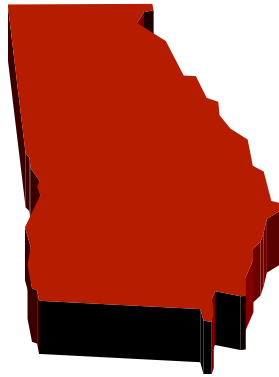


**A STUDY GUIDE FOR THE  
GEORGIA BROKER SIMULATION EXAMINATIONS**



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## **SIMULATIONS...WHY**

Real estate salespersons who take a Georgia broker pre-license course may be dismayed to discover that the familiar multiple-choice questions found on the salesperson examination have been replaced on the broker licensing examination by something quite different. Most of us have never experienced simulation questions because in the normal course of getting educated simulation exercises don't appear until some graduate programs, for example medical school examinations or law exams. Good old, familiar multiple-choice exams were probably with us by the sixth grade, if not earlier.

Have you ever had a co-operative transaction in which the other agent was so incompetent that you were forced to call the broker -- only to discover that the broker seemed to be about as helpful as a box of rocks? A broker's lack of knowledge is hardly surprising when you realize that the real estate business has been getting more complex every year --perhaps every month-- while pre-license exams for brokers have continued to be little more than a repeat of the exam given for the salesperson license. We might compare this situation to teaching a modern-day secretary to take dictation with old-fashioned shorthand techniques.

The purpose of real estate licensing is to provide consumers with assurance that their transactions are being handled by people who are both competent and trustworthy. The rising tide of legal problems confronting consumers today is reason enough to explain that some changes were needed in qualifying for a broker license. Moreover, some states have eliminated the salesperson license and now issue only a broker license, while in others the two roles are becoming more blurred. Customers may be dealing with agents who have little or no immediate oversight. The level of responsibility the licensee carries can be pretty heavy indeed.

There is a bright side to the change. Over the years licensees have loudly bemoaned the fact that our business has not enjoyed a very high opinion in public opinion polls. Only lately have polls shown that we grudgingly moved above the level of used car salespeople in the rankings. We talk about being "professional", but in law we are still considered to be a "trade". Certainly the more challenging license requirements move us much further from the ranks of trades and closer to a professional ranking.



## **SIMULATIONS.....WHAT ARE THEY?**

Multiple choice questions on an examination require you to select one of several answers to a question; they deal with facts, definitions, or memorized formulas. The questions demonstrate that you have learned and committed to memory an awesome number of definitions, practices or laws. Simulation-based examinations, on the other hand, require you to solve problems. Simulations require that you have knowledge of real estate brokerage; they test how well you would use that knowledge in facing typical broker challenges. They test your level of experience, judgment and ethics.

Real estate educators admit that they cannot teach you “experience” and sometimes question whether they can endow you with better “judgment” or a better “ethic.” However, classroom courses and study aides such as this guide can familiarize you with the simulation approach, and provide you with practice in problem-solving experience and techniques.

The Georgia Real Estate Commission through its examination provider, Applied Measurement Professionals, Inc., offers the broker simulation examination only by computer at one of the designated testing centers. Each simulation problem consists of three parts. The first part is the Narrative section, also called the Scenario. The narrative describes a typical problem that a broker might face. The narrative could describe a residential, commercial, or property management situation.

The second part of a simulation problem is the Fact Finding section, also known as Information Gathering. You are shown a list of information items that a broker might (or might not) need to know before making any decision to resolve the problem. The instructions to this section will tell you to choose as many of the items as you believe necessary or important for you to make a good decision about managing the situation presented in the narrative. You will be graded in this section on the basis of whether your choices were helpful, relatively useless, or downright harmful in resolving the narrative’s problem. Good choices receive a “plus” grade, and harmful choices receive a “minus” grade.

The third part of a simulation problem is the Decision Making section. This section presents a list of actions that you might (or might not) want to undertake based on the information you have received. You may be asked to choose only one option, or you may have the choice to select as many options as you believe would be helpful in resolving the problem. If there is only one option, you will want to choose the one **best** option that furthers solving the simulation problem. Again, options in this section are scored plus or minus.

A typical simulation exam problem may provide you with additional narrative information as you move through the problem. You may have more than one information gathering section, and several decision making sections before completing the simulation. Each problem will have a number of steps and can appear quite complicated. Instead of over 100 multiple-choice questions that have appeared on broker licensing examinations in the past, the Georgia broker examination consists of twelve simulation problems. Ten of these problems will be used to compute your examination score, while the other two are being pre-tested for future examinations and are not scored. You will be required to complete all twelve problems, and the examination does not indicate which two problems are not scored. You will have 3 ½ hours to complete the examination.

You may review additional information in the Candidate Handbook provided by AMP, and take three practice simulation examinations at no charge at [www.goamp.com](http://www.goamp.com). The site also includes a four-part broker simulation examination which you may purchase for a fee of \$25.00. If you are taking a Georgia broker pre-license course or planning on taking the broker examination, it is important that you review the Candidate Handbook carefully as soon as possible.

The internet addresses for these resources from AMP are:

CANDIDATE HANDBOOK:

<http://www.goamp.com/Publications/candidateHandbooks/GAREP-handbook.pdf>

PRACTICE SIMULATION EXAMINATIONS:

<http://www.goamp.com/repSimTests.aspx>



## **SIMULATIONS...HOW ARE THEY GRADED?**

Knowing how simulations are graded can help you understand the importance of reading all options carefully, and choosing options wisely. Most educators suggest that you read all options in a section of each simulation examination before choosing any options on the screen, as this will help you determine the best choice or choices in that section. However, the educators also agree that you should not worry or concentrate on how options are scored while taking an examination, as thinking about scoring only creates anxiety and takes up valuable time.

The simulations you will experience on the broker examination have been reviewed by a large number of experienced brokers, educators, and other “industry experts” to ensure that the answers are graded as fairly as possible. Only the choices and the scores that have been selected through a consensus of all reviewers appear on the examinations. In addition, as examinations are completed, AMP reviews the questions to determine how all the options fare with the examinees, to see how items which were expected to be answered correctly (or incorrectly) were actually chosen by examinees. Looking at the results provides AMP with a measure of how well each question and option works in each simulation.

Each simulation option has a grade from +3 to -3, with +3 applied to the most positive, correct answer, and -3 to the most negative or incorrect answers. Most answers will have a score from +2 to -2, as +3 and -3 are rarely used. A “zero” option is rarely seen. In addition, some positive scores will include an “R” indicator, meaning that the option must be chosen by the examinee in order to pass the section, and a few, but not many, of the negative items may have an “F” indicator, meaning that the negative option will be forgiven, not counted, if chosen. AMP working with the examination reviewers has determined a minimum passing, positive score for each section of each simulation problem.

Let’s look at an EXAMPLE:

Assume we have an Information Gathering Section with 12 options that that may be chosen.

2 items are rated +2, and of these, 2 are rated “R” for required.  
4 items are rated +1, and of these, 1 is rated “R” for required  
4 items are rated -1, and of these, 1 is rated “F” for forgiven  
2 items are rated -2.

The maximum score an examinee can achieve in the section is 8 (all of the pluses and no minuses). The minimum passing score is 5 (the two +2 “R” items, and the one +1 “R” item). The total of all negative items is -7, since one item is “forgiven.”

For the broker examination, when all sections have been completed, all plus items from all sections are totaled and the total of negative items is deleted. All the Information Gathering (IG) sections and all the Decision Making (DM) sections are scored separately, with separate cumulative scores for the IF sections and the DM sections. An applicant must achieve the minimum cumulative score for both the Information Gathering sections and the Decision Making sections to pass an examination. AMP determines the minimum cumulative passing score for the IF and DM sections of each broker examination.

Understanding how simulation examinations are scored can be confusing, but knowing that option items can have a positive or negative impact on your passing the exam should encourage you to read everything carefully and choose items wisely. Don't spend time thinking about the scoring, either in your preparing for the exam or when you are taking your broker examination. While written or online practice simulations may display their scoring for learning purposes, the actual broker exam will not provide you with any indication of how any individual options are scored.



## **SIMULATIONS ...HOW DO I PREPARE?**

1. As you have seen by now, taking a simulation examination requires a major attitude adjustment on your part. In the past, students could expect that a pre-license course contained ALL the information they could possibly be expected to know when facing a state licensing exam. If they attended class regularly, stayed awake, took notes (in other words, all the things necessary to complete the class), they should be able to pass with flying colors. If the student did not pass, well, the student could blame the school!

With simulation exams, schools have no way to provide students all the answers or all situations that might present themselves on an examination. Schools can only provide students with helpful methods to prepare for what they might encounter on a simulation exam.

2. Even though simulation exams present problems that the test taker must solve, you will need to know real estate basics and fundamentals to do well on the exam. A review of real estate basics, whether in the classroom, in an online course, or in self-study will prove worthwhile in preparing for the exam. Like many students, you may find that your recollection of how to list such things as the unities of a joint tenancy or how to define an exculpatory clause has grown pretty dim. Knowing how to operate within real estate laws and regulations is critical in facing broker problems. You might find a review of the Unfair Practices listed in the License Law (43-40-25), and the provisions of the REALTOR Code of Ethics helpful in focusing on the most important legal and ethical issues confronting brokers.
3. In solving a simulation problem, answer in the way that the best broker you have ever had (or wished you had) would have answered. Don't be side-tracked into how the problem could have been prevented or how you could keep it from happening again. Read the narratives and options provided for each section of the examination carefully. Do not read anything into the problem that does not appear in the actual simulation given on the exam.

Simply **SOLVE THE PROBLEM**. Pretend you are sitting behind the desk in the office of a company you manage or own. Maybe you have no intention of playing that role with your new license, but in the real estate business most licensees are in effect running their own businesses.

4. Review and practice the problems and sample simulations that follow in this guide. In addition, take the free practice examinations at the AMP website. Some approved pre-license schools may provide their students with written guides and practice simulations, and you may be able to find other resources about simulation examinations online by using your preferred internet search option.
5. Take your time when working a simulation problem. As mentioned above, read all narratives and all options carefully. Scroll through and read ALL OPTIONS presented to you BEFORE you answer any options. Once you have chosen an option on the actual examination, you may not retract or correct your choice.
6. Students have found that there is no advantage to “cramming” for a broker simulation examination. Getting a good night’s sleep, eating a proper meal, and arriving rested at the AMP testing facility are very important in doing well on a simulation examination. Some students have even reported that they “enjoyed” the simulation testing experience much more than previous multiple-choice type examinations.





## **PROBLEM SOLVING...**

In preparation for taking a broker simulation examination, let's begin with narratives that are similar to those posed on simulation exams. You may want to discuss these within a broker pre-license class, or share them with a few other people to discover different approaches to the problems. The five problems are not complete simulation problems, and there is no clear-cut right or wrong answer to the problems. You are challenged to come up with a "common sense" solution that respects real estate laws and good practice.

Remember that problem solving begins with what we know, and what we may still need to find out before choosing a course of action. You may rightly determine that a decision-making point has not yet arrived with the limited amount of information you have in each of the five problems. Later in this guide you will find some comments based on tests and discussions conducted in actual Georgia pre-license classes. In thinking of each problem, a good rule to keep in mind is the one that medical students learn by heart, "First, do no harm."

## **PROBLEM SOLVING EXERCISE #1**

### *Betty the Bookkeeper*

You are a part owner and managing broker of a busy residential real estate office. Betty, who has been a bookkeeper since the day the business began, is now telling you that she needs an assistant. You've noticed that Betty is often working overtime and looks very tired. On the other hand, her methods are old-fashioned, and she resists trying to use new technologies that would undoubtedly save her a lot of time.

Twelve years ago, when the company was struggling to build a business, Betty once worked without pay for two months so that the agents' commissions could be paid on time. She is meticulous in her work and so trustworthy that you rarely take the time to check on her accounts. You and everyone else in the company would hate to see Betty go, but you would also hate having to pay two employees for work that could be handled easily by one person using the most up-to-date technology and computer programs.

What should you do about Betty's request for an assistant?

## PROBLEM SOLVING EXERCISE # 2

### Your Nephew Needs Advice

You owned and operated a fairly successful real residential real estate company for many years. Recently you sold your business and have retired to the beach to enjoy the fruits of your labor. A young nephew, Wilbur, comes to you asking for some advice.

Wilbur received his real estate license three years ago and joined a large company that specializes in selling both new and resale homes. Wilbur is doing well in the business. He believes it is time for him to think about going into business for himself.

You question Wilbur about his motivation for wanting to go into business for himself. He explains that he can make more money when he is not sharing commissions with a broker. He also plans to acquire some commercial clients. A friend who runs an insurance agency will share office space with him, and he knows two or three licensed salespeople who would join him in his new firm.

What advice would you give Wilbur?



## PROBLEM SOLVING EXERCISE #3

### The Property Owner's Nightmare

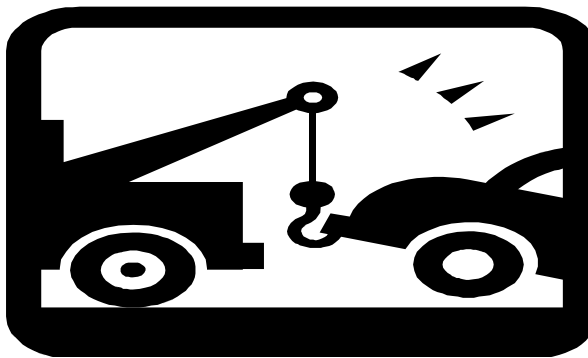
Parking is never abundant at a low-rise apartment complex you manage. Residents are assigned one space per unit as near as possible to their entry. Spaces for extra vehicles are available at a lot about 2,000 feet away.

Apartments #222 and #223 use the same entryway. Unit 222 is occupied by two elderly women, both of whom have “handicapped” stickers on their cars. The women are assigned two spaces close to their door.

The two young men in unit 223 are both employed in technology and often carry heavy equipment in and out of the apartment. They are assigned one space that is only about 300 feet from their door, but a second car must park in the extra-car lot. The men are loudly complaining to anyone who will listen that their lease entitles them to one space at their entry. They say that the two women in unit 222 are not employed and might easily get along with just one car. They even question whether the ladies are really disabled, as one of them exercises at a spa almost every day.

You already have a few vacancies in the apartment complex so you are anxious to resolve this dispute before anyone decides to move out.

What can you do to resolve the situation?



## PROBLEM SOLVING EXERCISE #4

### Buyer Beware

You are an independent broker, doing very well with a career in residential sales. You enjoy working with both sellers and buyers, but you avoid engaging in dual agency situations whenever possible. In the subdivision where you live, a friend and neighbor, Paul, has just listed his house with you. Paul urgently needs a quick sale because of financial problems he has experienced.

At this time you already have a buyer-brokerage engagement signed with the Macklins, a young family with three children who are relocating from another city. Paul's house happens to suit the Macklin's needs, and you show it to them. They decide to make an offer on the house; however they are going to delay a day or two while they contact their parents for advice. You explain the dual agency situation to both parties, and neither party has any objections to your representing each party in this transaction.

Before the Macklins actually make any written offer on Paul's property you learn that a convicted child molester has been released from prison and is returning to his home located in the same block as Paul's house.

Must you reveal the child molester's returning home to the Macklins?



## PROBLEM SOLVING EXERCISE #5

### Spare That Tree

You are the owner and qualifying broker of XYZ Realty, and you currently have 14 agents licensed under your company. Belinda recently acquired a real estate license and joined your company. Before she has even completed your basic company training program, she has her first client, her cousin, Sam. He has asked her to help him find a small commercial location where he can open a clothing accessory store for a franchise he has just purchased.

With diligent searching Belinda has found a free-standing building that seems to suit Sam's needs. The building is in the area he has specified, has a fairly conspicuous location and is zoned commercial. While the price seems high, the building does have a second floor that could probably provide some rental income for Sam.

Sam likes the property, but he worries that the available parking spaces would be inadequate for the business he hopes to bring to the store. The listing agent points out that some overgrown land at the back of the lot could provide for expanded parking by simply removing eight large trees. With that assurance, Sam purchases the property.

Now Sam is suing you and your company because he has discovered the county has a "tree ordinance" that requires a permit for cutting down established trees. The permit seems to be unobtainable.

Will you contest this suit or settle with Sam? Can the blame for Sam's dilemma be placed with the listing agent?



## SAMPLE SIMULATION PROBLEMS

There are five simulation problems in this study guide to assist you in preparing for actual simulation examination problems. While taking sample simulations on paper is not quite the same as seeing problems on a computer screen, the problems that follow will help you to approach the examination with confidence in knowing how to proceed through the actual simulation problems. As noted above, read the narratives and each section of the exam twice before proceeding to choose any options. As you will discover, all of the problems are “real world,” situations that could be faced by agents in any brokerage firm. You may find that you enjoy taking this type of examination because the problems are rooted in real brokerage situations.

Answers to the five problems are provided at the end of this guide. Selected brokers have reviewed the scoring of options to ensure that they are reasonable given real life situations. In providing answers, this guide gives only a simple plus or minus scoring rather than +2, +1, -1, -2, etc. You will find a **P** + for all positive, plus answers; and an **N** – for all negative, minus answers. Classroom instructors have found students have a tendency to get bogged down in deciding whether an option should be a +2 or a +1, or conversely a -2 or -1, rather than learning why an option is a plus or minus given the actual problem presented in the simulation.

Remember that in solving a simulation problem you are selecting the best options that comply with good ethics, good practice, and real estate laws and regulations. Do not read into any problem more than what is stated in the actual narrative or questions. Especially in decision-making sections permitting only one choice read the options very carefully and choose the best option even if another option seems plausible. The title of each simulation indicates a topic area of real estate practice that the simulation problem addresses.

You may want to print out the simulations that follow so that you may circle or mark the options you choose. This guide is not interactive and does not allow you to mark your answers on your computer screen or online. Remember that in the actual online simulation examination you will not be able to change the options once you have marked them.

## **SIMULATION NUMBER 1**

### **WHAT'S WRONG IN WEMBLEY: Representation of Services-Homeowner Association Management**

#### **INFORMATION GATHERING: Narrative**

Wembley is an upper-priced subdivision with 165 homes. The subdivision has an attractive swim-tennis club. You are the broker for Highroad Management Company which has managed Wembley since it was built fifteen years ago. Owners in the subdivision now want to spend money on maintenance, including some road repairs, new roofs for the clubhouse, and surfaces for the swimming pool and the tennis courts.

The Homeowners' Association Board of Directors initially thought there was enough money in reserve to address the maintenance needs and acquired bids for the work. As the bids were opened, it became obvious that the reserve funds were inadequate, and a substantial special assessment would have to be levied against the owners to restore Wembley to tip-top condition.

The homeowners are outraged, especially several who have purchased their homes recently. They believe that established owners should have been paying more maintenance fees over the years, and they blame your management company for letting the property deteriorate.

What questions should you consider in addressing the homeowners' concerns?

**SELECT AS MANY** as you consider appropriate in this section.

1. How much money is in the reserve fund?
2. How do the actual funds compare with the estimate of funds needed for repairs?
3. Can previous owners be billed for their share of the money required for repairs?
4. Would the Highroad Company agree to make up the deficit?
5. Could improvements be delayed for a period of ten years or more, so as to provide more time for raising additional funds through increased monthly maintenance payments?
6. Can club repairs be charged only to those owners who use the club?
7. Has an increase in monthly fees ever been proposed to the Board of Directors?
8. Are any owners in arrears on their monthly assessments?
9. How much money has been spent on maintenance over the years?

#### **ANSWERS for Information Gathering Questions:**

1. Approximately \$94,000.
2. Approximately \$275,000.
3. No.
4. No.
5. Owners believe that acting on the maintenance is urgent.
6. Probably not without unanimous approval of all owners.
7. Yes, twice. The Board has never approved an increase in the fees.

8. Yes, four owners owe fees, for a total of \$2,600.
9. An average of \$2,000 per month.

### **DECISION MAKING: Narrative**

As broker of Highroad Management Company, you ask the Homeowners Association Board to meet to discuss ways to address the shortfall in the reserve funds. You want to go to the meeting with some suggestions for the Board. What actions would be appropriate for you to suggest to the Board?

**SELECT AS MANY** as you consider appropriate in this section.

1. Suggest that some of the owners volunteer to do some of the maintenance work.
2. Require those who use the pool and the golf courses to pay extra fees for their use.
3. Reopen the bidding process in hopes of acquiring lower bids for the necessary work.
4. Ask the city to take over ownership of the roads and the swim and tennis club.
5. Propose a one-time special assessment of \$1,500 per owner.
6. That the Board handles the problem without recommendations from you.
7. That the Board accepts your company's resignation.

### **INFORMATION GATHERING: Narrative**

The Board does not meet, but instead calls a special meeting of all owners in Wembley to discuss all possible courses of action (or non-action). The Board does not want to make a decision without hearing from homeowners. The special meeting becomes very heated and divisive. You as the broker do not feel responsible for the problem since the Board has never approved higher monthly fees on several occasions when you recommended higher fees for expenses and to maintain a higher reserve fund. You make what you hope is a powerful argument for a special assessment and for getting on with the work as soon as possible. At the end of the meeting, the Board decides to hold its meeting in two days to vote on what to do to solve the problem. The Board asks you to come to the meeting with your recommendation. What questions should you consider before the meeting?

**SELECT AS MANY** as you consider appropriate in this section.

1. Can any estimates of costs for repairs be negotiated?
2. How many Directors will probably vote for a special assessment?
3. Can club memberships be offered and sold to residents of two nearby subdivisions?
4. Could volunteer labor and donations cover the extra funds needed for repairs?
5. Can the improvements be deferred for at least ten years?
6. Would lending companies holding loans on Wembley units help alleviate the situation?



### **ANSWERS for Information Gathering Questions:**

1. Possibly, but it is also possible that there will be unexpected extra costs even with negotiations.
2. A vote is too close to call—it could go 4 to 3 either way.
3. No, not without changes to the legal documents governing the Association.
4. It is not realistic to expect that volunteers can accomplish the necessary maintenance and repairs.
5. Deferring the improvements would probably result in even greater problems in the future.
6. Yes, the lenders are concerned and might allow special assessments to be added to existing loans.

### **DECISION MAKING: Narrative**

At the Board meeting two days later, the Board asks you for your recommendation. What should you suggest the Board do to solve the problem?

#### **CHOOSE ONLY ONE**

1. Enact a special assessment with extra fees paid by homeowners who use the swim and tennis club.
2. Schedule a vote by all homeowners and act on that vote.
3. Appoint a committee to study all options.
4. Resign so that a new Board of Directors can be selected to tackle the need for extra funds.
5. Approve assessing all former homeowners for part of the costs.

### **End of Simulation Number 1**

## **SIMULATION NUMBER 2**

### **THE CAT CAPER: Representing the Seller**

#### **INFORMATION GATHERING: Narrative**

Belinda is the qualifying broker for Pacemaker Realty, Inc. She receives an angry call from Mr. Edwards regarding his house at 1212 Rosebud Way, which is listed with her company through her agent, Eddie. Mr. Edwards complains that Eddie brought a prospective buyer to his house, but she did not submit an offer. He tells Belinda that Eddie took the buyer to a house two blocks away with an identical floor plan and a smaller lot. She purchased that house, even though the listing price was \$10,000.00 more than Mr. Edward's house. Mr. Edwards wants to know why Eddie spent only fifteen minutes showing his house, and then recommended the other house to the buyer. He is threatening to file a complaint with the real estate commission against Belinda's firm and Eddie. What information does Belinda need to deal with Mr. Edward's complaint?

**SELECT AS MANY** as you consider appropriate in this section.

1. The expiration date of Eddie's listing with Mr. Edwards.
2. The commission Mr. Edwards has agreed to pay.
3. The listing broker on the house that the buyer purchased.
4. Whether Eddie has a signed buyer brokerage engagement with the buyer.
5. Whether one house was in better showing condition than the other.
6. If Mr. Edwards has undesirable neighbors.
7. Were extra incentives offered on the house the buyer chose?
8. The listing price of the two houses.
9. Mr. Edward's motivation for selling.
10. The number of prospects that have viewed Mr. Edward's house.

#### **Answers for Information Gathering**

1. The Edwards listing expires in 60 days.
2. 6% of the sale price.
3. Pricesmart Real Estate Company
4. No. Eddie was working with the buyer as a customer.
5. No. There was no noticeable difference in the condition of each house.
6. No.
7. There appear to be no incentives.
8. The house the buyer purchased was listed at \$10,000.00 more than Mr. Edward's house.
9. Mr. Edwards wants to purchase a larger home.
10. The house has been shown twelve times.

### **DECISION MAKING: Narrative**

Given what Belinda has discovered, what should she do next?

**SELECT AS MANY** as you consider appropriate in this section.

1. Tell Mr. Edwards that his complaint is not warranted.
2. Ask the Real Estate Commission to mediate.
3. Discuss the situation with Eddie.
4. Ask the buyer why she made the choice she did.
5. Table the problem until the sale is recorded so that she can see what price was actually paid on the house.

### **INFORMATION GATHERING: Narrative**

Belinda calls Eddie into her office to discuss the situation and clarify his role with the buyer. Eddie is very angry with Mr. Edwards, and asks Belinda to cancel the listing agreement. He tells Belinda that the buyer is a single woman who was not easy to please. He showed her at least 20 homes before she finally made a decision. Eddie tells Belinda that the woman left the Edwards house quickly because she detected cat odor. She is afraid of cats, and she claimed to have an allergy to cats. Eddie says that the buyer actually preferred the smaller lot on the purchased property, and that the lot included a remarkable rose garden. Eddie does not want to reveal the price the buyer offered, but does tell Belinda that the buyer negotiated the price.

At this point, what other questions should Belinda ask to solve the problem?

**SELECT AS MANY** as you consider appropriate in this section.

1. Does Mr. Edwards actually have a cat?
2. Has Eddie violated his agency responsibility to Mr. Edwards?
3. Can Eddie contact the buyer and ask her to reconsider her decision?
4. Does Belinda have a good reason for canceling the listing?
5. Does Mr. Edwards want to cancel the listing?
6. Are there reasons other than the rose garden that make one listing look better than the other even though the floor plans are similar?

### **ANSWERS to Information Gathering:**

1. No, but he did have a cat that died very recently.
2. It does not appear that he violated the agency agreement.
3. The other broker would probably object to this action.
4. No. Canceling the listing does not solve the problem.
5. Mr. Edwards has not threatened to cancel the listing agreement.

6. Yes. There are some other subtle differences that make the purchased house more attractive than Mr. Edward's home.

**DECISION MAKING: Narrative**

Belinda decides to call Mr. Edwards back. What is the best response to his complaint?

**CHOOSE ONLY ONE**

1. Tell Mr. Edwards that the problem was his fault because he did not deal with the offensive cat odor.
2. Take the Edwards listing away from Eddie and give it to another agent.
3. Explain to Mr. Edwards that Eddie found himself with a buyer who hated cats and loved roses; and that the next prospect that Eddie brings may be just the opposite.
4. Apologize to Mr. Edwards and agree to cut the commission.
5. Suggest that Mr. Edwards offer buyers' agents a bonus for recommending his house.

**End of Simulation Number 2**

## **SIMULATION NUMBER 3**

### **YOUR CHECK IS IN THE MAIL: Earnest Money and Contracts**

#### **INFORMATION GATHERING: Narrative**

You are the managing broker in a branch office of ABC Realty, Inc. One of your salespeople, Chuck, has a buyer client, Mr. Swingle, who is in town to look at houses because of an imminent job transfer to your city. On March 1<sup>st</sup> Chuck shows him a house on Heathcliff Street that seems just about perfect, and he writes an offer which provides for a \$10,000 earnest money deposit. When Chuck asks for the check Mr. Swingle discovers that he does not have his checkbook with him. He is in a hurry to catch a plane, but he signs the offer, telling Chuck to present the offer right away before someone else buys the house. Mr. Swingle promises to send the check by overnight mail the next day. Two days later the check has still not arrived. When contacted by phone Mr. Swingle tells Chuck that the check requires his wife's signature, and she is out of town for a family emergency. Chuck asks for your help.

What questions should you ask to help Chuck in this situation?

**SELECT AS MANY** as you consider appropriate in this section.

1. What is the price offered?
2. How long has the subject property been on the market?
3. Has the contract been presented?
4. What is the closing date on the contract?
5. Is the subject property listed with a broker?
6. Has the listing broker been informed that the check has not arrived?
7. Has the buyer pre-qualified for a loan?
8. Which broker is designated to hold the earnest money?

#### **Answers to Information Gathering**

1. \$325,000.00
2. Three months.
3. Yes and a response is expected today.
4. March 31<sup>st</sup>.
5. It is listed by a competitor.
6. No.
7. Not to Chuck's knowledge.
8. ABC Realty, Inc., your company.

### **DECISION MAKING: Narrative**

You now know that Chuck has presented the contract, and that the listing broker is unaware that your company does not have an earnest money check as required in the contract. What should you do now?

**SELECT AS MANY** as you consider appropriate in this section.

1. Contact the listing broker and explain the situation.
2. Find out if it is too late to withdraw the offer.
3. Study the contract to see if it includes any language to indicate that the check might be delayed.
4. Provide the \$10,000.00 from your company's funds.
5. Attempt to contact Mr. Swingle to find out when he expects to deliver the check.
6. Call the Real Estate Commission for advice.
7. Contact the employer who is transferring Mr. Swingle.

### **INFORMATION GATHERING: Narrative**

You find that the contract states that the earnest money has already been received. When contacted, the listing broker is upset to learn that your firm does not in fact have the money, and the broker holds you accountable. The contract has been accepted by the seller, and signed copies have been faxed to the buyer and to Chuck. In addition, a call to the employer reveals that Mr. Swingle no longer works for the company, and that company does not know where he now works. In talking to a fellow broker you learn that the buyer's wife, Mrs. Swingle, recently made an offer on another property in your community, and received a counter offer to which she has not yet responded.

What questions do you ask now to move towards a resolution of this situation?

**SELECT AS MANY** as you consider appropriate in this section.

1. Does Mr. Swingle still plan to purchase the property for which he made an offer?
2. Has Mrs. Swingle decided to reject the counter offer she received?
3. Did Mrs. Swingle provide a check to the broker with her offer?
4. Can Mr. Swingle provide assurances that he can qualify for his purchase?
5. Does Mr. Swingle's contract have a due diligence clause allowing a time period for the buyer to cancel the contract if he is unable to acquire financing?
6. Did Mrs. Swingle ever sign the purchase offer from Mr. Swingle?

### **ANSWERS to Information Gathering**

1. Mr. Swingle assures you that he is still planning on purchasing the property.
2. Yes. Mrs. Swingle has lost interest in the property once she received a counter offer.
3. Yes, but the check was returned marked "Insufficient Funds."
4. Mr. Swingle refers you to his banker, who informs you that Mrs. Swingle is a wealthy heiress.
5. Yes. The contract permits a 25 day due diligence period for removal of contingencies.
6. Yes. The contract was faxed to her and she signed it and faxed it back.

### **DECISION MAKING: Narrative**

What will you do at this point?

#### **CHOOSE ONLY ONE**

1. Fire Chuck for presenting an incomplete contract to the seller.
2. Contact your attorney for legal advice.
3. Inform the listing broker that you are canceling the contract.
4. Demand that the Swingle's bank provide a wire transfer of \$10,000.00 to your trust account to satisfy Mr. Swingle's contract.

### **END OF SIMULATION NUMBER 3**

## **SIMULATION NUMBER 4**

### **WHAT'S FAIR—PROPERTY MANAGEMENT AND FAIR HOUSING**

#### **INFORMATION GATHERING: Narrative**

You are the owner and qualifying broker of a property management company specializing in residential rentals. One of your clients is a large country club which owns a nearby building known as Harley Hall. Harley Hall is comprised of twelve apartments, most of which are occupied by employees who work at the club. You have received a complaint that Rudolph, who manages Harley Hall, refused to rent a vacant apartment to a prospective tenant because of the tenant's disability. The complaint comes from Eddie, a young man who works as a janitor. Eddie's appearance is somewhat grotesque due to his physical deformities, and he has a mild degree of mental retardation.

What information will assist you in reviewing Eddie's complaint?

**SELECT AS MANY** as you consider appropriate in this section.

1. Did Eddie fill out an application to rent at Harley Hall?
2. What reason did Rudolph give Eddie for denying him an apartment?
3. Is Eddie of a minority race?
4. What is the monthly rent for the apartment Eddie wants?
5. Was Eddie asked to give references?
6. Does Eddie have a police record?
7. Does Eddie work for the country club?
8. Does Eddie have a satisfactory credit report?
9. Where does Eddie currently live?
10. Has Rudolph attended your firm's seminar on Fair Housing?

#### **ANSWERS to Information Gathering**

1. No. Eddie was turned down before he actually filled out any application.
2. Rudolph told Eddie that he would not fit in with the other tenants.
3. No.
4. \$850.00 per month.
5. No
6. No.
7. No. Eddie works as a janitor at a nearby church.
8. Rudolph did not ask for a credit report.
9. Eddie lives in a nearby boarding house.
10. Not recently.



### **DECISION MAKING: Narrative**

Given what you now know, what should you do?

**SELECT AS MANY** as you consider appropriate in this section.

1. Have a joint meeting with Rudolph and Eddie.
2. Ask Rudolph why he denied rent to Eddie.
3. Call your attorney.
4. Find out if Eddie can qualify financially.
5. Call a meeting of other tenants in Harley Hall.
6. Talk to Eddie's employer.
7. Suggest that Eddie's employer find housing for him.
8. Find out why Eddie wants to leave the boarding house.

### **INFORMATION GATHERING: Narrative**

In a meeting with Rudolph he explains that his actions were necessary because he has a number of families with young children in Harley Hall. Eddie is quite well known in the area and is not considered to be dangerous, but his grotesque appearance and his habit of occasionally shouting loudly for no apparent reason cause children to be afraid of him. Rudolph believes that the parents in Harley Hall would not want Eddie as a neighbor. The manager of Eddie's boarding house has no problem with Eddie.

Pastor Paul at the church where Eddie works tells you that his work is very satisfactory and that he has disability income in addition to his wages, so he can probably afford the rent. He has encouraged Eddie to pursue a discrimination complaint against Rudolph because of his denying Eddie an apartment.

What information would be helpful in your resolving this situation?

**SELECT AS MANY** as you consider appropriate in this section.

1. Eddie's ability or competence to live independently
2. Child molesters registered in the area.
3. Eddie's qualification for Fair Housing Law protection
4. Names of any other disabled tenants in Harley Hall
5. Eddie's ability to rent at a nearby retirement home.
6. Another apartment house nearby that would accept Eddie.

### **ANSWERS to Information Gathering**

1. Eddie has been living independently for years.

2. Eddie is not on any list for child molestation.
3. Eddie is clearly qualified for protection.
4. There is one blind man who uses a seeing-eye dog.
5. The retirement home only accepts occupants who are over 55 years of age, and Eddie is only 28.
6. There are several apartment complexes several miles away, but not close to the church where Eddie works.

### **DECISION MAKING: Narrative**

You decide to address Eddie's complaint without any further delay. What should you do?

### **CHOOSE ONLY ONE**

1. Do nothing until Eddie makes a formal complaint of discrimination.
2. Offer Eddie a sum of money if he will drop his complaint.
3. Call a meeting of parents at Harley Hall to determine level of resistance to Eddie.
4. Instruct Rudolph to have Eddie file a rental application.
5. Fire Rudolph.

### **END OF SIMULATION 4**

## **SIMULATION NUMBER 5**

### **HELL HATH NO FURY LIKE...: Supervision of Licensees and Contracts**

#### **INFORMATION GATHERING: Narrative**

You are the qualifying broker in a real estate company with two offices and about 50 affiliated licensees. Elaine, a top producer in your Eastside office, is furious because Helen, a top producer in the Westside office, has approached one of Elaine's clients about listing a commercial property. Elaine had the listing earlier in the year, but a road repair job made showing the property difficult. She had suggested taking the property off the market until the repairs were finished, and the owner agreed. Elaine claims that Helen told the owner that he would be better off listing with her because the Westside office is closer to the property. Elaine also accuses Helen of implying that many buyers would avoid working with Elaine because Elaine has a foreign accent.

What information do you need to address Elaine's complaint?

**SELECT AS MANY** as you consider appropriate in this section.

1. Location of the property.
2. Original listing price of the property.
3. Name of the building owner.
4. Original term of Elaine's listing
5. Effective dates of Elaine's listing
6. Nationality of the owner
7. Helen's earnings last year
8. Elaine's earnings last year
9. Progress of the road repairs

#### **ANSWERS to Information Gathering**

1. 1275 West Main Street (only slightly nearer the Westside office)
2. \$1,100,000
3. Jacob Winter
4. Elaine had a six-month listing, but it was cancelled pending completion of the road work.
5. The listing is not now in effect, but the owner verbally agreed to relist the property with Elaine when the site becomes more accessible.
6. Mr. Winter is of Scotch-Irish descent.
7. \$120,000.00
8. \$85,000.00
9. The road will reopen in two weeks.

### **Decision Making: Narrative**

With the information you now have, what should be your next step in dealing with this situation?

**SELECT AS MANY** as you consider appropriate in this section.

1. Have a joint meeting with Elaine and Helen.
2. Talk to the client and ask his input regarding the situation.
3. Meet separately with Helen to hear her side of the story.
4. Ask the Board of REALTORS to settle the dispute.
5. Suggest that the two agents co-list the property.
6. Instruct the two office managers to determine a solution.
7. Have the company's agents vote on a solution.

### **INFORMATION GATHERING: Narrative**

You meet separately Helen, and she insists that she had every right to pursue the listing since Elaine no longer had a listing contract on the property. Helen tells you that Mr. Winters implied that Elaine's foreign accent might be a problem with prospective buyers, and when he asked her for her opinion, Helen said that Elaine's accent might create reluctance among buyers. Helen is very angry, and she threatens to leave the company if she is not permitted to pursue the listing.

What questions would help you resolve the situation after hearing Helen's version of the situation?

**SELECT AS MANY** as you consider appropriate in this section.

1. Is the client ready now to list the property again?
2. Was the client not satisfied with Elaine's performance?
3. Does Helen have a buyer who is interested in the property?
4. Has Helen attended a required ethics seminar?
5. Would Elaine be willing to share the listing with Helen?
6. Is the property fully occupied?
7. Does the client's verbal agreement to re-list with Elaine constitute an actual contract?

### **ANSWERS to Information Gathering**

1. Yes.
2. He has not expressed any dissatisfaction with Elaine's work.
3. No.
4. Yes.
5. Probably not.
6. Yes.
7. Yes, but a verbal contract is not enforceable.

### **DECISION MAKING: Narrative**

After hearing from both agents and further investigation, you are anxious to resolve this situation. What should be your next step?

**SELECT AS MANY** as you consider appropriate in this section.

1. Talk to your company's attorney.
2. Talk again to the client about his verbal agreement with Elaine.
3. Discuss the matter in a company sales meeting.
4. Tell Helen she may have the listing.
5. Tell Elaine she may have the listing.

### **DECISION MAKING: Narrative**

You meet with the owner, Mr. Winter, and he confirms that he did make a verbal agreement to re-list with Elaine. He tells you that Elaine's work was always very satisfactory. He mentions that Helen approached him quite aggressively and suggested reasons why Elaine might not be a good choice as a listing agent. He hotly denies having expressed any concerns about Elaine's accent.

What should you do to finally resolve this situation?

### **CHOOSE ONLY ONE**

1. Let Mr. Winter decide which agent should have the listing.
2. Insist that the listing be shared between the two agents.
3. Instruct Elaine to rescind her complaint and let Helen take the listing.
4. Tell Helen she may not have the listing and may resign if she chooses.
5. Let the two agents come to their own agreement.

**END OF SIMULATION 5**



## **PROBLEM SOLVING COMMENTS**

### **PROBLEM 1: BETTY THE BOOKKEEPER**

There is no comfortable solution to this problem. Any solution involves “head vs. heart,” a problem that one would rather not face. However, in the brokerage business, solutions to problems often require that the “head” must rule.

This problem, as with all the others in this study guide, has been discussed in actual broker pre-license classrooms.

In gathering information to resolve the problem, students asked:

- How old is Betty; is she near retirement age?
- How dependent is she on the income from this job?
- Could the broker give her some incentive to enroll in a computer and software class?
- Is there any other position in the office that she could fill?

Some students added comments such as:

- Given the advances in technology affecting success in business today, an office having an experienced, elderly “indispensable person” could result in a lack of innovation.
- Any assistant hired for Betty would probably be “computer savvy” to some extent.
- Betty might find it difficult to get along with a younger, computer literate assistant.

## **PROBLEM SOLVING COMMENTS: YOUR NEPHEW NEEDS ADVICE**

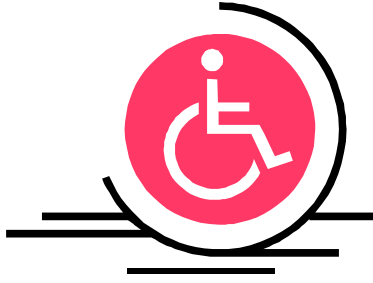
This problem provides little information about Wilbur's qualifications for running a business. A good salesperson does not necessarily make a good manager, as the responsibilities in the two roles are very different. You might want to know Wilbur's background in education and experience related to running a business.

To gather information for this problem, students asked:

- How far did Wilbur advance in school?
- Does Wilbur have a broker's license yet?
- Has he completed any real estate designation courses?
- How much does Wilbur know about commercial real estate?
- Has Wilbur had any training or experience in business management?

If the answers to these questions reveal that Wilbur has some education and experience in business management, he might be encouraged to go into ownership. Without the education and experience, it seems likely that he would lack credibility with his clients and his agents.





## **PROBLEM SOLVING COMMENTS: THE PROPERTY MANAGER'S NIGHTMARE**

In solving this dilemma, one must give each side fair consideration. However, solving the problem includes recognition of federal laws that require special consideration for the disabled. It would be interesting to know which parties became tenants first, and if the men were offered any compensation or discounts for parking a greater distance away from their unit.

Other questions students asked included:

- Could the men be offered a bonus or discount on rent for giving up rights to a closer parking space?
- What kind of incentives could be offered to the elderly women for parking a greater distance away from their unit?
- Do the lease documents address this kind of situation?
- In planning the complex, were spaces set aside for the handicapped?

Courts have interpreted laws protecting the disabled very strictly, and many serious disabilities are not obvious to the naked eye. In addition, one can only say, "heaven protect the manager who decides to take away a space from one of the elderly women"!



## **PROBLEM SOLVING COMMENTS: BUYER BEWARE**

One should not be surprised if even the most seasoned attorneys would find it difficult to decide this case. This problem is a good example of why dual agency is best avoided at any cost. Clearly the buyers are entitled to have any information their agent knows or could discover that might influence their decision to buy. Any other course could be “misrepresentation.” Furthermore the listing agreement will include an obligation to the seller to help sell the property so as to solve his financial problems.

Many sales contracts now contain a warning to the buyer regarding their right to discover whether or not a child molester lives in the neighborhood by contacting law enforcement agencies in the area. Such language in a contract might resolve the buyer’s agent from having a legal obligation to inform the buyer if the agent knows about a molester, but there is still the question of an ethical obligation on the part of the agent.

One possible course of action, although a painful one, is to inform Paul that you will have to turn his listing over to another agent, or likewise, to surrender your agreement with the buyer.



## PROBLEM SOLVING COMMENTS: SPARE THAT TREE

In this problem Belinda probably failed to protect her client by trusting another agent's statement that the trees could be removed (tree removal laws are not uncommon). On the other hand there could be some liability for the buyer in that he failed to do his own research, or as a court would say, "practice due diligence."

Since Belinda was a new agent, the broker could also be blamed for failure to oversee this transaction. Since the buyer had his own agent, it would be difficult to attach blame to the listing agent who is accountable only to the seller.

The question of whether or not the broker carried Errors and Omissions insurance could also arise (insurers usually choose to settle).

Students in addressing this problem asked:

- Should the broker settle, or fight in court?
- Is this a case the broker could win? (Who knows?)
- Is it usually cheaper to settle a suit, or to fight the suit in court? (Usually cheaper to settle!)



## **SIMULATION NUMBER 1---ANSWERS**

### **WHAT'S WRONG IN WEMBLEY: Representation of Services-Homeowner Association Management**

#### **INFORMATION GATHERING: Narrative**

Wembley is an upper-priced subdivision with 165 homes. The subdivision has an attractive swim-tennis club. You are the broker for Highroad Management Company which has managed Wembley since it was built fifteen years ago. Owners in the subdivision now want to spend money on maintenance, including some road repairs, new roofs for the clubhouse, and surfaces for the swimming pool and the tennis courts.

The Homeowners' Association Board of Directors initially thought there was enough money in reserve to address the maintenance needs and acquired bids for the work. As the bids were opened, it became obvious that the reserve funds were inadequate, and a substantial special assessment would have to be levied against the owners to restore Wembley to tip-top condition.

The homeowners are outraged, especially several who have purchased their homes recently. They believe that established owners should have been paying more maintenance fees over the years, and they blame your management company for letting the property deteriorate.

What questions should you consider in addressing the homeowners' concerns?

**SELECT AS MANY** as you consider appropriate in this section.

1. **P +** How much money is in the reserve fund?
2. **P +** How do the actual funds compare with the estimate of funds needed for repairs?
3. **N -** Can previous owners be billed for their share of the money required for repairs?
4. **N -** Would the Highroad Company agree to make up the deficit?
5. **N -** Could improvements be delayed for a period of ten years or more, so as to provide more time for raising additional funds through increased monthly maintenance payments?
6. **N -** Can club repairs be charged only to those owners who use the club?
7. **P +** Has an increase in monthly fees ever been proposed to the Board of Directors?
8. **N -** Are any owners in arrears on their monthly assessments?
9. **P +** How much money has been spent on maintenance over the years?

#### **ANSWERS for Information Gathering Questions:**

1. Approximately \$94,000.
2. Approximately \$275,000.
3. No.
4. No.
5. Owners believe that acting on the maintenance is urgent.
6. Probably not without unanimous approval of all owners.
7. Yes, twice. The Board has never approved an increase in the fees.

8. Yes, four owners owe fees, for a total of \$2,600.
9. An average of \$2,000 per month.

### **DECISION MAKING: Narrative**

As broker of Highroad Management Company, you ask the Homeowners Association Board to meet to discuss ways to address the shortfall in the reserve funds. You want to go to the meeting with some suggestions for the Board. What actions would be appropriate for you to suggest to the Board?

**SELECT AS MANY** as you consider appropriate in this section.

1. **N -** Suggest that some of the owners might volunteer to do some of the maintenance work.
2. **N -** Require those who use the pool and the golf courses to pay extra fees for their use.
3. **P +** Reopen the bidding process in hopes of acquiring lower bids for the necessary work.
4. **N -** Ask the city to take over ownership of the roads and the swim and tennis club.
5. **P +** Propose a one-time special assessment of \$1,500 per owner.
6. **N -** That the Board handles the problem without recommendations from you.
7. **N -** That the Board accepts your company's resignation.

### **INFORMATION GATHERING: Narrative**

The Board does not meet, but calls a special meeting of all owners in Wesley to discuss all possible courses of action (or non-action). The Board does not want to make a decision without hearing from homeowners. The meeting is very heated and divisive. You as the broker do not feel responsible for the problem since the Board has never approved higher monthly fees on several occasions when you recommended higher fees for expenses and to maintain a higher reserve fund. You make what you hope is a powerful argument for a special assessment and for getting on with the work as soon as possible. At the end of the meeting, the Board decides to hold its meeting in two days to vote on what to do to solve the problem. The Board asks you to come to the meeting with your recommendation. What questions should you consider before the meeting?

**SELECT AS MANY** as you consider appropriate in this section.

1. **P +** Can any estimates of costs for repairs be negotiated?
2. **P +** How many Directors will probably vote for a special assessment?
3. **N -** Can club memberships be offered and sold to residents of two nearby subdivisions?
4. **N -** Could volunteer labor and donations cover the extra funds needed for repairs?
5. **N -** Can the improvements be deferred for at least ten years?

6. **P +** Would lending companies holding loans on Wembley units help alleviate the situation?

**ANSWERS for Information Gathering Questions:**

1. Possibly, but it is also possible that there will be unexpected extra costs even with negotiations.
2. A vote is too close to call—it could go 4 to 3 either way.
3. No, not without changes to the legal documents governing the Association.
4. It is not realistic to expect that volunteers can accomplish the necessary maintenance and repairs.
5. Deferring the improvements would probably result in even greater problems in the future.
6. Yes, the lenders are concerned and might allow special assessments to be added to existing loans.

**DECISION MAKING: Narrative**

At the Board meeting two days later, the Board asks you for your recommendation. What should you suggest the Board do to solve the problem?

**CHOOSE ONLY ONE**

1. **N -** Enact a special assessment with extra fees paid by homeowners who use the swim/tennis club.
2. **P +** Schedule a vote by all homeowners and act on that vote.
3. **N -** Appoint a committee to study all options.
4. **N -** Resign so that a new Board of Directors can be selected to tackle the need for extra funds.
5. **N -** Approve assessing all former homeowners for part of the costs.

**End of Simulation Number 1**

## **SIMULATION NUMBER 2**

### **THE CAT CAPER: Representing the Seller**

#### **INFORMATION GATHERING: Narrative**

Belinda is the qualifying broker for Pacemaker Realty, Inc. She receives an angry call from Mr. Edwards regarding his house at 1212 Rosebud Way, which is listed with her company through her agent, Eddie. Mr. Edwards complains that Eddie brought a prospective buyer to his house, but she did not submit an offer. He tells Belinda that Eddie took the buyer to a house two blocks away with an identical floor plan and a smaller lot. She purchased that house, even though the listing price was \$10,000.00 more than Mr. Edward's house. Mr. Edwards wants to know why Eddie spent only fifteen minutes showing his house, and then recommended the other house to the buyer. He is threatening to file a complaint with the real estate commission against Belinda's firm and Eddie. What information does Belinda need to deal with Mr. Edward's complaint?

**SELECT AS MANY** as you consider appropriate in this section.

1. **N -** The expiration date of Eddie's listing with Mr. Edwards.
2. **N -** The commission Mr. Edwards has agreed to pay.
3. **N -** The listing broker on the house that the buyer purchased.
4. **P +** Whether Eddie has a signed buyer brokerage engagement with the buyer.
5. **P +** Whether one house was in better showing condition than the other.
6. **N -** If Mr. Edwards has undesirable neighbors.
7. **P +** Were extra incentives offered on the house the buyer chose.
8. **P +** The actual listing price of the two houses.
9. **N -** Mr. Edward's motivation for selling.
10. **P +** The number of prospects that have viewed Mr. Edward's house.

#### **Answers for Information Gathering**

1. The Edwards listing expires in 60 days.
2. 6% of the sale price.
3. Pricesmart Real Estate Company
4. No. Eddie was working with the buyer as a customer.
5. No. There was no noticeable difference in the condition of each house.
6. No.
7. There appear to be no incentives.
8. The house the buyer purchased was listed at \$10,000.00 more than Mr. Edward's house.
9. Mr. Edwards wants to purchase a larger home.
10. The house has been shown twelve times.

### **DECISION MAKING: Narrative**

Given what Belinda has discovered, what should she do next?

**SELECT AS MANY** as you consider appropriate in this section.

1. **N -** Tell Mr. Edwards that his complaint is not warranted.
2. **N -** Ask the Real Estate Commission to mediate.
3. **P +** Discuss the situation with Eddie.
4. **N -** Ask the buyer why she made the choice she did.
5. **N -** Table the problem until the sale is recorded so that she can see what price was actually paid on the house.

### **INFORMATION GATHERING: Narrative**

Belinda calls Eddie into her office to discuss the situation and clarify his role with the buyer. Eddie is very angry with Mr. Edwards, and asks Belinda to cancel the listing agreement. He tells Belinda that the buyer is a single woman who was not easy to please. He showed her at least 20 homes before she finally made a decision. Eddie tells Belinda that the woman left the Edwards house quickly because she detected cat odor. She is afraid of cats, and she claimed to have an allergy to cats. Eddie says that the buyer actually preferred the smaller lot on the purchased property, and that the lot included a remarkable rose garden. Eddie does not want to reveal the price the buyer offered, but does tell Belinda that the buyer negotiated the price.

At this point, what other questions should Belinda ask to solve the problem?

**SELECT AS MANY** as you consider appropriate in this section.

1. **P +** Does Mr. Edwards actually have a cat?
2. **P +** Has Eddie violated his agency responsibility to Mr. Edwards?
3. **N -** Can Eddie contact the buyer and ask her to reconsider her decision?
4. **N -** Does Belinda have a good reason for canceling the listing?
5. **N -** Does Mr. Edwards want to cancel the listing?
6. **P +** Are there reasons other than the rose garden that make one listing look better than the other even though the floor plans are similar?

### **ANSWERS to Information Gathering:**

1. No, but he did have a cat that died very recently.
2. It does not appear that he violated the agency agreement.
3. The other broker would probably object to this action.
4. No. Canceling the listing does not solve the problem.
5. Mr. Edwards has not threatened to cancel the listing agreement.
6. Yes. There are some other subtle differences that make the purchased house more attractive than Mr. Edward's home.

## **DECISION MAKING: Narrative**

Belinda decides to call Mr. Edwards back. What is the best response to his complaint?

### **CHOOSE ONLY ONE**

1. **N -** Tell Mr. Edwards that the problem was his fault because he did not deal with the offensive cat odor.
2. **N -** Take the Edwards listing away from Eddie and give it to another agent.
3. **P +** Explain to Mr. Edwards that Eddie found himself with a buyer who hated cats and loved roses; and that the next prospect that Eddie brings may be just the opposite.
4. **N -** Apologize to Mr. Edwards and agree to cut the commission.
5. **N -** Suggest that Mr. Edwards offer buyers' agents a bonus for recommending his house.

**End of Simulation Number 2**



## **SIMULATION NUMBER 3**

### **YOUR CHECK IS IN THE MAIL: Earnest Money and Contracts**

#### **INFORMATION GATHERING: Narrative**

You are the managing broker in a branch office of ABC Realty, Inc. One of your salespeople, Chuck, has a buyer client, Mr. Swingle, who is in town to look at houses because of an imminent job transfer to your city. On March 1<sup>st</sup> Chuck shows him a house on Heathcliff Street that seems just about perfect, and he writes an offer which provides for a \$10,000 earnest money deposit. When Chuck asks for the check Mr. Swingle discovers that he does not have his checkbook with him. He is in a hurry to catch a plane, but he signs the offer, telling Chuck to present the offer right away before someone else buys the house. Mr. Swingle promises to send the check by overnight mail the next day. Two days later the check has still not arrived. When contacted by phone Mr. Swingle tells Chuck that the check requires his wife's signature, and she is out of town for a family emergency. Chuck asks for your help.

What questions should you ask to help Chuck in this situation?

**SELECT AS MANY** as you consider appropriate in this section.

1. **N -** What is the price offered?
2. **N -** How long has the subject property been on the market?
3. **P +** Has the contract been presented?
4. **N -** What is the closing date on the contract?
5. **P +** Is the subject property listed with a broker?
6. **P +** Has the listing broker been informed that the check has not arrived?
7. **N -** Has the buyer pre-qualified for a loan?
8. **P +** Which broker is designated to hold the earnest money?

#### **Answers to Information Gathering**

1. \$325,000.00
2. Three months.
3. Yes and a response is expected today.
4. March 31<sup>st</sup>.
5. It is listed by a competitor.
6. No.
7. Not to Chuck's knowledge.
8. ABC Realty, Inc., your company.

### **DECISION MAKING: Narrative**

You now know that Chuck has presented the contract, and that the listing broker is unaware that your company does not have an earnest money check as required in the contract. What should you do now?

**SELECT AS MANY** as you consider appropriate in this section.

1. **P +** Contact the listing broker and explain the situation.
2. **P +** Find out if it is too late to withdraw the offer.
3. **P +** Study the contract to see if it includes any language to indicate that the check might be delayed.
4. **N -** Provide the \$10,000.00 from your company's funds.
5. **P +** Attempt to contact Mr. Swingle to find out when he expects to deliver the check.
6. **N -** Call the Real Estate Commission for advice.
7. **P +** Contact the employer who is transferring Mr. Swingle.

### **INFORMATION GATHERING: Narrative**

You find that the contract states that the earnest money has already been received. When contacted, the listing broker is upset to learn that your firm does not in fact have the money, and the broker holds you accountable. The contract has been accepted by the seller, and signed copies have been faxed to the buyer and to Chuck. In addition, a call to the employer reveals that Mr. Swingle no longer works for the company, and that company does not know where he now works. In talking to a fellow broker you learn that the buyer's wife, Mrs. Swingle, recently made an offer on another property in your community, and received a counter offer to which she has not yet responded.

What questions do you ask now to move towards a resolution of this situation?

**SELECT AS MANY** as you consider appropriate in this section.

1. **P +** Does Mr. Swingle still plan to purchase the property for which he made an offer?
2. **P +** Has Mrs. Swingle decided to reject the counter offer she received?
3. **N -** Did Mrs. Swingle provide a check to the broker with her offer?
4. **P +** Can Mr. Swingle provide assurances that he can qualify for his purchase?
5. **P +** Does Mr. Swingle's contract have a due diligence clause allowing a time period for the buyer to cancel the contract if he is unable to acquire financing?
6. **P +** Did Mrs. Swingle ever sign the purchase offer from Mr. Swingle?

### **ANSWERS to Information Gathering**

1. Mr. Swingle assures you that he is still planning on purchasing the property.
2. Yes. Mrs. Swingle has lost interest in the property once she received a counter offer.
3. Yes, but the check was returned marked "Insufficient Funds."
4. Mr. Swingle refers you to his banker, who informs you that Mrs. Swingle is a wealthy heiress.
5. Yes. The contract permits a 25 day due diligence period for removal of contingencies.
6. Yes. The contract was faxed to her and she signed it and faxed it back.

### **DECISION MAKING: Narrative**

What will you do at this point?

#### **CHOOSE ONLY ONE**

1. **N -** Fire Chuck for presenting an incomplete contract to the seller.
2. **N -** Contact your attorney for legal advice.
3. **N -** Inform the listing broker that you are canceling the contract.
4. **P +** Demand that the Swingle's bank provide a wire transfer of \$10,000.00 to your trust account to satisfy Mr. Swingle's contract.

### **END OF SIMULATION NUMBER 3**

## **SIMULATION NUMBER 4**

### **WHAT'S FAIR—PROPERTY MANAGEMENT AND FAIR HOUSING**

#### **INFORMATION GATHERING: Narrative**

You are the owner and qualifying broker of a property management company specializing in residential rentals. One of your clients is a large country club which owns a nearby building known as Harley Hall. Harley Hall is comprised of twelve apartments, most of which are occupied by employees who work at the club. You have received a complaint that Rudolph, who manages Harley Hall, refused to rent a vacant apartment to a prospective tenant because of the tenant's disability. The complaint comes from Eddie, a young man who works as a janitor. Eddie's appearance is somewhat grotesque due to his physical deformities, and he has a mild degree of mental retardation.

What information will assist you in reviewing Eddie's complaint?

**SELECT AS MANY** as you consider appropriate in this section.

1. **P +** Did Eddie fill out an application to rent at Harley Hall?
2. **P +** What reason did Rudolph give Eddie for denying him an apartment?
3. **N -** Is Eddie of a minority race?
4. **N -** What is the monthly rent for the apartment Eddie wants?
5. **P +** Was Eddie asked to give references?
6. **P +** Does Eddie have a police record?
7. **N -** Does Eddie work for the country club?
8. **P +** Does Eddie have a satisfactory credit report?
9. **P +** Where does Eddie currently live?
10. **N -** Has Rudolph attended your firm's seminar on Fair Housing?

#### **ANSWERS to Information Gathering**

1. No. Eddie was turned down before he actually filled out any application.
2. Rudolph told Eddie that he would not fit in with the other tenants.
3. No.
4. \$850.00 per month.
5. No
6. No.
7. No. Eddie works as a janitor at a nearby church.
8. Rudolph did not ask for a credit report.
9. Eddie lives in a nearby boarding house.
10. Not recently.

### **DECISION MAKING: Narrative**

Given what you now know, what should you do?

**SELECT AS MANY** as you consider appropriate in this section.

1. **N -** Have a joint meeting with Rudolph and Eddie.
2. **P +** Ask Rudolph why he denied rent to Eddie.
3. **N -** Call your attorney.
4. **P +** Find out if Eddie can qualify financially.
5. **N -** Call a meeting of other tenants in Harley Hall.
6. **P +** Talk to Eddie's employer.
7. **N -** Suggest that Eddie's employer find housing for him.
8. **P +** Find out why Eddie wants to leave the boarding house.

### **INFORMATION GATHERING: Narrative**

In a meeting with Rudolph he explains that his actions were necessary because he has a number of families with young children in Harley Hall. Eddie is quite well known in the area and is not considered to be dangerous, but his grotesque appearance and his habit of occasionally shouting loudly for no apparent reason cause children to be afraid of him. Rudolph believes that the parents in Harley Hall would not want Eddie as a neighbor. The manager of the boarding house has no problem with Eddie.

Pastor Paul at the church where Eddie works tells you that his work is very satisfactory and that he has disability income in addition to his wages, so he can probably afford the rent. He has encouraged Eddie to pursue a discrimination complaint against Rudolph because of his denying Eddie an apartment.

What information would be helpful in your resolving this situation?

**SELECT AS MANY** as you consider appropriate in this section.

1. **P +** Eddie's ability or competence to live independently
2. **N -** Child molesters registered in the area.
3. **P +** Eddie's qualification for Fair Housing Law protection
4. **N -** Names of any other disabled tenants in Harley Hall
5. **N -** Eddie's ability to rent at a nearby retirement home.
6. **N -** Another apartment house nearby that would accept Eddie.

### **ANSWERS to Information Gathering**

1. Eddie has been living independently for years.
2. Eddie is not on any list for child molestation.
3. Eddie is clearly qualified for protection.
4. There is one blind man who uses a seeing-eye dog.
5. The retirement home only accepts occupants who are over 55 years of age, and Eddie is only 28.
6. There are several apartment complexes several miles away, but not close to the church where Eddie works.

**DECISION MAKING: Narrative**

You decide to address Eddie's complaint without any further delay. What should you do?

**CHOOSE ONLY ONE**

1. **N -** Do nothing until Eddie makes a formal complaint of discrimination.
2. **N -** Offer Eddie a sum of money if he will drop his complaint.
3. **N -** Call a meeting of parents at Harley Hall to determine level of resistance to Eddie.
4. **P +** Instruct Rudolph to have Eddie file a rental application.
5. **N -** Fire Rudolph.

**END OF SIMULATION 4**

## **SIMULATION NUMBER 5**

### **HELL HATH NO FURY LIKE...: Supervision of Licensees and Contracts**

#### **INFORMATION GATHERING: Narrative**

You are the qualifying broker in a real estate company with two offices and about 50 affiliated licensees. Elaine, a top producer in your Eastside office, is furious because Helen, a top producer in the Westside office, has approached one of Elaine's clients about listing a commercial property. Elaine had the listing earlier in the year, but a road repair job made showing the property difficult. She had suggested taking the property off the market until the repairs were finished, and the owner agreed. Elaine claims that Helen told the owner that he would be better off listing with her because the Westside office is closer to the property. Elaine also accuses Helen of implying that many buyers would avoid working with Elaine because Elaine has a foreign accent.

What information do you need to address Elaine's complaint?

**SELECT AS MANY** as you consider appropriate in this section.

1. **P +**        Location of the property.
2. **N -**        Original listing price of the property.
3. **P +**        Name of the building owner.
4. **P +**        Original term of Elaine's listing
5. **P +**        Effective dates of Elaine's listing
6. **N -**        Nationality of the owner
7. **N -**        Helen's earnings last year
8. **N -**        Elaine's earnings last year
9. **P +**        Progress of the road repairs

#### **ANSWERS to Information Gathering**

1. 1275 West Main Street (only slightly nearer the Westside office)
2. \$1,100,000
3. Jacob Winter
4. Elaine had a six-month listing, but it was cancelled pending completion of the road work.
5. The listing is not now in effect, but the owner verbally agreed to relist the property with Elaine when the site becomes more accessible.
6. Mr. Winter is of Scotch-Irish descent.
7. \$120,000.00
8. \$85,000.00
9. The road will reopen in two weeks.

### **Decision Making: Narrative**

With the information you now have, what should be your next step in dealing with this situation?

**SELECT AS MANY** as you consider appropriate in this section.

1. **N -** Have a joint meeting with Elaine and Helen.
2. **N -** Talk to the client and ask his input regarding the situation.
3. **P +** Meet separately with Helen to hear her side of the story.
4. **N -** Ask the Board of REALTORS to settle the dispute.
5. **N -** Suggest that the two agents co-list the property.
6. **N -** Instruct the two office managers to determine a solution.
7. **N -** Have the company's agents vote on a solution.

### **INFORMATION GATHERING: Narrative**

You meet separately Helen, and she insists that she had every right to pursue the listing since Elaine no longer had a listing contract on the property. Helen tells you that Mr. Winters implied that Elaine's foreign accent might be a problem with prospective buyers, and when he asked her for her opinion, Helen said that Elaine's accent might create reluctance among buyers. Helen is very angry, and she threatens to leave the company if she is not permitted to pursue the listing.

What questions would help you resolve the situation after hearing Helen's version of the situation?

**SELECT AS MANY** as you consider appropriate in this section.

1. **N -** Is the client ready now to list the property again?
2. **P +** Was the client not satisfied with Elaine's performance?
3. **N -** Does Helen have a buyer who is interested in the property?
4. **N -** Has Helen attended a required ethics seminar?
5. **P +** Would Elaine be willing to share the listing with Helen?
6. **N -** Is the property fully occupied?
7. **P +** Does the client's verbal agreements to re-list with Elaine constitute an actual contract?

### **ANSWERS to Information Gathering**

1. Yes.
2. He has not expressed any dissatisfaction with Elaine's work.
3. No.
4. Yes.



5. Probably not.
6. Yes.
7. Yes, but a verbal contract is not enforceable.

**DECISION MAKING: Narrative**

After hearing from both agents and further investigation, you are anxious to resolve this situation. What should be your next step?

**SELECT AS MANY** as you consider appropriate in this section.

1. **N -** Talk to your company's attorney.
2. **P +** Talk again to the client about his verbal agreement with Elaine.
3. **N -** Discuss the matter in a company sales meeting.
4. **N -** Tell Helen she may have the listing.
5. **N -** Tell Elaine she may have the listing.

**DECISION MAKING: Narrative**

You meet with the owner, Mr. Winter, and he confirms that he did make a verbal agreement to re-list with Elaine. He tells you that Elaine's work was always very satisfactory. He mentions that Helen approached him quite aggressively and suggested reasons why Elaine might not be a good choice as a listing agent. He hotly denies having expressed any concerns about Elaine's accent.

What should you do to finally resolve this situation?

**CHOOSE ONLY ONE**

1. **N -** Let Mr. Winter decide which agent should have the listing.
2. **N -** Insist that the listing be shared between the two agents.
3. **N -** Instruct Elaine to rescind her complaint and let Helen take the listing.
4. **P +** Tell Helen she may not have the listing and may resign if she chooses.
5. **N -** Let the two agents come to their own agreement.

**END OF SIMULATION 5**

**Thank you for your use of this Study Guide for the Georgia Broker Simulation Examinations.**