accounting of all funds received and disbursed. All funds must be identified to the account of each individual client.

Alternative systems of records or procedures proposed by a designated broker shall be approved in advance in writing by the real estate program.

The designated broker shall be responsible for deposits, disbursements, or transfers of clients' funds received and held in trust.

## **Depositing funds into Trust Account**

All funds or moneys received for any reason pertaining to the sale, renting, leasing, optioning of real estate or business opportunities, contract or mortgage collections or advance fees shall be deposited in the firm's real estate trust bank account not later than the next banking day following receipt thereof; except:

- (a) Cash must be deposited in the firm's trust account not later than the next banking day;
- (b) Checks received as earnest money deposits when the earnest money agreement states that a check is to be held for a specified length of time or until the occurrence of a specific event; and
- (c) For purposes of this section, Saturday, Sunday, or other state legal holidays.

## **Receipts and Source of Funds**

All checks, funds or moneys received shall be identified by the date received and by the amount, source and purpose on either a cash receipts journal or duplicate receipt retained as a permanent record.

All deposits to the trust bank account shall be identified by the source of funds and transaction to which it applies.

## **Client Ledger and Deposits**

The designated broker is required to keep accurate trust account records. An individual client's ledger sheet shall be established and maintained for each client for whom funds are received in trust, which shows all receipts and disbursements. The firm will maintain the minimum amount required by the financial institution in the trust account to prevent the trust account from being closed. A ledger sheet identified as "opening account" will be required for funds that are used to open the account or to keep the trust account from being closed. The credit entries must show the date of deposit, amount of deposit, and item covered including, but not limited to "earnest money deposit," "down payment," "rent," "damage deposit," "rent deposit," "interest," or "advance fee." The debit entries must show the date of the check, check number, amount of the check, name of payee and item covered. The "item covered" entry may indicate a code number per chart of accounts, or may be documented by entry in a cash receipts journal, cash disbursements journal, or check voucher.

The reconciled real estate trust bank account balance must be equal at all times to the outstanding trust liability to clients and the funds in the "open account" ledger. The balance shown in the check register or bank control account must equal the total liability to clients and the "open account" ledger.

The designated broker shall be responsible for preparation of a monthly trial balance of the client's ledger, reconciling the ledger with both the trust account bank statement and the trust account check register or bank control account. The checkbook balance, the bank reconciliation and the client ledgers (including the "open account" ledger) must be in agreement at all times. A trial balance is a listing of all client ledgers, including the "open account" ledger, showing the owner name or control number, date of last entry to the ledger and the ledger balance.

## **Disbursements of Trust Funds**

All disbursements of trust funds shall be made by check, or electronic transfer, drawn on the real estate trust bank account and identified thereon to a specific real estate or business opportunity transaction, or collection/management agreement. The number of each check, amount, date, payee, items covered and the specific client's ledger sheet debited must be shown on the check stub or check register and all data must agree exactly with the check as written. No check numbers on any single trust account can be duplicated.



(a) No disbursement from the trust account shall be made based upon wire transfer receipts until the deposit has been verified.

(b) The designated broker must provide a follow-up "hard-copy" debit memo when funds are disbursed via wire transfer.

(c) The designated broker shall retain in the transaction file a copy of instructions signed by the owner of funds to be wire-transferred which identifies the receiving entity and account number.

Voided checks written on the trust bank account shall be permanently defaced and shall be retained.

### **Cooperating Broker Commissions**

Commissions owed to another firm may be paid from the real estate trust bank account. Those commissions shall be paid promptly upon receipt of funds. Commissions shared with another firm are a reduction of the gross commissions received.

### **Funds in the Account must be Trust Funds**

No deposits to the real estate trust bank account shall be made of funds:

(a) That belong to the designated broker or the real estate firm, except that a designated broker may deposit a minimal amount to open the trust bank account or maintain a minimal amount to keep the account from being closed; or

(b) That do not pertain to a client's real estate or business opportunity sales transaction or are not received in connection with a client's rental, contract or mortgage collection account.

### **Disbursements**

No disbursements from the real estate trust bank account shall be made:

(a) For items not pertaining to a specific real estate or business opportunity transaction or a rental, contract or mortgage collection account;

(b) Pertaining to a specific real estate or business opportunity transaction or a rental, contract or mortgage collection account in excess of the actual amount held in the real estate trust bank account in connection with that transaction or collection account;

(c) In payment of a commission owed to any person licensed to the firm or in payment of any business expense of the firm. Payment of commissions to persons licensed to the firm or of any business expense of the designated broker or firm shall be paid from the regular business bank account of the firm.

(d) For bank charges of any nature, including bank services, checks or other items, except as specified in [WAC 308-124E-110](#) (1)(a) and (d). Bank charges are business overhead expenses of the real estate firm. Arrangements must be made with the bank to have any such charges applicable to the real estate trust bank account charged to the regular business bank account, or to provide a separate monthly statement of bank charges so that they may be paid from the firm's business bank account.

### **Digital Records**

The provisions of this chapter are applicable to manual or computerized accounting systems. For clarity, the following is addressed for computer systems:

(a) The system must provide for a capability to back up all data files.

(b) Receipt, check or disbursement registers or journals, bank reconciliations, and monthly trial balances will be maintained and available for immediate retrieval or printing upon demand of the department.

(c) The designated broker will maintain a dated source document file or index file to support any changes to existing accounting records.

### **Trust Funds over \$10,000**

The broker shall disclose in writing to a party depositing more than \$10,000 that the party has an option to deposit those funds in a separate interest bearing trust account for the particular party or deposited in the pooled interest-bearing account if the parties agree in writing.

## Section 5

# Office Management

As a result of taking this section the real estate agent shall be able to:

<b>Policies and Procedures Manual</b>	Learn what is included in a policy and procedures manual	
<b>Recordkeeping for the Firm</b>	Identify what auditing evaluates	
<b>Transaction Management</b>	Know how a firm follows the transactions	

Whether you are a one person show or an office with brokers and administration, a policy and procedures manual is a requirement. The Department of Licensing has some basic requirements for bookkeeping and referrals, but it is your plan for the management of your firm.

A policy and procedures manual is the book that details how your office will be managed. It covers the rules, procedures and the guideline for management that is necessary for any business. It is referred to when there is a question from commission dispute to handling harassment.

A policy and procedures manual can seem like a book that would take forever to write. But, because of the wonderful internet and printed resources, there are a number of manuals that can be used as guidelines.

It needs to be available to all brokers and administration in a firm. It can be changed and altered to reflect the changes within the firm and the industry.

Record keeping for the firm is imperative to be detailed so that it meets or exceeds the requirements for the Department of Licensing and the Department of Revenue.

Transaction management is a whole new industry within the real estate industry. A firm must make choices how to retain records on transactions and how to manage the transactions from signing through closing. In addition, the communication trail must be included. In the work of cyber hacking, the privacy issues must be addressed and the security taken as a most important aspect of online transaction management. This field of transaction management including security, though, is relatively new and will change and get better over time.

# Policy and Procedures Manual

The plan for management of your real estate firm is contained in the policy and procedures manual. It can also be referred to as the instruction manual for building and maintaining your business. It is a management tool that needs to be revisited on a regular basis. The manual is used for everything from recruiting, day to day office procedures, records management, marketing, human resources.

Addressing these issues creates a stronger relationship and creates expectations from all involved in the firm.

The policy and procedures manual needs to be accessible within the real estate firm and available to all the staff and brokers. It should be updated to reflect changes within the office and from outside including the Department of Licensing, MLS, Association membership and city and community.

## **Mission statement**

What is the company about and what is it looking to be. How does it see the staff and brokers contributing? The Designated broker and Broker agree to conduct professional real estate business.

## **Employment or Work Contract**

This section will include the employment agreement. Traditionally staff are employees of the firm. The real estate brokers and managing brokers are typically under an independent contractor agreement.

- Independent Contractor agreement or employee contract
- Membership in MLS and Realtor organization (if applicable)
- Personal assistants and teams
- Ownership of listings, contracts signed, etc
- Selling or leasing personally owned property.

## **Compensation to Broker**

- How and when is compensation paid.
- How is compensation paid to teams and assistants
- How the desk fee or split is handled or not paid
- Paying co-brokers and referrals
- Withholding from pay
- Tax reporting to IRS
- Fees including MLS, workers comp, E&O insurance etc
- Commission disputes

## **New brokers and staff**

- Orientation
- Referrals (if applicable)

Termination for cause, death, disability, firm transfer

## **Office Policies**

- Management identification including designated broker and Branch Manager (if applicable)
- Delegation of duties
- Management of office including open times, equipment, office supplies, handling of keys
- Support staff responsibilities
- Accounting
- Handling of calls and referrals
- Sales meetings
- Use of office
- Non smoking policy
- Vacations and delegating business responsibilities

## **Leads, Lead Generation and Referral**

- Advertising
- Corporate referrals
- Floor and sign calls
- Walk in leads
- Web leads

## **Transactions**

- Paperless office and retaining records
- MLS rules and regulations and fines
- Listings including lock boxes, filing deadlines,
- Purchase and Sale agreements including co broker information, EM deposits
- Property Management including documents and trust funds
- Retaining records

## **Third party referrals**

- Home Inspector referral policy required under WAC 308-124C (See below)
- Referring contractors, escrow, title, etc

## **Advertising and Social media**

- Dept of Licensing requirements for disclosure of firm name
- Corporate logo use

## **Trust funds and accounts**

- Depositing within time limits
- Receipt for client funds
- Process for deposits

## **Federal and State laws**

- Agency disclosure and pamphlet
- Confidentiality
- Unlicensed activity
- Anti Trust Compliance
- Fair housing and anti discrimination in conduct and advertising
- Sexual harrassment
- Fraudulent conduct

## **Complaints and lawsuits**

## **Safety and Disaster Recovery**

- Broker and staff safety
- Records recovery

The Department of Licensing requires the following be included in the policy and procedures manual. According to the WAC 308.124 C, a designated broker is responsible for maintaining, implementing, and following written policy that addresses:

(a) Procedures for referring a home inspector to buyers or sellers. The policy will address the consumer's right to freely pick a home inspector of the buyer's or seller's choice and prevent any collusion between the home inspector and a real estate licensee. If a licensee refers a home inspector to a buyer or seller with whom they have or have had a relationship including, but not limited to, a business or familial relationship, then full disclosure of the relationship must be provided in writing prior to the buyer or seller using the services of the home inspector.

(b) Levels of supervision of all brokers, managing brokers and branch managers of the firm.

(c) Review of all brokerage service contracts involving any broker of the firm licensed for less than two years. Review must be completed by the designated broker or their delegated managing broker within five business days of mutual acceptance. Documented proof of review shall be maintained at the firm's record locations.

# Record Keeping for the Firm

Record keeping is one of the most critical aspects of running a small business. It can make or break the business when an auditor walks in the door, a client sues the firm, or there is a dispute over trust funds.

All funds that the firm maintains for a client is referred to as “trust funds.” It is most important to be able to follow the train of money including deposits, disbursements, signatures, and the source of funds.

## When audits are conducted

We conduct routine audits on a regular schedule, and may conduct special audits in response to customer complaints or other priorities.

## Recordkeeping requirements

The firm must keep records for at **least 3 THREE years**. All records must be available to the auditor at the license location upon request.

## Audit guidelines

The following are basic guidelines used by auditors when conducting audits. Auditors aren’t required to follow these guidelines exactly, and may examine more or less than the areas listed. This information is provided only as a guide to licensees as they conduct their business.

During an audit, the auditor will:

- Review the law about controlling interest in a real estate business (RCW 18.85.053) with the designated broker or representative.
- Observe business signage and advertising, including, but not limited to letterhead, business cards, and promotional items.
- Examine the licenses of the firm, designated managing broker, managing brokers, and brokers to verify:
  - The licenses are current and up to date.
  - The licenses are available to the public.
  - The license names are used properly.
- Verify that the firm’s Business License and Uniform Business Identifier (UBI) numbers match the DOL license.
- Verify controlling interest in the firm.
- Verify all assumed (DBA) names.
- Review the firm’s written policy/procedures manual and delegations of authority.
- Confirm that any civil or criminal actions have they been reported to the Department of Licensing (DOL).
- Determine if the office is a main office, a branch, or the only office for the firm.
- Determine where branch office records are kept.
- Review brokerage transaction files within the last 3 years, including:
  - Log files
  - Listing agreements
  - Closed and pending purchase and sale contracts, including addenda special agreements and attachments
  - Failed sales
  - Relationship disclosures for dual agency
  - Mutual agreement dates
  - Closing statements
  - Earnest money receipts (delivery of earnest money) for both listing and sales files
  - All other documents and correspondence related to transactions
  - Reviews of brokerage service contracts involving any affiliated licensee with less than 2 years’ experience.

- Review and reconcile brokerage trust accounts, including owners, tenants, associations, and earnest money accounts. The auditor will generally examine bank records for all trust accounts for the 3 months before the audit. However, he or she may request up to **3 years of records** if necessary. The audit may review the following records:
  - Bank statements
  - Pre-numbered check stock
  - Canceled checks (back and front)
  - Deposit slips (receipted by bank)
  - Wire transfer confirmations
  - Voided checks (defaced)
  - Check registers or other records of receipts and disbursements.
  - Brokerage trust account reconciliations.
  - Property Management trust accounts corresponding invoices or receipts (to verify actual expenses).
  - Ledgers (liabilities)
- Examine a sample of Property Management Agreements to verify that agreements are signed by BOTH the designated managing broker and the property owner.
- Review current brokerage (firm) to owner property management agreements to make sure they comply with state laws and rules.
- Examine a sample of leases or rental agreements, and compare the security deposit liability in the lease/rental agreement to the liability in the security trust account.
- Review current tenant leases for compliance with state laws and rules.

### **What happens after the audit?**

1. The auditor will prepare a written report to be signed by the designated managing broker or their representative.
2. The auditor will deliver the report to the audit manager, who will determine if more documentation or clarification is needed.
3. The audit manager decides what action to take. He or she may decide to:
  - Take no further action.
  - Send a letter asking for more information or documentation.
  - Send a letter asking for compliance.
  - Refer the report to our legal staff for a disciplinary action or fine.
4. If the auditor found minor irregularities, and the designated managing broker agrees to come into compliance, the audit will be filed.
5. If the audit is referred for legal action, we will contact the broker with the results when the audit investigation is complete and has been reviewed by the legal staff.

### **If the audit finds problems**

The designated broker should immediately start correcting any problems found in the audit.

- If the audit finds overages or shortages in trust accounts, the designated broker should identify the source of the overage or shortage and immediately take corrective action.
- If the designated broker disagrees with the auditor's finding, he or she should contact the audit manager to request further review.

## Section 6

# Human Resource Management

As a result of taking this section the real estate agent shall be able to:

<b>Administrative Staff and Sales</b>	Learn the options for a real estate firm	
<b>Basic Job Descriptions</b>	Know what is required to be a firm in WA State	
<b>Delegation of Duties</b>	Understand how to master delegation	
<b>Sales and Staff Training and Communication</b>	Evaluate the options for training	
<b>Recruiting and Retention</b>	Know elements of recruiting	

Managing people takes your real estate business to another level. Whether you are working with a partner or a large number of employees, one of the most difficult aspects of running a business is human resource management.

First, there is the decision to hire employees and brokers and the compensation. They need to have job descriptions to know about their expectations for the position whether administrative or sales.

Delegating duties must be clear and in writing so there is no understanding. In Washington State there are limitations to delegating certain duties only to a broker with a managing broker's license.

The type and frequency of training differs from one company to another. Some companies rave about the in-house training opportunities while other companies have virtually no training whatsoever. There is no requirement for training within a company.

Recruiting and retention is constantly a conveyor belt. There are always people that need to be recruited and always people leaving. The cost for each new employee is high for a firm, so analyzing retention is very important.

# Administrative Staff and Sales

## Administrative Staff

Prior to the turn of the century, real estate agents reported on Monday mornings for an all company office meeting. All documentation was comprised of paper with the copy machine well used continuously. File cabinets were everywhere and files were strewn on desks and in briefcases. There was a computer or two in the back of the office. In the 1980's all phone messages were on little pink pieces of paper that were headed "While you were out." Half the people in the office smoked. MLS books were printed in California and were a week late the day they hit the office. The colorful homes type advertising magazines were printed in Florida and took a month to arrive on racks all over town. The real estate office was the center of all real estate business.

Technology has changed the way we conduct business with jobs replaced with cell phones and computers. But, even so, the staff at a real estate firm is the machine that makes the company run. The sales crew is the fuel that keeps the machine going.

Staffing and administration comprises one of the top budget considerations when opening a real estate firm. It can vary depending on the services offered by the company to the sales crew and clients.

Today, you can open a real estate firm completely on your own. It can even be run out of your house without any office location or staff. As it grows it could be an online firm with little to no administrative help. In Washington state there are entrepreneurs in almost every neighborhood. Some of the country's largest companies were started in a garage with virtually no staff.

There is a tipping point when businesses grow where the need for staff becomes a necessity. The business plan for the first 1-3 years will help give a firm the roadmap. If the plan is to recruit real estate sales brokers as independent contractors, then at a certain point there will need to be staff. When a firm reaches the magic number of 150 brokers, the company is at another tipping point for major change to consider continual growth. This magic number is used for all kinds of organizations from small businesses to churches.

Hiring employees with the good attributes and skills for your business is critical for successful growth. Employment is an area of significant recordkeeping and tax responsibilities. If you noted on your Business License Applications when you started the firm that you would be hiring employees, that information was forwarded to the Employment Security Department to set up state unemployment tax account and Labor and Industries to set up workers Comp account. Every new employee will need to complete the federal I9 Employment eligibility Verification Form within 3 days and an IRS W4 form. Employees must be reported to the Department of Social and Health Services New Hire Reporting Program on the web. The regulations for hiring employees include but are not limited to:

- Wage and hour laws
- Workplace poster requirements
- Employment of minors
- Non-Discrimination laws
- Independent contractors (labor and Industries)
- Independent contractors (IRS)
- Workplace safety including required written accident prevention plan
- Federal payroll taxes
- State unemployment taxes
- Workers Comp Insurance
- Child support withholding laws
- Washington Health Benefit Exchange
- Sick Leave (City of Seattle)



Staff and administrative management can include persons that:

- Receptionist at the front desk of an office
- Transaction coordinator(s)
- Office Manager who manages the staff and runs the office
- Technology Information officer
- Marketing coordinator

## **Sales Brokers**

Traditionally, most real estate brokers are independent contractors. They work independently under the umbrella of a firm. The designated broker cannot treat them as employees, but gives them the freedom to work independently and report income on IRS taxes as a contractor.

The real estate industry's regulatory structure presents a unique framework within which to operate when it comes to worker classification. The main characteristic of an independent contractor relationship is one where the worker is generally free of control. However, Washington State statutes under License Law RCW 18.85 and RCW 18.86 specifically require managing and designated brokers to exercise supervision over their agents. Since the requirement of a broker to exercise supervision over agents is in direct conflict with one of the basic tenants of an independent contractor relationship, it is difficult for a broker to both comply with labor laws in order to establish an independent contractor relationship, while also fulfilling their supervisory duties under state real estate laws. But, both Federal and state legislatures have recognized the unique aspects presented by the real estate industry by addressing the independent contractor issue.

While satisfaction of the aforementioned IRS test relates only to the federal tax treatment of real estate agents, it demonstrates the federal government's recognition of the unique nature of the real estate industry and, as such, the need to treat it differently than other industries.

The National Association of REALTORS studied the classification of real estate agents as independent brokers in 2015. The White Paper was updated in 2016. Available at [www.realtor.org](http://www.realtor.org).

According to the IRS, the general rule is that an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done. The earnings of a person who is working as an independent contractor are subject to Self-Employment Tax and payment of Social Security. The broker cannot receive employee benefits from the broker.

There are three requirements to be considered an independent contractor in real estate according to the IRS:

- The individual must have a current real estate license.
- The individual must have a written contract with the broker that contains the following clause:  
"The sales person will not be treated as an employee with respect to the services performed by such sales person as a real estate agent for federal tax purposes."
- At least 90% of the brokers income must be based on sales production and not on the number of hours worked.

The manager cannot regulate the working hours, office routine and meetings of the brokers.

The Designated Broker is responsible for supervising the brokers licensed to the firm. The Designated Broker must retain complete and accurate records of all business transactions of the brokers.

In Washington State, the firm is responsible for Workers Comp for the brokers even though they are independent contractors. The brokers are then covered for benefits under Labor and Industries. The cost can be passed on to the brokers.

## Personal Assistants

This is a relatively new category. Though real estate brokers have employed assistants in the past, it is wide ranging in growing markets.

When a broker wants to employ an assistant, it must be cleared with management of the real estate firm. The assistant will most likely be an employee and falls under all the categories and regulations listed above. The assistant could be hired to work directly for the broker and not within the walls of the office but would need to still be considered an employee. Brokers must work within the Policy and Procedures manual and the Designated Broker rules for assistants.

Questions that need to be answered, for example, include:

- Will the assistant be conducting activity that would require a real estate license?
- Who will be the supervisor for the assistant?
- Where will the assistant work?
- What tasks will be delegated?
- Who will be responsible for the legal requirements for the employee?

The Department of Licensing has written guidelines for hiring assistants.

### Unlicensed Assistants MAY:

- Provide information about the characteristics of a real estate listing or the terms of a transaction, as written and approved by a real estate licensee.
- Pick up or deliver documents and keys (basically act as a courier).
- Follow up on loan commitments and pick up or deliver loan documents after a contract has been negotiated.
- Write and place advertising.
- Gather market analysis information.
- Perform normal clerical duties such as typing, scheduling appointments, etc.
- Transport people to properties and surrounding areas of interest. While performing this duty, they may only provide answers that are on preprinted material prepared by a real estate licensee.
- Obtain any public information from government offices, utility companies, title companies, etc.
- Make keys, install boxes, and place signs on the property.
- Greet people at an open house, distribute preprinted media material, and help provide security.
- Submit forms and changes to a multiple listing association.
- Check on the progress of loans, credit reports, etc.
- Receive rent payments and compute commission checks.
- Record and deposit earnest money and security deposits.
- Order or perform repair or maintenance.
- Conduct telemarketing or phone canvassing to schedule appointments to seek clients, **provided:**
  - Compensation isn't conditioned upon receipt of compensation by the licensee or firm.
  - They don't provide any other brokerage services.

### Unlicensed Assistants MAY NOT

- Show properties, answer questions, or interpret information about the property, price, or condition.
- Interpret information about listings, titles, financing, contracts, closing, or other information relating to a transaction.
- Fill in legal forms or negotiate price or terms.
- Hold or disburse trust funds.
- Perform any act with the intent to circumvent, or which results in the circumvention of, real estate [licensing laws](#)

# Job Description

Job descriptions and employee contracts are important to keep the company machine running effectively. In addition, if there is a problem, they help with review and, if necessary, letting employees go.

The job description for a receptionist, for example, for a small business can include the following duties. Depending on the size of the office and the other staff, it can vary tremendously.

## Receptionist Job Description

Serves visitors by greeting, welcoming, and directing them appropriately; notifies company personnel of visitor arrival; maintains security and telecommunications system.

### Job duties

- Welcomes visitors by greeting them, in person or on the telephone
- Determine if they are potential or actual clients and connect them to the person they are requesting to see
- Work with vendors and solicitors to determine what they are offering
- Handle delivery of any documents, delivery and mail to parties involved
- Answer phone calls, if possible, within the first three rings
- Keep the front office welcoming and clean.
- Offer guests refreshments
- Maintains security by following procedures; monitoring logbook
- Check email to the office every 30 minutes and forward or reply as necessary

### Competencies

1. Flexibility.
2. Communication Proficiency.
3. Collaboration Skills.
4. Customer/Client Focus.
5. Technical Capacity.
6. Keen Sense of Urgency

### Supervisory

The receptionist reports to the office manager. Any issue with change of schedule or problems with staff or sales must be reported immediately.

### Work Environment

This job operates in a professional office environment. This role routinely uses standard office equipment such as computers, phones, photocopiers, filing cabinets and fax machines.

### Physical Demands

This is largely a sedentary role; however, some filing is required. This would require the ability to lift files, open filing cabinets and bend or stand as necessary.

### Position Type and Expected Hours of Work

This is a full-time position. Days and hours of work are Monday through Friday, 8:30 a.m. to 5 p.m.

### Travel

No travel is expected for this position.

### Required Education and Experience

High school diploma and one year of administrative experience. A college degree preferred.

### Other Duties

Please note this job description is not designed to cover or contain a comprehensive listing of activities, duties or responsibilities that are required of the employee for this job. Duties, responsibilities and activities may change at any time with or without notice.

### Expectations

The receptionist creates the first impression for the firm. It is important to dress professionally, to greet all guests with a smile and to keep the front desk free of debris and visible personal items.

The receptionist must interact with almost every staff member, sales person and administrative staff.

Because deadlines are constantly imperative to be adhered to, the receptions must have a keen sense of urgency and communicate information directly and quickly as possible.

The job description of an employee is important because it is used when there is any kind of review in the future.

# Delegation of Duties

The Designated Broker can delegate management duties and responsibilities to a Managing Broker. These duties can include a heightened supervisory role over the new brokers who are licensed for less than two years, according to License Law. These duties can include:

- ◆ Ensure monthly reconciliation of trust account records, trial balances are complete, accurate and up-to-date, and the accounts are in balance and policies or procedures are in place to account for safe handling of customer or client funds or property.
- ◆ Keep accurate records, review of contracts, modify or terminate brokerage service contracts for the firm,
- ◆ Ensure proper and legal advertising by brokers working under the Managing Broker
- ◆ Ensure all persons representing the firm under the Managing Broker has delegated authority to supervise are appropriately licensed,
- ◆ Ensure licensees submit transaction documents to the Designated Broker or Delegated Managing Broker in a timely fashion.
- ◆ Follow and implement the Designated Brokers written policy on Referral of home inspectors.
- ◆ Address levels of supervision of all licensees which includes review of new brokers under 2 years of licensure.

Any delegation of responsibilities must be in writing signed by both the Managing broker and the Designated Broker. This must be on file in the firm.

## Sales and Staff Training and Communication

The training of support staff and sales brokers is very important. It can be difficult because any training takes away from working hours for both the firm and the trainee. An echo can be heard through offices whenever there is a training opportunity... "I don't have time... not again?"

But, the success of the real estate firm is dependent on knowledgeable staff and sales brokers. The world is constantly changing and there is new technology, updated laws, and industry issues that must be addressed.

The staff gets so busy and often is not aware of changes that the sales brokers learned by working in the field. The real estate brokers may not know how changes in laws about agency, disclosure and contracts may affect their everyday business.

Real estate brokers are required by the state to take continuing education. Often, real estate brokers put it off until the last minute. The firm must be tracking the broker renewals to verify that the affiliated brokers have the required continuing education and have submitted the renewal form and monies to the Department of Licensing.

Regular office meetings and email updates can keep everyone in the firm updated. The challenge is getting brokers to attend sales meeting. It takes the broker out of the field, away from the computer communicating and away from prospective clients. But, sales meetings can be effective at communicating with brokers about what is happening currently in the industry and the firm. Sales meetings are typically "painful." They have been known to be boring and a waste of time. To boost attendance, there needs to be a strong initiative and purpose. Speakers can help if they topic is relevant and not just a sales pitch. Some firms pay for breakfast or lunch to encourage attendance.

In order to be effective meetings should:

Have a strong purpose

Be entertaining

Present current information including changes in the market, laws/rules, and the firm

Make sure that the attendees feel that the time was of value.

Some firms provide in-house training for both the staff and the brokers. This can be a monetary commitment but can help keep the firm out of hot water in the future.

# Recruiting and Retaining

Recruiting can be one of the most difficult aspects of the business. The brokers that are hired are the fuel to make the machine run. There is no business if there are no sales.

## Recruiting Rookies

There are thousands of people in the community that at one time or another have thought about a career in real estate. You must find them like finding a needle in a haystack. But, if you have a magnet it can make the search much easier. In other words, if you can create a way to attract potential recruits you have made the search much easier. When recruiting rookies, the first question is about training and how to get started. Make sure that there is a plan for this when recruiting. There are several ways to attract prospects actively and passively.

### Career Event

A career event could be an evening when they there is an orientation to real estate and the potential. Here a Broker for the firm can share what is required to become a broker, how income is earned, and what benefits the firm provides.

### Training

To become a real estate agent, the prospect must take 90 hours of continuing education and a test. The pre-license training can be expensive. The training is typically about two- three weeks of study or online training. The firm could offer in-house training, quick training, or study sessions. If the company offers free training, it could attract more prospects.

### Exposure in the Community

If the real estate firm has a strong presence in the community, it could help with recruiting new prospective real estate agents. So, that might include becoming involved in community events as a firm. Anything from a children's fingerprint table at a fair to advertising in the program of an annual event can keep the name in front of the community.

### Referrals from Brokers

The firm could have a referral program that includes some benefit for referring their friends who consider a change in career to the broker. The broker who made the referral could benefit in some way.

### Advertising in the Local News and Online

The prospective real estate broker will most likely come from a short distance from the office. Advertising on Craigslist, the local newspaper and other career sites could generate prospects..

### Direct Mail

Targeting an audience such as past clients could be a way to connect with prospects.

## Recruiting Experienced Brokers

Brokers are almost always looking for an opportunity to jump to the next best firm

The market for experience agents is an easy one to find and tap. But, it can be difficult to find the agents that are prospects. At some point, every real estate broker has considered a move to another firm. It is all about timing and connecting. Steps to recruit experienced brokers.

A designated broker needs to determine on the business plan the number and experience of the agents needed to build the firm. The decision needs to be made whether the goal is quantity or quality. Does the broker want to have a large number of brokers or would the energy spent on recruiting be better focused on top producing brokers. Who will conducting recruiting for the firm? It may be the designated broker or a recruiter that is hired with that mission. The offer to lure a broker must be enticing enough that the broker perceives it is worth the risk to jump from one ship to another. It is important to understand that when interviewing a broker, that any decision is all about what is best for the broker. Getting a broker to agree to move is not as important as having a broker make a decision that a move will build business because the new firm offers benefits that fit in the plan for the broker.

### **Create a list of prospects.**

There are brokers that might fit with the culture of the firm at that you manage. The recruiter needs to create a list of brokers from the surrounding firms. This can feel uncomfortable at first, until you realize that the same is happening with your own crew of brokers.

### **Ask for referrals from current brokers at the firm.**

This is so much more important than most recruiters realize. Just as real estate agents look to build a business that is based on referrals, the same needs to be true for the firm. The recruiter needs to ask the current brokers who they know that might be a fit in the culture of the firm. The firm might offer an incentive program for referrals.

### **Do research on the Prospects**

It is important to take time to get to know the brokers that you are considering might be a good fit with your firm. Find out about their MLS statistics. Look at their marketing including signs and website, Google their name to see what exposure that they have online. Don't make assumptions about real estate brokers. A new car, professional appearance, branding in advertising, and puffing could lead a potential customer and a designed broker that the broker is highly successful, when it is not the case.

### **Pick up the phone and Make Appointments.**

Every broker has gotten email and mail from recruiters all over town with great offers. But, very few companies have a plan to call and meet with prospective experienced brokers in town. Pick up the phone and call prospective brokers for the firm. Have a goal that would match with the business plan. It could be to make three appointments a week. That might mean thirty personal calls a week. Of the appointments, it might mean that there might be 1-2 new recruits per month. Evaluate what you predict if you had a small office.

### **Make sure any interview is about the Broker.**

It is imperative to ask questions and be interested in the broker's current business, goals, and challenges. When recruiting, it can be easy to start rambling on about all the services that you believe your firm offers that are better than the competition. The more you talk the less you are learning about your prospect. Find out what their needs are and see if the firm can match those needs.

### **Follow up and Keep in Touch**

People generally like to be remembered and feel part of a group or community. Once you have had a recruitment interview with a prospect, then it is important to follow up. If the appointment is more about the broker, then when following up you have information that can quickly get you connected with the prospect.

### **Fear of Jumping**

One of the largest fears is that when a broker changes companies he/ she can take a hit by losing the previous corporate recognition. But, the majority of brokers see a surge in growth of their business because the energy to inform clients gets the broker in front of past clients and prospects that they haven't been connected with in a long time. Brokers will send emails, mail cards and call past clients and contacts with a new energy about the move and the benefit to their clients. When recruiting, it is important to understand that the fear of jumping could be holding a potential recruit from moving. This can be one of the largest obstacles.

### **Reasons Real Estate Agents Jump Ship**

There are so many reasons why a real estate broker would leave one brokerage for another. The top reasons for moving to a different firm include:

**Better management that meets their needs.** There may be office politics and issues over competing for clients.

**More profitable split.** The new firm may put more money in the hands of the agent

**Technology which can include websites.**

Our world runs on technology. Most people touch their mobile phone dozens of times a day. Every aspect of our lives is touched by technology. It can be confusing, expensive and just hard to keep up.

Real estate brokers need all kinds of technical support but some firms do not have the latest tools to pass on to the agents.

*I remember hearing in the middle 1990's a broker telling me that he left his firm for another because he thought it was unprofessional to not have.... Voice Mail!*

### **Management Opportunity**

There may be opportunities to move into a management position.

### **Ownership opportunity**

Some firms share their profits with the brokers.

### **Culture in the Office**

This can include everything from office politics to competition to the way referrals are handled.

### **Competition**

The competition in a real estate office can be fierce in some cases. There might be issues as to how referrals are handled, whether the designated broker is also acting as an agent, and if competition is created within the office like with a board showing monthly activity.

### **Why do brokers leave?**

- The business is not supporting their financial needs
- They are feeling isolated. This is happening more as brokers work out of their homes.
- They disagree with the rules and culture in the firm.
- They are not getting the support needed.
- They are looking for referrals or relocation leads.
- The office is too far from their market area.
- The management is too focused on the number of sales.
- The brokers in the office are not producing creating a dead energy.
- The office does not have a reputation that the broker is comfortable with.
- The broker is looking for a discount firm hoping for more business.
- The broker does not like competing with the manager/owner for leads.
- The tools provided by other offices are more professional.
- The transaction management is not effective.
- The broker wants to work alongside friends.
- The office is too large.
- The office is too small.

In order to increase retention within your office, keep records as to why brokers leave and the motivation.

## Section 7

# Information Technology

As a result of taking this section the real estate agent shall be able to:

<b>Determining Minimum Needs for Office Technology</b>	Learn the options for a real estate firm	
<b>Transaction Management</b>	Know what is required to be a firm in WA State	
<b>Having a Web Presence</b>	It is the online office for a firm	
<b>Privacy and security issues</b>	This is the newest issue to face real estate firms	

Tools for the use of real estate brokers after the turn of the century became one of the most expensive budget expenditures for a firm. Offices had to determine the level of technology that would be provided as the market was soaring. It would be imperative to have a bank of computers for use by the agents. Those had to be connected to working printers. Soon, color printers were an important part of the system.

Accessing the internet and wiring an office was an expensive proposition.

In 2007 mobile technology entered our world with the advent of the iPhone and smart phones. Data over the internet and on phones and tablets changed office computing forever.

Within a few years, a real estate broker could handle transactions from the small box they carried that went from a communication tool to one that could transmit documents and show data on listings.

Transaction management is a new business with companies creating software online to help agents and firms manage the transactions from forms to communication with third parties to storing files.

Retail space and signage is almost non-existent in the real estate industry. Offices need to develop a web presence for the prospects and the brokers.

Along with all the technology comes issues of privacy and security and policies to protect information.



# Technology and the Real Estate Office

Today, it is rare in a real estate office to find a room full of computers. Real estate brokers are carrying laptops, tablets and their phones to run their businesses. Transactions have become almost exclusively paperless with digital forms and signatures. So, the need for a firm to provide computers for real estate brokers has diminished significantly. A firm must have a good working wifi for internet access.

A real estate firm needs to have an effective online presence with the MLS IDX feed for consumers. They most often provide brokers with email and security. Though we are in a world of technology and the internet, real estate brokers want firms to provide tools from providing a web presence, lead generation, and consumer tools for property search. Brokers are looking for firms that provide business building options.

In addition, real estate firms must enter the world of social media, have guidelines for privacy, and be able to handle any type of hacking.

By providing a turnkey and technologically advanced office and marketing environment to agents, retention will be much higher, and will help with recruiting.

- A brokerage Web presence that fosters agent individuality and automates some of the lead distribution based on agent involvement.
- A back end lead management solution that allows remote access, agent management of their leads, and reports for agents and brokerage. Some offices offer a CRM solution for their brokers. Prospects that come to the firm site are automatically added into the CRM system.
- Leverage of cell phones, SMS text messaging and social networking to disseminate information and leads to agents, and to receive information from them.
- Document storage, transmission and receipt systems for remote access could include training documents, videos, transaction documents, for the office brokers.
- Online faxing (this will go by the wayside) that delivers PDF files to computers for out-of-office access.
- A package of solutions for brokers can negate the need for a desk in a firm as many brokers are looking for.

It is very possible to provide world class support to your agents with them rarely entering the office. Even training can be done remotely now at little or no cost with video cameras and high speed internet access. The other side is the cost savings that will result from not tying up 100+ square feet of office space for each agent.

# Transaction Management

Real estate transactions in less than a decade have become almost completely paperless. The MLS forms, written communication via email and text, electronic signatures, transaction management and storage in the cloud has made the file folder and cabinets almost obsolete. It can make searching, transferring and storage of information something that is still almost a futuristic concept for brokers who once used to sign agreements in the rain on the hood of a car.

Real estate firms have had to learn to deal with how to store, date, organize and retrieve documents for each transaction. In addition, the delivery of documents must be recorded and organized.

There are programs that almost every real estate firm has, or will eventually have, to manage the paperwork from transactions. Online forms and document storage is an evolving new business.

They include in no particular order:

- Transaction Desk offered in Washington State by the Northwest MLS. It includes the state forms and storage.

- Paperless Pipeline which is used by many Keller Williams, Remax, Coldwell Banker and Windermere offices

- App Folio Which is used for property management

- Reesio which is a Top Producer product

- DotLoop which is owned by Zillow.

Questions to ask about online transaction management include:

- Is the program easy to use for the brokers?

- Is the tracking for the firm effective?

- What kind of training is involved to learn to use the program?

- Does it work with current MLS and pc and macs and tablets?

- Does it have a mobile site?

A real estate office needs to determine how to manage the paperwork for a transaction. There are more documents than ever before and the timing and auditing guidelines are stricter than ever.

# Having a Web Presence

One of the first actions of a consumer working with a real estate agent is to “Google” their name and the firm. A firm needs to have the visibility of an online office.

When a consumer opens up a website for a company, most often the first screen will provide for a property search. Some sites open with corporate information and tabs for the consumer to select that can include agent search, blog, office locations and contact along with a property search.

A real estate broker when evaluating firms will often go to the firm website to see how they might be represented on the site.

In the future, the office website may be the hub for all the real estate transactions and communication. Today, it often is a place to access the internet and have a database of affiliated real estate brokers. But, it could change in the future to have a larger place in the transaction management.

# Privacy and Security

Privacy used to mean locking up files. Now it is an entire business and can make or break a real estate firm.

On one site for a franchise real estate company started in Washington State this was found:

*PRIVACY: For information about our privacy practices please review the current privacy policy posted on this Site.*

There was no privacy policy anywhere on the site...

On other national franchise sites there was a basic privacy policy. They often say that they will share your information to "third party sites."

Every real estate firm must have a privacy policy. This will address everything from transactions, personal information, and use of information. This privacy policy must address issues from internal data to consumers. It must be available to everyone who would be affected.

This is a basic outline of a privacy policy that should be available to consumers.

- Collection of personal data
- Collection of non personal data
- Use of information
- Site available to children
- Confidential information
- Sharing information
- Protecting your information
- Access to information

## Security

One of the main advantages of using transaction management online programs is that there is security built in to protect the information. It could be breached, which has happened even at the highest levels of government, but the protection of information is under the sites liability.

The two most important aspects of online transaction management are:

1. The real estate broker must input the information and keep it up to date and accurate! There are agents that are not doing this and meeting deadlines. The designated broker or delegated managing broker must be able to deal with this and create office policies that require adhering to the requirements of transaction management.
2. The real estate broker when dealing with client monies, must see that they are delivered and deposited according to the terms of the contract and state laws.

In addition to maintaining security online, a real estate firm needs to have security within the office. Provisions need to be made for keeping client funds in a secure location if not able to deposit after hours. Client contracts need to be kept in a way so that confidential information is not available to other brokers.

## Back up and hacking

Every person on the internet has the potential to have information stolen, changed, hacked, and used without permission. Entire websites and URL's can be hacked. Every firm needs to have some kind of back up plan for information.

*One title company took the time and expense to digitally scan all the old plat maps and title information that was still in paper form. Less than a year later a fire destroyed the building.*

## Section 8

# Business Ethics

As a result of taking this section the real estate agent shall be able to:

<b>Ethics in business</b>	Understand the need for ethics in business	
<b>Ethical Business Practice</b>	Identify 5 standards of practice and how they affect business	

The definition of "ethics" as the moral principles which determine what is morally right or wrong.

Real estate ethics is: a set of behavioral standards ABOVE the minimum required by law (or rules) to which the industry can look to for support and guidance in conducting its daily affairs. It is conduct that is considered at a higher level and morally right.

The determination of what is or is not ethical behavior is judgmental in nature. You will not find universal agreement as to what is "ethically right." Ethics can be compared to a set of "moral codes" for society, or in this case, business.

So then, what are the differences between ethics and legal guidelines? Ethics is a concept that deals with right and moral values. Ethical behavior often precedes legal guidelines. The law is a set of minimum standards that society will tolerate.

Underlying all ethical teachings is "The Golden Rule." It is that which states: "Do unto others as you would have others do unto you." It is the most basic test for ethical conduct.

# Ethics in Business

Ethical behavior in the business world is the kind of behavior accepted by society. It is when decisions are made that put the consumer first and treated as any other consumer might have wanted to be treated.

When a decision is made that is most likely unethical, there may not be a violation of a law, or any attempt to try to make a case that it was in violation would be fruitless. Nonetheless, the decision, if unethical, caused a loss to a consumer or another broker that would not have happened if the situation was evaluated under what others in the industry would consider ethical.

Perceptions of what is ethical lead to the difficulty of ranking different values against one another.

Consider how money and families can be used to justify behavior that may also be perceived as unethical. Sometimes "the end is used to justify the means."

The "everybody is doing it" excuse is not justification for behavior that may be perceived as unethical. If everyone is speeding down the highway, it is not a good reason that you should speed.

For example, during the 2007 real estate and mortgage crash, consumers could get loans to purchase property without having the ability to pay the loan back over time. Lenders were offering "no documentation loans" so the borrower did not have to have verification of income. But, the assumption and the papers signed at closing affirmed that the borrowers did have the income to support the payment. Real estate agents and lenders participated to such an extent that people closed on million dollar properties when they couldn't qualify for a first-time buyer house. The "everybody is doing it" excuse was rampant in the industry and was one major activity that led to the market crash.

The real estate industry has always wrestled with the perception of what is considered ethical behavior. Consumers have generally had the impression that those in real estate can never really be trusted which leads to the belief that the agents often are unethical. Real estate agents have been compared to car dealers as not being trusted.

But even inside the industry the structure does not necessarily encourage the highest degree of ethical behavior. For example, we reward real estate brokers in the industry with incentives that have tended to overemphasize financial success. We equate a successful agent with one that makes more money than others. Sometimes brokers are given professional recognition for serving themselves best, while we disregard their attitudes toward professionalism and public service. Certainly, we expect to be adequately rewarded for success, and money is important in our society, but the first concern of professionals is to meet the needs of our clients and the public in a proper and ethical manner.

Everyone agrees that one shouldn't steal the property of another. No one would dream of taking home a computer from the office. But, is it acceptable to use office equipment like the copier for personal business?

Is it all right to slow down the offer from another agent on your listing because you are just about to write a better offer both in price and condition?

## Values

Values reflect what individuals consider important in the large scheme of things. The individual's concept of relative worth or importance of certain ideas shapes one's ethics.

Because of increasing pluralism or diversity of society our values have become less defined and have changed. Ethnic diversity results in ethical diversity.

### *What affects our values and how?*

- Religion- how we ought to behave
- Philosophy- principles of morals
- Culture- societal values to norms of everyday living
- Legal system- ethics over and above the law
- Professional values- organizations and societies
- Family- traditions and diverse backgrounds

Real estate agents and their clients all come from a diverse background. The country or state from which they were raised, the religious influence, the personal, health, and financial challenges in their family all affect their value system. Clients from other cultures and countries may be driven by values that they were taught since birth. It can affect the way that they negotiate, treat their spouse, or what they disclose.

Often in this industry, agents make the mistake of assuming what kind of values that may be driving their clients or even the other agents involved in the transaction. The values of people affect ethical behavior. There is no distinct line between what is ethical and what is not.

What is considered unethical behavior might be accepted if there are extenuating circumstances. If a family has no food and is starving, society might turn an eye away if they steal food from dumpsters in the alley.

*How would that relate to a family that is desperate to sell a house because of a death in the family or the loss of a job. A real estate broker could take advantage of their circumstances so they do not get top value.*

Let's say I sell you my cheap watch passing it off as an expensive watch. You buy it thinking you get a great deal. The values of the observer will affect how ethical the transaction is perceived. One observer might think, "Wow, the seller got a great deal of cash for that cheap watch. Good job!" Another observer might think, "The seller was a cheat passing off a cheap watch for an expensive one and taking advantage of a buyer."

*How does that example relate to the sale of some raw land that may have challenges to developing?*

There are questions that we can ask ourselves to help determine the ethicalness of actions. Imagine if people asked themselves these questions when making a decision that is controversial?

### **Traditional 5 questions:**

1. If everyone did what I'm doing, would it be a better world?
2. What would be the best self- dictate that I do here?
3. The test of publicity...Do I want everyone to know what I'm doing?
4. What would the person I admire most think of what I'm doing?
5. Where is it likely to lead? If I persist in this? What is the probable outcome?

The text, Business and Society; Managing Corporate Social Performance by Archie B. Carroll looks at these types of questions in another way.

**Test of Common Sense.** Does the action I'm about to take make sense? Might I be caught?

**Will the Action Hurt Someone?** What kind of negative impact will my actions have on others?

**Test of One's Self.** Is the act compatible with your concept of yourself at your best?

**Test of Making Something Public.** Can your actions withstand public scrutiny?

**Test of Ventilation.** Can the idea hold up under exposure to others' views and criticisms?

**Beware of the Purified Idea.** Sometimes we purify superior's judgment higher than our own based on their rank. For example, you can always find a lawyer who will endorse almost any idea or plan if it is worded in just the right way.

**The Gag Test.** Do you simply "gag" at the prospect of carrying it out?

# Code of Ethics

Industry organizations, to achieve and protect a sense of professionalism, have created ethical codes to create a standard of conduct for the membership.

The National Association of REALTORS adopted the "Code of Ethics and Standards of Practice in 1913. The first Article of the Code in 1913 read: "Real estate agents should be absolutely honest, truthful, faithful, and efficient. He (she) should bear in mind that he is an employee...that his client is his employer and is entitled to the best service the real estate man can give...his information, talent, time, services, loyalty, confidence and fidelity."

In 1924 the code became obligatory. Since that time, it has been amended several times each decade to keep up with a changing society. The Code is a "living document." It perseveres because of:

1. significance,
2. relevance,
3. usefulness.

The Articles of the Code are Criteria of Excellence/Realistic Standards of Performance.

1. Guide to measure professional conduct
2. Represents furthestmost reach of professional aspirations
3. Constant, but not absolute
4. Enforceable not oppressive
5. Meaningful not dogmatic

In most states and cities, the REALTOR Association owns or manages the multiple listing services. Therefore, the real estate brokers belong to the association. In Washington State, the largest MLS is independent and owned as a co-op by the real estate firms. It is not required for real estate firms and brokers to belong the REALTOR Association.

A discussion of ethical standards of behavior is important because it affects decisions made within firms by management and the affiliated brokers.

## Ethics in Business Practice

When it comes to business decisions, there are many times that brokers are faced with ethical dilemmas. To some brokers the answers seem so obvious. To others, the questions are different based on their own personal background. The REALTORS created a Code of Ethics with Standards of Practice to use as a guideline to determine whether in certain situations, was the decision ethical.

Here are several examples of ethical questions or challenges that were identified in REALTOR magazine as issues in today's market as discussed by Sharon Steele who is a past chair of NAR's Professional Standards Interpretation and Procedures Subcommittee.

### Honesty and Good Faith

Article 2 "REALTORS shall avoid exaggeration, misrepresentation, or concealment of pertinent facts relating to the property or the transaction."

The seller tells you, the listing agent, that a home inspector recently was suspicious of insect damage when he saw the home's damaged siding. However, the seller disputes that notion, saying he's never had an insect problem in or around the home.

*As the listing agent armed with that information, it is imperative that any material facts that affect the value or desirability of the home. Many agents might withhold the information and side with the seller to keep the buyer and the*

*deal. The inspector is the “expert” so when there is an issue and the seller wants to dispute it, the agent should side with the assessment of the expert.*

*What if the seller refuses to disclose and wants the listing agent to do the same? Then it is the safest practice to surrender the listing because the legal risks are too great. When in doubt, always consult with the designated broker.*

## **Put your clients first**

Article 1 “REALTORS pledge themselves to protect and promote the interests of their client.”

When holding an open house on your listing a woman walks in and is clearly interested in the house. She asks many questions about the home, schools, and public transportation. She also asks why the sellers are moving.

*When showing the house to a prospective buyer, you need to be careful to not create a dual agency situation. The buyer might believe that you represent their best interests. You owe the duty to “deal honestly and in good faith” according to the Law of Agency. This is an opportunity to discuss agency, present the prospective buyer with a copy of the agency law and show the potential buyer the disclosure form.*

*As the listing agent, you owe the duty of confidentiality, accountability, and loyalty to the sellers. If the seller’s motivation to move is not public record, is not on the disclosure form, and does not affect the sale of the property, then it is not information that you are required to disclose. The seller’s might be getting divorced, have a financial issue, or might have cancer and may not want that information disclosed. If there is any question as to what you are to disclose or not, consult the designated broker.*

## **Be truthful in all advertising**

Article 12 “REALTORS shall be careful at all times to present a true picture in their advertising and representations to the public.”

It is often difficult to stand out from the crowd of real estate brokers. In your branding, you add a tagline, “The top producing agent in the neighborhood.” Neighborhood is not defined.

*If you stretch the truth, you are misleading the consumers. Making the claim that you are the “best,” “top,” or “most successful” real estate agent may be exaggerating or even bending the truth. If you are going to claim that you are the best, make sure that you cite market share, a date range and a specific geographic area.*

*Several years ago in the Seattle area, a real estate broker claimed to be the most successful agent in the Puget Sound Real Estate Association. But the membership was limited to a family member and himself. Another agent claimed in full page ads in the homes magazine that he had “over 20 years experience” when he was a new agent. He had experience in computer sales prior to starting real estate.*

## **Duty to your client**

Article 1” Obligation to the client is primary, but it does not relieve REALTORS of their obligation to treat all parties honestly.”

Two interested buyers are interested in your listing. One buyer is represented by a broker from a real estate office across town. The broker makes a call to notify you that he is writing an offer and asks if there are any other offers. The other buyer that you have shown the house to and is interested in writing an offer. You get your offer written and rush over to the sellers, present your offer, and obtain signatures only minutes before the second offer hits your email.

*As the listing agent, you own a duty to evaluate all offers and accept one that is in the best interests of the seller. By hiding the fact that there is another offer and convincing the sellers to sign his offer, the listing agent is not treating all parties honestly.*

## **Respect agency relationships**

Article 16 “REALTORS shall not engage in any practice or take any action inconsistent with the exclusive relationship recognized by law that other REALTORS have with clients.”

You are representing clients who want to sell their home quickly so they can move into their new home. You get a call from a prospective buyer who says that he’s already seen the property. He would like to make an offer immediately and asks you to write the offer.

*The first question must be about whether the buyer is currently working with a buyers agent as he has already seen the property. If he is represented by another agent and has signed a contract, it is important to encourage him to submit an*



*offer through his agent. The buyer should be made aware that he may have contractual obligations to the agent he was working with. In many cases, the buyer's agent could be owed a portion of the sales commission if you write up the sale. It is important to discuss this with the buyer. You may want to attempt to contact the other real estate broker. If the buyer is unable to work through his agent, and still demands that an offer be written immediately, your duty as the listing agent is to follow through with the request to write up the offer on the property. It may be appropriate to contact the buyer's agent and agree to share a portion of the commission on the deal as set out in the contract with their buyer.*

### **Avoid all self dealing**

Article 4 "Realtors shall not acquire or make an offer for themselves or any member of their immediate family on any property without making their true position known to the owner, the owner's agent in writing."

You work with an elderly couple that is planning to move quickly to a retirement home as the husband recently had a heart attack. Their country home is on land that can be developed and subdivided. You know that this is a fantastic opportunity so you discuss a sale price and present an offer from your brother explaining that it will be a quick sale. The offer is less than what the property would sell for in the open market.

*This is clearly an attempt at self-dealing. It is wrong to profit on the vulnerability of clients.*

## Section 9

# Marketing

As a result of taking this section the real estate agent shall be able to:

<b>Elements of a Marketing Strategy</b>	Learn the options for a real estate firm	
<b>Staying within the Laws</b>	Know what is required to be a firm in WA State	

As bestselling business book author, Set Godin says, “Marketing is a contest for people’s attention.” You can have the best product or service, but if no one knows, you will not have sales. A famous business quote, originally attributed to Ralph Waldo Emerson was, “Build a better mousetrap and the world will beat a path to your door.” It has been altered many times, but the original message was that if you have a better product you will beat the competition.

That is not the way of the world today. No matter how good your product may be, if the consumer who is your audience, does not know, you will not have sales. Marketing is the key to success with whatever product or service you are selling.

There is no end to the amount of money that can be spent marketing. That is why it is most important to go back to the business plan and evaluate the budget and the purpose of any marketing dollar spent. It must be in alignment with the strategy.

If your marketing does not target your audience, then the return on the investment is lacking, also. McDonalds is successful for targeting children with “Happy Meals” even though the children do not have the money. It worked so well that it is discussed in marketing classes across the country.

With a real estate firm, as in any business, there must be a strategy for the company. In addition, there are laws that cannot be violated when marketing to the consumer.

# Elements of a Marketing Strategy

The marketing strategy for a company is the overall direction of the company and how it will be communicated to the prospective clients. Advertising of any kind eats at the budget. Some of the return will be immediate. A pizza company runs an ad for a pepperoni pizza coupon and the company immediately sells more pizzas showing the return. In the real estate world, the “product” is service. An investment in marketing must have a longer life. An overall marketing strategy is important so the budget is kept in line. It can include branding, signage, and advertising.

## Name Recognition

A real estate firm over time will generate name recognition. Generally, most people know that Century 21, Remax, and Coldwell Banker are in the real estate industry. That kind of branding takes decades to build. When starting a company, it is important to have a plan to build brand recognition that is in alignment with your mission and objective. When a prospect or a potential broker considers working with the firm, name recognition will have some effect on their decision. One reason people consider the investment in a franchise is because the brand has been established. Having a name on the front of a building, creating a memorable logo, and sponsoring community events are examples of advertising that will get the name in front of the community. This type of advertising is usually more centered on the company and in alignment with the marketing strategy.

## Lead Generation

The product in the real estate industry is the service. Inventory is not a matter of going online and ordering properties that you can sell to the public. The prospect is the owner of the inventory. A real estate company is looking for prospects when advertising to bring in business. For sale signs, ads in Homes magazines, and a direct mail flyer to a neighborhood are examples of ways to generate leads.

In most cases, real estate companies rely primarily on the real estate broker to bring in the business. The brokers will be out promoting their services as a real estate agent. They often build their own lead generation. In addition, real estate brokers may also create a referral network with other agents outside their market area. A firm can decide whether to support the independent brokers with their own lead generation. It may come in the form of marketing materials or support mailings, for example.

There are many real estate companies that have an active commitment to lead generation and promise the leads to the real estate brokers affiliated to the firm. The leads may come from corporate national advertising, local advertising, or from a referral network. The brokers agree to pay a referral fee on corporate leads. The brokers participating may have to meet certain requirements including years in the business or number of closed transactions.

## Marketing Budget

There is no end to the ways that a real estate firm and the individual brokers can spend money on marketing. The challenge is that there is no accurate way to predict the return on investment (ROI) on any kind of advertising program. Too many brokers spend money on marketing programs in hopes of a return only to find that it didn't work. It is important to set a marketing budget for a year and then look at it in monthly increments. Make sure every dollar spent clearly has a plan in mind. Whatever funds are spent on advertising, they must fit into the overall marketing strategy.

Too often, a broker is presented with a very shiny object. It just looks so wonderful. It is so shiny that it will definitely bring in business. The owner of the company that makes the shiny thing assures the broker that it is bound to perform. The broker can be mesmerized by the impact of the shiny thing and decides to invest in the shiny thing even though it is not aligned with the marketing strategy because it could bring business. But, sometimes it is just a shiny thing.

## Branding and Logo

When creating a logo, to be effective and memorable a prospect should be able to read the name on a sign, pronounce it, spell it, or understand it. As in many advertising mediums, there is no end to what a company can pay for a logo design.

## Writing Advertising

Whether it is writing an ad about a listing or a promotional material for the company it is important that the piece arouse interest. If you have no readers, you have no real advertising. If you have no action, you have sold nothing. The return on the investment is nil. But, if you create advertising and copy that is captivating, you

Use the AIDA method from all your old marketing texts! By following these four steps, whatever ad is written will have a chance for readership. The spell out the acronym AIDA. When you read these, think about advertising that you are exposed to that is memorable.

### Attention

Use the headline to attract the attention of the reader. Asking questions in a headline can help grab the audience. Think about an email with a boring subject line. On the other hand, think of a radio ad that grabs your attention. Many brokers in real estate purchase advertising pieces, newsletters and even canned emails.

An email with a header "Don't forget to turn back your clocks!" just automatically appears like spam. If the email header read, "When I forgot to turn back the clock ... this happened!" It grabs attention. Almost all headlines on spam and junk on the internet make them seem so compelling. Even the teasers for the nightly news... "Something in your kitchen is killing you... News at 11." But, we still fall for the tease.

### Interest

Arouse interest in your opening sentence. Use emotional, economical or investment appeal. Humor can be powerful if used correctly. The reader needs to know the features and the benefits. What are you selling? Be clear what you want the reader to know about you or your company.

### Desire

Create desire in any ad. The reader must want the product or service. The reader must be able to know why this product or service will help them with their life. Show me a chocolate sundae with the rich fudge dripping over the ice cream.... Or the powdery snow with a skier heading down the slope... there are many visuals that create desire. Think of how your ad creates desire.

### Action

Impel action in your closing lines. Create a sense of urgency. The reader will need a way and a reason to buy right now! If the readers do not buy... then there really was no ad. If the reader needs know why the ad was run, the benefit to the reader, who ran the ad, or how to say yes.

## Marketing options

Here is a list of types of marketing that can be included in a marketing strategy for a real estate company.

Branding:	Creating a logo for the company
Signage:	Signs company locations and the listings
Print advertising:	There are still numerous Homes type magazines, brochures, cards
Online Advertising:	There are many different ways to advertising online from facebook pages/ads to google.
TV and Radio:	Depending on the size and the marketing, this could be an option.
Direct Mail:	Can target neighborhoods for business or brokers as recruits.
Seminars:	Can offer seminars for the community on listing, sales and recruiting
Networking	Can have a presence in the community at meetings such as Chamber, Kiwanis, Rotary
Brochures	Can create brochures for the firm or even a template for listings

# Staying within the Laws

## Fair Housing and Anti-Discrimination

The Fair Housing Act is a Federal law. It prohibits discrimination in advertising.

To make, print, or publish, or cause to be made, printed, or published any notice, statement, or advertisement, with respect to the sale or rental of a dwelling that indicates any preference, limitation, or discrimination based on race, color, religion, sex, handicap, familial status, or national origin, or an intention to make any such preference, limitation, or discrimination.

In Washington State, there is the Anti Discrimination law. With regards to advertising the law states:

To make, print, circulate, post, or mail, or cause to be so made or published a statement, advertisement, or sign, or to use a form of application for a real estate transaction, or to make a record or inquiry in connection with a prospective real estate transaction, which indicates, directly or indirectly, an intent to make a limitation, specification, or discrimination with respect thereto; In Washington State the protected classes include the following in addition to the Federal law: Sexual orientation, gender identity and gender expression, disability and the use of a trained dog guide or service animal, and honorably discharged veteran or military status.

There are numerous lists of words that could indicate a limitation or preference based on a protected class.... The laws are clear that any intent is a violation. No list of words is in the laws.

## RESPA in Advertising

RESPA Violations for Real Estate Agents can be enforced by the CFPB in many ways. Real estate agents need to be especially be aware of RESPA Section 8(a) and (b).

Section 8(a) states that, "No person shall give and no person shall accept any fee, kickback or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person."

Basically, Section 8(a) prohibits a person or entity from providing a fee, kickback, or "thing of value" in exchange for a referral of business relating to a real estate settlement service

"Thing of value" is defined as any payment, advance, funds, loan, service or other consideration

Regulation X, which the CFPB has amended, further clarifies a "thing of value" to include the phrase "connected in any way with the volume or value of the business referred"

RESPA Violations for Real Estate Agents

8(b) states that, "No person shall give and no person shall accept any portion, split or percentage of any charge made or received for the rendering of a real estate settlement service in connection with a transaction involving a federally related mortgage loan other than for services actually performed."

Bottom Line:

Real estate agents need to be extremely wary of payments for the referral of business. If a lender, title company, or law firm offers a real estate agent any sort of gift for the referral of business, that's a RESPA violation.

The issue is receiving anything beyond your due compensation for the referral of settlement transactions.

Even an opportunity to win something (like a vacation) would be considered a thing of value for the referral of business.

RESPA violations can carry significant consequences.

- A fine up to \$10,000.00
- Imprisonment (for up to 1 year)
- In some cases, RESPA allows for a private cause of action, which will permit the consumer to sue all violators for up to three times the amount paid for settlement services

Remember, the CFPB is actively pursuing individuals, as well as real estate companies.

## Regulation Z

The truth in lending act was enacted in 1969 to assure meaningful disclosure of credit terms to the consumer will be able to compare more readily the various programs available. For real estate brokers it affects advertising 1-2 unit residential property. It applies to advertising where the potential consumer will use the property as a principal dwelling. When advertising any kind of loan program, the Annual Percentage Rate APR, Simple interest rate, the down payment, the monthly payment and the terms of the loan must be disclosed.

## Marketing Service Agreements

MSA's have become popular as a means for settlement service providers to purchase general advertising services directed towards consumers. In addition, there are agreements for providers to purchase office space in return for the ability to do business directly with the brokers.

Under these MSA's, a settlement service provider, like a title company, engages another service provider, such as a real estate agent business, to perform marketing services in exchange for periodic fixed fees that are not directly based on volume of business. In some cases the payments are actually disguised compensation for referrals.

The Consumer Financial Protection Bureau (CFPB) in October 2015, issued a bulletin providing guidance to the mortgage industry regarding marketing services agreements. The bulletin offers an overview of the federal prohibition on mortgage kickbacks and referral fees, and describes examples from the Bureau's enforcement experience as well as the risks faced by lenders entering into these agreements. During the course of supervising mortgage lenders and enforcing federal law, the Bureau found that marketing services agreements carry legal and regulatory risk for lenders.

"We are deeply concerned about how marketing services agreements are undermining important consumer protections against kickbacks," said CFPB Director Richard Cordray. "Companies do not seem to be recognizing the extent of the risks posed by implementing and monitoring these agreements within the bounds of the law."

The CFPB is responsible for enforcing the Real Estate Settlement Procedures Act, which was enacted in 1974 as a response to abuses in the real estate settlement process. A primary purpose of the law is to eliminate kickbacks or referral fees that tend to increase unnecessarily the costs of settlement services. The law covers any service provided in connection with a real estate settlement, such as title insurance, appraisals, inspections, and loan origination.

The bulletin explains that while marketing services agreements are usually framed as payments for advertising or promotional services, in some cases the payments are actually disguised compensation for referrals. Any agreement that entails exchanging a thing of value for referrals of settlement service business likely violates federal law, regardless of whether a marketing services agreement is part of the transaction.

The bulletin describes a number of legal violations the Bureau has encountered in investigations involving kickbacks and referral fees. For example, the CFPB found a title insurance company that entered into marketing services

agreements where the fees paid by the company were based in part on the number of referrals it received, as well as the revenue generated by those referrals. In another case, a settlement service provider did not disclose its affiliate relationship with an appraisal management company and did not tell consumers that they had the option of shopping for services before directing them to the affiliate.

The CFPB's enforcement actions against companies and individuals for violations of the Real Estate Settlement Procedures Act have resulted in more than \$75 million in penalties to date. The payment of improper kickbacks and referral fees has been the basis of almost all of those actions. As the bulletin notes, the CFPB intends to continue actively scrutinizing the use of such agreements and related arrangements in the course of its enforcement and supervision work.

## Washington State Advertising Rules

A real estate firm and the affiliated brokers must include the firm name as licensed in all advertising. It must be "clear and conspicuous" so that there is no misunderstanding by the consumer.

**A firm must operate under their firm name or an assumed name as licensed.** WAC 308-124B-210

All advertising or solicitations without limitation for brokerage services, must include the internet-based advertising, web pages, e-mail, newspaper, and other visual media must include the firm name or an assumed name as licensed.

Brokers and managing brokers advertising using a name, title, or brand without obtaining an assumed name license must:

- Always use and display the firm's licensed name or the firm's licensed assumed name in a clear and conspicuous manner in conjunction with the use of such name, title, or brand.
- Not use a name, title, or brand which suggests a legal entity separate and distinct from the firm, such as "Inc.," "LLC," "LLP," "Corp.," "firm," or "company."
- Not use name, title, or brand commonly understood to reference a firm or an office, such as "realty," "realtors," "firm," or "real estate."
- Receive advance written approval from the firm's designated broker to use an unlicensed title or brand.

All advertising by an individual licensee or a licensee operating as a team must always have the firm name in all advertising unless the team name has been registered with the state as an "assumed name."

The firm name must be "clear and conspicuous" in any advertising.

- This means the representation or term being used is of such a color, contrast, size or audibility is presented in a manner so as to be readily noticed and understood. RCW 18.85.011.
- It is a violation of license law if a licensee advertises in any manner without including the firm name or assumed name as licensed in a clear and conspicuous manner. RCW 18.85.361(8).

This is a consumer protection issue because it is important for the consumer to recognize the firm as licensed and have appropriate contact information should they want to contact the DOL or the firm. Many agents don't use their firm name on their internet advertising.

If the broker or team has an "assumed name" that was registered by the designated broker, then that broker or team can use the approved name and is not required to have disclosure of the firm on advertising. For example, a team might have the Double Team name instead of using the firm name or the designated broker has a group of agents working on another particular focus of real estate and does not want the firm name used.

## Section 10

# Managed Growth and Strategic Planning

As a result of taking this section the real estate agent shall be able to:

<b>Real Estate in the New Century</b>	Understand the importance of monitoring market trends	
<b>Look at market trends</b>	Explain how a marketing strategy will depend on future	
<b>Growth Opportunities</b>	Discuss growth through expansion	

For the Times Square 2000 millennium celebration, the ball that drops annually was redesigned entirely by Waterford Crystal. The ball was a geodesic sphere, six feet in diameter and weighed 1,070 pounds covered with 504 Waterford Crystal triangles. The ball was equipped with computer controlled 696 lights and 90 rotating pyramid mirrors, that produced a magnificent, kaleidoscope color effect.

People around the world worried as we rang in the New Year that it could mean the end of the world... the power grid in the US would fail... or worst yet... all of our computers would cease to work. It was only three years earlier that the supercomputer defeated Garry Kasparov at chess. Little did we know that the new century would change our world to such a great extent.

But, what did happen after the turn of the century is that the internet and new technology became an integral part of our lives and work. It changed the way that we communicate, transfer money, shop, and do business.

It is important to know about the market trends and how they affect your business.

One advantage of a real estate firm is to target for business.

In the business plan, it is important to plan for growth.



# Real estate in the New Century

1996 First time listings were on the internet some brokers had their own listings on their website.

Before the IDX Age, there were three ways for brokers, listing agents and buyer's reps to post listings on their own Web sites: show property data about their own listings; provide a link to aggregate sites, like REALTOR.com; or provide a link to the local MLS—if it had a consumer-searchable function. All three made the consumer leave the site to view property listings. And once they were gone, often they were gone for good.

1999 Economic Research Group of NAR survey found that 23% of the homebuyers searched for a home online

The vast majority of online consumers are looking for home listings and not for real estate agents.

Consumers were using the internet for initiating only some basic re-requisites for purchasing real estate.

2002 IDX feeds became available so consumers could search on the real estate firm websites

2005 Google maps launched

2005 Postlets starts

2006 Facebook open to anyone over 13

Twitter launches

Active Rain starts

Zillow starts and within 3 days has 1million visitors

006 Zillow launches Zestimate

2007 Real estate market bubble bursts

Trulia launches Q & A for real estate

First iPhone introduced

2009 Zillow has iPhone App

2010 first iPad.. mobile computing on tablet begins

2011 Zillow purchases postlets

2013 Trulia buys ActiveRain

As we head into a new world and working in a service business, it is not enough to just say that we provide a good service for consumers. The business of real estate will see changes in the future.

There is more competition than ever before in the real estate industry.

The model of a successful real estate company is not the same in the new century.

The consumers expect more than just the basic service for their dollar.

The consumer has more access to real estate information than ever before.

The real estate industry will be almost exclusively mobile.

The number of brokers will continue to increase with the promise of independence but income will not increase.

The market will continue to be active for the next decade with some peaks and valleys.

Tools for evaluating property for inspection will be able to see inside the walls.

Mortgages and loan application will be all done online and lenders may include more private investors.

Writing an offer on a property might be as easy and clicking "buy now" on Amazon.

Since that ball dropped in times Square on January 2000, the way we communicate, market, research, discover news, shop, and run our businesses has changed. And in the midst of all that technology changing our real estate bubble grew with properties skyrocketing in value, borrower qualifications became soft, and the economy soared only to come to a crashing halt in 2007.

As the real estate market and our economy make a striking comeback, technology continues to grow and change. There were many real estate agents, even those that survived, who did not embrace the new way we do business and communicate and are struggling today. It is important to make an intentional effort to become familiar with new tools and ways to communicate. The clock continues to tick... always changing

Two of the larger real estate franchise firms in Washington State include John L Scott and Windermere. Both have branched out regionally with offices out of state. In Washington State, there are several national franchises including (but not limited to) Berkshire Hathaway, Coldwell Banker, Remax, Century 21, Keller Williams, Berkshire Hathaway, and Real Living. There has continued to be a move toward franchising. But, there are also local companies with limited desk fees that hold hundreds of broker's licenses. There are small real estate firms who work out of shared space with wine bars and coffee shops.

In the bookselling business, Barnes and Noble along with Borders Books came into communities and literally wiped out all the small retailers. They did it without reducing the prices on the same inventory. With Amazon becoming the largest retailer in the world, even the large booksellers have been closed. In Puget Sound the Barnes and Noble in the University District closed along with the Borders in Redmond. With few small independent book stores left in the dust, the mega bookstores could still not survive. Yet, in 2016, Amazon opened a bookstore in University Village!

A study by consulting firm Accenture reveals that a large number of Americans would be willing to do their banking with non-financial technology institutions if the companies offered such services as revealed in REALTOR.com in June 2014. If given the opportunity, about 40 percent of consumers aged 18 to 34 say they'd consider banking with Google; 37 percent would consider Amazon; and 34 percent would consider Apple. In 2016 Amazon started offering private financing for student loans. Mortgage lending could take some drastic turns in the future.

For new owners of real estate firms, it is important to have a handle on the competition and the market trends. With a few clicks, firm owners can find out the statistics on market sales that affect their future.

## Look at Market Trends

The World Economic Forum website published an article on April 4, 2016 by Dr. Michael Max Buehler, the Head of Infrastructure and Urban Development for the site. He studied the industry and predicts that the job of a real estate broker will eventually be eliminated. Whether his prediction is true or not, it is good information to use when planning a marketing strategy and planning for growth.

*What do real estate brokers, brokerage clerks and telemarketers have in common?*

*They will all lose their jobs in the near future. According to researchers at Oxford University, the potential for artificial intelligence computer algorithms to replace these jobs is estimated at between 97 and 99%.*

*"The only thing you've got in this world is what you can sell," Charley told Willy Loman in Arthur Miller's play, Death of a Salesman.*

*The technological disruption that is happening in the real estate sector will go far beyond taking away "what you can sell"; it is set to radically transform the real estate profession. Recent research indicates that it is not just brokers but the entire real estate industry that has to rethink how new technologies as well as shifts in demographics and behaviour will impact upon real estate jobs, skills and business models.*

*The real estate industry as we know it will disappear. Here are 10 reasons why:*

**1) A new kind of consumer requires new ways of doing real estate business:** According to [Norbert Winkeljohann, PwC Germany](#), the "sharing economy" - where people rent or borrow goods rather than buying or owning them - could generate revenues of US\$335 billion by 2025. This development will eat up revenues and market share from the traditional real estate business. [While young people have tended to drive the popularity of services like Airbnb, at the other end of the spectrum, the ageing of societies](#) will challenge the way we think about real estate. We need to cater to the needs of an ageing population with new ideas for assisted living, accessible facilities, and creating a healthy

environment that keeps the elderly out of hospital as long as possible. As consumers become less predictable, [psychographics](#) – where real estate demand is mainly driven by consumer personality, values, opinions, attitudes, interests, and lifestyles - are the new demographics for determining real estate success.

**2) Migration and urbanization are proceeding apace – and we are not prepared:** There is an increasing need for affordable housing and urban infrastructure - from transport facilities to telecommunications - that lets all people succeed, but essential projects are often not carried out due to a lack of funding. Across all sectors of economic and social infrastructure, the [global infrastructure investment gap](#) amounts to at least US\$ 1 trillion per year, which corresponds to about 1.4% of global GDP. And according to a [McKinsey report in 2014](#), a third of urban dwellers - 1.6 billion people - could struggle to secure decent housing by 2025. The [United Nations](#) predicts that 65% of the developing world and 86% of the developed world will be urbanized by 2050. Rapid urbanization is already having substantial economic, environmental and health effects on urban communities. House prices and social tensions are expected to increase, while "liveability" and a sense of community will diminish. The real estate sector can help find solutions: developing new social housing concepts, for example. The sector could also propose regulation policies and innovative incentive models, such as land value capture, a taxation of the windfall gains when land owners benefit from publicly funded infrastructure.

While much attention is being paid to urbanization, the existing fabric of many cities is deteriorating rapidly and this has to be addressed. The quality of infrastructure systems, such as transportation, utilities and telecommunications, is the most important factor in real estate investment and development in cities, according to a survey by the [Urban Land Institute](#). Strong telecommunications systems, including high-speed internet, topped the list, along with good roads and bridges, and reliable and affordable energy. Infrastructure plays a critical role in guiding real estate activity and economic development, and reinforces the need for close coordination between land-use planning and infrastructure planning.

**3) Jobs and skills – the uncertain future of the real estate profession.** According to a recent [Pew Research Center survey](#), the majority of respondents think that within 50 years, robots and computers will do much of the work currently done by humans – but few expect their own jobs or professions to experience substantial impacts. Similar irrational assessments or at least optimism bias can still be observed in the [real estate industry](#). The [Commonwealth Scientific and Industrial Research Organisation \(CSIRO\)](#) identified six megatrends for jobs and employment markets over the coming twenty years:

a. Robotic devices will perform many tasks more quickly, safely and efficiently than humans

b. Digital technology and 'platform economics' will change employment markets and organisational structures. Jobs of the future are more flexible, agile, networked and connected

c. Real estate Entrepreneurs will need to create their own job. This will require entrepreneurial skills and aptitudes

d. The workforce is ageing as retirement ages are likely to be further pushed back, an organisation's employee profile is likely to contain more diverse age groups.

e. Automated systems require higher skill levels for entry-level positions. Income growth will be associated with increased educational and skills levels, as well as growing competition. Low skilled jobs are being offshored or automated.

f. Employment growth in the service industries is likely to continue into the future as we move to a knowledge economy. Service sector jobs requiring social interaction skills and emotional intelligence will become increasingly important.

All these changes will have a profound impact on what it means to work in real estate.

**4) Real estate as the solution – not the problem:** According to a [recent World Economic Forum Report](#), the real estate sector consumes over 40% of global energy annually, 20% of total global greenhouse gas emissions originate from buildings, there is a projected 56% increase in building CO2 emissions by 2030, a 7% increase in proportionate share of

global GHG emissions is expected by 2030, and buildings use 40% of raw materials globally. It is the largest global consumer of resources and raw materials.

Therefore, the real estate industry has an obligation to [demonstrate leadership as the solution provider](#) in finding answers for the biggest challenge of our generation – climate change. [No challenge poses a greater threat](#) to future generations than climate change. In the quest for healthy, affordable and sustainable communities, real estate has an increasingly important role to play by championing sustainability, embracing the circular economy and promoting smart solutions for the built environment. Real estate is central to urban development, consumes physical resources and is a significant source of emissions. Equally, it is central to the goal of creating an environmentally sustainable future.

**5) Location, location, location. Has the magic word lost its power?** Business Innovation will be driven by redefinitions of real estate space. The need for office space is already changing dramatically as Julien Smith, cofounder and CEO of Breather, an Airbnb-like company for office space, pointed out by discussing the factors that are [disrupting the idea of traditional office spaces](#). Increasing interconnectivity, mobility and work flexibility will have an impact on property prices in urban centres.

As one answer to the urbanization trend, live-work space integration solutions will reduce space waste as will do self-driving mobility: If you totaled up all the land devoted to parking in the US, it'd be roughly [6,500 square miles](#), bigger than Connecticut. There is tremendous potential to use space more effectively: Currently, typically around 40 to 50% of office real estate is not being used during working hours – if you consider night hours and weekends total utilization rates can be as low as 10%. Similar, utilization inefficiencies can be observed in any other real asset class including housing. The World Economic Forum's Global Agenda Council on the Future of Cities recently ranked (Digitally) Re-Programmable Space at the top of their [Top Ten Urban Innovations](#).

**6) Virtual space versus real estate:** [Hyper-connectivity](#) has changed the real estate game. Location is still important, but in an age of improved mobility for businesses and customers, the relationship and interdependence between physical and virtual spaces has changed drastically. As technology continues to evolve, its impact on the real estate industry will get even stronger. Virtual communication, [virtual reality](#) and virtual modelling such as [Building Information Modelling \(BIM\) in real estate](#) will change the business or even the demand for real estate.

**7) Exponential technology revolution meets business innovation:** 3D printing, mass customization, new construction materials and methods, monopolistic digital procurement platforms (a scenario where property and real estate related products and services are being traded by a digital platform provider exerting a natural monopoly), supply drones, collaborative robots, [iBeacons](#), big data mining, wearable tech, augmented reality, etc. – [the list is long](#) and the opportunities for the real estate sector even longer. Over the past decade, real estate and its business models have already been substantially influenced by online market developments. Such developments for example included e-commerce and a growing demand for data centers and logistics real estate space and with it the shrinking demand for retail space. High streets have dwindled, Amazon warehouses grown. New technologies such as the internet and its infrastructure have introduced disruptive competition to the traditional regional/local market by changing conventional supply-and-demand patterns.

**8) Deja-vu? Real estate bubbles and systemic risks:** There is growing uncertainty over asset price management. Since the global financial crisis, economists have paid particular attention to what they really know about real asset bubbles. When the global equity and real estate markets hit their lowest points in March 2009, \$34.4 trillion of global wealth was destroyed. US households lost almost \$8 trillion in the stock market, on top of the \$6 trillion loss in the market value of their homes. In the aftermath of the crisis, trends in real estate markets have become increasingly hard to predict. To safely navigate this challenging environment, adopting a long-term perspective remains imperative. Policy-makers are currently debating whether asset-pricing dynamics can, or should, be managed with the public interest in mind. Experts from the real estate community can help to better understand the underlying mechanisms of asset pricing and the root causes of asset bubbles. Insights will help to understand how asset bubbles can be prevented and the consequences managed.

9) **Who still needs traditional access to funding and finance?** New types of investors and financial services innovations - so-called FinTechs - will transform real estate. [FinTech companies](#) are using internet technology and AI algorithms to disrupt the financial industry. By cutting out the middle man such as banks or investment managers and lowering costs, they're able to make financial services far more efficient and consumer friendly. According to [Bloomberg](#), robo-advisers, which use computer programs to provide investment advice online, typically charge less than half the fees of traditional brokerages, which cost at least 1 percent of assets under management. The asset classes managed by robo-advisers include domestic equities, foreign equities, fixed income securities as well as real estate assets. Consulting group A.T. Kearney predicts that these novel services will surge and robo-advisory will become a \$2.2 trillion market by 2020. [Crowdfunding](#) has shown how technology can help investors and operators to raise capital, but its adaptation in real estate will significantly shake up how investments are made in the future.

10) **It's about trust: urban governance and transparency:** The real estate market is increasingly impacted by government policies. Government policies and urban management can significantly affect the development of real asset markets and the built environment. In a globalized world, it is hard to anticipate how monetary, fiscal and planning policy, industry regulation and cross-border legislation will affect markets, and, as a result, the development of cities. Municipal leadership becomes more important as cities grow in size and influence. It is hoped that the real estate industry can help to strengthen such governance by highlighting successful policies, proposing intelligent urban planning, and tackling issues such as transparency and corruption. A better alignment of urban management and integrated planning is needed, and is noticeable by either over regulation in developed economies and absence in developing countries; the management of cities, given their increasing complexity, is a major issue.

**Do you agree that these are the 10 most significant trends? [Take this survey](#) to let us know.**

You might say that all the developments outlined above will not happen overnight – and we will have plenty of time to adjust to industry shifts of the [Fourth Industrial Revolution](#). Back in 1997, it seemed a pretty marginal event when IBM's Deep Blue supercomputer defeated Garry Kasparov at chess; one that didn't really affect our daily lives. As a consequence, between the end of last century and now, we accepted that computers are faster at repetitive tasks, quicker at performing automated tasks and more efficient in spotting patterns.

However, as of March 2016, we will have to reconsider what we expect of Artificial Intelligence: Google's DeepMind algorithm AlphaGo repeatedly defeated Lee Sedol, the world's top Go player. The algorithm displayed sophisticated machine learning to triumph at this complex board game. One of the leading Go experts Fan Hui first thought one of the lethal moves must have been a mistake. But then he recognized its beauty and, in shock, he said: "It's not a human move. I've never seen a human play this move. So beautiful", the words which he repeated over and over again: "So beautiful! So beautiful! So beautiful!"

*Technology will overturn our assumptions, whether we're prepared or not.*

Dr. Michael Max Buehler

## Growth Opportunities

As a company grows and moves into the future, it is important to evaluate the bottom line. The income generated will change over time... as the market changes. Predictions for the future show that the real estate business as we know it today, will change or disappear. So, a firm needs to evaluate where the growth will originate. The firm can look towards growth in the future in a variety of ways. Growth can occur:

With a larger number of affiliated real estate brokers.

With a targeted niche that has a higher price point.

By adding third party vendors sharing office space and marketing.

By opening additional branches.

By expanding the services to include property management and/or commercial.

# Conclusion

This course covers the basics to starting a real estate firm in Washington State. Any questions about legal issues must be directed to the designated broker. There are unlimited resources on the internet to assist with any new business.

Natalie Danielson has been in the real estate industry for the past 35 years. She has served as a designated broker of a real estate firm after ten years of real estate sales. For the past 25 years, she has been the owner and administrator of Professional Direction, a Washington State Approved real estate school specializing in continuing education known as "clockhours." She is the author of more than 100 real estate classes.

The Workbook and Final Exam must be completed in detail and scanned to [clockhours@gmail.com](mailto:clockhours@gmail.com) to receive clockhours for the Business Management 30 hour class.

Thank you for reading this text and taking the class.

Sincerely,  
Natalie Danielson, Author  
Owner/Administrator of Professional Direction, Inc  
[www.clockhours.com](http://www.clockhours.com)