



Real Estate - The New Horizon

Supplemental Handout - by Vern Jarboe

KAR will not provide printed copies of class materials at the conference.



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REAL ESTATE
-The New Horizon-

Student Handout
Supplementary Information

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1

Tools for Working with Clients

That's Who We R (NAR Videos).
Consumer-oriented shareable videos
<https://www.youtube.com/playlist?list=PLJ8nxcZniP61mv2xQYDYx5arbViRRng4K>

Reference Handouts for Buyers.
Printable handouts, covering various home-buyer topics.
<https://www.nar.realtor/magazine/tools/client-education/handouts-for-buyers>

2

Tools for Working with Clients *(continued)*

Home Buyer's Toolkit.

A 10-step quick-reference guide

<https://homebuying.realtor/home-buying/getting-started/home-buyers-toolkit>

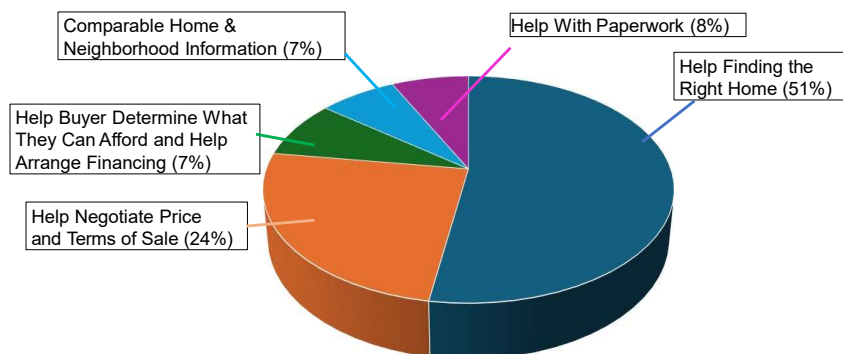
Guide for REALTORS®.

How to use seminars to attract more qualified clients.

<https://www.nar.realtor/magazine/real-estate-news/sales-marketing/use-seminars-to-attract-more-qualified-clients>

3

What Clients Value Most From Real Estate Agents



Source 2021 NAR Home Buyers and Sellers Generational Trends, p. 69.

4

How Buyers Search for Homes

	AGE OF HOME BUYER						
	All Buyers	22 to 30	31 to 40	41 to 55	56 to 65	66 to 74	75 to 95
Real estate agent	87%	88%	86%	85%	89%	88%	91%
Mobile or tablet search device	76	87	83	80	67	58	46
Open house	53	53	55	56	54	48	44
Yard sign	41	38	40	44	41	41	40
Online video site	41	30	32	44	48	55	56
Home builder	18	13	16	21	19	22	24
Print newspaper advertisement	10	7	7	10	9	15	24
Home book or magazine	8	3	6	9	10	11	12

Source: 2021 National Association of REALTORS®. Home Buyers and Seller Generational Trends, p. 53

5


How Clients Found Their Real Estate Agent

	AGE OF HOME BUYER						
	All Buyers	22 to 30	31 to 40	41 to 55	56 to 65	66 to 74	75 to 95
Referred by (or is) a friend, neighbor or relative	40%	52%	45%	37%	34%	31%	32%
Used agent previously to buy or sell a home	13	7	11	16	14	15	19
Inquired about specific property viewed online	7	7	6	7	10	6	6
Website (without a specific reference)	6	7	6	6	5	7	5
Visited an open house and met agent	6	6	5	5	8	8	7
Referred by another real estate agent/broker	5	6	4	4	5	8	4
Personal contact by agent (telephone, e-mail, etc.)	4	3	4	3	3	4	4
Saw contact information on For Sale/Open House sign	3	1	1	3	4	5	6
Referred through employer or relocation company	2	2	3	3	2	*	1


Source: 2021 National Association of REALTORS®. Home Buyers and Seller Generational Trends, p. 71

6


Agency




Client



Licensee working with consumer is an Agent




Supervising Broker is an Agent




Other Affiliated Licensees are Agents

K.S.A. 58-30,102 (f) Buyer's Agent
(n) Landlord's Agent
(q) Seller's Agent
(t) Tenant's Agent




7


Designated Agent




Client



Designated Agent




Supervising Broker is a Transaction Broker



Other Affiliated Licensees have NO relationship

In an agency agreement, a broker may specifically designate one or more affiliated licensees who will be acting as legal agent of the buyer client or seller client to the exclusion of all other affiliated licensees.

K.S.A. 58-30,109(b)(1)



8

Duties to Clients: Loyalty

Give your clients your undivided loyalty. The client's interests come first—before customers, service providers, or anyone else, including you.

► Code of Ethics Article 1

When representing a buyer, seller, landlord, tenant, or other client as an agent, REALTORS® pledge themselves to protect and promote the interests of their client. This obligation to the client is primary, but it does not relieve REALTORS® of their obligation to treat all parties honestly. When serving a buyer, seller, landlord, tenant or other party in a non-agency capacity, REALTORS® remain obligated to treat all parties honestly. (Amended 1/01)

9

Duties to Clients: Disclosure

Disclose affirmatively, fully, and honestly all information concerning the transaction and property that might affect the client's decisions.

► Code of Ethics Article 2

REALTORS® shall avoid exaggeration, misrepresentation, or concealment of pertinent facts relating to the property or the transaction. REALTORS® shall not, however, be obligated to discover latent defects in the property, to advise on matters outside the scope of their real estate license, or to disclose facts which are confidential under the scope of agency or non-agency relationships as defined by state law. (Amended 1/00)

10

Duties to Clients: Confidentiality

Do not reveal confidential information learned about clients or told to you by clients within the agency relationship.

► **Code of Ethics Article 1, Standard of Practice 1-9**

The obligation of REALTORS® to preserve confidential information (as defined by state law) provided by their clients in the course of any agency relationship or non-agency relationship recognized by law continues after termination of agency relationships or any non-agency relationships recognized by law. (adopted 1/93, amended 1/01):

11

Duties to Clients: Confidentiality (continued)

Maintain Confidentiality

- Do not knowingly (during or following the termination of a client relationship) reveal confidential information about clients.
- Do not use confidential information to the disadvantage of clients or advantage of others, including yourself.
- Exceptions include with the client's consent after full disclosure, compliance with a court order, prevention of a crime, or defense against an accusation of wrongful conduct.
- Be cautious when giving listing brokers feedback after a showing. Too much information could be harmful to your buyer. The negotiating process could start here.

12

Duties to Clients: Accounting

Safeguard money and property held on behalf of the client. Maintain records and provide a prompt accounting, when requested, of money and property received and paid out.

► Code of Ethics Article 8

REALTORS® shall keep in a special account in an appropriate financial institution, separated from their own funds, monies coming into their possession in trust for other persons, such as escrows, trust funds, clients' monies, and other like items.

13

Duties to Clients: Reasonable Care and Diligence

Protect the client from foreseeable risks or harm. Recommend expert advice or assistance when the client's needs exceed the agent's expertise.

► Code of Ethics Article 1

When representing a buyer, seller, landlord, tenant, or other client as an agent, REALTORS® pledge themselves to protect and promote the interests of their client. This obligation to the client is primary, but it does not relieve REALTORS® of their obligation to treat all parties honestly.

When serving a buyer, seller, landlord, tenant or other party in a non-agency capacity, REALTORS® remain obligated to treat all parties honestly. (Amended 1/01)

14

Duties to Clients: Reasonable Care and Diligence (*continued*)

Protect the client from foreseeable risks or harm. Recommend expert advice or assistance when the client's needs exceed the agent's expertise.

► Code of Ethics Article 13

REALTORS® shall not engage in activities that constitute the unauthorized practice of law and shall recommend that legal counsel be obtained when the transaction requires it.

15

What is Reasonable Care and Diligence?

- Provide lists of other professionals (e.g., home inspector, title company, appraiser, mortgage lender, etc.)
- Provide sources of information for factors that could impact future value and salability (e.g., zoning, schools, developments).
- Inform your client of possible negative influences (e.g., toxic waste, landfills, sports arena, agricultural operations, etc.)
- Inform your client about the sources of information

16

Responsibilities to Customers

It can be hard to work with customers because they want to be treated like clients.

The Standards of Practice and Code of Ethics guides REALTORS® through every step of the process. A few specific examples are discussed next.

17

Responsibilities to Customers: Honesty

Do not make statements or take actions that can result in fraud or misrepresentation. Ensure all laws and regulations pertaining to the transaction are obeyed.

► Code of Ethics Article 1

When representing a buyer, seller, landlord, tenant, or other client as an agent, REALTORS® pledge themselves to protect and promote the interests of their client. This obligation to the client is primary, but it does not relieve REALTORS® of their obligation to treat all parties honestly. When serving a buyer, seller, landlord, tenant or other party in a non-agency capacity, REALTORS® remain obligated to treat all parties honestly. (Amended 1/01)

18

Responsibilities to Customers: Accounting

Record money or property received and paid out and, upon request, provide an accounting. Safeguard money and property held on behalf of the customer.

► Code of Ethics Article 8

REALTORS® shall keep in a special account in an appropriate financial institution, separated from their own funds, monies coming into their possession in trust for other persons, such as escrows, trust funds, clients' monies, and other like items.

19

Responsibilities to Customers: Reasonable Skill

Provide standards of practice and competence that are reasonably expected. Do not try to provide specialized professional services for a type of property or service outside your fields of competence.

► Code of Ethics Article 11

The services which REALTORS® provide to their clients and customers shall conform to the standards of practice and competence which are reasonably expected in the specific real estate disciplines in which they engage; specifically, residential real estate brokerage, real property management, commercial and industrial real estate brokerage, land brokerage, real estate appraisal, real estate counseling, real estate syndication, real estate auction, and international real estate.

20

Responsibilities to Customers: Disclosure of Materials Facts

Disclose material facts about properties.

Customers should protect their own interests and need to know the difference between a customer and client relationship.

► **Code of Ethics Article 2**

REALTORS® shall avoid exaggeration, misrepresentation, or concealment of pertinent facts relating to the property or the transaction. REALTORS® shall not, however, be obligated to discover latent defects in the property, to advise on matters outside the scope of their real estate license, or to disclose facts which are confidential under the scope of agency or non-agency relationships as defined by state law. (Amended 1/00)

21

REALTOR'S® Code of Ethics

► **Code of Ethics Article 2**

REALTORS® shall avoid exaggeration, misrepresentation, or concealment of pertinent facts relating to the property or the transaction. REALTORS® shall not, however, be obligated to discover latent defects in the property, to advise on matters outside the scope of their real estate license, or to disclose facts which are confidential under the scope of agency or non-agency relationships as defined by state law. (Amended 1/00)

22

Determining the Level of Service Desired

NEEDS ASSESSMENT	
<i>Buyer NOT Represented</i>	<i>Buyer is Represented</i>
Maintain Loyalty to the seller's needs.	Pay full attention to the buyer's needs.
Tell Seller all you learn about buyers.	Tell buyer all that you learn about sellers.
Focus on the sell-client's property.	Focus on expanding the range of choices to satisfy buyer's needs.

23

Determining the Level of Service Desired

PROPERTY SELECTION	
<i>Buyer NOT Represented</i>	<i>Buyer is Represented</i>
Get the best offer for the seller-client.	Find the best property for the buyer-client.
Limit properties to listed properties only.	Promote the buyer's search.
View new listings after buyer-client.	First opportunity to view new listings.
Show properties listed within buyer's affordability range.	All properties are available and viewable, and the sale price is negotiable.

24

Determining the Level of Service Desired

VIEWING PROPERTIES	
<i>Buyer NOT Represented</i>	<i>Buyer is Represented</i>
Just the material facts.	Okay to give advice with facts.
Protect the seller. Cannot help the buyer compare competing properties.	Educate the buyer. Okay to compare competing properties.

25

Determining the Level of Service Desired

NEGOTIATING THE PURCHASE AND SALES AGREEMENT	
<i>Buyer NOT Represented</i>	<i>Buyer is Represented</i>
Disclose only material facts.	Give advice accompanied by facts.
Negotiate on behalf of seller-clients.	Negotiate on behalf buyer-clients.
Strengthen the seller-client's negotiating position	Strengthen the buyer-client's negotiating position.
Share all information about the buyer.	Share all information about seller.
Volunteer a CMA for the buyer if it supports the seller-client's listing price	Provide price counseling for a buyer-client.
Negotiate approved sales contract protective clauses to safeguard seller- client.	Negotiate approved sales contract to safeguard buyer- clients.
Suggest buyer financing alternatives to benefit the seller-client's interests.	Suggest financing alternatives that may be in buyer- client's best interests.
Continue services to seller-client during negotiations.	Continue services to buyer-client during negotiations.

26

Determining the Level of Service Desired

Follow-up	
<i>Buyer NOT Represented</i>	<i>Buyer is Represented</i>
Attempt to solve problems to the seller-client's satisfaction.	Attempt to solve problems to the buyer- client's satisfaction.

27

Ethics

➤ **Standard of Practice 16-9**

REALTORS®, prior to entering into a representation agreement, have an affirmative obligation to make reasonable efforts to determine whether the prospect is subject to a current valid exclusive agreement to provide the same type of real estate service.

The license law does not allow you to cross another brokers exclusive contract.

28

Create an Interview Checklist

- Obtain all contact info.
- Ask if they have or are working with other REALTORS®.
- If they left a REALTOR®, ask them why and if there was (or is) a written agreement.
- What do they think they want (e.g., size, bedrooms, garage, price, lot size, age, etc.)?
- Find or create a checklist - Use excel and let them compare property shown with check list.
- Revise the check list as you go.
- Is the buyer's financing prequalified? Do they have cash available?
- Will the seller need cash to close?
- What are their future plans?

29

Additional Interview Questions to Consider

What is the intended use of the property?

- Residence
- Family residence
- Investment and income property
- Perceived period of ownership

What searches has the client done or would like to try?

- On line
- For Sale By Owner
- New construction
- Finding land

30

Purchase Process

- Create the steps from prequalification to closing
- Discuss those steps
 - Prequalification
 - Search
 - Offer
 - Inspection
 - Close
- Refine you list as you work with buyers and learn new things matter

31

Prepare The Client for The market

- Know your current market – days on market, percentage list to sale.
- Know current trends in value and interest rates.
- Is it a buyer's or seller's market?
- Take care with what you cannot change (e.g., neighborhood and architectural style).
- Be flexible on what you can change (e.g., paint and carpet).
- Help the client understand regional markets within your area.
- Discuss and explain the time required for marketing, the search, qualification, negotiation, inspection and closing.

32

Buyer packet

- Sheet that describes typical process
- Sheet that described your service and value that is unique
- Sample forms (names and addresses redacted from docs):
 - Contract
 - Seller disclosure form used in your market
 - Termite or other inspections
- Other information you want all buyers to know – consider a glossary of terms used locally

33

Financial Qualification

- Avoid looking for what they cannot afford
- Educate buyers on purchases after financing approval
- Prequalification
- Preapproval with:
 - Verification of employment
 - Verification of income
 - Verification of credit

34

Buyer Agreement

Using an actual form, go over the elements of the agreement

- Duration
- Type of property
- Location of property
- Search activity – what will you be doing
- Fair housing
- Commission structure – who will be paying the buyer agent fee?
- How much commission
- Post termination responsibility
 - Confidentiality
 - Commissions post-termination

35

Buyer Representative Safety

Be proactive—have a safety plan in place for all scenarios and make use of safety measures available through your brokerage.

Two videos on personal safety for real estate professionals are especially valuable:

▶ **Safety Best Practices for Real Estate Professionals**

<https://www.nar.realtor/window-to-the-law/safety-best-practices-for-real-estate-professionals>

▶ **Personal Safety Tips for Real Estate-Professionals**

<https://www.nar.realtor/videos/personal-safety-tips-for-real-estate-professionals>

36

Two Categories of Buyers *(continued)*

Sphere of Influence – The people you know personally

- 90% of buyers would use their agent again or recommend their agent to others. ¹
- 43% of buyers used an agent that was referred to them by a friend, neighbor, or relative ¹

¹ Source: 2023 NAR Profile of Home Buyers and Sellers. Home Buying and Real Estate Professionals.

37

Two Categories of Buyers

New Clients

- First-time buyers made up 32% of the real estate market. ¹
- When a first-timer is looking for a home, the agent can make a big difference. The best agents will be able to answer buyers' questions and guide them through a process that can otherwise be complicated. ²

¹ Source: 2023 NAR Profile of Home Buyers and Sellers. Home Buying and Real Estate Professionals.

² Source: How agents can help first time buyers. *Real Estate News*. Nov 11, 2020.

38

How to Write a Value Proposition

A value proposition is a short statement that communicates why buyers should choose your products or services. A great value proposition could be the difference between losing a sale and closing it.

- Identify your customer's needs.
- Identify all the benefits you offer and why they are valuable.
- Differentiate yourself as the preferred provider of this value.
- Other

39

How to Demonstrate Value

What We Do: Find a Property

- Use MLS pre-list
- Contact potential sellers
- Contact previous clients
- Contact other offices

How We Do This

- Not all properties buyers may see are on the internet are still available.
- Similarly, not all available properties are on the internet.

40

How to Demonstrate Value

What We Do: Show a Property

- Point out features and benefits of the property
- Remind buyers of their wants and needs related to the property
- Help buyers compare properties

How We Do This

- Look at things that don't change in the home (e.g., structure, number of rooms, yard, etc.).
- Help buyers understand the level of difficulty in modifying certain aspects of a property that they want to change

41

How to Demonstrate Value

What We Do: Analyze the Market

- Use MLS analytical data
- Help buyers understand the information provided to them
- Create a Comparative Market Analysis (CMA)

How We Do This

- Strategies differ if it is a buyer's or seller's market
- The goal is to help the buyer get the property for the best price and terms in any market.

42

How to Demonstrate Value

What We Do: Write the Offer

- When writing the offer, be sure the offer is structured to the buyer's benefit.

How We Do This

- A poorly written contract can be rejected before it is considered by the seller
- A contract must meet the buyer's needs while also satisfying the seller's requirements.

43

How to Demonstrate Value

What We Do: Negotiate on Buyer's Behalf

- REALTORS® are trained in negotiation to get you the best price, terms and conditions for the current market.

How We Do This

- Help the buyer avoid leaving anything on the table.
- Make sure the buyer is aware of all options.
- Help the buyer understand the pros and cons of their decisions.

44

How to Demonstrate Value

What We Do: Follow-through to Closing

- Monitor due-diligence dates
- Work with home inspector and assist with resolving any issues
- Work with the other agent and appraiser as needed
- Coordinate activities with all parties to get the transaction to closing

How We Do This

- Offer acceptance is only the beginning.
- The REALTOR® moves the process to closing with all the players going in the right direction.

45

Possible Expenses Related to a Home Purchase

- | | |
|-------------------|--------------------|
| • Ernest Money | • Escrow/Title Fee |
| • Origination Fee | • Survey |
| • Application Fee | • Reports |
| • Inspection Fees | • Attorney |
| • Insurance | • Down Payment |

46

Affirmation Requirements for Offers and Counter Offers

➤ **Standard of practice 1-7: Affirmation by Listing Broker**

Upon written request of cooperating broker who submits an offer to the listing broker, the listing broker shall provide written affirmation as soon as practical stating that the offer has been submitted to the seller or a written notification that seller has waived obligation to see offers.

47

Affirmation Requirements for Offers and Counter Offers (continued)

➤ **Standard of practice 1-8: Affirmation by Buyer Broker**

Upon the written request of the listing broker, the buyer's broker shall provide, as soon as practical, a written affirmation to the listing broker stating that the counter-offer has been submitted to the buyers/ tenants, or a written notification that the buyers/tenants have waived the obligation to have the counter-offer presented.

48

Confidentiality of Offers *(continued)*

➤ **Standard of Practice 1-13**

When entering into buyer/tenant agreements, REALTORS® must advise potential clients of:

- 1) The REALTOR®'s company policies regarding cooperation;
- 2) The amount of compensation to be paid by the client;
- 3) The potential for additional or offsetting compensation from other brokers, from the seller or landlord, or from other parties;

49

Confidentiality of Offers

➤ **Standard of Practice 1-13**

- 4) Any potential for the buyer/tenant representative to act as a disclosed dual agent (e.g., listing broker, subagent, landlord's agent, etc.); and
- 5) The possibility that sellers or sellers' representatives may not treat the existence, terms, or conditions of offers as confidential unless confidentiality is required by law, regulation, or by any confidentiality agreement between the parties. *(Adopted 1/93, Renumbered 1/98, Amended 1/06)*

50

Multiple Offers

➤ **Standard of Practice 1-15**

REALTORS®, in response to inquiries from buyers or cooperating brokers shall, with the sellers' approval, disclose the existence of offers on the property. Where disclosure is authorized, REALTORS® shall also disclose, if asked, whether offers were obtained by the listing licensee, another licensee in the listing firm, or by a cooperating broker. *(Adopted 1/03, Amended 1/09)*

51

Code of Ethics & Standards of Practice

➤ **Standard of Practice 3-6**

REALTORS® shall disclose the existence of accepted offers, including offers with unresolved contingencies, to any broker seeking cooperation. *(Adopted 5/86, Amended 1/04)*

52



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