

A publication of Michigan REALTORS®

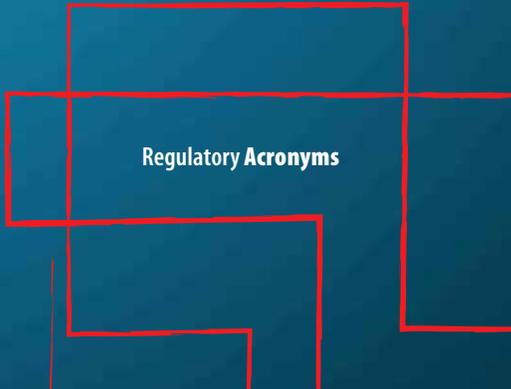
# MICHIGAN REALTOR®



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Regulatory Acronyms



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**Franchise Ownership | Management Positions | Sales Careers**

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MICHIGANREALTOR®

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{ MAY | TWO THOUSAND & FOURTEEN | VOLUME THIRTEEN | NUMBER THREE }

## REALTOR® Etiquette

The definition of etiquette; a code of behavior based on thoughtfulness. For many of us, Emily Post was a recognized name while growing up. Emily Post was the most trusted name in etiquette. She was the known source that could assist people in navigating every conceivable social and business situation. Emily Post's books and articles were the guide to show us how to handle the new, difficult, unusual and everyday situations we all encounter.

While attending a Michigan Realtors® Professional Standards Workshop in February, I was reminded about the importance of etiquette. A list, *Pathways to Professionalism*, was distributed to all of us by the instructor. The following is a sample of the list "professional courtesies intended to be used by Realtors® on a voluntary basis":

1. **Respond promptly to inquiries and requests for information.**
2. **Schedule appointment and showings as far in advance as possible.**
3. **Call if you are delayed or must cancel an appointment or showing.**
4. **Communicate with all parties in a timely fashion.**
5. **Never criticize property in the presence of the occupants.**
6. **If occupants are home during showing, ask for their permission before using their bathroom.**
7. **Be aware of and respect cultural differences.**
8. **Promise only what you can deliver and keep your promises.**
9. **Encourage the clients of other brokers to direct questions to their agent or representative.**
10. **Leave your business card if not prohibited by local rules.**
11. **Dress appropriately.**
12. **Do not criticize other agents or brokerages.**
13. **When showing an occupied home, always ring the doorbell or knock and announce yourself before entering. Knock and announce yourself before entering any closed room.**
14. **Do not tell people what you think – tell them what you know.**
15. **Be on time... if you are late call the appropriate people.**

Is there a need for an Emily Post of Real Estate? My answer is "yes." The list above would not have been distributed if there were not a need recognized by the nationally traveled instructor.

Courtesy tends to be contagious in our profession where a seemingly small act of consideration can have a tremendous impact. Courtesy matters only when it is translated into every day behavior, not just when it is convenient. The rewards of an active commitment to everyday Realtor® etiquette may not be tangible, however the results of professionalism can be recognized as the following: self-confidence, positive reputation with others and personal relationships. Those engaged with strong Realtor® etiquette tend to be more congenial, even in times of stress because the people involved treat one another with respect.

Now that the busy selling season is here, I remind you that professionalism matters. Grounded as it is in timeless principles, etiquette enables us to face wherever the future may bring with strength of character and integrity.

Civility and courtesy are the proverbial glue that holds our profession and society together—qualities that are more important than ever in

“**Courtesy tends to be contagious in our profession where a seemingly small act of consideration can have a tremendous impact.**”

today's complex and changing real state world.

There may not be a specific etiquette book just for Realtors®, but my hope is that we work together mindful of the Pathways to Professionalism. After all, we are the professionals that lead and build communities. ●

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# COMING EVENTS

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## August 27-28, 2014

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## Spring?

The Merry Month of May — I never thought we'd make it. By the time this is published, hopefully we are warm, your heating bills have eased, and it hasn't snowed in weeks. Over the last few months, my kids have been walking around singing the lyrics "the cold never bothered me anyway." Well, it bothered me. The thought of being "Frozen" for another month, let alone on opening day, was unacceptable. Luckily for us, the pain of winter has given way to some Realtor®-friendly legislation being freed up in this spring's legislative calendar. To wit:

### Real Estate Continuing Education

The House put the finishing touches on Senate Bill 641 at the end of March, paving the way for some significant changes in the delivery of continuing education in Michigan. The bill expands the criteria for the types of classes that will qualify for continuing education while expanding the role of brokers, local associations, and the state association in tracking hours for licensees.

The new law will make continuing education offerings more responsive to changes in the market and our business, while meeting the demands of Realtors®. The new self-reporting and audit of continuing education will put the real estate license on par with other professions such as nurses, accountants, and home builders. Additionally, this association is continuing our work with the Department of Licensing and Regulatory Affairs (LARA) to implement new picture pocket cards with integrated technology that will allow Realtors® to track their continuing education hours with the swipe of a card.

The implementation of this new pocket card created much of the delay in moving the legislation in February. However, the transition to the new system has to be done right to protect the licensees and the public. Under the new system being developed by the Michigan Realtors®, for the first time, our members will have real time tracking and notification of continuing education classes. Additionally this tracking mechanism will provide a Realtor® with all of the relevant back-up information needed if they face a Department audit.

SB 641 was signed by Governor Snyder in early April. With an effective date of January 1, 2015 and a new license cycle beginning in October of the same year, there should be plenty of time to make the transition.

### Preventing Scrap Metal Theft

It took almost a full year for the legislature to come to agreement on House Bill 4593, imposing new regulations for the sale and purchase of certain types of scrap metal. Not because anyone denied the effects metal theft has on our communities, but because with any significant piece of legislation, reasonable minds differ on the way to solve a problem. Like any business, for many reputable scrap yards, significant regulatory burdens can mean the difference between staying open or closing up shop.

As a Realtor®, you've either experienced the damaging effects of metal theft first-hand or you've heard the stories. Metal theft costs Michigan homeowners, businesses, and communities millions of dollars a year. It creates higher costs for insurance, repair and security and has put neighborhoods and schools in the dark without power. The Michigan

“ Luckily for us, the pain of winter has given way to some Realtor®-friendly legislation being freed up in this spring's legislative calendar. ”



Realtors® Public Policy Committee supported HB 4593 and the Association worked as part of a coalition against metal theft that included The Michigan Association of Chiefs of Police, the Detroit Regional Chamber of Commerce and Detroit Mayor Mike Duggan.

The compromise reached in March aims to give law enforcement the tools to shut down this destructive crime. HB 4953 also received the Governor's signature in April.

The new law targets three of the most commonly stolen items - copper wire, catalytic converters, and air conditioners. Since theft is already a crime and many times metal thieves risk their lives to steal these items, jail time alone is not an effective deterrent. The legislation discourages theft by deferring payment on any transactions over \$25 - anything over the \$25 threshold will be required to be mailed to the seller. Additionally, the new law bans cash payments on all transactions involving the three items listed above. Over time, the new requirements will populate a database for State Police and local law enforcement to utilize in tracking these transactions.

## Elimination of the Personal Property Tax

It is like deja-vu all over again. Back in 2012, the Michigan Realtors® worked with a coalition of business groups on a package of bills that, over time, eliminated the personal property tax (PPT). The 2012 bills made Michigan competitive with other states in our region in attracting jobs and business investment. Many brokers across the state will benefit this year from the 2012 law that exempted all businesses with personal property and a true cash value less than \$80,000. Additionally, commercial practitioners will be able to sell clients on reduction of the PPT beginning in 2016.

The 2012 law did come with a couple of catches. First, the full implementation of the law hinged on voter approval of an August 2014 ballot initiative to create the authority in charge of reimbursing locals for lost PPT revenue. If the ballot language fails, the law goes away. Second, the law only provided 100% reimbursement for local government

on essential services (police, fire, ambulance, and jails). All other local services received 80% reimbursement, so it remained rather costly to local governments dependent on PPT revenue.

This year the Snyder administration went back to the drawing board to address some technical fixes to the 2012 law and, in the process, developed a mechanism to provide 100% reimbursement for all local services. This new plan not only reimburses all services at 100%, it doesn't change the tax benefit to businesses. The plan is paid for through expiring credits under the state's old Michigan Business Tax, reallocation of Use Tax dollars and an Essential Services Assessment on manufacturers.

The new bills, Senate Bills 821-830, have both Republican and Democrat sponsorship and indeed have expanded our coalition to include groups representing local government, police, fire= and schools. However, like the 2012 law, voters will still have to approve the ability of the new state authority to levy the reallocated Use Tax. The bills received overwhelming support in the Michigan Senate, passing by a vote of 36-2. As of printing, additional work is being done in the Michigan House to shore up a few remaining issues in hopes of having unanimous approval.

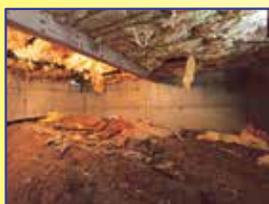
We are excited to see these bills become law to allow Michigan continued success in growing and attracting jobs and investment. Of course, anytime you put the words "property tax" on the ballot the general public's reaction is to vote "no." Accordingly, the coalition will be working to educate Michigan voters between now and August 5th, that a vote for the authority is not a tax increase and is important to Michigan's continued success.

## Moving Forward

There were times this winter when Michigan's deep freeze and resultant power outages might have overwhelmed a lesser industry, but the kinetic nature of the legislature and the positive market trends for 2014 blessed us with the saving warmth of possibility. The selling season is upon us. Summer will be here soon and election fever will be in full swing. Michigan Realtors® will continue to keep you updated on the latest issues and the political action near you. ●

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# LIST Method

BY BOB CORCORAN

## **CAN YOU FEEL IT? SPRING. IT'S HERE.**

**FOR AGENTS AND BROKERS,  
THAT MEANS ONE THING: LISTING SEASON.**

Sure, this winter was a tough one for much of the country and many folks put off listing their homes, but now that the weather is looking up, sellers are finally ready to sell.

And, I bet you're ready to list more homes than you did in 2013, so let's get started.

I believe the old saying that says the agent who has the most listings owns the market. Remember the acronym L.I.S.T. and you'll be off to great start for this listing season.

**LOVE** understanding sellers' problems and motivations. The more you love this, the better chance you'll have of listing their homes. People don't want to be sold -- they want their problem solved. It's like the old saying, "People don't want a drill, they want a hole." Your prospects have a home that needs to be sold, plain and simple.

That's a problem, and the more you understand everything you can about that problem, the better you'll be at solving it. Ask lots of questions and listen intently. People love to talk about themselves (and yes, their problems). Discover prospects' motivations. What are their hot buttons? What's important to them? Why are they selling? To where are they moving? What are their biggest concerns? What's an acceptable price? Have they ever listed the property before and if so, why didn't it sell?

**INSIST** on painting a picture of what the future looks like with you at their side. Once you fully understand their motivations, prove it by telling them the story of what you'll do to help them solve their problem. People love to imagine their future, and telling a story breathes life into your listing presentation. Show them that story of the future and what specifically will happen. Tell them about your home-selling strategy and why it makes sense specifically for them based on what you've learned. Customizing your story to match their problems and motivations is vital here. The more they feel like you're tackling their problem, the better.

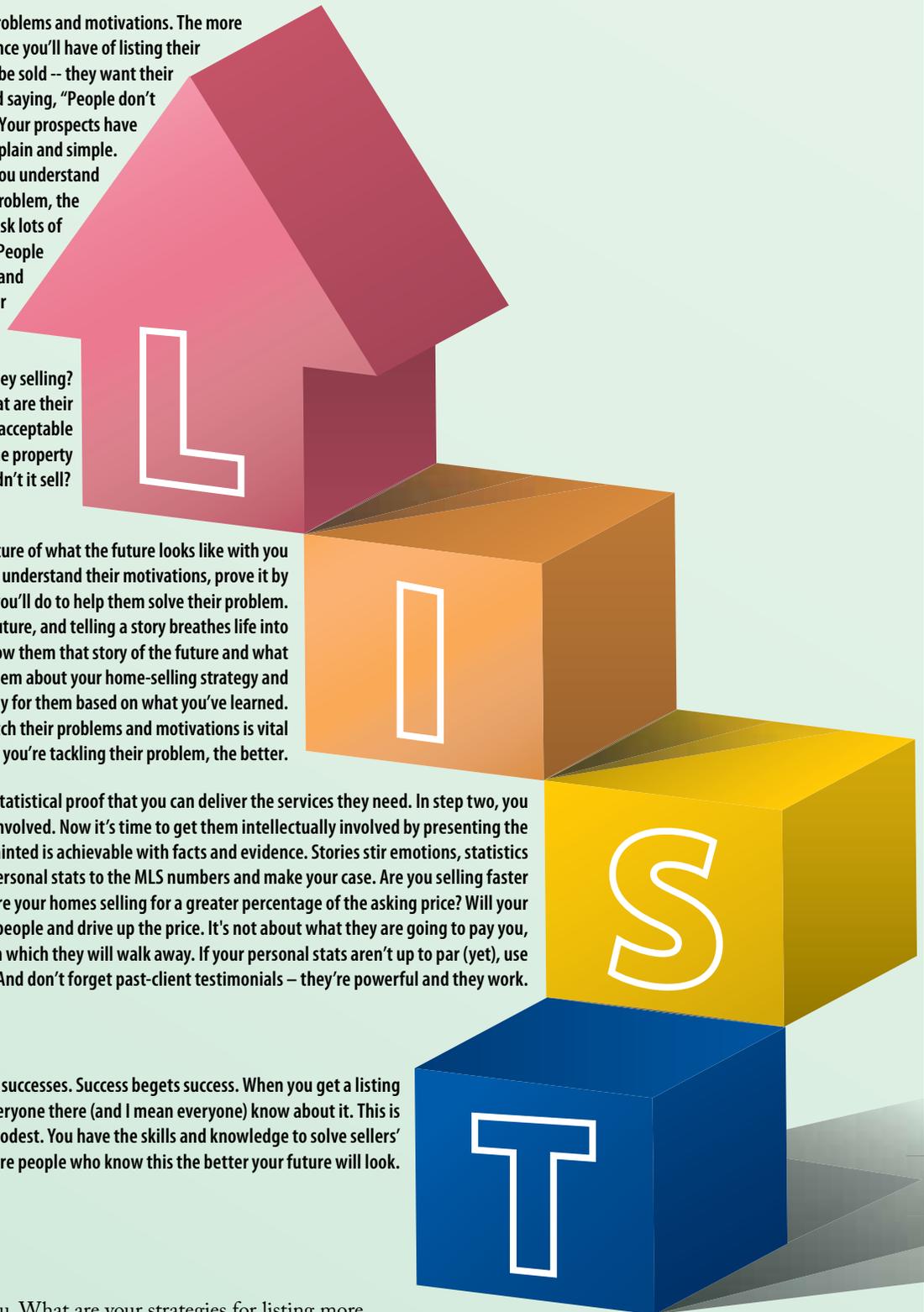
**SHARE** your numbers and statistical proof that you can deliver the services they need. In step two, you got prospects emotionally involved. Now it's time to get them intellectually involved by presenting the proof. Prove the future you've painted is achievable with facts and evidence. Stories stir emotions, statistics stir confidence. Compare your personal stats to the MLS numbers and make your case. Are you selling faster with fewer days on market? Are your homes selling for a greater percentage of the asking price? Will your marketing will bring more people and drive up the price. It's not about what they are going to pay you, but about the amount with which they will walk away. If your personal stats aren't up to par (yet), use your company's numbers. And don't forget past-client testimonials -- they're powerful and they work.

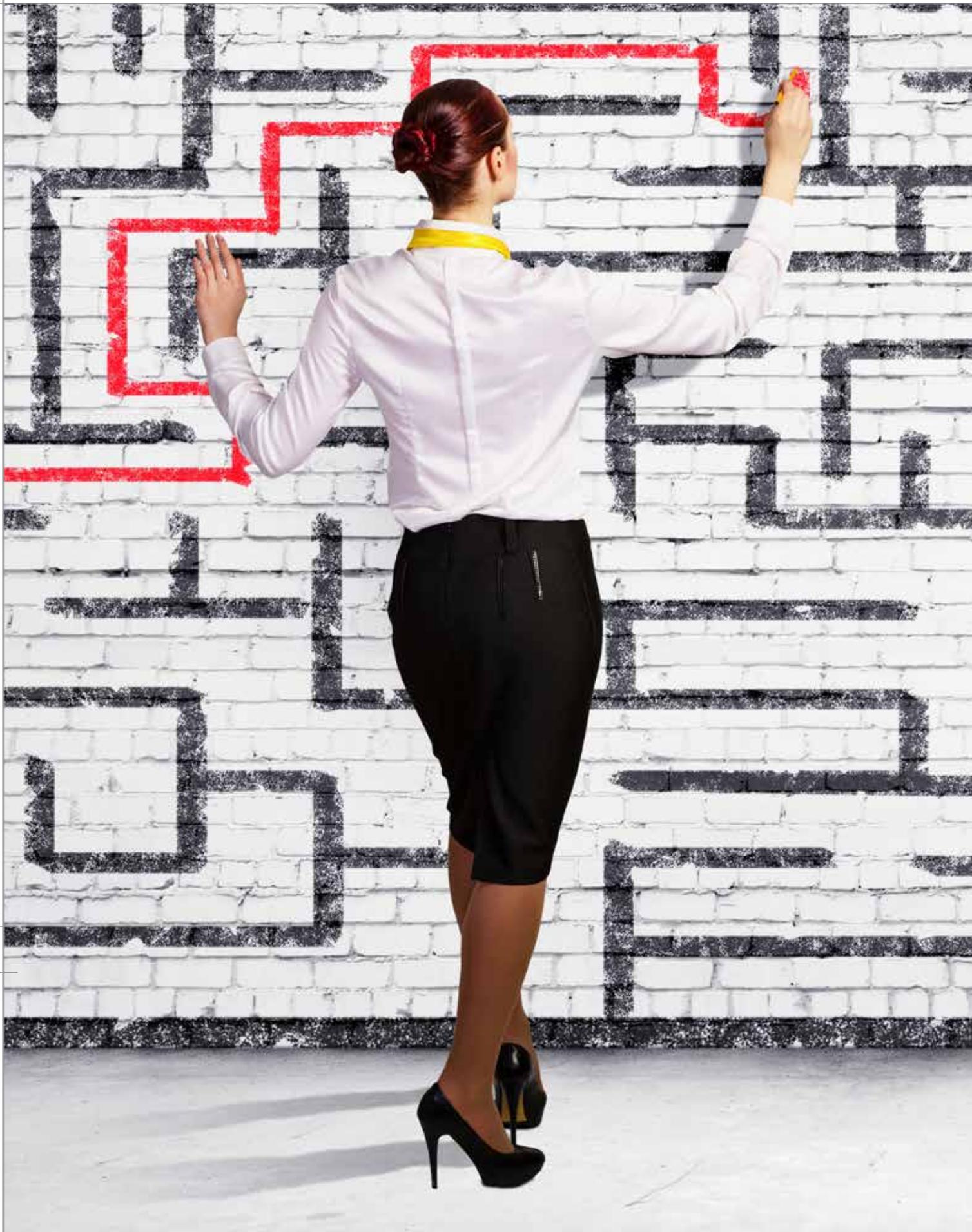
**TELL** everyone about your successes. Success begets success. When you get a listing in your farm area, let everyone there (and I mean everyone) know about it. This is not a profession for the modest. You have the skills and knowledge to solve sellers' problems, and the more people who know this the better your future will look.

Let me hear from you. What are your strategies for listing more homes this year? Please send any comments or questions to [Article@CorcoranCoaching.com](mailto:Article@CorcoranCoaching.com) or <http://www.facebook.com/CorcoranCoaching>. ●



*Bob Corcoran is CEO of Corcoran Consulting Inc. (800-957-8353), an international consulting and coaching company that specializes in performance coaching and the implementation of sound business systems for residential REALTOR, mortgage brokers and real estate companies. We look forward to hearing from you. Sign up TODAY for your complimentary business consultation. <http://www.CorcoranCoaching.com/bpw.php>*





# **KEEPING THE REGULATORY ACRONYMS STRAIGHT**

**(MLOLA, SAFE, MARS,  
RESPA AND MAP)**

This article is intended to help REALTORS® differentiate between several regulations that have confusing acronyms. The article does not include a detailed analysis of the various regulations, but instead includes only brief descriptions intended to help REALTORS® identify the correct regulation for a particular situation. We have included cross-references to other sources where REALTORS® can find a more detailed analysis of the appropriate regulation.

**MLOLA – MORTGAGE LOAN ORIGINATOR LICENSING ACT (SAFE Act – Secure and Fair Enforcement for Mortgage Licensing Act)**

**A. Hypothetical**

REALTOR® Smith has a client who regularly buys REOs, fixes them up and then sells the refurbished homes on land contract. REALTOR® Smith needs to familiarize himself with the MLOLA requirements.

**B. Summary**

MLOLA is the Michigan statute enacted pursuant to the federal SAFE Act. This legislation is aimed at “originators” of residential mortgage loans. People who are in the business of making residential mortgage loans must be licensed as “mortgage loan originators.” Sellers who provide financing (via land contract or purchase money mortgages) must be licensed “mortgage originators” if they are involved in four or more of these types of transactions per year. (Certain personal and familial transactions

are exempt.) A seller who provides seller financing on more than ten loans per year may also need to be licensed under the Mortgage Brokers, Lenders and Servicers Licensing Act (“MBLSLA”). To make matters more complicated, a seller who makes more than one of these loans per year may be required to comply with the federal Ability-to-Repay and Qualified Mortgage Standards Under the Truth in Lending Act (“Regulation Z”). REALTORS® who are working with sellers who are providing notice can put the seller on notice of these requirements by using the new form Q “Seller Financing Addendum to Exclusive Listing Contract.” (See Exhibit A.)

A real estate broker assisting such a seller need not be licensed as a mortgage loan originator unless he or she charges a separate fee for handling the seller financed transaction. A seller cannot avoid licensure by working with a REALTOR® who is licensed under the MLOLA unless the REALTOR® is also licensed under MBLSLA.

For more information about MLOLA, see <http://goo.gl/d9rdel>

a loan modification, a short sale or other relief from foreclosure.” A MARS provider is required to make certain disclosures in each and every communication it has with the consumer. MARS providers are prohibited from collecting any fee until they have provided the consumer with a written offer that is acceptable to that consumer.

For more information about the MARS Rule, see <http://goo.gl/qsY19S>

**RESPA – REAL ESTATE SETTLEMENT PROCEDURES ACT**

**A. Hypothetical**

REALTOR® Green has been approached by a mortgage company who wants to pay REALTOR® Green for preparing mortgage applications for REALTOR® Green’s buyer clients. REALTOR® Green needs to familiarize himself with the RESPA requirements.

**B. Summary**

RESPA is a 35-year old federal statute enacted to protect consumers of residential mortgages from deceptive trade practices. The federal statute and the regulations adopted pursuant to the statute focus on closing costs and settlement procedures. Section 8(a) of RESPA prevents unearned “kickbacks” for the referral of business. Section 8(b) of RESPA prevents someone from attempting to circumvent 8(a) by setting up some type of sham fee-splitting arrangement. Under RESPA, a service provider can share a fee with another service provider only if such fee is for “services actually performed.”

For more information about Section 8 of RESPA, see:

[www.realtor.org/topics/real-estate-settlement-procedures-act](http://www.realtor.org/topics/real-estate-settlement-procedures-act);

[www.realtor.org/ae/manage-your-association/association-policy/respa-faq](http://www.realtor.org/ae/manage-your-association/association-policy/respa-faq); and

<http://goo.gl/YNQhg7>

**MAP RULE – MORTGAGE ACTS AND PRACTICES**

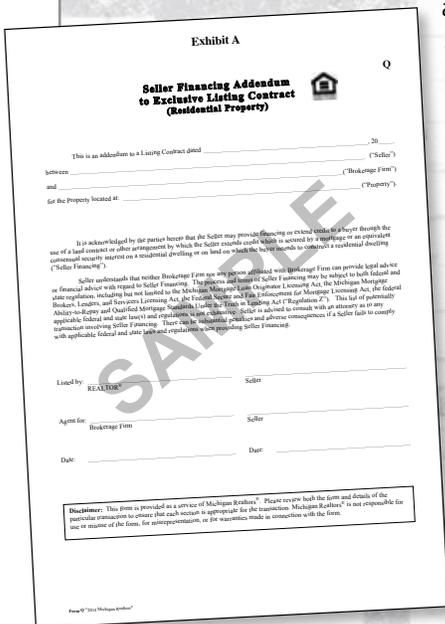
**A. Hypothetical**

REALTOR® Brown has been contacted by a mortgage company who has asked him to distribute materials describing a particular loan program to his buyer clients. REALTOR® Brown needs to familiarize himself with the MAP Rule.

**B. Summary**

The MAP Rule is a federal rule governing all persons, including real estate licensees and home builders, who provide information about a specific lender’s mortgage loan product to a consumer. Under the MAP Rule, REALTORS® who provide clients and customers with information about a specific lender’s product are held responsible for accuracy of the information provided, even if the information was prepared by the lender. The MAP Rule makes clear that a “misrepresentation” includes the omission of critical information about a mortgage product – for example, the fact that there will be an adjustment to the interest rate during the life of the loan. The MAP Rule also contains recordkeeping requirements whereby all “covered communications” must be retained for a period of two years.

For more information about the MAP Rule, see <http://goo.gl/4WvjzR> ●



**MARS – MORTGAGE ASSISTANCE RELIEF SERVICES**

**A. Hypothetical**

REALTOR® Jones specializes in short sales. REALTOR® Jones charges his seller client a commission on the sale of the home as well as a short sale negotiator fee. REALTOR® Jones needs to familiarize himself with the MARS Rule.

**B. Summary**

MARS is a federal regulation adopted by the FTC to protect homeowners from mortgage relief scams or what the regulators describe as “bogus operations that falsely claim that, for a fee, they will negotiate with the consumers’ mortgage lender or servicer to obtain





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So you're on  
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BY MARY BETH KLATT



You don't have to be a super-user of this social-networking site to get leads from LinkedIn. Here's how to use it lightly and still make it work for you.

Jon Sterling scored a new client in a peculiar way. He didn't capture a lead through paid online advertising or through social marketing. He simply made a new connection with someone on LinkedIn who happened to have gone to the same school he did — and before Sterling knew it, the person became his client.

Sterling, an agent with Chase International in Tahoe City, Calif., had been looking on LinkedIn for San Francisco residents who work at technology firms. When he came across his soon-to-be client's profile, he sent a personalized invitation to connect. And as they began talking, Sterling came to realize that his new connection was also shopping for real estate in Northern California.

"One of my posts about the Lake Tahoe market got his attention. He reached out and told me he'll be ready to purchase in a few months," Sterling says.

This should show other real estate professionals that they would be wise to scout LinkedIn for business. Even if you're not a social-networking genius, LinkedIn can be a powerful tool to make connections and drum up new clients.

"LinkedIn is a platform for practitioners to establish credibility through their professional identity and demonstrate their deep subject-matter expertise," says Alan Wang, an agent with Keller Williams in Cupertino, Calif., who also heads up LinkedIn's new market development and operations for the Asia-Pacific region.

It starts with creating a compelling profile. The key is to set it up as an online resume with a professional photograph. "Put awards and alma maters high up in the profile," Wang says. Making your headline a catchy tagline or call to action, like you often see on business cards, is also powerful.

Take, for example, Nick Ratliff's tagline. Ratliff, the principal broker at Cypress Residential Group in Lexington, Ky., states on his LinkedIn page: "Using Technology to Change My Market." His summary begins with the small town where he was raised (Mount Sterling, Ky.), then segues into alma maters, professional

degrees and his favorite sports teams. He ends his five-paragraph summary with a bit about why he decided to get into real estate and a listing of his specialties.

"I've found over the years that I've had a number of potential clients call and simply say they called because of my bios," Ratliff says. "Some have been engineers or similar trades who feel comfortable working with me, while others are just big University of Kentucky fans and enjoy talking with me about that."

Though some professionals downplay the relevance of endorsements since they're easy to do (connections can check off skills they think you have in a pop-up window when looking at a colleague's profile), Wang thinks otherwise.

"It's a good sign when I see 200-plus endorsements; it's a validation of who you are, what you are doing," he says. Endorsements also encourage prospective clients to read your profile, look at your status updates, and more, Wang adds.

Many practitioners use LinkedIn to check out prospective clients, and they encourage their clients to do the same. Ratliff uses it to stay up to date with connections. "For instance, if someone I know gets a new job and changes it on LinkedIn, then I can reach out and congratulate them on their new job," he says. "That allows for a soft sale by finding out what their plans are and reminding them we are here if they need our services."

Slideshare, a platform that allows for sharing content, business documents, and presentations, is one little-known new feature on LinkedIn that's gaining popularity. Wang uses the platform for a "building a business on referrals" presentation to the Silicon Valley Association of REALTORS®. But Washington, D.C. - area agent Leslie Woods-Hulse uses it for listings.

Slideshare allows her net-

work to see the listing information and photos all at once without having to navigate away from LinkedIn. Other social media sites, such as Facebook, don't offer the same capabilities to show contacts as much information about listings.

Even a passive presence on LinkedIn can be lucrative. Relationships matter, so Wang does what he calls "no-strings-attached networking," engaging his connections through status updates, sharing important articles or simply being involved in conversations or activity around another member's profile (such as promotions, job changes, and questions). That networking has paid off with 15 to 17 LinkedIn connections who bought homes using his services in the past year. Wang boosts business with a quarterly blog post focusing on the economy and local housing market, which he e-mails to his network. Email recipients tend to take a peek at his LinkedIn profile later, he says.

"The forums are good places to identify service providers, potential clients," says Bruce Ailion, an agent with RE/MAX of Georgia in the Atlanta area. "I'm currently looking for remodeling and new-home contractors. Most are happily employed, but they may know someone looking for work, and this is a good way to find people."

Ailion has also targeted likely investors for a property expo in Tel Aviv with a small paid ad on LinkedIn. He set up and launched the ad following prompts in LinkedIn's Business Services section. Fifty investors responded to the ad, and one expo attendee purchased three \$200,000 properties. "Advertising and networking on LinkedIn works," Ailion says. ●

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# **6 Green Terms: Which Ones Can You Trust?**

BY KARIN BEUERLEIN, HOUSELOGIC.COM

Does “natural” mean organic? Should you buy anything labeled “non-toxic?” Here are the truth and eco-facts about many of the green terms you find on product labels.

What's really green? Soon you'll have a little more confidence about green product marketing claims, such as "biodegradable" and "recyclable." The Federal Trade Commission, which sets standards for the use of environmental claims in its Green Guides, is getting tougher on green terms. Proposed revisions to the Green Guides will make it harder for companies

to make unsubstantiated green claims about their products.

So, when is this happening? An FTC official to whom we spoke says the revisions may be final this summer. Until then, and even after that, since the guides don't have the force of regulation, put on your skeptic's hat when you shop and be prepared to research labels before you buy.



**1. "ORGANIC:"** a green term that really means something. Organic is the one term in our list that's federally regulated by the U.S. Department of Agriculture to be specific. Product makers making this claim must prove their items are "produced without antibiotics, hormones, pesticides, irradiation, or bioengineering." Period.

### FTC is cracking down on these terms

**2. "RECYCLABLE:"** After the new guidelines are adopted, a manufacturer can use this term without a caveat only if a substantial majority of communities nationwide have facilities that can actually recycle its product. Before you buy, do your homework to see what you're able to recycle locally. Also, take a closer look when a product claims to be "recycled" (a term that's not covered in the Green Guides).

What you really want to look for is "post-consumer recycled" content. These products have been diverted from the landfill, so you're truly helping reduce the waste stream when you buy them.

**3. "BIODEGRADABLE:"** When you see this term, you think, "Great, I don't need to worry about throwing this away; it'll break down naturally." But many products labeled biodegradable need ideal composting conditions to break down, and some won't degrade even then.

The FTC's new guidelines require that products or packaging labeled "degradable" break down within a year in normal disposal conditions.

Heads-up: That means the term likely won't apply to anything you'd throw in the trash, because items simply don't degrade in landfills. It's far better to reduce waste in the first place than to expect it to disappear.

**4. "COMPOSTABLE:"** In the future, products with this claim shouldn't take any longer to break down than the rest of your compost pile.

**5. "NON-TOXIC:"** The FTC's new guidelines say that non-toxic claims should mean the product isn't harmful to humans and is safe for the environment. Research the product online if the label is vague. And definitely don't assume kids or pets can ingest it safely.

### The fuzziest green term of all

**6. "NATURAL"** is unregulated by the government. It's not interchangeable with organic or healthy, although manufacturers want you to think if it's 'natural', it has to be good for you, right? Not so much. Take ammonia. It's a naturally occurring compound, but it's also a toxic pollutant. Without context, the word natural doesn't mean much.



### A label to help you decide

When you're just not sure about a product's claims, look for certification by a reputable third party, like Scientific Certification Systems.

Its green-and-blue SCS label provides some reassurance that a product lives up to its claims. SCS sets tough standards for the terms biodegradable and recycled content, according to BuildingGreen, an independent company that educates building professionals on green certifications. And the label has been around a long time.

Some SCS guidelines:

- ~ SCS only certifies liquid products as biodegradable; cleaners, detergents, and soaps that break down completely in natural conditions in 28 days.
- ~ Recycled products include a wide array of building products; windows, doors, insulation, carpets, tiles, and more. So, seek them out. ●



*Karin Beuerlein has covered home improvement and green living topics for HGTV.com, FineLiving.com, and FrontDoor.com. She has also written for dozens of national and regional publications in more than a decade of freelancing.*

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**CUSTOMER  
SERVICE**

**WITHIN THE  
APPRAISAL PROFESSION**

BY MICHEAL R. LOHMEIER, FASA, MAI, MMAO(4)

# CUSTOMER SERVICE

Appraisers provide services to an ever-changing and demanding clientele (i.e., customers). Customers include prospects using appraisal services for the first time, clients currently being served and clients served in the past and from whom may be provided repeat and/or referral opportunities.

Generally, appraisers focus on their specialized valuation knowledge and experience in attracting and retaining clients while trying to remain remaining competitively priced. Customer service is an often overlooked component in operating an appraisal organization. If an appraiser wants to succeed short- and long-term, then it also needs to develop customer relationship skills as an equal priority.

## PAYING SERVICES FORWARD

Think about customer service in terms of the concept of *paying services forward*. Paying services forward means that by providing good customer service today, you are investing in repeat business and future new business opportunities.

As an analogy, consider how business-oriented hotels treat their customers (i.e., guests.) The hotel operators market their properties in terms of

location, facility amenities and price. As hotel features and pricing become more similar, prospective customers turn to the hotel's reputation with its guests as a major factor in comparison.

Reputations are not bought, but earned. For example, imagine a guest is staying at a hotel because of a meeting he/she must attend the next day. During the night the guest is interrupted by a lot of loud noises in the hall and from the adjacent rooms. This results in the guest being tired and irritated the next day. What if the hotel just apologizes? Most likely the guest will become even more irritated and associate the hotel with bad service. Even if the hotel offers to pay for the room, the guest might feel "bought off" and still resent the experience. If, on the other hand, the hotel apologizes and offers to pick up the cost of the room for that night and shuttles the guest to and from his/her meetings, they might recognize that the hotel cares about guest experiences. This, in turn, could turn the bad experience into an overall pleasant one and help keep the guest as a future customer.

Quality and pricing alone won't earn a good reputation. It takes personal customer service to help create a good reputation. Customer service can either help or bust an organization's success.

An appraisal organization's culture must incorporate customer service if that company expects to succeed. Strong customer service skills foster a good reputation and aid in differentiating one appraisal organization from another, particularly after skills and price have narrowed a customer's

choices. Appraisers need to develop their customer service skills, particularly with the following five attributes: (1) **accessibility**, (2) **patience**, (3) **listening and observation**, (4) **professional tact**, and (5) **dispute resolution**.

## ACCESSIBILITY

**Being accessible to customers is important, regardless how busy you are. Best practices include responding to all calls and emails within at least 24 hours, and priority messages within 2 hours. If an appraiser is unavailable, as in being at a conference, in court or on vacation, then the organization's policies should provide for another member of the firm to respond. The more time a customer has to wait for a return call/email, the longer that customer has to develop anxiety and frustration. Regularly scheduled office times and regularly scheduled client meetings can help alleviate some of this problem.**

## PATIENCE

**A lot of appraisers need to learn patience. Appraisers work under tremendous time pressures and work with a variety of customers. Many customers have some knowledge of appraisal, while other customers have no knowledge whatsoever. Appraisers need to practice great patience in explaining the work they do and why they do it a certain way. Although there are times an appraiser's work becomes routine, it's important to remain cognizant that even routine actions are not easily understood by non-appraisers. Much of what appraisers do includes educating their customers. Posting updated information on an organization's website about the appraisal process and printing informational brochures can help alleviate some of this "education" process.**

## LISTENING AND OBSERVATION

**Appraisers need attentive listening and observation skills. Listening and observing go hand-and-hand because they are both skills needed to help the appraiser learn from and about their customers.**



Appraisers need to hear what their customers are telling them so that the proper response and service may be provided. Be sure to ask questions if you don't understand the point your customer is trying to convey. Demonstrate empathy with what they are telling you, it is important to them, so it is important to you. When talking with a customer, don't constantly watch the time or your cell phone. Give them your undivided attention so they know they are being heard and that you care. Don't interrupt your customers; let them finish their thoughts before responding.

Equally important to listening to your customers is skill in observing how your customer behaves. Being observant is recognizing body language, gestures and vocal tones as of the true nature of their questions and/or concerns. Ascertain if the customer is receptive to you correcting any mistakes. An appraiser's gestures are also important and will be evaluated by the customer, even if it is only subconsciously. Demonstrate you are interested in what the customer has to say. If it's the end of the day, such as 4:55pm and your office closes at 5:00 and a customer is in your office, then don't act like their presence is infringing on your time. Always keep in mind that without customers you have no one to provide services to. Customer service doesn't start at 8am and end at 5pm.

### PROFESSIONAL TACT

Providing customer service is practicing the golden rule, which is to treat others in a manner you would expect and want to be treated. If it helps, think about how you would want your

parents, spouse and kids treated if they were in your customer's shoes and give your customer that care.

Be aware of how you might come across and avoid being taken as aggressive. Never blame a customer. Maintain a positive attitude and always present yourself with a positive, professional demeanor. The common don'ts include: don't swear and don't talk about religion, sex and politics.

### DISPUTE RESOLUTION

Having a plan for resolving problems before there is a problem is critical. How you conduct yourself when there is a problem speaks to the very core of your professionalism. Cultivating what you have heard, observed and learned goes into helping negotiate how to best to resolve the customer's complaint or implement suggestive and constructive criticism.

One of the approaches I take when I'm approached with a problem is to tell myself "this is good." Then it's my responsibility to discover why the problem is good and how to best move forward.

### ASK FOR FEEDBACK

Strong customer service skills are essential, but you can't read your customer's minds. Most appraisers don't give their customers the opportunity for feedback. Ask for feedback, formally or informally, from your customers. You can do this by asking them to fill out surveys or online questionnaires volunteering their feedback, whether posi-

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tive or negative. Make it simple for them to rank your performance as well as provide their criticisms.

Providing strong customer services helps develop trust between appraisers and their customers. The reputation you earn may be the key to differentiating yourself from your competition. Make it a point of regularly meeting in your office to develop and continuously explore providing the best customer services. ●



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## Land Contracts: Dead or Alive?

On January 10, 2014, new federal regulations went into effect which impact sales on land contracts in Michigan. Since that time, based on the number of calls to the Legal Hotline, it would appear that many REALTORS® have been struggling to sort out the many rumors which spring up weekly about the continued viability of sales on land contract and how the new regulations impact the way REALTORS® do business. Unfortunately, there are no easy answers. In order to gain a complete understanding of the impact on seller financing, it would be necessary to penetrate several layers of regulation. These include the requirements of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (“SAFE Act”), the Michigan Mortgage Loan Originator Licensing Act (“MLOLA”), the Michigan Mortgage Brokers, Lenders, and Servicers Licensing Act, the Ability to Repay and Qualified Mortgage Standards Under the Truth in Lending Act (“TILA”) and more. That being said, there are some basic points upon which REALTORS® can rely and which should hopefully simplify the situation a bit.

### How Do the New Regulations Directly Impact REALTORS® in Dealing with Seller Refinancing?

The answer to this question is simple. The new regulations do not directly impact REALTORS® in conducting regulated real estate license activities. In other words, if a REALTOR® takes a listing from a seller who is intent on selling his property on land contract, the REALTOR® can take the listing, market the property and procure a buyer/vendee the same as he would if he was listing property that did not involve seller financing.

Many REALTORS® have expressed concerns about their liability to sellers who sold properties on land contract after January 10, 2014, and who were unaware and thus, presumably did not comply with the new regulations. Fortunately, there is nothing in the new regulations that require real estate licensees to make certain that their sellers comply with the new seller financing regulations. Assuming the REALTOR® did not attempt to act as a lawyer in these transactions and simply performed his or her duties as a real estate licensee, the REALTOR® should have no liability.

Going forward, however, REALTORS® dealing

with sellers who intend to sell on land contract are well advised to consider using the new Form Q, “Seller Financing Addendum to Exclusive Listing Contract (Residential Property).” This form is designed to put sellers on notice that if they do engage in seller financing, there are a number of new regulations that may apply and that they should seek legal advice and/or financial advice from persons fully versed in the new regulations.

### Do the New Regulations Apply to All Land Contracts?

The new regulations only apply to seller financing involving a “residential mortgage loan.” A “residential mortgage loan” is defined as a loan primarily for personal, family or household use that is secured by a lien on a dwelling. A “dwelling” is defined as a residential structure or mobile home that contains 1-4 family housing units or individual units of a condominium or cooperative.

The new regulations do not apply to seller financing in the following situations:

1. The sale of vacant land not intended for construction of a residence
2. The sale of multi-family property (i.e., in excess of 4 residential units), commercial, industrial and any other property which a buyer does not intend to use for “personal, family or household use”
3. The sale by a seller on land contract of a residential property that is the only sale on land contract by that seller during a 12-month period

There is another situation involving the sale of a residential property on land contract which may also be exempt from the new regulations. As noted above, the SAFE Act, MLOLA and the applicable portions of TILA apply only to loans “primarily for personal, family or household use.” Questions have arisen as to whether the new regulations would apply to the sale of a residence (1-4 units) when the buyer does not intend to live in the residence, but is purchasing the residence for use as a rental property. There is no case law interpreting the new regulations as of yet because they only became effective as of January 10, 2014. However, there has been significant case law interpreting what is meant by “primarily for personal, family or household use” in other contexts. For example, under the federal Consumer Credit Protection Act, it has been



determined that the “profit motive seems to be the decisive factor” in determining whether credit is offered to a consumer “primarily for personal, family or household use.” If the consumer is seeking the loan to generate a profit, the loan would not be for “personal, family or household use.” Further, in construing this same language as used in RESPA, courts have determined that a loan to acquire a non-owner occupied rental property is a business purpose loan not covered by RESPA. In sum, a strong, good faith case can be made that sellers need not comply with the new regulations when they are selling to a buyer on land contract whose intent is not to occupy the property, but instead to rent it to a third party. Any seller involved in such a transaction would be well advised to consult with a lawyer or financial expert regarding the appropriate methods of documenting the buyer’s intent at the time of closing.

### What About the Three Land Contract Sales Exclusions?

There is considerable confusion among REALTORS® as to the three “exemptions” available to sellers on land contract under the SAFE Act Final Rule/MLOLA and the same “exemptions” under the federal TILA.

With respect to the exemptions under MLOLA and the SAFE Act’s Final Rule, REALTORS® should consult the Michigan Department of Insurance and Financial Services’ “Mortgage Loan Originator and Seller Financing FAQs.” It is provided in the FAQs:

**... Unless other evidence to the contrary indicates that an individual is “engaged in the business” of loan origination, during a 12-month period from January 1 to December 31, an individual will not be considered to be engaged in the business of mortgage loan origination if the individual is not engaged in any activity under the MLOLA except seller financing transactions AND the individual originates three or fewer . . . mortgage loan transactions.**

In other words, unless a seller is otherwise engaged in the business of loan origination, a seller can sell three or fewer properties during a 12-month period without compliance with MLOLA or the SAFE Act Final Rule.

Like MLOLA and the SAFE Act Final Rule, there is also a 3-property “exclusion” or “exemption” under the federal TILA. This exclusion is not only available to natural persons, but can also

be used by other organizations, such as corporations and limited liability companies. However, it is important to note that unlike under MLOLA and the SAFE Act, under the TILA 3-property exclusion, there are a number of limitations on the terms of the land contract. First, the seller cannot be a builder who has constructed a residence on the property in the ordinary course of business. Second, the financing terms of the land contract must be fully amortizing. There can be no negative amortization or balloon payments in the land contract. Third, the seller has to determine in good faith that the buyer “has a reasonable ability to prepay.” Finally, the interest rate on the land contract must either be fixed or adjustable only after five or more years.

Under TILA, if a seller sells only *one* property on land contract in a 12-month period and does not construct the residence on the property in the ordinary course of business (*i.e.*, is not a builder), then the land contract can have a balloon payment and a variable rate of interest (as long as it is in compliance with Michigan usury laws). This broader 1-property exemption under TILA is only available to natural persons, trusts and estates. It cannot be used by organizations such as corporations or limited liability companies.

The purpose of this article is twofold. First, to let REALTORS® know when the new regulations do *not* apply. Second, to let REALTORS® know that when the new regulations *do* apply or there is a question as to whether a sale is exempt or excluded from the application of the new regulations, sellers should be directed to a lawyer or financial advisor knowledgeable in these matters. REALTORS® should consider using “Form Q” or other similar form for this purpose. ●

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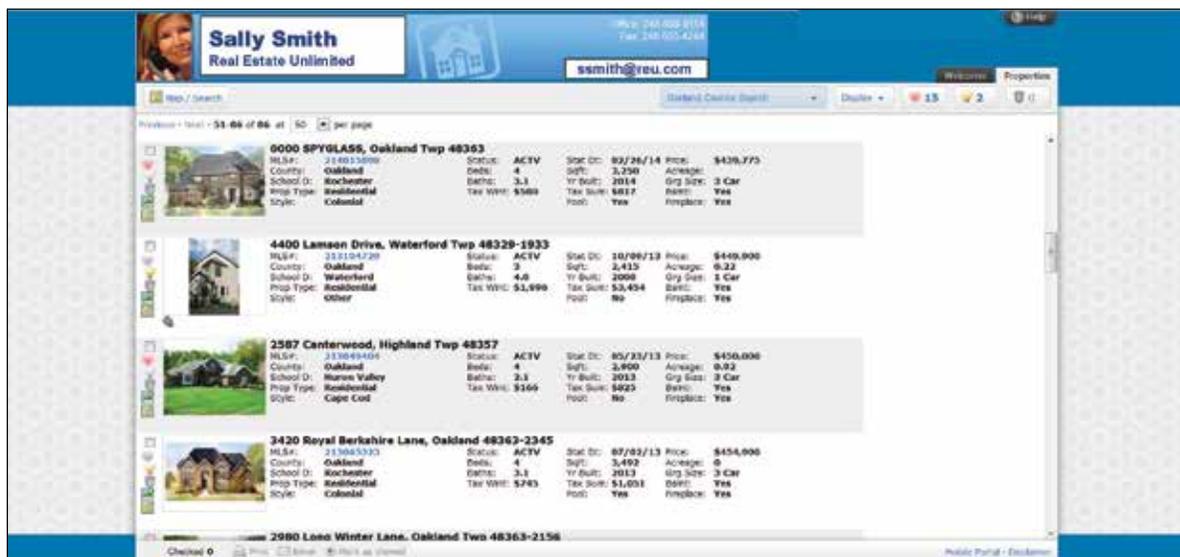


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**Your clients are looking for homes. Are you able to show them fast enough?**

Our new RCO3® system utilizes innovative software to create and populate a branded client portal. That means any new listing matching their specific search criteria is automatically added and your client is contacted immediately.

Connected directly to Realcomp's MLS and powered exclusively by Matrix™ from CoreLogic, RCO3® will tell you what homes your client has viewed, when their search criteria has changed, assist in scheduling appointments, and more. Your clients can quickly browse listings, eliminate them, or "favorite" those of interest and find the home of their dreams faster—thanks to you.

RCO3®, powered by Matrix™, only from Realcomp.



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