

REAL ESTATE SALESMAN'S
HANDBOOK



REALTOR®

Real Estate Salesman's HANDBOOK



This special edition of the Real Estate Salesman's Handbook is presented by the NATIONAL ASSOCIATION OF REALTORS® to REALTOR®-ASSOCIATES with the cooperation of its affiliate, the National Institute of Real Estate Brokers. Additional copies of the book may be purchased from the National Institute of Real Estate Brokers.

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FOREWORD

The Real Estate Salesman's Handbook has been part of NIREB since 1942. Through 30 years, five revised editions and over 750,000 copies, the Handbook has become an essential tool for both the new and experienced real estate sales associate. This Sixth Revised Edition presents the basic elements of the Handbook in a newly organized form, with updating in the glossary and tables and charts sections and rewriting in the body of the book. The format, designed with the modern real estate salesman in mind, reflects new, easier to read concepts in book design.

This revised, reorganized edition would not have been possible without the valuable contributions of the following: 1972 NIREB President Art Leitch, San Diego, California; REALTOR® William Patterson, Wilmington, Delaware; REALTOR Albert Mayer III, Cincinnati, Ohio; REALTOR Harland Crowell Jr., Arlington, Virginia; REALTOR Sheldon Good, Chicago, Illinois; REALTOR William Jennings, Fort Worth, Texas; REALTOR Bruce Mulhearn, Bellflower, California; REALTOR Rich Port, LaGrange, Illinois; REALTOR Herbert Weitzman, Dallas, Texas; NATIONAL ASSOCIATION OF REALTORS® Head Librarian Beverly Dordick and Dr. Herbert

Greenberg, Princeton, New Jersey. Staff direction on the Handbook came from Jack W. Kleeman, Executive Vice President, Llani O'Connor Editorial Director, Helene Berlin, Book Editor and Meg Givhan, Production Assistant.

It must be noted that local and state laws and methods of operation mentioned in this Handbook refer only to the specific instances and sources stated and do not apply in all cases generally. The REALTOR and sales associate are advised to check local laws and real estate practices at all times.

The Real Estate Salesman's Handbook is intended to be a ready reference of fundamentals. It is beamed to the new salesman and designed to supplement the knowledge he will gain from his broker. To new and experienced real estate sales associates everywhere, this Real Estate Salesman's Handbook is dedicated.

CONTENTS

Introduction 9

Chapter 1: Using A Team Approach 11

Your firm's prestige 11

What makes a good company 11

Specialties in real estate 11

Large firm—small firm 11

Training programs 12

Sales meetings 12

Working with fellow salesmen 12

Professional associations 12

REALTOR®-salesman relationship 13

Employee relationship 13

Independent contractor relationship 13

Comparison of relationships 13

REALTOR policies and procedures 14

Commissions 16

Chapter 2: Know State and Licensing Laws 17

Qualifications for licensing 17

Real estate license examinations 18

Real estate law 18

Real estate ethics 19

Classification of property 19

Liens and encumbrances 19

Financing 20

Mortgages and deeds of trust 20

Contracts 20

Deeds 20

Homesteads 21

Titles and escrows 21

The broker as an agent 22

Real property loans 22

Real property securities dealers 22

Rentals and leases 23

Appraising and land economics 23

Subdivisions 23

Chapter 3: Building Successful Sales Qualities 24

Set realistic goals 24

Loyalty to company	24
Study human behavior	24
The need to succeed	25
Take self-inventory	25
Personal attributes	25
Build real estate knowledge	26
Good health	26
The toll of worry	26
Take advice constructively	26
Be resourceful, dependable	27
Enjoy your work	27

Chapter 4: Managing Time Efficiently 28

Control your time	28
Being busy isn't enough	28
Analyze every hour	28
Plan your daily schedule	28
Make every hour produce	29
Cut travel time	29
Tools for time planning	30

Chapter 5: Selling With Psychology 40

The "selling" personality	40
Ego drive and empathy	40
Selling as a process	41
How A-I-D-A works	41
Arguments for home ownership	41
Commercial-investment advantages	42
Take it step by step	43
Empathize, empathize, empathize	43
What motivates the buyer	43
Ask the prospect to buy	44
The atmosphere for a closing	44

Chapter 6: Listing Real Estate 46

Two sales equal one	46
Sell the seller	46
A "nose for listings"	47
Creative selling	47
Pursuing listings	47
Exclusive listings	49

CONTENTS

Know all listings	49
Special services	49
Construction Pointers	50
Multiple listing service	52
Put it in writing	52
Determining a viable listing	52
Know your financing	53
Construction, renovation, repair	54
To list or not to list?	54
Importance of a thorough listing	54
Pricing	55
Depreciation	55
Exchanging	56

Chapter 7: Advertising Real Estate	57
Objectives of advertising	57
Two kinds of advertising	57
Goodwill with institutional advertising	57
Size of the advertising program	57
Classified advertising	57
Truth in lending	58
Compare your classified ads	58
Display advertising	58
Direct mail	59
Using brochures for commercial property	59
Advertising on radio and television	59
Signs and billboards	60
Consistency in advertising	60
Advertising through a regular column	60
Evaluating effectiveness of advertising	61
Public relations	61
Working with the news media	61
Meet the public	61

Chapter 8: Bringing Buyers and Sellers Together	63
Finding buyers	63
Sources of prospects	63
Keep people contacts alive	64
Open houses	64
Prospects at your door	64
Qualifying the buyer	64
Advise the buyer realistically	65

Prepare the buyer	65
The investment property buyer	65
Ask questions	66
Working with the buyer	66
Who is coming along?	67
At the showing	67
Ask him to buy	69
Commercial-investment properties	70
Know the answers	70
Prepare the seller	70
How the owner can help	71
Keep the owner informed	72
Caveat	72
 Chapter 9: Closing The Sale	 73
Ask for the offer	73
Think the offer over	73
Do your homework	73
Talk it over	73
Diplomacy is important	73
Does he really want to sell	74
The art of negotiation	74
You're not through when a sale is made	75
Closings	75
Legal input mandatory	75
The contract	76
Earnest money deposit	76
Forms for closing	76
Check list for closing	77
Trade-ins	77
Keep in touch	78
 Chapter 10: Specialized Sales Information	 79
Mortgages	79
Guaranteed loans	79
Give good mortgage advice	80
Selling creatively	81
Selling for builders	81
Building future sales	82
Commercial and industrial property	82
Tax advantages	83
Sale and leaseback	83
Creating opportunities	84

CONTENTS

Selling investment property	84
Cash flow—net yield	85
Kinds of investment property	85
Ground lease	87
Percentage lease	87
Real estate exchanging	88
Legal and tax considerations	89
Related sales services	89
Modern property management	90
Interest people you know in investing	90
Real estate appraisal	91
Growth of the REALTOR's® role	91
 Chapter 11: Be a Professional	92
The thrust toward professionalism	92
National Association born in 1908	92
“REALTOR®” introduced	92
REALTOR®-ASSOCIATE introduced	92
National Association services and facilities	93
Specialized divisions	93
NIREB	94
NIREB courses	94
REALTOR® Code of Ethics	95
 Chapter 12: Glossary of Real Estate Terms	99
 Appendix	126
Demographic and Housing Tables	126
General Information Tables	134
Amortization and Capitalization Tables	144
 NIREB Educational Materials	 168

INTRODUCTION

With life steadily becoming more complex as we move into the last part of the 20th century, the control and use of real estate will undergo major changes. These changes will be brought about by the same social and economic forces that have squeezed people into our cities, made housing one of the most pressing problems of our nation and put the "quality of life" high on our list of national priorities.

Those in the day to day business of selling, exchanging, investing in and managing real estate will become more and more involved in the changes that will characterize the coming decades. The complexities of the 1970's will increasingly bring real estate professionals into the center of the impressive changes taking place in the way we think, operate and plan for the future. Because of the complexities in the business world, it is becoming more and more difficult for a buyer and seller to get together on a real estate transaction without expert advice from a third party. As land use becomes more complex and its ownership more diverse, this third party, the REALTOR® or his associate, becomes increasingly more important. Today, through the REALTOR, property is bought, sold, leased, traded, exchanged, converted, managed and developed. Services the REALTOR and his representatives provide during these transactions include appraising, financing, consulting, expert court testimony, city planning, rehabilitation and site selection.

In the future, our present economic and social complexities will only increase as will the need for expert knowledge in the real estate field. Haphazard methods of selling will be even less effective as time goes on. More and more, a premium will be paid to those who are able to study, to

plan and to *think*. The simple art of conversation will not be enough. Only sales associates who are thoroughly informed and trained in solving real estate problems will meet with a high degree of success. Only associates who are dedicated completely to the real estate profession will enjoy the trust and confidence of those investing in real estate. Those associates who continually educate themselves in the growing, changing real estate field will see their value to their profession and to society increase with years of experience.

This continued education extends from actual real estate information into many fields in which the sales associate must be knowledgeable enough to meet the challenge of selling real estate in a complex economic structure. The associate must be able to supply and use information on construction, architecture, landscaping, city planning, taxes, assessments, zoning, legislation, local government, finance, advertising and many other related fields.

Today, however, the professional in real estate has an added responsibility to the people he serves. He must be concerned with the way land is used as well as how it is transferred and financed. The ecological implications in land use have joined the other fields with which the sales associate must be familiar. Open space, noise pollution, design, conservation, health and human comfort must be taken into consideration in any property transaction. The real estate professional is in a position to exert a strong influence on the way thoughtful environments are developed and retained.

The sales associate's field is one of tremendous scope and unlimited possibilities. His satisfactions arise from many

INTRODUCTION

sources, but largely from working with people and from seeing personal and business dreams and plans realized. There is plenty of room in the real estate field for the creative person to contribute new ideas for the uses of land and property and the talent to move these ideas from plans to realities.

Moreover, the real estate sales associate begins his day with advantages enjoyed by few other salesmen. With the amount of land available a fixed commodity, the sales associate, who deals in land and its uses, is selling something that is greatly limited in quantity. Secondly, he is dealing in a commodity that is universally desirable and generally recognized as intrinsically valuable. With such advantages behind him, the sales associate with dedication to real estate, a genuine interest in people and good training is not likely to fail.

This handbook, based on the experience of real estate professionals from all parts of the country and all facets of the business, offers a wealth of information to the sales associate. It is designed as a basic tool for associates to use as a practical guide to the everyday details of their business.

Editor's Note: Local and state laws and regulations differ greatly from municipality to municipality and from state to state. The reader is cautioned, as he uses this book, to check all procedures, forms and contracts against the local regulations that specifically apply to him.

USING A TEAM APPROACH

Respect the company with whom you are affiliated and affiliate yourself, as an employee or independent contractor, with a company you respect. Without this kind of attitude neither you nor the company benefits. When a salesman becomes associated with a real estate firm, mutual interests are involved. The company has the right to protect its reputation by selecting only the most conscientious sales people. And because you want to be the best real estate salesman you possibly can, you know it pays to work for a reputable firm and to be a solid member of that firm's sales team.

Your firm's prestige

You need and will also utilize the prestige of the company and its reputation to help you seek business and make sales. You must work to maintain the firm's prestige and do nothing to lower the respect which people have for the firm. In fact, you should try, as you deal with people, to continually upgrade the reputation of the firm.

What makes a good company

A real estate firm can have any number of attributes that make it a "good" firm. These qualities are probably as many and varied as real estate companies themselves. Most real estate firms, however, have these general attributes:

1. A good company is one with sufficient experience to understand the fundamentals of real estate practice.
2. It is manned by efficient personnel.
3. It is one which has enough capital to conduct the business without limitations.
4. It is one in which the leaders are ser-

vice-minded and civic spirited.

5. It is up-to-date and sensitive to changing conditions.

6. It is a company with a strictly professional attitude toward the people it undertakes to serve.

7. It maintains, in good standing, memberships in the local, state and national real estate organizations and the specialized institutes and actively participates in their programs.

8. It is one in which the salesmen and employees are treated with consideration and given every opportunity for personal development.

Specialties in real estate

There are many aspects of real estate: residential selling, commercial, industrial, investment, appraisal. Firms may handle one or several of these aspects of the business and they may deal in various kinds of property. Once you have become thoroughly familiar with the selling process itself, you can look toward specializing in a particular real estate field which requires its own unique body of knowledge and experience.

Large firm—small firm

Real estate companies come in all different sizes from an owner-operated business to a massive, multi-office operation. Basically, the advantage of a large firm is that it gives the salesman an opportunity to increase his knowledge about various kinds of real estate and to work with and learn from many different salesmen. In a small office, you will have the opportunity to work closely with the broker himself and to gain knowledge best imparted on a one-to-one basis.

Training programs

Your broker has his own system of training new salesmen that he has created and improved on over the years. Whatever the method of training offered by a firm, the new salesman should be well aware of it when he begins his association with a company. This is essential because you, as a person, will respond better to some kinds of training than to others. You should discuss with your broker the training methods offered and try to determine how you will react to them.

Some firms sponsor formal courses or training sessions in real estate for new associates. Others sponsor a new salesman at some of the many residential and commercial courses offered by the National Institute of Real Estate Brokers. Training at some firms may be less formalized and structured but it can be equally effective. In many cases, a veteran salesman will be assigned to take a new associate "under his wing." He will go along with the new salesman on his first ten calls or continually until the new salesman has made his first three sales. Whatever the specific method, your broker will explain to you in detail the philosophy behind it and the training techniques he uses.

Sales meetings

You will spend a great deal of time in sales meetings which are themselves excellent training grounds. Here, with fellow salesmen, the sales managers and the REALTOR®, you will discuss office procedures and policies. Moreover, from these meetings, sales ideas will be articulated, borrowed and born. Many brokers invite guest speakers to sales meetings or use role-playing methods to improve selling techniques.

Working with fellow salesmen

This interaction between salesmen con-

tinues outside the meeting room as well. It is not unusual, for example, for two salesmen to "team up" on a particular transaction, dividing their share of the commission on a predetermined equitable basis. Often, a sale made through such a joint effort might otherwise have been lost. This procedure, however, should not be confused with the spirit of willingness of one salesman to help another without expecting financial remuneration. Where a true attitude of cooperation exists, each associate gives and takes, resulting in greater volume for all. There are times when conflicts of interest between salesmen can occur but these can be worked out in an office where a spirit of fairness prevails.

Listings are the property of the company. Your broker will tell you what the procedure is for taking and filing listings. A salesman who holds a "hot listing" for himself is unfair to his associates and the broker has good cause to dismiss him if he persists in such selfishness.

Some salesmen hinder themselves by harboring negative thoughts toward their associates and superiors. They imagine partiality is being shown and that they are being treated unfairly. With their minds so full of such thoughts these salesmen are not able to function at maximum efficiency and creativity. The associate who is a big enough person to recognize such attitudes for what they are and to dismiss them before they become harmful leaves himself the time and energy he needs to be successful in real estate.

Professional associations

Firms which foster professional attitudes among their sales people are usually members of the local Board of REALTORS® for it is largely through associations with people in the same field that professionalism is encouraged and maintained. As an

active member of the local board you should make every effort to willingly accept assignments delegated to you. In return for your service, you will benefit from the experience and ideas of fellow real estate professionals through programs and discussions at local board meetings.

The National Institute of Real Estate Brokers of the NATIONAL ASSOCIATION OF REALTORS® exists solely to advance professional attitudes among members and to bring timely educational information to them through courses and publications. Firms which encourage active participation in NIREB activities exhibit a concern for professionalism in the real estate field.

REALTOR®—salesman relationship

The basic elements of the relationship between a REALTOR® and those salesmen affiliated with him are defined by mutual agreement between the REALTOR® and the salesman. Generally, the relationship is either that of “employer-employee” or one in which the salesman is affiliated with the REALTOR® as an “independent contractor.”

It is of critical importance that every salesman clearly understand his relationship to his REALTOR® as the respective rights and responsibilities of each are, in large measure, defined by the relationship which exists.

To assure this understanding it is highly desirable that there be a written agreement between the REALTOR® and at least those salesmen who desire to function as “independent contractors.” The terms of such an agreement should be carefully reviewed and adhered to strictly. The agreement has effect only to the extent the parties to it observe its requirements in fact.

Employee relationship

If a salesman is “employed” by a REALTOR®, he places himself under the direct supervision and control of the REALTOR®. The REALTOR® may determine not only the objectives to be attained by the salesman but also the manner and means to accomplish them. The REALTOR® may pay expenses, license fees and board dues, compel attendance at training sessions, require floor time and may assign administrative duties and organization titles. The salesman-employee is subject to federal withholding on the compensation he receives from his REALTOR®-employer and the REALTOR®-employer is required to pay FICA taxes and any other applicable workmen’s compensation, unemployment compensation or other federal, state or local employment taxes. Moreover, the salesman-employee is entitled to participate in the REALTOR®’s pension and profit sharing plans, if any, on a non-discriminating basis with all other employees.

Independent contractor relationship

If a salesman-independent contractor is affiliated with a REALTOR® in an “independent contractor” status, the REALTOR® may still determine the objectives to be attained by the salesman but he may not control the manner and means whereby those objectives are attained. The REALTOR® may not reimburse or pay selling expenses, license fees and board dues, compel attendance at meetings or adherence to a specific schedule, require attainment of sales quota or control vacation times and may not include the salesman in employee benefit programs. The salesman-independent contractor is obliged to pay his own income and FICA taxes and may, if he desires, establish his own H.R.-10 Plan, if he is unincorporated.

Comparison of relationships

The relationship which exists between a

CHAPTER 1

REALTOR® and his salesman must be a mutually satisfactory one. There is no one ideal relationship and in fact the relationship may change from time to time. For example, a newly licensed salesman may find the employee relationship most satisfactory since it permits him to enjoy a higher degree of control and security. The REALTOR® may also find the employee relationship desirable since it permits him to assure greater supervision and training of inexperienced salesmen.

On the other hand, an experienced salesman may find the freedom and independence offered by the independent contractor relationship most desirable and profitable. At the same time the REALTOR® may find the relationship entirely consistent with his operational and administrative objectives and capacities.

The important point to be observed is that the REALTOR® and the salesman select the relationship they desire and adhere to its requirements. Any attempt to create an "independent contractor employee" status will certainly defeat the objectives of REALTOR® and salesman alike and will result in confusion and misunderstanding which must inevitably cause disputes and possible litigation.

Regardless of the relationship which is established, the REALTOR® provides an office for the salesman and pays the overhead expenses of maintaining it. He contributes a stock of goods to sell (listings) and offers the good name of his office and a wealth of experience. He is available as a counselor and expert negotiator, especially in complex transactions.

A REALTOR® will normally offer a comprehensive training program which employee-salesmen may be required to attend and independent contractor-salesmen may find extremely helpful. In addition,

the REALTOR® normally provides comprehensive advertising and publicity resources which aid the efforts of salesmen to obtain listings and clients.

The salesman, on the other hand, whether employee or independent contractor, is obliged to use his best efforts to obtain and sell listings and in this connection must conform to the ethics of the real estate profession. The salesman must conduct his affairs in a manner which will not only bring credit to himself but will enhance the reputation of the REALTOR® with whom he is employed or affiliated.

REALTOR® policies and procedures

No organization can run effectively without certain policies and procedures. Such policies and procedures avoid misunderstanding and expedite office business to the mutual benefit of REALTOR® and salesman.

The nature and content of REALTOR® policies and procedures vary widely from REALTOR® to REALTOR®. Moreover, policies and procedures which may be mandatory for salesmen-employees will be optional for salesmen-independent contractors. It is therefore essential that such policies and procedures be reviewed carefully so that their content, operation and application is fully and completely understood.

Following are items common to the majority of policy and procedure manuals:

Office Policy or General Code of Ethics

Standard Office Procedure

- Floor Time Responsibilities

- Floor Call

- Coordination and Cooperation with other brokers

- Conduct with the Public

- Keeping Office Records

Giving Information
Office Supplies
Holidays
Vacation Policy
Arrangements for Clerical Assistance
Health Insurance
Life Insurance
Petty Cash
Telephone Procedure

Listing Procedure

Get the Details
Find the Motive
Check the Neighbors
Check List as Guide
What are Salable Listings?
Where to Find Listings
Securing Listings
Take Listings Right
Listing Associate Protected
Listings Available to Associates
No Pocket Listings
Protection Ends with End of Listings
When the Listing Fee is Earned
Survey Selected Properties
Setting the Listing Price
Notify Owner
Listing Processing and Credits
Servicing the Listing
Never Remove a Listing
Canceling Listings
General Listing Information
Changes

Advertising

How Classified Ads Are Submitted
Advertising Policies
Brochures
Buyer Source Records

Job Description of a Sales Associate

Training Programs
General Duties
Floor Duty

Personal Conduct
Dress
Checking-in with Office

Associates Sales Kit

Have a Sales Kit
Rules and Regulations
Associate's Obligations
Duty Assignments
Leaving Card in Premises
Plan Your Work—Work Your Plan
“Sign Out” Procedure
Telephone Technique for Associates
Use of Trunk Lines
Long Distance Calls
Personal Calls

Sales Meetings

Days and Times of Regular Meetings
Local Real Estate Boards
Dispute Settlement

Commission Policy

Open Houses

Open House Schedule
Attending Open House

Qualifying the Buyer

Mortgage Information

Information on Closings

Earnest Money

The Offer

Managing Your Time

Daily Time Report Sheet
List of Items to Attend To
Monthly Progress Report Sheet

Legal Counsel

When It Is Absolutely Necessary

CHAPTER 1

Where It Is Available
If In Doubt, Ask

Inter-departmental Cooperation

Escrow Department

Loan Department

Insurance Department

Plat Books, Maps, Forms

Appraisals

The relevance of the foregoing list of items will depend on the status of the salesman in the REALTOR®'s organization. Insofar as the items involve the manner and means by which the independent contractor-salesman is to conduct his affairs, they can never be obligatory but at most are recommendations or guidances.

Commissions

In real estate brokerage, money is made from commissions earned. Most sales associates work on a commission basis but some firms now offer salaries in lieu of a commission. Since compensation arrangements can vary from firm to firm and from salesman to salesman within a firm, such arrangements are those mutually agreed upon by the REALTOR® and the salesman and will depend, at least in part, on the status of the salesman as either an employee or independent contractor.