Newly Licensed? Now What?

4 Hour CE

FloridaRealtors
The Voice for Real Estate® in Florida

Objectives

- Establish a higher level of competency and understanding of applied real estate terms.
- Build and increase your personal confidence level.
- Understand the choices to be made when setting up your personal business.
- Explore the benefits of a business plan and how to create an effective plan.
- Obtain an overview of working with Sellers
- Obtain an overview of working with Buyers
- Enhance your communication skills.
- Explore the importance of establishing real estate partnerships with supporting professionals.
- Define which professional does what after an executed contract.

You have done it. You have passed a classroom and state exam that allows you to now practice real estate. So what is next? As a newly licensed agent the days of exhilaration and accomplishments are measured from one moment to the next. There is so much knowledge to comprehend, recall and apply. This course has been designed to set you up to succeed by answering some of the most important "What's next?" questions. The information will be divided into five sections: Corporation Entities and the Business Plan; Mortgage Financing 101; The Art of Working with Sellers and Buyers; and Title 101.

Even though you work for a Broker, you are still an independent contractor. You are Your Business! Starting your own business can be exciting and rewarding. However, becoming successful requires thorough planning, creativity and hard work. You not only have to be mindful of your business, you must minimize risk for your clients and your Broker.

Do you have the following characteristics and skills commonly found in successful REALTORS®?

- Comfortable with taking risks-you may have to make some tough decisions, and you have to be comfortable with this uncertainty.

- Independent-you have to trust your instincts, and can't fear rejection.

- Persuasive-you may have awesome ideas but if you can't persuade others to "buy-in" you may find life as a REALTOR® challenging.

- Able to Negotiate-from the minute we wake in the morning until we close our eyes at night, we are in the throes of negotiation. Polished negotiating skills will help you save money, earn money and keep your business running smoothly.

- Creative-you need to be able to imagine new ways to solve problems. Can you out smart MacGyver with only a rubber band a gum wrapper? Creativity comes in handy during negotiations, working with vendors that are ancillary to our industry and marketing yourself as well as your listings.

- Strong Support System-Do you have one? A strong support system would include your family, your Broker, the administrative staff in your office and a mentor that can show you the way.

Some Questions to ask Before You Start

1. Why am I starting a career in real estate?
2. Who are my customers?
3. Am I prepared to spend the time and money necessary to get started?
4. What differentiates me from everyone else?
5. What company will I work for?
6. Who is my competition?
7. How long will it take for me to make a profit?
8. Will I incorporate, be a sole proprietor or should I be concerned at all?
9. What taxes do I need to pay?

Let's Get Started

I. The Local Market

One of the most important things you need to do is learn about your customers, competitors, your local market trends and the industry as a whole. Market research can provide insight to help you:

- Reduce risk
- Identify current and potential industry related issues
- Identify sales opportunities

How to Conduct Market Research

Identify Government Sources: Local, state and national sources provide data on economic indicators, employment statistics, income and earnings. Very valuable information that is useful in our industry.

Additional Sources: local chamber of commerce, economic development commission, Florida Realtors Industry Data and Analysis department, and the National Association of REALTORS®. These are all great avenues for conducting market research.

The International Marketplace: You need to understand the international factors that influence the real estate industry. Today's economy is a globalized marketplace. We have investors from all corners of the earth wanting to invest in our market. You may want to become educated on global markets by earning the Certified International Property Specialist certification offered by the National Association of REALTORS®.

Business Data and Statistics

Demographics

The characteristics of the human population are often used to conduct research into where opportunities exist within your market. This will assist you in developing appropriate business and marketing strategies to target customers. The resources below can be used in your business research efforts.

1. **American FactFinde**r-provides access to a wealth of population, housing, economic and geographic data from the US Census Bureau. http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml

2. **State and County Quick Facts**-provides frequently requested Census Bureau information at the national, state, county and city levels. http://quickfacts.census.gov/qfd/

3. **Current Population Statistics**-shares information gathered a monthly survey of about 50,000 households conducted by the Bureau of Census for the Bureau of Labor and Statistics. http://www.census.gov/cps/

4. **Labor Demographics**-makes data available for specific demographic categories including sex, age, race and ethnic origin. http://www.bls.gov/bls/demographics.htm

5. **Social Security Fact Sheets for Demographic Groups**-provides facts for all demographic groups including women and young people. http://www.ssa.gov/news/press/factsheets/demographic.htm

II. Business Entities

Choosing how to form a business entity will determine the taxation rules and regulations that will be applied to that business. Each entity has its own pros and cons. The best way for you to decide how to structure your business is to consult with an attorney and accountant that specialize in business and tax law.

An additional resource would be the U.S. Small Business Administration: https://www.sba.gov/loans-and-grants

Let's take a look at the types of business entities you can choose:

1. Professional Association

More and more REALTORS® are choosing to become a PA. A professional association (PA) is really a corporation. The only assets you place in your PA are the cash required to operate your business. Once you incorporate, you will have to elect to become a subchapter S. Dividends that pass through to the subchapter S owner are not taxed the self-employment tax, so already this is a 15.3% tax (savings) advantage. The formation and tax preparation for a PA is complicated and it is highly advised that you consult a tax attorney/business law attorney.

2. The Sole Proprietorship

A sole proprietorship is the simplest and least expensive method of reporting income; however it provides the least tax-saving advantages. Many sole proprietors elect to be taxed as a "disregarded entity," which means that although a separate business entity has been formed and has operated the business, the IRS will not require a separate tax return filing. Instead, the income can be reported on a Schedule C of the tax Form 1040.

3. Limited Liability Company

A limited liability company is a hybrid legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.

The "owners" of an LLC are referred to as "members." The members can consist of a single individual, two or more individuals, corporations or other LLC's.

Unlike shareholders in a corporation, LLC's are not taxed as a separate business entity. Instead, all profits and losses are "passed through" the business to each member of the LLC. LLC members report profits and losses on their personal tax returns, just like the owners of a partnership would.

4. Corporation

In forming a corporation, prospective shareholders exchange money, property or both for a share of the corporation's capital stock. A corporation, besides having the same deductions available as a sole proprietorship, may also take advantage of additional special deductions for federal income tax purposes. A "C" corporation is recognized as a separate taxpaying entity. The profit of a corporation is double taxed: taxation occurs for the corporation and the shareholders. Shareholders may not deduct any loss of the corporation.

5. Partnership

A partnership is where two or more individuals join together and each may contribute money, property, labor or skills to participate in the growth of the business. Each partner shares in the profits and losses of the business. A partnership must file an annual return to report income, deductions, gains and losses from its operation, but it does not pay income tax. Instead, income tax liability passes through to each partner and each is taxed on the partner's allocable share of income via the Schedule K-1 on his or her individual return.

Types of partnerships would include:

- **General Partnerships**-assume that profits, liability and management are divided equally among partners

- **Limited Partnerships**-more complex than general partnerships, limited partnerships allow partners to have limited liability as well as limited input with management decisions

- **Joint Ventures**-act as general partnership, but for only a limited period of time or for a single project.

6. “S” Corporation

An “S” corporation, sometimes referred to as an “S Corp”, is a special type of corporation created through an IRS tax election. An eligible domestic corporation can avoid double taxation by electing to be treated as an “S” corporation.

To be considered an “S” corporation, you must first charter a business as a corporation in the state where it is headquartered. According to the IRS, “S” corporations are “considered by law to be a unique entity, separate and apart from those who own it.” This limits the financial liability for which you, the owner, are responsible.

The Pros and Cons of Business Structures at a Glance

	C Corp	S Corp	LLC	General Partnership	Sole Proprietor
Owners have limited liability for business debts and obligations	✓	✓	✓		
Created by a state-level registration that usually protect the company name	✓	✓	✓		
Business duration can be perpetual	✓	✓	✓		
May have an unlimited number of owners	✓		✓	✓	
Owners need not be U.S. citizens or residents	✓		✓	✓	✓
May be owned by another business, rather than individuals	✓	✓			
May issue shares of stock to attract investors	✓	✓			
Owners can report business profit and loss on their personal tax returns		✓	✓	✓	✓
Owners can split profit and loss with the business for a lower overall tax rate	✓				
Permitted to distribute special allocations, under certain guidelines			✓	✓	
Not required to hold annual meetings or record meeting minutes			✓	✓	✓

III. Filing & Paying Taxes:

It's important to note that the IRS automatically classifies your real estate business entity as a sole proprietor unless you declare otherwise. This arbitrary assignment could cost you a total tax rate exceeding 35%. The self-employment tax is 15.3% of your net income; then you have taxation percentages applied to net income according to your tax bracket, of which the average is 20% or more.

Once you have decided how to legally set up your business, then the accounting process begins. It is advisable to hire an accountant. Accountants can suggest user-friendly accounting programs that will require very little data entry time and streamline the record keeping side of owning a business.

Income in the real estate industry is compensation for a service performed. Expenses are depletions of our compensation. Having a working understanding of how to budget expenses in relationship to income is a science. Many small businesses fail because the owners or managers do not completely understand that you have to make money to spend money. The IRS DOES want small businesses to succeed so they have created deductible expenses, which are used to reduce your net taxable income. The key to using these expenses is that they have to be allowable.

Your Federal Tax Obligations

The federal government levies four basic types of business taxes:

- Income Tax
- Self-Employment Tax
- Taxes for Employees
- Excise Tax

The form of business you choose (sole proprietor, LLC, partnership) determines which income tax return form you have to file.

The following links will provide clarity as to the types of federal tax forms you need to file.

1. Sole Proprietorship-http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Sole-Proprietorships

2. Partnership- http://www.irs.gov/Businesses/Small-Businesses-&-Self-employed/Partnerships

3. Corporation- http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Corporations

4. S Corporation- http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/S-Corporations

5. Limited Liability- http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Limited-Liability-Company-LLC

Self Employed Tax Obligations

Before you can determine if you are subject to self-employment tax and income tax, you must figure your net profit or net loss. You do this by subtracting your business expenses from your business income.

If your expenses are less than your income, the difference is net profit and becomes part of your income on page 1 of Form 1040. If your expenses are more than your income, the difference is a net loss.

You usually deduct your loss from gross income on Page 1 of Form 1040. There may be extenuating circumstances that limit the amount of your losses, please consult a tax professional.

You have to file an income tax return if your net earnings from self-employment were $400 or more. If your net earnings from self-employment were less than $400, you still have to file an income tax return if you meet any other filing requirements listed on Form 1040. https://www.irs.gov/pub/irs-pdf/i1040gi.pdf

Common Deductions for REALTORS®

- Advertising Expenses
  - ✓ Websites
  - ✓ Mailing List
  - ✓ Newspaper Advertising
  - ✓ Flyers
  - ✓ Online Advertising
  - ✓ Postcards
  - ✓ Promotional Materials
  - ✓ Logo Clothing

- Bookkeeping, Accounting and Legal Fees

- Business Gifts (up to $25)

- Business Meals and Entertainment (only 50 percent of the total is allowable)

- Vehicle Expenses
  - ✓ Business Mileage
  - ✓ Depreciation
  - ✓ Insurance
  - ✓ Interest on Car Loans
  - ✓ Lease Payments
  - ✓ License Plate Fees
  - ✓ Parking and Tolls

- Computers

- Software

- Internet Access

- Customer Relationship Management Programs

- Education to Maintain Your License

- Education to Improve Your Skills

- Home Office Expenses (consult a tax professional)

- Insurance
  - ✓ Health
  - ✓ Errors and Omissions (E&O)
  - ✓ Business Liability
  - ✓ Business Equipment

- Interest, such as interest for business loans, credit cards

- Map Books and/or Map Apps

- Office Expenses
  - ✓ Rent
  - ✓ Cleaning
  - ✓ Maintenance
  - ✓ Utilities
  - ✓ Supplies and Office Equipment

- Phone
  - ✓ Cellular
  - ✓ Land Lines
  - ✓ Telephone Service Fees

- Postage

- Professional Dues and Fees
  - ✓ MLS
  - ✓ Association/Board Annual Dues
  - ✓ Chamber of Commerce
  - ✓ Rotary
  - ✓ Professional Association

- Real Estate Franchise Fees

- REALTOR® Referral Fees

- Retirement Plan Contributions (consult a professional)

- Subscriptions to Professional Journals

- Taxes
  - ✓ Payroll for Employees
  - ✓ State and Local Business

- Travel
  - ✓ Business Conventions
  - ✓ Transportation
  - ✓ Lodging
  - ✓ Food

- Wages and Benefits Paid to Employees

IV. Goal Setting

Goals are an important component in achieving success in any endeavor. Goals serve as a guide to keep people on course when times are tough, and prevent people from becoming distracted by unimportant matters.

Goal setting is a key element in creating a business plan. So let's say you want to increase your sales by 25% in the coming year, but when you reflect on what that will take you realize you need to hire an assistant. Then part of your business plan will include hiring an assistant within a set time frame so you can increase your sales by the goal you set of 25%.

Without specific goals, most people have a tendency to jump from one project or task to another instead of focusing on the most important needs of the business. As a result, overall production begins to suffer, income takes a dive and stress levels go through the roof.

Benefits of Goal Setting

- Clearer Focus
- Optimum Use of Resources
- Effective Use of Time
- Peace of Mind
- Ease of Decision Making
- Freedom of Thought
- Better Communications with Others The 5 P's of Success - "He Who Fails to Plan, Plans to Fail"

No matter the task at hand, the 5 P's are great to follow:

1. **P**roper – regardless of what it is you are doing, there is a proper way to approach and execute the task.

2. **P**lanning – thoughtful, detailed planning is so important when starting a project. Make lists of what you want to accomplish, the people that can help you accomplish those goals and what you need to make the project happen.

3. **P**revents – it is always a good idea to have a plan B. Establishing a back-up plan may prevent the costly loss of money and time.

4. **P**oor – if something is done poorly, why bother.

5. **P**erformance – keep focused and be actively engaged on whatever you are working on.

SMART Goals

As stated above goal setting is one of the first exercises that should be completed when creating a business plan. If you are one of those agents who puts in sixty hours or more a week, then setting personal and professional goals is important for you so that you can establish balance throughout your life. Personal goal setting usually explores the five important areas of an individual's life: health, wealth, relationships, creative self-expression and spiritual fulfillment. All are important parts of establishing personal balance. So if you are working sixty hours a week, when do you plan on taking time out to exercise or spend time with your family? There is actually a proven formula to follow when setting both personal and professional goals. The acronym for the formula is **SMART**.

For a goal to be **SMART** it must be:

S Specific

M Measurable

A Attainable

R Realistic

T Timely

Specific – a specific goal has a much greater chance of being accomplished than a general goal. To set a specific goal you must answer the six "W" questions:

Who:	who is involved
What:	what do I want to accomplish
Where:	identify a location
When:	establish a time frame
Which:	identify requirements and constraints
Why:	specific reasons, purpose or benefits of accomplishing the goal

Example: A general goal would be, "increase sales." But a specific goal would be, "sell 3 houses a month."

Measureable – establish concrete criteria for measuring progress toward the attainment of each goal you set. When you measure your progress, you stay on track, reach your target dates, and experience the exhilaration of achievement that spurs you on to complete your goal.

Attainable – when you identify goals that are important to you, you begin to figure out ways you can make them come true. Attitudes, abilities, and financial capacities come forth to help you achieve your goal. Previously overlooked opportunities come in to focus, again, bringing you closer to the achievement of your goals.

Realistic – to be realistic a goal must represent an objective toward which you are both willing and able to work. Some of the hardest jobs you have ever accomplished actually seem easy because you were passionate about the job.

Timely – a goal should be grounded in a specific time frame. No time frame for completion indicates a lack of urgency in achieving the goal. A goal is realistic if you believe that it can be achieved.

This is My Year to….

After you have set your goals and before you sit down to write out your business plan it helps to ask yourself these questions:

1. Do you have a centralized database of names, addresses, phone numbers, etc. that you can access at a moment's notice?

2. How many contacts do you talk to from your database each week?

3. Do you have scheduled times each day or week when you communicate with your customers? The most successful agents set time aside to communicate with their future customers and have the ability to block out the world and only concentrate on lead building.

4. Do you have a powerful listing presentation?

5. Do you have a personal marketing plan in place with a proposed budget?

6. Do you have your most powerful letters "standardized" so you don't need to create an original every time you want to communicate with someone?

7. Do you know your product, market and other agents?

V. Business Plan

What is a business plan and why do you need one?

According to Florida REALTORS®, the "typical" REALTOR® in Florida has eleven years of experience, one year less than the U.S. average. In that category, the median income was $45,800 in 2014. 32% of REALTORS® in Florida say they work forty hours a week. 17% say they put in sixty hours or more and 40% say they work forty to fifty-nine hours a week. REALTORS® who say they put in at least sixty hours a week reported a median gross income of $79,900, while those working up to thirty-nine hours reported a median gross income of $25,800.

What are your business and financial expectations?

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Anatomy of a Business Plan

Do you want to expand your business, be more competitive in the real estate industry or achieve certain goals? If you answered yes, then you need a business plan!

Whether you're just getting started in real estate or you have been in the business for years, business planning can be the key to your success. Following are three reasons why you need to get started on your business plan today:

1. A business plan is vital to helping you get financing

   If you're seeking financing for your business, you'll need to show banks and investors why they should invest in your business. Lenders and investors will only risk their money if they are confident that your business will be successful.

   A well-researched business plan:

   - shows that you're serious about your business
   - helps lenders and investors understand your business idea
   - shows your predicted profits and income streams

2. A business plan can help you prioritize

   A business plan is one of the most valuable tools to help you reach your goals. It gives you direction, defines objectives, maps out strategies to achieve your goals and helps to manage any bumps in the road.

   Once your business plan is in place it will allow you to focus your resources and energy on what you need to do, rather than spreading yourself too thin.

   It's a good idea to regularly review and update your business plan to:

   - Remind yourself of your goals and priorities
   - Assess whether your strategies are working
   - Adapt to any new changes in your environment
   - Make the most of new opportunities as they come your way

3. A business plan can give you control over your business

   During the development of your business plan you have the opportunity to step back and look at what's working in your business and areas that can stand some improvement.

While business planning may seem overwhelming and time consuming, it gives you the opportunity to:

- Learn about the real estate industry, the market and your competitors
- Write down exactly where you are in the market and where you're headed
- Identify challenges and configure strategies to overcome them
- Understand finances, cash flow, and your break-even point
- Set specific goals, timeframes to achieve them and how to measure performance
- Make sound decisions, maximize resources and maintain a competitive edge

While it is important to have a business plan, it's not a document that you create and shove in the bottom drawer of your desk. It's a living guide that you should develop as your business grows and changes.

You don't have to start your business plan with a blank sheet of paper there are many templates and tools available to you. The National Association of REALTORS® has a "Field Guide to Writing a Business Plan" available at: http://www.realtor.org/field-guides/field-guide-to-writing-a-business-plan

The anatomy of a business plan:

- **Executive Summary**-is a snapshot of your business plan as a whole and touches on the profile of the company as well as the goals.

- **Company Description**-what you do, what differentiates you from others and the market you will serve.

- **Market Analysis**-What is your market? Who are your competitors?

- **Organization and Management**- each business is structured differently find out what structure works best for you and use it. Don't be afraid to reevaluate your business structure and management style in the future, remember this business plan is a living, breathing document that may need adjusting.

- **Service**-what do you sell? Condominiums? Single family? Waterfront?

- **Marketing and Sales**-how you will market yourself and your business: Do you keep on doing what everyone else is doing or do you break away and do something different?

- **Funding Request**-will you need funding to get your business started?

- **Financial Projections**- how much annual income do you need to stay afloat? How many closings will it take to stay afloat? How many listings will it take to stay afloat? What is your annual income goal, not just to stay afloat but to make a profit?

- **Appendix**-while optional, the appendix is a useful place to include information such as your resume, business permits and leases.

VI. Money 101

Let's Talk About Money

One morning your phone rings and it is someone wanting to purchase a home. Imagine that, you now have a customer—a buyer. The manner in which you first proceed with this customer will set the tone for the relationship.

There is a range of ways to begin working with the buyer, from putting them into your car to look at homes within the first twelve hours, to carefully listening to them and asking the really important delicate questions. One of those questions is “Are you pre-qualified!”

Buyers sometimes resent being asked this question for many of their own personal reasons. However, it is our responsibility as business owners to conduct business in a profitable manner. Driving someone all over town and expending a half tank of gas is really a two hundred dollar (or maybe more) expense to your business. So it makes sense to make sure your potential client has spoken to a loan representative and they have at least pre-qualified. Pre-approved would be even better!

Pre-qualification is based on a conversation that a lender has had with a potential buyer. A credit report may or may not have been obtained at this point. No documentation has been provided and this step is normally used to determine a certain price range for the new home. A pre-qualification letter basically means that very little research has been conducted to actually verify that the buyer is a qualified buyer.

In the industry we use pre-qualification letters all the time, so to make everything flow smoother, call the lender and ask if they have obtained a credit rating or report.

Pre-approval, as defined by the Consumer Financial Protection Bureau, (the legal entity that provides the enforcement portion of the lending industry), means the lender is ready to provide a mortgage based on the information and documentation provided by the buyer.

The borrower is pre-approved once all supporting documentation backs up what was determined at pre-qualification. At this point the information provided by the buyer is entered into an automated underwriting system.

A ***loan commitment*** means that the lender has pledged a certain amount of money to the borrower to purchase real estate for a specified time and under specific terms. This commitment may be issued with conditions by a lender. The fewer conditions on a loan commitment letter the better. Our Florida Residential Contract for Sale and Purchase provides a deadline for the loan commitment letter to be received.

What is a Qualified Mortgage?

The QM Rule at a Glance

A qualified mortgage is a home loan that meets certain standards set forth by the federal government. Lenders that generate such loans will be presumed to have also met the Ability-to-Repay rule mandated by the Dodd-Frank Act.

The qualified mortgage rule, as defined by the Consumer Financial Protection Bureau (CFPB), is designed to create safer loans by prohibiting or limiting certain high-risk products and features. You will find a list of those prohibited features below. Lenders that make Qualified Mortgage loans will receive some degree of legal protection against borrower lawsuits, either in the form of a safe harbor or rebuttable presumption.

Full Definition of a Qualified Mortgage: **Updated for 2015**

The term 'qualified mortgage' was first used within the text of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which became federal law on July 21, 2010. The Dodd-Frank Act provided a general definition (essentially an outline) of the QM loan.

The Consumer Financial Protection Bureau was then given the task of finalizing that definition, which they did in January 2013. Here are three key features of a Qualified Mortgage along with a checklist for your reference.

1. No Excessive Upfront Points and Fees

In this context, 'points and fees' are additional costs charged by the lender during mortgage application, processing and closing. The Qualified Mortgage (QM) rule puts a limit on these additional charges, including those used to compensate mortgage brokers and loan officers.

Generally speaking, the points and fees paid by the borrower must not exceed 3% of the total amount borrowed, if the loan is to be considered a qualified mortgage. Certain exceptions have been made for 'bona fide discount points' on prime loans. For details on these and other exceptions, refer to the "Official Documents" section below.

2. No Toxic Loan Features

In this context, a 'toxic' loan feature can refer to any high-risk feature that may have contributed to the mortgage and housing collapse of 2008. Such features are prohibited by the Qualified Mortgage Rule, and are defined by The Consumer Financial Protection Bureau as:

•No Interest-only loans. These are mortgage products where the borrower defers the repayment of principal and pays only the interest, usually for a certain period of time.
•No Negative-amortization loans. These are loans where the principal amount borrowed increases over time, even while monthly payments are being made. This often happens as the result of the interest-only payments mentioned above.

•No Terms beyond 30 years. In order to meet the definition of a qualified mortgage, the loan must have a repayment term of 30 years or less.

•No Balloon loans. In most cases, balloon loans will be prohibited by the Qualified Mortgage Rules, but some exceptions have been made. Smaller lenders in 'rural or underserved areas' may still make such loans. Definition: A balloon mortgage is one that has a larger-than-normal payment at the end of the repayment term.

3. Limits on Debt-to-Income Ratios

In general, the qualified mortgage will be granted to borrowers with debt-to-income (DTI) ratios no higher than 43%. As the name implies, the debt-to-income ratio compares the amount of money a person earns each month (gross monthly income) to the amount he or she spends on recurring debt obligations.

Example:

Expenses

$1,400 per month rent

$200 per month car loan

<u>$400</u> per month credit card debt

$2000 per month total debt

Gross Monthly Income: $5,000

$5,000 ÷ $2,000 = 0.4 or 40% (debt to income ratio)

This aspect of the QM rule is intended to prevent consumers from taking on mortgage loans they cannot realistically afford. A temporary exception will be granted for loans that are eligible to be sold or insured by Freddie Mac, Fannie Mae, FHA or the VA.

Read more: http://www.consumerfinance.gov/askcfpb/1789/what-qualified-mortgage.html

Qualified Mortgage Checklist

1. **Income and Asset Documentation**: Is the loan file fully documented with the income and assets disclosed on the application and are the income and assets verified to meet Automated Underwriting System findings, and/or requirements to complete the transaction per the product/underwriting guidelines?

2. **Employment Status and Stability**: Has the underwriter confirmed the borrower(s) current employment status, employment stability, and continuance of employment for all income being used in determining ability to repay the loan (qualifying income)?

3. **Loan qualified at the maximum monthly mortgage** (P&I): Was the borrower(s) monthly mortgage payment calculated using the maximum qualifying interest rate for the specific product?

4. **Loan qualified with all known maximum housing payments**: (Principal, Interest, Taxes, Insurance, and Association Dues and any other housing debts Principal & Interest) Has the underwriter fully reviewed the credit report including inquiries (additional due diligence may be required) to determine if borrower(s) currently has subordinate financing or has applied for new subordinate financing, and all these transaction(s) have been included in the borrower(s) total housing payment?

5. **Qualifying maximum mortgage payments**: All housing related obligations (property taxes, insurance, HOA/condo/co-op fees, special assessments, ground rent, or leasehold payments) including subordinate financing have been included in the final determination of the qualifying debt to income (DTI) ratio?

6. **Loan qualified using all current and proposed debt obligations**: Have all current debt obligations (additional due diligence may be required when reviewing the credit report inquires), including but not limited to non-standard payroll deductions, garnishments, regularly scheduled withdrawals on the paystub(s), alimony and child support been included when calculating the total monthly qualifying Debt To Income ratio?

7. **Maximum DTI guidelines for the product followed**: Does the borrower(s) total monthly DTI ratio not exceed a 43% DTI or allowable ratio?

8. **Borrower(s) demonstrated willingness to repay debt obligations in timely manner based on third party verification**: Has the underwriter fully reviewed the borrower(s) credit history, past and present, as documented by an acceptable third party, and determined the borrower has a willingness and ability to repay debt obligations past, present, and proposed?

Group Discussion: What are some of the obstacles to overcome throughout the financing process?

How Can You Become a Trusted Real Estate Advisor throughout the Mortgage Process?

There are many ways in which you may guide your customer through the financing process and to begin to become that trusted real estate advisor, therefore it is beneficial to understand some basic criteria lenders use to fund mortgage notes and how you may assist the buyer. They are:

1. Credit History: When evaluating credit history, lenders look to see if there have been any outstanding collections and how many late payments have occurred within the last twelve months. There should be no outstanding judgments or bankruptcies within the past three years.

In addition, there should be no foreclosures in the past three to seven years and no short sale history in the past two to three years. Your buyer may have had a foreclosure or a short sale, but is a "boomerang buyer" - someone who had a foreclosure or short sale three years ago or more and is now able to qualify for a mortgage.

So if the prospective Buyer says, "I can't qualify for a home, I have had a bankruptcy and it has not been seven years yet."

SOLUTION: provide them with the names of three qualified mortgage lenders that have a proven track record with boomerang buyers.

2. Job Stability: The borrower must have been in a job or the same profession for the past three years. Stability is a factor when lenders evaluate a borrower's employment. Part time jobs can only be used if there is a two-year history. If your buyer mentions to you that they are getting ready to change jobs, this could affect the approval of the loan.

SOLUTION: Suggest to the buyer that they consult with their mortgage lender before making any employment changes.

3. Income Documentation: If the borrower is retired, then his or her retirement and pension income must be documented with an award letter and a guarantee for at least three more years.

Documentation requested to support employment and income includes pay stubs, signed personal and business tax returns, W-2s or 1099s, and profit and loss statements. For court ordered decrees such as alimony and child support, custody, divorce and separation papers are requested.

Sources of funds and assets must also be verified by the lender with the borrower providing the most recent two months of bank statements. All pages of the bank statements must be supplied, and not just printed from the Internet unless it is a downloadable PDF.

Any deposit typically over $1000 that is not sourced via payroll, must be explained in a written letter.

As a Trusted Real Estate advisor, you need to continually stay in contact with the Buyer, checking to make sure that all the required documentation to verify income has been submitted to the mortgage lender on a timely basis. Personally, you can also contact the mortgage lender weekly to discuss the status of the loan process. You and the mortgage lender are part of the same team.

4. Earnest Money: For some lenders an escrow verification letter from the escrow agent is not enough validation that earnest money has been received. They will want a copy of the earnest money deposit (EMD) check and proof it has cleared the account.

SOLUTION: Provide whatever documentation a specific lender requires quickly.

5. Gift Money: If the borrower is receiving a gift, then a gift letter is also required from the individual giving the monetary gift. There have been some instances where the bank statements of the gift giver have also been reviewed. To avoid complications later, let your Buyer know that the person providing the gift of funds, may have to provide personal bank statements to the lender for verification.

6. Step Away From the Credit Cards: Buyers have a tendency to go out and purchase great new stuff for their new home. They open new lines of credit and spend money they have in savings to “furnish” their new place.

What buyers don’t understand is that the lender will run another credit report as well as check bank accounts for funds just before the actual closing. If the buyer has gone on a spending spree they may end up living in the box that the new television came in instead of their dream home.

Advise your buyer to hold off on any new purchases or opening new lines of credit until **after** the closing.

7. Additional Miscellaneous Required Information: Lenders require verification of a borrower’s residence history, current mortgage statements, current tax bills, current proof of insurance and insurance binders for the new property. In addition HOA statements may be requested.

If the borrower is renting from a non-management company, then twelve months of cancelled rent checks will be collected. If the borrower is living rent free, then a letter must be signed and provided from the person who is allowing the borrower to live rent-free.

During the document collection period of securing a loan, numerous things can go awry if you are not organized. It is your duty to help the buyer understand why the lender is asking for so many items. It is not a personal attack on the buyer, but rather a part of the process.

Remaining calm and helping the buyer gather all the necessary documents for submission to the lender will assist in making the process more manageable.

VII. Listings-the Art of Working with Sellers

Characteristics of Sellers

The typical home seller in Florida was 55 years old with a median income of $93,200 in 2015. The Baby Boomer generation represented the largest share of sellers, 28%, followed by older boomers, 27% and younger boomers, 13%. Sellers in Florida typically live in their homes for 11 years.

Age of Home Sellers by Region

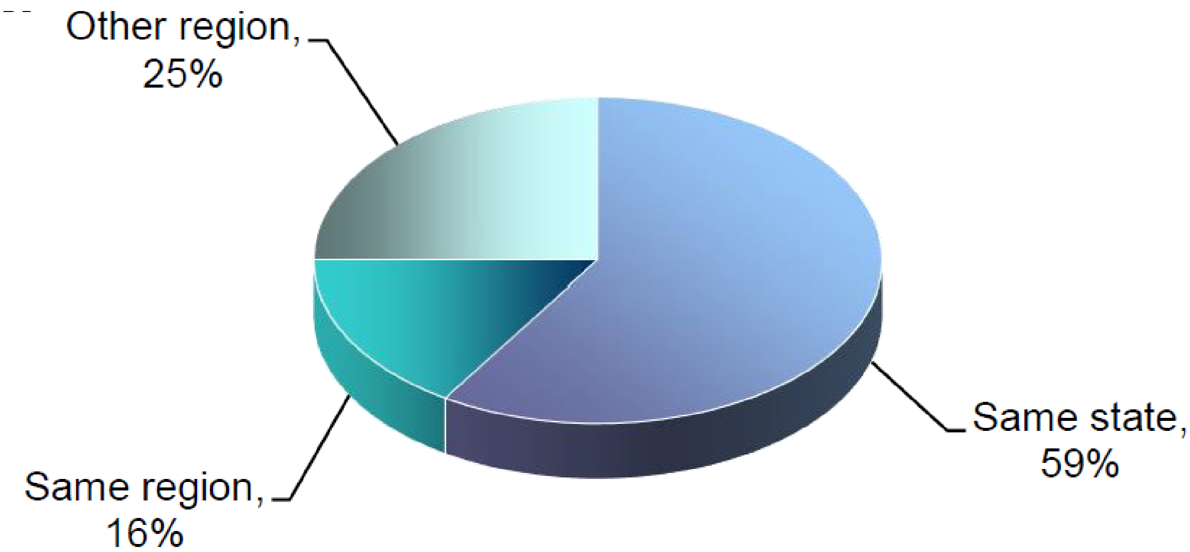
	Florida	U.S.	SELLERS WHO SOLD A HOME IN THE Northeast	Midwest	South	West
18 to 34 years	7%	12%	10%	14%	11%	13%
35 to 44 years	12	22	20	22	23	21
45 to 54 years	13	18	17	18	19	15
55 to 64 years	28	22	27	21	20	22
65 to 74 years	27	20	21	19	19	23
75 years or older	13	7	6	5	8	6
Median age (years)	55	54	56	53	53	55

The motivation behind the selling of a primary residence in Florida was moving due to retirement, 18%, followed by job relocation, 16%, and the desire to move closer to friends and family, 14%.

Size of Home Purchased *vs.* Sold

	Size of home sold	Size of home purchased	Difference
18 to 34 years	1,500	2,100	600
35 to 44 years	1,800	2,400	600
45 to 54 years	2,200	2,300	100
55 to 64 years	2,100	2,000	-100
65 to 74 years	2,000	1,900	-100
75 years or older	2,000	1,800	-200

Proximity of Home Sold to Home Purchased (Florida)



How'd They Find You?

	All sellers	First-time Seller	Repeat Seller
Referred by (or is) a friend, neighbor or relative	34%	50%	29%
Used agent previously to buy or sell a home	19	14	21
Visited an open house and met agent	7	2	8
Internet website (without a specific reference)	4	2	4
Personal contact by agent (telephone, email, etc.)	4	7	4
Referred by another real estate or broker	5	2	5
Saw contact information on For Sale/Open House sign	4	5	4
Referred through employer or relocation company	2	2	2
Direct mail (newsletter, flyer, postcard, etc.)	4	*	5
Walked into or called office and agent was on duty	2	5	1
Newspaper, Yellow pages or home book ad	3	*	4

Let's Look at the Numbers

In Florida, 53% of sellers found their agent through a referral from a friend, neighbor, or relative or used an agent they had worked with before. 64% of sellers contacted only one agent before finding the right agent to work with.

93% of sellers listed their homes on the Multiple Listing Service (MLS), which is the number one source for sellers to list their home.

The typical seller has recommended their agent at least once since selling their home. 68% of sellers said they would definitely recommend their agent for future services while 14% said they probably would.

Recently sold homes were on the market for a median of eight weeks and sold for 97% of the original list price. 32% of sellers offered incentives to attract buyers. Home sellers cited that they sold their home for a median of $20,000 more than they purchased it for.

What Sellers Want From Their Agent

Florida		LEVEL OF SERVICE SOUGHT FROM THE AGENT BY THE SELLER		
	All sellers	A broad range of services and management of most aspects of the home sale	A limited set of services as requested by the seller	The agent listed the home on the MLS and performed few if any additional services
Help price home competitively	24%	13%	25%	24%
Help sell the home within specific timeframe	18	21	25	19
Help find a buyer for home	20	21	33	38
Help seller market home to potential buyers	20	21	8	10
Help seller find ways to fix up home to sell it for more	8	15	8	5
Help with negotiation and dealing with buyers	4	3	*	*
Help with paperwork/inspections/preparing for settlement	3	3	*	*
Help seller see homes available to purchase	*	3	*	*
Other	*	3	*	*

Overcoming Seller Fears and Objections

Every seller has fears. These fears turn into objections. It is our responsibility to identify the seller's objections and then overcome those objections. Unfortunately, many times these objections are hidden and never shared with us as REALTORS®. Fears or objections are always real to the seller.

Here are some common fears/objections that sellers experience:

- I might sell my home for too little.
- The equity in my home is all the money I have.
- I am losing my freedom by selling my home.
- The home has been in the family forever.
- I do not want to sell, but I have to sell…i.e. financial or court ordered reasons.
- What if my next home is not as nice?

What could you say to the seller to help them overcome the above objections?

Identify the Fear

I might sell my home for too little.

Identified fear: ______________________________

How to reply:

____

____

The equity in my home is all the money I have.

Identified fear: ____________________________

How to reply:

____

____

When I sell my home I will lose my freedom.

Identified fear: ___________________________

How to reply:

____
____

I don't want to sell, I have to sell.

Identified fear: ___________________________

How to reply:

____
____

What if my next home is not as nice?

Identified fear: ___________________________

How to reply:

____
____

As a REALTOR® for you to be able to handle a seller's objections successfully, the seller needs to be able to hear you and understand what you are saying. This may be accomplished best by establishing a trusting relationship with the seller. Knowing what top characteristics a seller desires in their real estate agent would help build the relationships that facilitate trust. Trulia, in 2013, formed a User Group, and the group of two hundred and fifty people was asked several questions.

One of which was, "What do you look for when hiring a real estate listing agent?"

The top six characteristics desired in a listing agent, not in any specific order were:

1. They desired an agent who demonstrated experience and confidence. The sellers did note that there is a difference between arrogance and confidence.
2. They desired an agent who continually attended education classes.
3. They desired an agent who was honest and believable. For example, if the agent said they were going to do something, like call at a certain time, and that agent actually did as promised, it helped establish a form of dependability and honesty.
4. They desired an agent who was socially networked within their community and the real estate industry.
5. They desired an agent that had obvious negotiation skills.
6. They desired an agent that was a good communicator, both verbally and written word.

You will find there is a certain blend to this business of psychologist and sales person. Those who master both those skills will succeed. We get paid to remain calm when everyone else is not!!

Discussion Question: What does the phrase “to list is to last” mean to you?

The Four-Step Listing Process

The Four-Step Listing Process has actually been designed for the newly licensed agent. Each step builds on the other and allows the newly licensed agent to be prepared to succeed. The steps are as follows and will be discussed in detail:

1. Choose the Right Listing
2. The 15-Minute Interview
3. Preparing the CMA
4. Preparing for the Listing Presentation

Choose the Right Listing

Not every listing out there is a good listing. Some listings are better than other listings and having the ability to choose the right listings will increase your income and allow for the best use of your time. Lack of effective time management skills can kill your business, even before it starts. Too many listings could result in poor customer service and that could hurt your reputation as an agent.

There are certain criteria to consider when deciding if a listing will be a good listing. One of the first questions to be asked: Is signage allowed in the community? Several communities, especially condos and villas, do not allow real estate signage on the lawns or in the windows of the unit. As a new agent you want multiple leads and a way for you to acquire these leads is through phone calls from your listing signs. No sign allowed equals no calls.

Next, take the time and review the number of active properties on the market in the neighborhood where you are considering prospecting for a listing appointment. If there are a large number of active listings and the days on the market are over one hundred, then there might be a better area to prospect. A highly sought after area will normally have very few properties on the market.

If a subdivision has five hundred homes and currently six of the homes are on the market for sale, then this subdivision would be considered a great area to prospect for listing appointments. Better yet, if the homes in this subdivision are on the market less than thirty days before they go under contract…payday.

Lead generation is a gift received from having listings. If you choose a property to list that has great feeder streets versus a property that is hard to find, then when you host open houses you are bound to have more traffic and more guests, which can lead to more customers. When evaluating a property as a possible listing, it is good to anticipate the number of leads this property will generate for you. Since you are new in the business, an added plus is if you are familiar with the subdivision.

This familiarity will build and establish your confidence. When not sure about a certain property and how good a listing it will be, simply go with your gut. We are naturally and intuitively programmed to survive and succeed.

The 15-Minute Interview

The 15-Minute Interview consists of meeting the seller and previewing the home. It is an opportunity for you to interview the seller, without the seller knowing they are being interviewed.

During the fifteen minutes — and yes, keep the appointment to the fifteen-minute timeframe — be looking for possible property issues. Look for items that need to be repaired. Investigate and inquire about the newness of the major home items, such as roof and A/C.

Observe the cleanliness of the property. Inquire about property lines, observe if there appears to be any discrepancy in the tax roll square footage and the actual property and determine what caused the discrepancy. Discrepancies could be an indication of additional rooms being constructed without proper permitting, so at this time it would be proper to ask about any construction that might have taken place without a permit.

As closely as you are observing the property, you are also watching the seller to determine their dominant personality temperament. There are four general personality temperaments. They are aggressive, expressive, passive, and analytical. Later in this section the four personality temperaments will be explored in depth.

At the close of the 15-minute interview, excuse yourself and leave a professionally prepared bio of you and your company. Schedule a follow up appointment to discuss the art of properly pricing a property to sell and to review a listing contract.

Let the seller know that this appointment will require one hour of their time. If the seller asks, "Why do you not already have a prepared CMA with you?"…the answer is that you take great pride in being an expert in your field. How can one correctly determine the value of a home without even seeing the home?

Preparing the CMA

A comparative market analysis (CMA) is an evaluation of homes similar in size, condition, age, and style to the subject property you are creating the CMA for. The CMA helps determine the fair market value of the subject property

Before the color and graphically enhanced CMA report can be generated, a search has to be performed to find the appropriate comparables. These comparables need to be as identical to the subject property in physical characteristics and location (subdivision) as possible.

Three to four comparables are advisable and newly closed properties are the best. Before deciding on the recommended listing price for the subject property, review the active and pending listings in the subdivision. Once you have decided on the suggested listing price, double check yourself and utilize a free product offered by the National Association of REALTORS® called Realtors® Property Resource. www.narrpr.com.

Also investigate the most popular consumer based real estate value websites to observe what your prospective customers are reading. Based on your findings prepare yourself for any seller objections or comments.

Preparing for the Listing Presentation

The last step in the Four Step Listing Process is to practice your presentation over and over again. Think of any questions a seller may have and be prepared to answer those questions. Role-play with another REALTOR® in your brokerage. Look at your facial expressions in a mirror and release any look of fear. Finally, be prepared for success and show up at the scheduled appointment with a Listing Contract already filled out.

VIII. The Art of Working with Buyers

What Do They Want?

The top five characteristics that a buyer wants in their agent:

1. Honesty and Credibility-Win them over with the truth!

When buyers talked about honesty and credibility, it often comes with stories about past negative experiences with real estate agents. The stories are about agents trying to push them towards a more expensive purchase and a strong dislike for the false sense of urgency agents create when it comes to placing an offer on a house. Buyers often express how hard it is to trust anyone in today's real estate market so it's even more important for agents to help them feel comfortable.

2. Area Familiarity-Do your neighborhood homework!

Home buyers place a high importance on finding an agent who not only sells homes in a specific neighborhood, but also knows that neighborhood well. They want an agent who knows all about the schools, local parks, safety, restaurants and even the secret gems the neighborhood has to offer.

3. Good follow through-You say it, you do it.

Buyers often verbalize their frustration with real estate agents who don't do what they say. Email them, call them and send them the things you say you will. It seems like such a small thing to ask for. Do what you say, combine it with some honesty, and you'll be an agent buyers feel comfortable working with.

4. Organization-Keep it in order.

You're honest, you know the area like the back of your hand, and you try your hardest to follow through but it's just so hard to keep track of your to-do lists and return every phone call. Home buyers are expecting agents to be organized and put together. There are a ton of tools out there to help with this.

5. **Good Listener-Everyone is unique. Treat them like it!**

Buyers want their real estate agents to listen to them with a blank mind. Buyers may feel "pigeon holed", "judged", that you "aren't listening" and that you try to "tell them what they want." Buyers don't want an agent to assume they need "A" just because they hear "B".

They want an agent who listens to what they want and will ask as many questions as required to really understand who they are and what they are looking for. Sometimes you just have to stop talking!

Who Are They?

According to the 2016 National Association of REALTORS® *Home Buyer and Seller Profile* study, the baby boomer generation, (those between 55 & 64), represent the largest share of home buyers.

An overwhelming majority of buyers turn first to the internet in their search for a new home and then purchase the home through a real estate agent, with millennials using agents the most.

Age of Home Buyers by Region

			BUYERS WHO PURCHASED A HOME IN THE			
	Florida	U.S.	Northeast	Midwest	South	West
18 to 24 years	1%	2%	2%	3%	2%	1%
25 to 34 years	13	26	34	32	22	24
35 to 44 years	17	22	22	21	22	24
45 to 54 years	18	17	15	17	18	17
55 to 64 years	23	16	14	15	17	16
65 to 74 years	22	13	11	9	15	14
75 years or older	8	4	3	4	4	4
Median age (years)	55	44	40	41	47	45

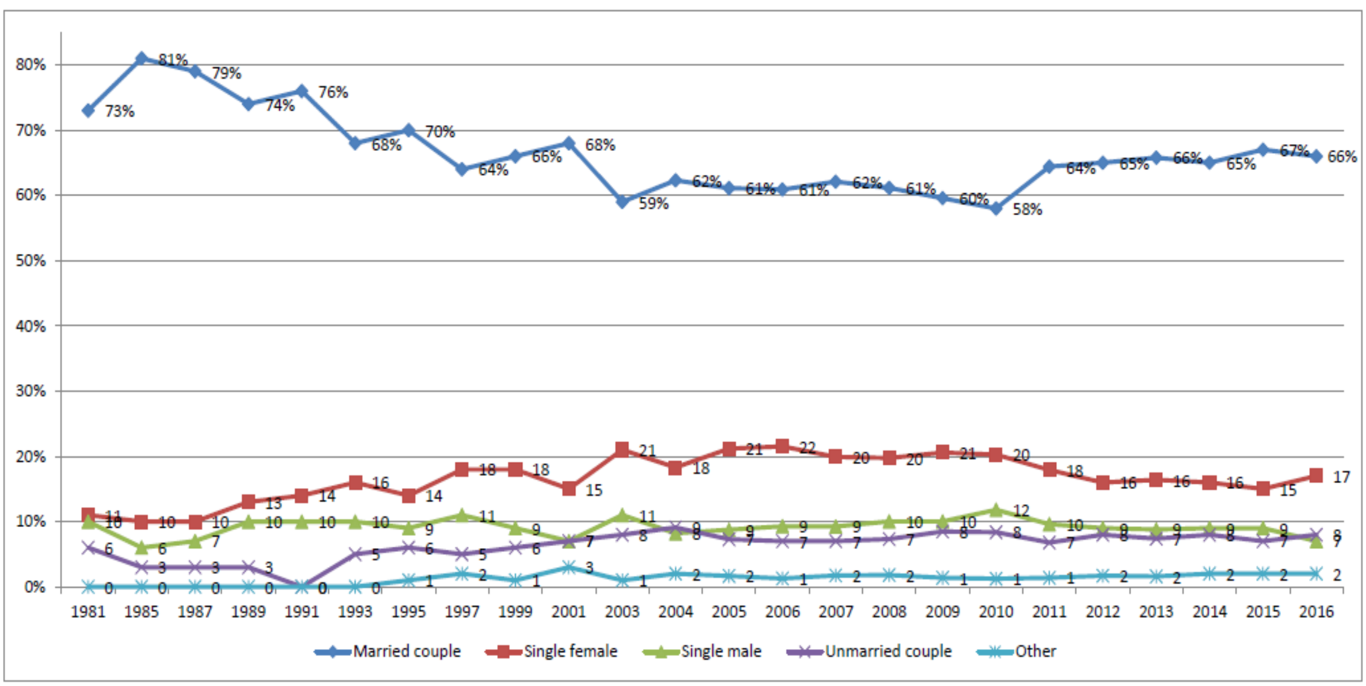
According to the survey 13% of all home purchases were by a multi-generational household, consisting of adult siblings, adult children, parents and/or grandparents.

The biggest reason for multi-generational purchases are the cost savings, adult children moving back into the house followed by caretaking of aging parents and the fact that multiple incomes provides the ability to purchase a larger home.

Florida

	All Buyers	ADULT COMPOSITION OF HOUSEHOLD Married couple	Single female	Single male	Unmarried couple	Other
Multi-generational household	12%	13%	13%	10%	4%	29%
Reasons for purchase:						
Children/relatives over 18 moving back into the house	19%	19%	25%			50%
Health/Caretaking of aging parents	9	6	25	50		
Cost Savings	11	6	13			100
To spend more time with aging parents	4	3				
Children/relatives over 18 never left home	6	6	13		*	*
Wanted a larger home that multiple incomes could aff	9	6			100	50
None of the above	40	50		50		
Other	6	3	25			*

Composition of Home Buyer Households



IX. Communication Skills

Different people communicate differently. These different ways of communicating are pretty much hard wired into people and seldom reflect a conscious choice. A person's communication style emerges from a combination of brain dominance, psychological preference, sensory approach and the communication examples that surround us.

As discussed earlier, sellers and buyers both, desire better communication skills from their agents. This doesn't necessarily mean that the seller/buyer only wants to be contacted by email or telephone, but rather how you successfully share information with them.

Successful communication requires that someone (sender) shares information and that someone else (the receiver) gets the message and correctly interprets it. The communication loop is only successful when the receiver understands the message as intended.

While this sounds easy enough, in reality, many things can prevent successful communication, not least of which are different communication styles.

There are four main communication styles.

- Interpersonal, also called Relator
- Affective, also called Socializer
- Cognitive also called the Thinker
- Behavioral, also called the Director

Relator (Interpersonal): the relator is relationship orientated and readily expresses their thoughts and feelings. However, Relator's are generally slower paced and security conscious, so they prefer less intrusive interactions.

Socializer (Affective): the socializer prefers to interact with others rather than work alone. Socializers have a fast paced, aggressive communication style and generally work well with others.

Thinker (Cognitive): the thinker has a closed, personal style and is analytical in their approach. Thinkers take a while to feel comfortable with others, and tend to take longer to reveal information about themselves.

Director (Behavioral): the director has an aggressive, competitive nature and is very independent. Directors are results oriented and focus less on the people they impact.

To connect most effectively with a Relator

- Use less intense eye contact
- Speak in a moderate pace with softer voice and tone
- Seek their opinions and ideas: ***then listen***
- Try not to counter their ideas with logical arguments
- Allow time for them to make a decision to reduce pressure
- Encourage them to express their concerns without getting upset with them
- Aim for mutual agreement

To connect most effectively with a Socializer

- Make direct eye contact
- Speak in an energetic and fast paced manner
- Allow some "socialization" time
- Talk about experiences, people and facts
- Ask about their "gut" feelings
- Maintain a balance between fun and achieving results

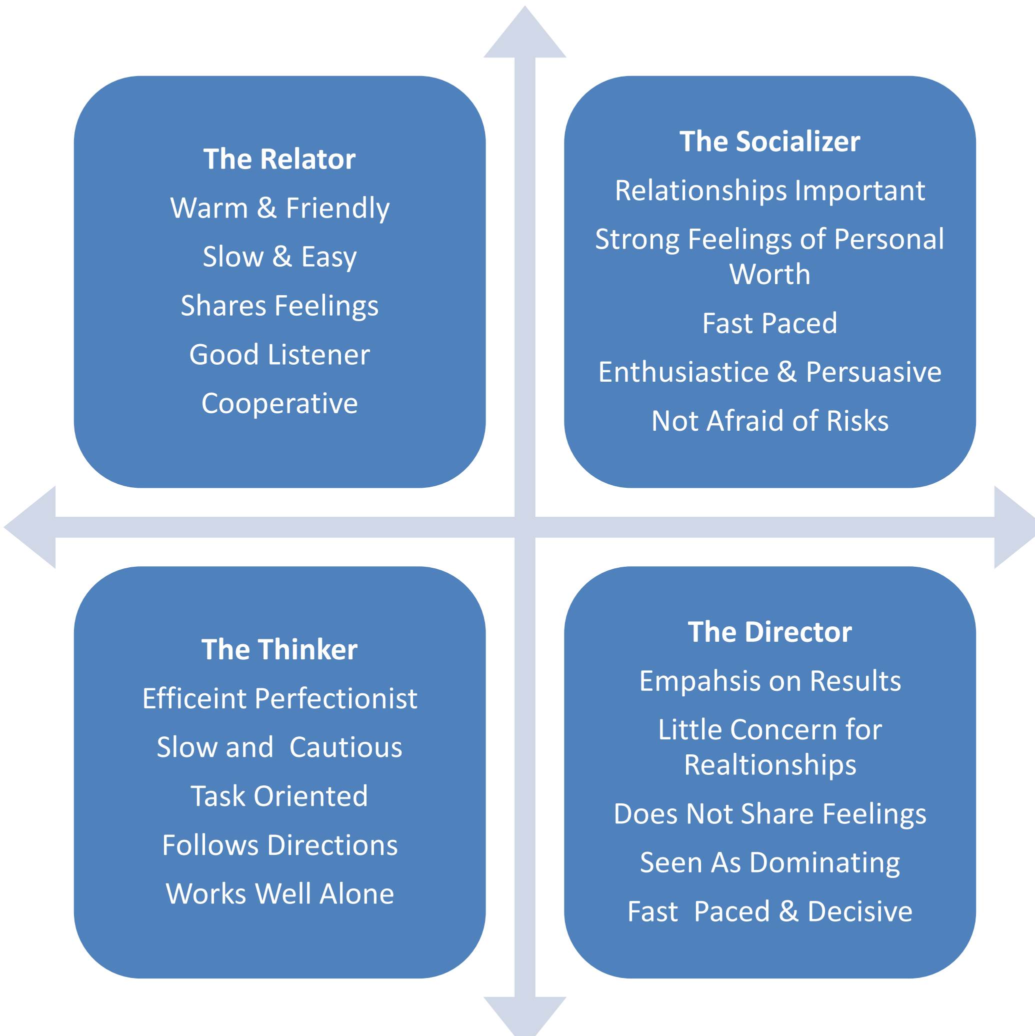
To connect most effectively with a Thinker

- Be more formal in your speech and manner
- Don't speak in a loud or fast paced voice
- Present the pros and cons of an idea along with options
- Follow up in writing
- Be punctual
- Present information in an organized, planned manner
- Accept that options requiring risk-taking are generally not welcomed

To connect most effectively with a Director

- Get to the point quickly in a clear and succinct manner
- Speak in a fast pace
- Be specific and don't over explain
- Make direct eye contact
- Minimize small talk
- Be organized
- Focus on results to be achieved
- Be punctual and stick to guidelines

The differences in communication styles are real and for the most part, unconscious. Expecting everyone to interact in your preferred style seldom leads to a positive outcome. Highly effective communicators learn to recognize and adapt to different communication styles; remember, this goes both ways, when you're receiving and interpreting information from others and when they are receiving and interpreting information from you.



http://tribehr.com/blog/understanding-communication-styles-in-the-workplace

X. The Marketing Process and the Tools to Use

When preparing a listing presentation, it is advisable to create a marketing plan for the property and share this plan with the seller. A marketing plan is an outline and a written commitment on your part as to how you plan to sell the home. Yes, now the property becomes a HOME.

REALTORS® bring value to sellers by helping them effectively prepare; position, price and sell their home.

Position

Internet Media

According to the National Association of REALTORS®, 88% of homebuyers used the Internet as one of the information sources they used when looking for a home.

One of the great things about Internet marketing is that it's usually free. REALTORS® love FREE! That means you can create new marketing messages for your listings quickly and at no cost.

Possible Internet Tools

Websites-your own site, the site of the Broker you are working for, the local MLS site and the list goes on. Things to consider when posting listings to a website;

- Make sure the message is simple
- Think of the site from the user's point of view
- Use testimonials from prior clients, this instills confidence in your current clients
- Make it easy for buyers to act immediately when they find their dream home
- Add a virtual tour for each listing

YouTube-an additional option for virtual tours of your listings. People love to watch videos; the nosy neighbor has been dying to see the inside of that house.

Facebook-can be used successfully to spread the word about a listing. Announce an open house, a price change or anything that would be of interest to your Facebook community. Encourage your Facebook community to "Like" you and every time you make a change to a listing they will be notified.

Twitter-an additional option to Facebook. While postings are limited to 140 characters you can post videos and photos.

E-mail-tried and true…you can always send an email out to your contacts. In addition, you can create a banner and attach it to your email signature to help promote your listings or create a link to your website

Paid Advertising

While this form of advertising may not be perfect for individual listings, it can be a great avenue for you and your business. Make sure the vendor you choose can provide you with demographics and data that will ensure you are reaching your target market.

Billboards-according to NAR, billboards are the least used source of information for buyers. Using a Billboard would make the most sense in high traffic areas that frequented by your target market.

Transit Ads-everyone wants to see their face on the side of a bus! Purchase advertising space on/in a cab, the exposure is substantial.

Radio-is the easiest advertising avenue to target because of the number of stations that cater to different audiences. You can advertise your business or create a "Real Estate" talk show, either way, this is a great way to reach your audience.

TV-as the number of cable access stations increase, television advertising is becoming a targetable medium. Create a home show on a local cable access station, you can highlight new listings, discuss market trends, offer a Q&A session, the options are endless.

"Free" Publicity

While this publicity may not be free to you, it should be free for the audience.

Open House-reach out to the neighbors and invite them to attend your open house. This would be a great time to have a mortgage broker and a title agent co-sponsor the open house with you. Between the three of you any questions that arise can be answered and it's a super way to cut down on expenses.

Homebuyers/Home Sellers Workshop-offer a free workshop in conjunction with other "non-competing" companies to educate the public on the process of listing, selling and buying a home. Again, this is a great way to showcase your current listings, secure new listings and offer the public a fabulous, free service.

Home Tour-progressive home tours are a great opportunity for several agents in once office to showcase their listings. How it works, several agents, with listings in close proximity to each other, host an open house tour that includes a progressive "meal." The first house may serve coffee and Danish, the second house could serve quiche and juice and the third house could serve fruit with coffee and juice. While this type of open house is common for agents to attend, your focus should be on encouraging the public to attend.

XI. You Got the Listing, Now What?

The exterior as well as the interior appeal of a home is crucial to the home selling quickly and at the price a seller desires. If the home is not in good condition, it is often a difficult conversation to have with the seller.

You don't just want to "list" the home; you want to sell the home. The day you place the home on the market it should be in prime condition.

You may want to visit other homes that are currently listed in the area to see what the "competition" has to offer. This would be a perfect field trip for you and your seller to take together. You can check to see if your competition has been staged, if there are repairs that need to be done, what the overall condition of the home is like.

Sellers tend to be more objective about the condition of their home when they see the condition, (good or bad), of other homes on the market.

Price

There is a fair amount of psychology-and strategy-that goes into determining a home's asking price. As the listing agent you should run a comparative market analysis to determine the approximate value of the property. Now that you have an approximate value for the property it's time for you and the seller to nail down a list price.

Potential Pricing Strategies

Appeal to the herd mentality- buyers don't want to be the only person interested in your house. They want to believe that others are just as interested and they are going to "get the deal." We always want what others want and are willing to pay to make sure we get it.

Don't get creative with the listing price-often times sellers want to use a "special" number as the asking price for their home. For instance, the house should be listed at $785,000 and the seller wants you to list it for $787,777. This odd price attracts attention to the seller, and their thought process, rather than the property itself. Your job is to showcase the property not the seller.

Have a pricing contingency plan before the home is placed on the market. Sellers often have high expectations about their property's appeal and want to ask top dollar for it, even though your research indicates the listing price should be less.

Before the "For Sale" sign goes in the ground you need to have a defined contingency plan in case the property does not sell at the homeowner's suggested list price. For example, if there are no offers after the first 30 days we are going to lower the listing price or if there are no offers after 60 days we will offer a buyer incentive like providing 2% in closing costs.

Pricing a home is not a set it and forget it procedure. Numerous factors come in to play when selling a home and not all of them can be anticipated. Having a great working relationship with the seller as well as a defined contingency plan, go a long way in executing a successful transaction.

XII. Title 101

Title insurance was first issued in 1871 to enable speed and efficiency when property was being conveyed or legally transferred from one owner to another.

Title is the foundation of real estate ownership, and refers to a person's legal right to own, use, control, possess or dispose of real estate.

There are two types of title insurance (owners and lenders) and it is considered good practice to differentiate and explain to both buyers and sellers.

A **lender's policy** insures the lender's interest in the title to the property. The cost of a lender's policy is usually based on the dollar amount of the loan. The policy amount decreases every year and eventually disappears as the loan is paid off.

An **owner's policy** will insure the owner of the property against the specific kinds of claims listed in the policy. The owner's policy is usually issued in the amount of the real estate purchased. It is purchased for a one-time fee at closing and lasts as long as the owner and/or their heirs have an interest in the property.

Unlike homeowners insurance, title insurance is a onetime premium, paid at the closing of the real property. Therefore, in the title industry, the closing company also handles the title searches and issuance of the policy.

A buyer or seller depending on the agreement in the Sale and Purchase Contract may choose which to use, a title company or a real estate attorney, to close and complete the transaction.

The title insurance premium is promulgated by the State of Florida. To compute any insurance premium on fractional thousands of insurance, multiply such fractional thousand by the rate per thousand:

- From $0-$100,000 of liability written, the rate is $5.75 per thousand
- From $100,000 to $1,000,000 add $5.00 per thousand

Example:
Purchase price of the home is $250,000
First $100,000 is multiplied by $5.75 = $575 ($0-$100,000)
The balance, $150,000 is multiplied by $5.00 = $750 ($100,000-$1,000,000)
When you add the $575 and the $750 you get $1325

If there has been a title policy issued within the past three years, the buyer may qualify for a re-issuance credit. If you are working with the buyer, you can ask the listing agent if the sellers have a copy of their previous title policy.

In Florida, the buyer or seller may purchase both the lender's policy and the owner's policy. Title agents, attorneys, and title insurance companies may all sell title insurance.

The purpose of title insurance is to protect lenders and homeowners from any prior claims that other parties may have on the property. Title insurance is a policy to protect and or/indemnify against loss or damage resulting from defects in the title and deed to the property.

The basic title insurance policy includes the following:

- Documentation (chain of title) as to the actual owners of the property

- Representation that the property is free of encumbrances, meaning there are no other mortgage liens, mechanic liens, and potential claims that have not been recorded

- Proof (a survey) that there is access to the property that will allow the current use to continue

Another option other than title insurance is to use an Abstract of Attorney's Opinion. An attorney's opinion is based on a search of public records, the same process used to issue title insurance. Hidden hazards, however, may not be reveled in either process and, unlike a title insurance company an attorney is not liable if the owner suffers from a hidden hazard. Therefore, an Abstract of Attorney's Opinion is not recommended to be used as a standalone protection tool for property rights and usage.

Discussion Question: What can be discovered in Municipal Lien Searches and Title Searches?

Municipal Lien Search or Title Search

How does a buyer know if there will be additional hidden problems or costs when purchasing a home? Did the prior owner have any unresolved violations or building permits?

Prior to closing, the seller is responsible for paying any municipal charges; however, if the municipal charges go unpaid, they can become the responsibility of the buyer.

A title search will uncover any recorded liens on a property - it will not disclose municipal debts against the property which can result in a lien on the property if not cleared up prior to closing. Unrecorded liens are not covered under an owner's title insurance policy.

Municipal Lien Search could find:

- Incorrectly Stated Marital Status
- Fraud and Forgery
- Defective Deeds
- Mental Incompetence
- Similar or Identical Names
- Clerical Errors in Recording
- Real Estate Property Taxes
- Unrecorded Municipal and County Debts
- Code Enforcement Violations
- Open & Expired Permits
- Special Assessments
- Water Utility Balance

- Sewer Utility Balance
- Solid Waste Utility Balance
- Storm Water Utility Balance
- Building Violations

Tools Used to Issue Title Insurance

Title search and examination is the first step. The title agent or attorney working on behalf of the underwriter examines pertinent documents to determine whether the property is insurable. Those documents include deeds, wills, trusts, outstanding mortgages and judgments, property liens, highway or utility line easements, pending legal actions and notary acknowledgements. The search covers any documents that are recorded.

A municipal lien search is conducted to determine if there are any unpaid liens for utilities, special assessments, the clearing of overgrowth fees, impact fees, and development fees that are due to the municipality. There is no statute that requires municipal liens to be recorded in the public records. Florida Statute gives a municipality the power to discontinue or shut off water, gas, and sewer services for nonpayment or to not turn on the public utilities until the charges are paid.

When title problems are disclosed during the search and examination step, then the next step, which is called curing the title defect, begins. Industry studies find that title insurers spend an average of ninety-two cents out of every premium dollar as their cost of doing business. If a claim is made against the property, title insurance will, in accordance with the terms of the policy, assure a legal defense representation and pay for all court costs plus related fees. If the claim proves valid, the insured will be reimbursed for the actual loss up to the face value of the policy.

Surveys

A property survey is a sketch or map of a piece of land showing the property's boundaries and physical features, like rivers, creeks, lakes, and roadways. Some surveys also note topographical information, like elevation and soil density; residential documents typically show the location of houses and other structures.

These maps are treated like official records and can be used to settle property disputes and determine ownership history. Residential surveys are prepared in two basic forms. A house location survey, sometimes called a "drive-by" survey, shows the location of the house and other large structures on the property, as well as the orientation of those structures in relation to each other.

More detailed surveys, often called cadastral land surveys, typically contain much more information. A cadastral document usually provides some sense of authority where boundaries, easements, and property lines are concerned.

Surveyors typically go to the property and take real-time measurements, which are compared with archived land records to create a more complete picture of what is located where. Cadastral surveys are important to mortgage lenders. They want a survey before they will loan money and many title insurers require this as well. According to surveys done by the American Land Title Association® (ALTA), 36% of real estate transactions incur some type of title issue.

A surveyor will also be able to issue a Flood Elevation Certificate. All of Florida is in a flood zone, however not all Florida property requires flood insurance. If a property has a mortgage and is located in a flood zone that begins with either a "V" or "A" then that property requires flood insurance and a Flood Elevation Certificate must be ordered.

The Flood Disaster Protection Act of 1973 requires flood insurance to be purchased for properties in Special Flood Hazard Areas prior to the owners receiving any type of direct or indirect federal financial assistance. The Flood Elevation Certificate is a tool that FEMA uses to certify building elevations. This form will help determine the proper flood insurance premium rate for the property. To view a copy of a Flood Elevation Certificate visit:

https://www.fema.gov/media-library/assets/documents/160?id=1383

Title Commitment

A title commitment is basically the title company's promise to issue a title insurance policy for the property after closing. The title commitment contains the same terms, conditions, and exclusions that will be in the actual insurance policy.

A title insurance commitment has four parts:

1. Schedule A, which lists the parties to the real estate transaction, the amount of insurance coverage, and the legal description of the property
2. Schedule B-I, which lists the requirements that must be satisfied before issuance of the final title insurance policy
3. Schedule B-II, which lists the exception to the title insurance coverage
4. Front and back pages contain standardized language for all title insurance companies under Florida Department of Insurance regulations.

It is advisable to have the buyer's attorney review the title commitment.
As a REALTOR® there are a few items on the title commitment that are fine for you to review. In reviewing Schedule A, check the spelling and names of the buyer or buyers and verify that the amount of insurance is the same as the purchase price. As always, confirm the correct legal description.

Schedule B-I contains the list of legal requirements necessary to pass good, marketable title to the property from seller to buyer. Fulfilling the requirements listed in the policy is the responsibility of the closing title agent.

Schedule B-II, is the most important of the sections. It contains the list of matters and issues that are exceptions to the buyer's title insurance coverage. If a title issue is listed as an exception from coverage, the buyer will not be reimbursed if the issue becomes a problem or costs the buyer money. This section is where the wording can become difficult to understand.

In a title commitment, exclusions limit the coverage of the title policy. They deal with issues that are outside the control of the title company, and for which the title company assumes no liability. Exclusions are part of the boilerplate language that is printed on the jacket of every title policy issued. The exclusions apply to every policy and are not transaction specific.

Exceptions on the other hand, are not part of the boilerplate language, and are added to each policy on an individual basis. Exceptions are transaction specific, and are based on the status of the title, and the nature of the transaction. However, there will also be several standard exceptions.

There is a sample Title Insurance Commitment in the Appendix of this text. Let's take a few minutes to review this document.

After reviewing a title commitment, if you have questions or concerns, seek the advice of a real estate attorney. If there is a title defect, it must be permanently corrected. If a title insurance company offers to over-insure the problem and there truly is a title defect, then over-insuring is illegal. Once an attorney is involved, they will invoke the seller's duty and obligation under the Florida Sale and Purchase Contract to use good faith efforts and diligence to solve or remedy the title defect at the seller's expense.

The attorney can also press a reluctant seller to comply with these obligations. Curative period is also defined in the Sale and Purchase Contract and parameters are established as to how to handle timeframe extensions. So, the discovery of a title defect does not necessarily mean the transaction will not close.

Who's Going To?

Following is a "guide at a glance" regarding who will do what during a transaction. Write down "who's going to" do what in the blank spaces provided. Mind you, this is just a guide you should consult with your Broker so you are complying with his/her policies and procedures.

Prepare a Sale & Purchase Contract	
Collects Escrow	
Earnest Money Deposit	
Order All Inspections	
Inquire if Buyer is Pre-Qualified	
Supply Personal Documents to Lender	
Identifies Mortgage Rates	
Oversees the Mortgage Application	
Makes Sure All Deadlines are Met	
Assembles Buyers File	
Orders Appraisal and Title	
Meets the Appraiser	
Order Property Survey	
Follow Up on Loan Status	
Conducts Title Search	
Conducts Municipal Lien Search	
Closes Out Open Permits	
Review Title Commitment	
Secures Homeowners Insurance	
Issues a Clear to Close	
Sends Closing Package to Title Company	
Arranges for Closing Date	
Prepares Closing Disclosure	
Arrange Actual Time for Closing	
Review Closing Disclosure	
Final Walk Through	
Wire Funds to Close	
Wires Principal Amount of Loan	
Signs Documents	
Receives Check for Brokerage	

Possible Answers:

Buyer-Buyer’s Agent-Seller-Seller’s Agent-Title Company-Lender-Underwriter-Lender’s Closing Department-Escrow Agent-Processor-Attorney

Who's Going To? Answers

Prepare a Sale & Purchase Contract	Buyer's Agent
Collects Escrow	Buyer's Agent
Earnest Money Deposit	Escrow Agent
Order All Inspections	Buyer's Agent or Buyer
Inquire if Buyer is Pre-Qualified	Buyer and Sellers Agent
Supply Personal Documents to Lender	Buyer
Identifies Mortgage Rates	Lender
Oversees the Mortgage Application	Lender
Makes Sure All Deadlines are Met	Buyer and Seller's Agent
Assembles Buyers File	Mortgage Processor
Orders Appraisal and Title	Underwriter for Title Company
Meets the Appraiser	Buyer's Agent or Listing Agent
Order Property Survey	Title Company
Follow Up on Loan Status	Buyer/Buyer's Agent or Listing Agent
Conducts Title Search	Title Company
Conducts Municipal Lien Search	Title Company
Closes Out Open Permits	Insurer
Review Title Commitment	Buyer's Attorney/Buyer/Buyer's Agent
Secures Homeowners Insurance	Buyer
Issues a Clear to Close	Lender's Underwriter
Sends Closing Package to Title Company	Lender's Closing Agent
Arranges for Closing Date	Title Company
Prepares Closing Disclosure	Title Company
Arrange Actual Time for Closing	Buyers Agent or Listing Agent
Review Closing Disclosure	Buyers Agent with Buyer/Listing Agent with Seller
Final Walk Through	Buyer and Buyer's Agent
Wire Funds to Close	Buyer (could be seller too)
Wires Principal Amount of Loan	Lender's Closing Department
Signs Documents	Buyer and Seller
Receives Check for Brokerage	Listing & Cooperating Agents

XIII. Defining Moments

Following are words you will see on a daily basis now that you are a REALTOR®. Let's take some time to review these "defining moments".

Definitions

Automated Underwriting Service – a computer generated underwriting program that evaluates the information inputted and reaches a logic-based decision on pre-qualification.

Business Law – may also be referred to as commercial law. It is a body of law that applies to the rights, relations and conduct of persons and business engaged in commerce, merchandising, trade and sales.

Closing Disclosure (CD) – replaces the HUD-1 or Settlement Statement as of October 3, 2015

CMA – Competitive Market Analysis is a tool used by real estate brokers and sales associates to assist customers in determining a property's sale price.

C Corporation - refers to any corporation that is taxed separately from its owners. C corporation is distinguished from an S corporation, which generally is not taxed separately. Most major companies (and many smaller companies) are treated as C corporations for U.S. federal income tax purposes.

Corporation – operates with shareholders and a Board of Directors, is subject to state regulation within the state of incorporation.

Contingency – dependence on the fulfillment of a condition.

Customer Relationship Management (CRM) – is a database program that allows easy and consistent communication with all your customers.

Depreciation Allowance – is an accounting principle that allows an asset to become economically obsolete before its physical deterioration.

Disregarded Entity – a way in which taxation is determined for sole proprietorship

Dodd-Frank Act - designed to promote the financial stability of the United States by improving accountability and transparency in the financial system and to protect consumers from abusive financial services and practices.

EMD – earnest money deposit

Encroachments – an unauthorized invasion or intrusion of an improvement onto someone else's property lines. Encroachments could make a title unmarketable or non-transferable.

Entity - a legal form in which to take business ownership.

Escrow Verification Letter – is written by the escrow agent, verifying that the escrow deposit has been received. This letter is better than distributing a copy of the written check.

Exceptions – are not part of the boilerplate language, and are added to each policy on an individual basis. Exceptions are transaction specific, and are based on the status of the title, and the nature of the transaction. However, there will also be several standard exceptions.

Exclusions - limit the coverage of the title policy. They deal with issues that are outside the control of the title company, and for which the title company assumes no liability. Exclusions are part of the boilerplate language printed on the jacket of every title policy issued. The Exclusions apply to every policy and are not transaction specific.

Expenses – are outflows of money; not all expenses are tax deductible.

GSE – Government sponsored enterprises, such as Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation).

HVAC – stands for heating, ventilation and air conditioning.

Indemnify – an agreement to reimburse or compensate someone for experiencing a loss.

Independent Contractor – is a self-employed individual who is not controlled by an employer. There may, however, be some form of a contract between the two parties.

Limited Liability Company (LLC) – a form of business ownership where members are not personally liable for debts and obligations of company.

Lis Pendens – is Latin for action pending. A notice of lis pendens is not the same thing as placing a lien on real property. It is just a notice of pending action involving title or possession of real property.

Loan Commitment – requires a full underwriting approval.

Loan Estimate (LE) – the new name for what was traditionally called the Good Faith Estimate. Form and name changes as of August 1, 2015.

LTV – loan to value is expressed as a percentage.

Marketing – is a form of communication between you and your customers, promoting the value of something.

Municipalities – Pursuant to section 159 of the Florida Statutes a municipality is defined as city, town, and village or port authority in the state whether incorporated by special act of the Legislature or under general laws of the state.

Municipal Lien Search – is a search conducted to determine if there are any unpaid liens for utilities, and or special assessments within municipalities. Theses liens are normally not recorded with the Clerk of Court.

Negative Amortization – a financing term where the monthly payments are less than the true amortized amounts of the loan and the balance increases over the term of the loan rather than decreases.

Objections – opposition, refusal or disapproval.

PA – is the abbreviation for "Professional Association," a business corporation engaged in a primary business that provides a professional service.

Partnership – a form of business ownership where two or more individuals carry on a business for profit. Each partner is personally liable for debts and obligations of partnership.

PMI (Private Mortgage Insurance) – protects the lender in the event of a default or foreclosure.

Pre-approval – is based on verification of income, assets and credit; the buyer may request a specific loan amount.

Pre-qualification – provides a ballpark estimate of a buyer's buying power and is based just on words and provided documentation.

Promulgated – to publish or to print.

Prospects – potential or likely customer; a prospect is better than a lead.

Qualified Mortgagee – lenders have assessed the borrower's ability to repay the loan.

S Corporation – a form of business ownership that is a blend of a partnership and a corporation.

Sellers Concession – can be any negotiation where the seller gives up something to the buyer.

Sole Proprietorship – a form of business ownership where there is only one owner.

Tax Law – is the area of study dealing with constitutional, common-law, statutory, tax, treaty and regulatory rules that constitute the law applicable to taxation.

Tax Deductions – is a reduction of income that is allowable by the IRS and commonly a result of expenses.

Title Commitment – is a preliminary promise to issue a title insurance policy after payment of the premium.

Title Insurance – covers the loss of interest in real property due to legal defects.

Courses to Consider

In your sales pre-license course you learned what you can do, what you can't do, and that no one looks good in prison blues.

Staying apprised of the current contracts, trends and skill sets in our industry are the key to the success of your business.

Continuing your education is a great way to do this. Following are some Florida Realtors courses you should consider attending:

- Graduate, REALTOR® Institute (GRI)
- Communication Skills
- Completing an Effective Purchase and Sales Contract
- Contract for Residential Sale and Purchase
- Florida Realtors/Florida Bar Contract for Sale and Purchase
- Form Simplicity
- Goal Setting
- Preparing a Listing Contract

Tips to Remember

Passing the Exam is Easy-creating a business with real income is another story.

- Be Prepared to Lose Friends-your friends and family will avoid doing business with you in the first year you have your license. Simply put, they think you have no idea what you are doing!

- Be Prepared to be Second-Guessed, Doubted and Lied to-buyers and sellers having a tendency to be less than forthcoming with information. People have perceptions about lawyers, police officers and REALTORS®. Even after years of experience there will always be clients who will second guess your every move.

- You Will Show Thousands of Houses-showing a house is more than just unlocking the door.

- Expect to Get Towed-at least once.

- You Will Become An Unlicensed Therapist, Divorce Lawyer and Counselor.

- Wait for It-friends and family, the ones that won’t work with you because you don’t know what you’re doing, will ask you for advice on a transaction that you aren’t involved in!

As a REALTOR®

You will have an amazing opportunity to make a difference in the lives of your clients. You literally help shape dreams. YOU make the difference in a person’s life by helping them make the biggest decision of their life.

REALTORS® receive genuine satisfaction from helping clients find the perfect home or sell their property at a great price. This is an exciting time for both buyers and sellers, and they look to you as the expert to help them manage their way through the process with excellent client services. Real estate really is a great career choice and can be a seriously rewarding career if you are self-motivated, hard-working, honest, and enjoy networking and helping people.

Good Luck on Your Path to Success!

Sample Title Documents

Commitment for Title Insurance
(with Florida Modifications)

Issued By Old Republic National Title Insurance Company

Old Republic National Title Insurance Company, a Florida corporation ("Company"), for a valuable consideration, commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the proposed Insured named in Schedule A, as owner or mortgagee of the estate or interest in the Land described or referred to in Schedule A, upon payment of the premiums and charges and compliance with the Requirements; all subject to the provisions of Schedules A and B and to the Conditions of this Commitment.

This Commitment shall be effective only when the identity of the proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A by the Company.

All liability and obligation under this Commitment shall cease and terminate six (6) months after the Effective Date or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue the policy or policies is not the fault of the Company.

The company will provide a sample of the policy form upon request.

This Commitment shall not be valid or binding until countersigned by an authorized office of the Company or an agent of the Company.

IN WITNESS WHEREOF, Old Republic National Title Insurance Company has caused its corporate name and seal to be affixed by its duly authorized officers on the date shown in Schedule A.

Issued through the Office of:
REAL ESTATE CLOSING SOLUTIONS
7575 DR. PHILLIPS BLVD.
SUITE 140
ORLANDO, FL 32819
Phone: 407-615-8550

____
Authorized Signature

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY
A Stock Company
400 Second Avenue South, Minneapolis, Minnesota 55401
(612) 371-1111

By *President*

Attest *Secretary*

CONDITIONS

1. The term mortgage, when used herein, shall include deed of trust, trust deed, or other security instrument.

2. If the proposed Insured has or acquired actual knowledge of any defect, lien, encumbrance, adverse claim or other matter affecting the estate or interest or mortgage thereon covered by this Commitment other than those shown in Schedule B hereof, and shall fail to disclose such knowledge to the Company in writing, the Company shall be relieved from liability for any loss or damage resulting from any act of reliance hereon to the extent the Company is prejudiced by failure to so disclose such knowledge. If the proposed Insured shall disclose such knowledge to the Company, or if the Company otherwise acquires actual knowledge of any such defect, lien, encumbrance, adverse claim or other matter, the Company at its option may amend Schedule B of this Commitment accordingly, but such amendment shall not relieve the Company from liability previously incurred pursuant to paragraph 3 of these Conditions.

3. Liability of the Company under this Commitment shall be only to the named proposed Insured and such parties included under the definition of Insured in the form of policy or policies committed for and only for actual loss incurred in reliance hereon in undertaking in good faith (a) to comply with the requirements hereof, or (b) to eliminate exceptions shown in Schedule B, or (c) to acquire or create the estate or interest or mortgage thereon covered by this Commitment. In no event shall such liability exceed the amount stated in Schedule A for the policy or policies committed for and such liability is subject to the insuring provisions and Conditions and the Exclusions from Coverage of the form of policy or policies committed for in favor of the proposed Insured which are hereby incorporated by reference and are made a part of this Commitment except as expressly modified herein.

4. This Commitment is a contract to issue one or more title insurance policies and is not an abstract of title or a report of the condition of title. Any action or actions or rights of action that the proposed Insured may have or may bring against the Company whether or not based on negligence arising out of the status of the title to the estate or interest or the status of the mortgage thereon covered by this Commitment must be based on and are subject to the provisions of this Commitment.

5. The policy to be issued will contain the following arbitration clause: Unless prohibited by applicable law, arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association may be demanded if agreed to by both the Company and the Insured at the time of the controversy or claim. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, and service of the Company in connection with its issuance or the breach of a policy provision or other obligation. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the Insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the Land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

Old Republic National Title Insurance Company
2300 Maitland Center Parkway #140
Maitland, Florida 32751

SCHEDULE A

FILE NO.: 15027246 CCC
Agent File # RECS2015

County: St Johns

1. Effective Date: March 12, 2015 at 05:00pm

2. Policies to be Issued: Proposed Amount of Insurance:

   (a) ALTA 2006 OWNER'S POLICY (with Florida Modifications) — Amount: To Be Determined
   Proposed Insured: — Premium: $

   Marc Lee Crawford

3. The estate or interest in the land described or referred to in this Commitment is Fee Simple.

4. Title to the Fee Simple estate or interest in the land is at the Effective Date vested in:

   Fred J. Woller and Salena Lane Woller, his wife

5. The land referred to in this Commitment is described as follows:

   Lot 16, Salt Creek Unit Two, according to the plat thereof as recorded in Plat Book 23, Pages 21 through 25, inclusive, of the Public Records of St. Johns County, Florida.

SCHEDULE B - SECTION I
REQUIREMENTS

Requirements:

1. Payment of the full consideration to, or for the account, of, the grantors or mortgagors.

2. Instrument(s) necessary to create the estate or interest to be insured must be properly executed, delivered and duly filed for record:

   a) Warranty Deed from Fred J. Woller and Salena Lane Woller, husband and wife, to the proposed insured.

   b) Mortgage from Marc Lee Crawford, joined by spouse, if married, to the proposed insured mortgagee.

3. Other instruments which must be properly executed, delivered and duly filed for record, and/or other matters which must be furnished to the company:

   a) Satisfaction of the Mortgage from Fred J. Woller and Salena Lane Woller, husband and wife, to Bank of America, N.A. recorded April 4, 2005 in O.R. Book 2406, Page 1551, and assigned to Wells Fargo Bank, N.A., as Trustee for the Certificateholders of Banc of America Alternative Loan Trust 2005-6 Mortgage Pass-Through Certificates, Series 2005-6 by Assignment of Mortgage recorded in O.R. Book 3529, Page 237, in the original principal amount of $372,923.00.

   b) Satisfaction of the Mortgage from Fred J. Woller and Salena Woller to Bank of America, NA recorded March 6, 2007 and recorded in O.R. Book 2877, Page 1614, in the original principal amount of $140,000.00. NOTE: This Mortgage is an Equity Line Mortgage. A full satisfaction of same, together with the original note, must be obtained from the lender and the balance of the checks and/or credit cards, must be destroyed.

   c) Corrective Satisfaction or New Satisfaction of that certain Claim of Lien for unpaid assessments in favor of The Sawgrass Players Club Association, Inc. recorded January 23, 2012 in O.R. Book 3517, Page 1394.

Note: Satisfaction of Lien was recorded July 15, 2013 in O.R. Book 3761, Page 1020, but releases lien recorded in O.R. Book 3517, Page 1395 instead of O.R. Book 3517, Page 1394.

d) Satisfaction of that certain Claim of Lien for unpaid assessments in favor of Salt Creek Homeowners Association, Inc. recorded February 10, 2012 in O.R Book 3524, Page 1642.

e) Satisfaction of that certain Final Judgment in favor of The Sawgrass Players Club Association, Inc. recorded November 1, 2012 in O.R Book 3637, Page 1431.

f) Dismissal of court action with prejudice and discharge of Lis Pendens recorded March 23, 2012 in O.R Book 3539, Page 1314 in that certain Case No. 55-2012-CA-000587 in the Circuit Court of St. Johns County, Florida.

g) Satisfaction of the Summary Final Judgment of Foreclosure recorded November 13, 2014 in O.R. Book 3953, Page 1031, under Case No. 55-2012-CA-000587, St. Johns County, Florida.

h) Affidavit establishing that the marriage of Fred J. Woller and Salena Lane Woller has been continuous and uninterrupted from a time prior to their acquisition of title to the subject property on March 13,

FILE NO.: 15027246

1992 through the present time.

i) Estoppel letter from The Sawgrass Players Club Association, Inc. that all assessments, including, but not limited to special assessments, as provided in the Declaration of Covenants, Conditions and Restrictions, recorded in O.R. Book 498, Page 508, which provide for a lien against the land, are paid in full to date.

j) Estoppel letter from The Salt Creek Homeowners Association, Inc. that all assessments, including, but not limited to special assessments, as provided in the Declaration of Covenants, Conditions and Restrictions, recorded in O.R. Book 767, Page 1961, which provide for a lien against the land, are paid in full to date.

k) Provide a satisfactory Owner's Affidavit of Possession and No Liens. Said affidavit, when properly executed at closing by the seller(s) if any and mortgagor's herein will serve to delete the standard lien and possession exceptions for the policy(ies) to be issued.

NOTE: All recording references in this commitment/policy shall refer to the Public Records of St Johns County, unless otherwise noted.

SCHEDULE B SECTION II IS CONTINUED ON AN ADDED PAGE

FILE NO.: 15027246

SCHEDULE B - SECTION II

Schedule B of the policy or policies to be issued will contain exceptions to the following matters unless the same are disposed of to the satisfaction of the Company:

1. Defects, liens, encumbrances, adverse claims or other matters, if any created, first appearing in the Public Records or attaching subsequent to the Effective Date but prior to the date the proposed Insured acquires for value of record the estate or interest or mortgage thereon covered by this Commitment.

2. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments on the Land of existing improvements located on adjoining land.

3. Rights or claims of parties in possession.

4. Construction, Mechanic's, Contractors' or Materialmen's lien claims, if any, where no notice thereof appears of record.

5. Easements or claims of easements not shown by the public records.

6. General or special taxes and assessments required to be paid in the year 2015 and subsequent years.

7. Any adverse ownership claim by the State of Florida by right of sovereignty to any portion of the lands insured hereunder, including submerged, filled or artificially exposed lands and lands accreted to such lands.

8. Any lien provided by County Ordinance or by Ch. 159, F.S., in favor of any city, town, village or port authority, for unpaid service charges for services by any water systems, sewer systems or gas systems serving the land described herein; and any lien for waste fees in favor of any county or municipality.

9. Terms and conditions contained in Declaration of Covenants for The Players Club at Sawgrass, and all exhibits attached thereto, recorded in O.R. Book 498, Page 508, and amended in O.R. Book 735, Page 392, O.R. Book 818, Page 1581 and re-recorded in O.R. Book 821, Page 1803; O.R. Book 847, Page 727; Amended and Restated Declaration recorded in O.R. Book 1108, Page 888, and all amendments thereto. The Declaration establishes and provides without limitation for easements, liens, charges, and assessments against the insured land. (The Sawgrass Players Club Association, Inc.) NOTE: Any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin, to the extent such covenants, conditions or restrictions violate 42USC 3604 (c), contained in any of the exceptions set forth under Schedule B, are hereby deleted.

10. Terms and conditions contained in Declaration of Covenants and Restrictions for Salt Creek, and all exhibits attached thereto, recorded in O.R. Book 767, Page 1961, and amended in O.R. Book 818, Page 1583 and re-recorded in O.R. Book 821, Page 1805; O.R. Book 840, Page 615; O.R. Book 847, Page 725 and all amendments thereto. The Declaration establishes and provides without limitation for easements, liens, charges, and assessments against the insured land. (The Salt Creek Homeowners Association, Inc.) NOTE: Any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin, to the extent such covenants, conditions or restrictions violate 42USC 3604 (c), contained in any of the exceptions set forth under Schedule B, are hereby deleted.

11. Unrecorded Cable Television Service Agreement dated November 3, 1987 between Arvida/JMB Partners and Clearview Partners Ltd.

12. Easement granted to Jacksonville Electric Authority recorded in O.R. Book 298, Page 793 and Assignment recorded in O.R. Book 436, Page 103, Public Records of St. Johns County, Florida.

13. Memorandum of Utility Service Agreement recorded in O.R. Book 538, Page 37, as assigned in O.R. Book 853, Page 1227 and Waiver of Right Refusal, Consent and Release of Lien recorded in O.R. Book 538, Page 56, Public Records of St. Johns County, Florida.

14. Declaration of Easement for Ingress and Egress recorded in O.R. Book 811, Page 1572, Public Records of St. Johns County, Florida.

15. Quit Claim Deed from Arvida/JMB Partners to St. Johns Service Company recorded in O.R. Book 825, Page 1590, Public Records of St. Johns County, Florida.

16. Easement for Utilities recorded in O.R. Book 825, Page 1592, Public Records of St. Johns County, Florida.

17. Riparian and littoral rights are neither guaranteed nor insured.

18. Rights of owners of land abutting upon the waters of lake.

19. Title to beds or bottoms of lakes, or other bodies of water and any artificially filled in lands, located in, on, or within the land described herein.

20. Lake privileges are neither guaranteed nor insured.

21. Title to any portion of the subject property lying below the ordinary high water mark.

22. Restrictions, dedications, conditions, reservations, easements and other matters shown on the plat of Salt Creek Unit Two, as recorded in Plat Book 23, Pages 21 through 25, inclusive, Public Records of St. Johns County, Florida.

23. Any loss or damage arising from assessments resulting from the provisions contained in Florida Statute Section 720.3085, notwithstanding assurance to the contrary in any ALTA PUD Endorsement Form 5.1 or Florida Form 9 Endorsement which may be attached to this commitment/policy.

Note: Taxes for the year 2014 in the gross amount of $4,703.81 are PAID. Tax ID Number 062083-1160.

Note: The following is for informational purposes only and will not appear in the policy to be issued: The following deed(s) affecting the land described in Schedule A hereof cover a minimum twenty-four month period prior to the effective date of this commitment:

Warranty Deed-O.R. Book 931, Page 136

Commitment for Title Insurance
(with Florida Modifications)

Issued By Old Republic National Title Insurance Company

Old Republic National Title Insurance Company, a Florida corporation ("Company"), for a valuable consideration, commits to issue its policy or policies of title insurance, as identified in Schedule A, in favor of the proposed Insured named in Schedule A, as owner or mortgagee of the estate or interest in the Land described or referred to in Schedule A, upon payment of the premiums and charges and compliance with the Requirements; all subject to the provisions of Schedules A and B and to the Conditions of this Commitment.

This Commitment shall be effective only when the identity of the proposed Insured and the amount of the policy or policies committed for have been inserted in Schedule A by the Company.

All liability and obligation under this Commitment shall cease and terminate six (6) months after the Effective Date or when the policy or policies committed for shall issue, whichever first occurs, provided that the failure to issue the policy or policies is not the fault of the Company.

The company will provide a sample of the policy form upon request.

This Commitment shall not be valid or binding until countersigned by an authorized office of the Company or an agent of the Company.

IN WITNESS WHEREOF, Old Republic National Title Insurance Company has caused its corporate name and seal to be affixed by its duly authorized officers on the date shown in Schedule A.

Issued through the Office of:
REAL ESTATE CLOSING SOLUTIONS
7575 DR. PHILLIPS BLVD.
SUITE 140
ORLANDO, FL 32819
Phone: 407-615-8550

____
Authorized Signature

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY
A Stock Company
400 Second Avenue South, Minneapolis, Minnesota 55401
(612) 371-1111

By [signature] *President*

Attest [signature] *Secretary*

FILE NO. 15027246

CONDITIONS

1. The term mortgage, when used herein, shall include deed of trust, trust deed, or other security instrument.

2. If the proposed Insured has or acquired actual knowledge of any defect, lien, encumbrance, adverse claim or other matter affecting the estate or interest or mortgage thereon covered by this Commitment other than those shown in Schedule B hereof, and shall fail to disclose such knowledge to the Company in writing, the Company shall be relieved from liability for any loss or damage resulting from any act of reliance hereon to the extent the Company is prejudiced by failure to so disclose such knowledge. If the proposed Insured shall disclose such knowledge to the Company, or if the Company otherwise acquires actual knowledge of any such defect, lien, encumbrance, adverse claim or other matter, the Company at its option may amend Schedule B of this Commitment accordingly, but such amendment shall not relieve the Company from liability previously incurred pursuant to paragraph 3 of these Conditions.

3. Liability of the Company under this Commitment shall be only to the named proposed Insured and such parties included under the definition of Insured in the form of policy or policies committed for and only for actual loss incurred in reliance hereon in undertaking in good faith (a) to comply with the requirements hereof, or (b) to eliminate exceptions shown in Schedule B, or (c) to acquire or create the estate or interest or mortgage thereon covered by this Commitment. In no event shall such liability exceed the amount stated in Schedule A for the policy or policies committed for and such liability is subject to the insuring provisions and Conditions and the Exclusions from Coverage of the form of policy or policies committed for in favor of the proposed Insured which are hereby incorporated by reference and are made a part of this Commitment except as expressly modified herein.

4. This Commitment is a contract to issue one or more title insurance policies and is not an abstract of title or a report of the condition of title. Any action or actions or rights of action that the proposed Insured may have or may bring against the Company whether or not based on negligence arising out of the status of the title to the estate or interest or the status of the mortgage thereon covered by this Commitment must be based on and are subject to the provisions of this Commitment.

5. The policy to be issued will contain the following arbitration clause: Unless prohibited by applicable law, arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association may be demanded if agreed to by both the Company and the Insured at the time of the controversy or claim. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, and service of the Company in connection with its issuance or the breach of a policy provision or other obligation. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the Insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the Land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request