

Risk Management Instructor Training

This training is required of all instructors wishing to teach the Risk Management: That Delicate Balance who have not previously attended a training for this course.

Jim Lawrence has been involved in real estate since 1978. He became involved in the Birmingham Association of REALTORS® and was named REALTOR® of the year in 1989.

Jim has earned the ABR (Accredited Buyer Representative), ABRM (Accredited Buyer Representative Manager), and the CRB (Certified Residential Brokerage Manager) designations during his career. He currently is the president of Lawrence-Arendall-Humphries (LAH) Real Estate, Inc. in Birmingham, AL. Jim is an approved real estate instructor and teaches prelicense and post license courses as well as continuing education courses that include several REBAC (Real Estate Buyer's Agent Council) courses and his popular Troubleshooting 101 and 102 courses.

Completion of this course will result in the approval to teach the *Risk Management: That Delicate Balance* course and will also provide six of the twelve hours needed to renew instructor approval in 2011. We look forward to seeing you on May 14, 2010.

Remember, these hours are not interchangeable with CE hours that are needed to renew your broker license. These CE hours are only applied toward the renewal of your instructor approval that will take place in August of



JIM LAWRENCE
ABR, ABRM, CRB

2011. Take advantage of these great training opportunities and acquire not only hours needed for instructor renewal but also valuable information and knowledge that can be used in the classroom.

All participants must register through Auburn University's Outreach Program Office. See registration form or register online at www.auburn.edu/outreach/arec.

DATE
May 14, 2010

COURSE
Risk Management: That Delicate Balance

LOCATION
AREC Training Room

REGISTRATION
8:30 a.m.-9:00 a.m.

TIME
9:00 a.m.-4:00 p.m.

COST
\$95.00
(includes lunch and breaks)

AREEA Spring Meeting

The Alabama Real Estate Educators Association (AREEA) has planned a spring retreat for April 28-29, 2010. The retreat will be held at the Lakepoint State Park Resort in Eufaula, Alabama. It is scheduled to begin at 1:00 p.m. on April 28 and conclude at 3:00 p.m. on April 29. The registration fee is \$75.00 and the lodging fee is \$69.95 per night. Reserve a room by calling 800.544.5253 and identifying group #1202.

Workshops will include strategies for improving the prelicense and post license courses as well as discussing blogs and how they can be used for personal and professional use. Also, the possibility of a blog involving the Real Estate Commission and AREEA will be introduced.

Come join Alabama instructors for a great time of sharing, planning, and entertaining. If you have any questions, please contact Susan Vierkandt at 334.714.8819 or susan@servicewithasmile.info.

FUTURE INSTRUCTOR TRAINING

August 13, 2010
Instructor Development Workshop

Instructor Len Elder

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“I Thought They Were Handling That”

By Pam Oates, Education Auditor

The renewal year is upon us and so many instructors are “keeping the roads hot” traveling around the state offering continuing education classes. Whether the classes are offered off-site through the instructor’s own school or by a school that brings in approved instructors, thorough communication is essential for smooth and compliant courses. Failure to communicate can result in important details being missed that can create larger problems later. Too many times, we get phone calls on the day of a course asking our advice, as well as our forgiveness, when important details have been overlooked due to the old excuse, “I thought they were handling that.” As a reminder, here are the items that need to be considered when entering into agreements with other organizations to offer continuing education classes.

COURSE SPONSORSHIP

This might seem like an easy item but without clear communication this can become a real issue resulting in real problems. When both the instructor and the off-site organization have an approved school, the sponsoring school needs to be established from the very beginning. Because the responsibilities for compliant advertising, all CMap entries (Course Schedules and Course Credit), attendance monitoring, student behavior monitoring (Rule 790-X-1-.14), and an adequate classroom facility, are shared by **both** the instructor and the sponsoring school

administrator, decisions need to be made as to who will carry out each task. The excuse, “I thought they were handling that” will not diminish the burden of responsibility for either party.

Another scenario that we have seen cause problems is when only the instructor has an approved school but **assumes** that the off-site organization



does as well and will be sponsoring the course. We have seen instructors get to a teaching location only to find out that the course was never entered into CMap because it was assumed by both that the **other** organization would sponsor the course. Instructors should never assume that they need only to show up and teach but should take the time to discuss these matters before they agree to teach a course.

ADVERTISING

When a traveling instructor sponsors a course for an organization, violations may occur if the flyers, emails, or Web site postings created by the off-site organization do not comply with the advertising rules. For example, if an instructor’s school agrees to sponsor a course for a small board but leaves it up to that board to advertise the course to its members, its advertising

methods may be in violation of License Law. Everything the **board** circulates for the course must include the instructor’s school name and license number and if it doesn’t, the Administrator of the instructor’s school will be held responsible for the violation.

RISK MANAGEMENT: THAT DELICATE BALANCE MANUALS

When an instructor agrees to travel to an area to teach the Risk Management: That Delicate Balance course, a conversation needs to take place to determine who is going to provide the manuals. Instructors should **never** assume that every school has a supply of Risk Management manuals and schools should **never** assume that the instructor will automatically provide the manuals. Because these manuals are required to be provided at **every** offering of a classroom Risk Management course, this detail should be clarified **before** the date of the course which, by then, is too late to correct the issue.

Communication is the key to eliminate these types of situations from happening. Instructors may get surprised by unforeseen issues because they get accustomed to teaching courses at their own school location or at large organizations that have experience offering courses. Don’t add unnecessary stress to a day on which a course is being offered by having situations arise which require a call to the Commission for advice or forgiveness. Remember, communicate and never assume that “they are going to handle that.”

CDEI Renewal Course Available In April

As stated in Rule 790-X-1-.21, all distance education instructors must have the Certified Distance Education Instructor (CDEI) designation prior to offering any distance education courses. This requirement was established in 2007. Here are some important facts regarding CDEI renewal.

- The Association of Real Estate License Law Officials (ARELLO) created the CDEI designation and it is required of all providers of distance education courses prior to certification of the courses.
- The CDEI designation must be renewed every three years. Therefore, designation renewal is quickly approaching for the first Alabama instructors who were issued the designation.
- The renewal course is eight (8) hours in length and will qualify for six (6) hours of Instructor CE credit.
- As was true for the initial CDEI course, Alabama instructors will receive a discount on the cost of the course. ARELLO is allowing a 10% discount on the CDEI renewal course.
- Call the Education Division to receive the coupon code to be used when you purchase the course. This discount is effective through December 31, 2011.

Property Management: The In's & Out's Of Escrow Accounts

By Denise Blevins, Legal Auditor

Commissioners call attention and direct emphasis to brokers, sales associates and through instructors to all licensees in CE and prelicense that: Monies received and held in trust/escrow are to be accounted for in full at all times and not ever used for the benefit of the licensee or anyone other than the individual or entity for which the money is held in trust. In Property Management this expressly means that it is not legal to advance funds from the pool of money held in trust to cover any expense or repair for a property that is not held specifically in trust for that particular property.

When one hears the phrase "trust account" most people think about a sales escrow account. This is a bank account containing earnest money on sales. Earnest money is funds put forth by a buyer to demonstrate a genuine desire to purchase a house.

For companies engaged in property management, the Alabama Real Estate Commission encourages two additional accounts be established and designated as "trust accounts." These two accounts are a security deposit escrow account and a rental escrow account. Both of these accounts should be handled as trust accounts.

Security deposits should be deposited into and disbursed out of the "security deposit escrow account." The security deposit is not to be used during the duration of the tenancy unless authorized by a written agreement between the landlord and tenant. A continuous log or ledger should be maintained for the security deposit escrow account. This log can be kept manually or it can be computerized. It should reflect the tenant names, property addresses, owner names, security deposit amounts, and the dates you deposited the various amounts into the escrow account. When a tenant vacates a property it's helpful to put the disbursement date and your check number on the log.

The total amount of security deposits being held at any point in time is considered the

security deposit liability. This liability should be compared to the security deposit escrow account bank balance and at all times the two amounts should equal or at least the bank balance be slightly larger than the liability.

The second of the two trust accounts is a "rental escrow account." Rent money belongs to the owner of the property (the public) and therefore is considered to be trust funds. Monthly rent receipts from tenants should be deposited into and disbursed out of this account. The disbursement of the rent will come in the form of at least two checks and possibly more if invoices for the property have to be paid. One check will go to the real estate company for their management fee and the other check will be written to the property owner for their proceeds. Rental management fees earned and interest earned, if using an interest bearing escrow account, should be taken out of this rental escrow account once a month.

Let's now talk about a third way rent may be disbursed. This type of disbursement may take the form of a payment of an invoice for maintenance on a property. As we talk about paying these maintenance invoices it is important to remember this; you can only write a check out of the "rental escrow account" to pay for the expense if you have that amount of money in the escrow account for that particular property. Example: Let's say that True Property Management Company (TPM)

manages two properties; 123 ABC Avenue whose monthly rent is \$700.00 and 789 XYZ Street who pays monthly rent of \$1000.00. TPM gets a 10% management fee. April 3 you receive and deposit into the "rental escrow account" the \$700.00 for ABC Avenue. April 10 you write owner checks and the \$700.00 is disbursed as follows, a \$70.00 check to TPM Company and a \$630.00 check to the property owner. The tenant at XYZ Street is late paying and on April 14 you receive and deposit their \$1000.00. Meanwhile you receive a \$50.00 invoice that needs to be paid for work done at ABC Avenue. At this point if you write a check out of the "rental escrow account" for this \$50.00 invoice you have advanced money for repairs or used someone else's money for this repair. How or why you might ask; because the money in the account belongs to the owner of XYZ Street, remember on April 10 you disbursed the funds you were holding for ABC Ave which is the property the invoice was for. If an auditor stopped by now and audited the "rental escrow account" your account would be short. The auditor will be expecting to see the \$1000.00 for XYZ Street in the account however there's only \$950.00 because the invoice was paid. This gives a shortage of \$50.00.

So how do we pay the invoice? This can be paid out of the companies operating account and then the company can be reimbursed when the next month's rent is collected.

At the time of an audit your

rent liability will be compared with your escrow account balance. The rent liability is all rents received and deposited but not yet disbursed. The bank balance should reflect the same amount, if not a little more, than the rent liability.

Over the past several months some discrepancies have appeared during the random and routine audits that are done. There have been shortages caused by the advancing of monies for repairs. There have been shortages because of business expenses being paid out of the escrow account with the money never being put back.

There has also been found a case where the "rental escrow account" and the companies operating account are one in the same which is commingling. You should not justify advancing money for repairs by saying "I paid that with my money, I leave my management fees in the account for this reason." As stated previously management fees should be taken out every 30 days or once a month.

To insure proper accounting make sure you establish two trust accounts: one for security deposits and one for rent money. If you also engage in sales you'll need a third account for earnest money. At least once a month if not more, for the rental escrow account, reconcile the trust accounts and compare your reconciled bank balance with the liability for each account. At no point in time should your bank balance be less than your liability.

Risk Management: That Delicate Balance

Sponsored by the Alabama Real Estate Commission

Presented by Jim Lawrence

Friday, May 14, 2010 9:00 a.m. – 4:00 p.m.

1201 Carmichael Way

Alabama Real Estate Commission

REGISTRANT INFORMATION

Social Security Number _____

Name _____
LAST FIRST MI

Address _____
CITY STATE ZIP CODE

Phone _____ Fax _____

Email Address _____

NAME AND AFFILIATION PREFERENCE FOR NAME TAG

COURSE INFORMATION

Lunch will be provided.

(\$ 95) Risk Management: That Delicate Balance – Received by or on April 29, 2010

(\$130) Risk Management: That Delicate Balance – Received after April 29, 2010

FOUR EASY WAYS TO REGISTER

FAX this form to 334/844-3101

CALL in your information to 334/844-5100

MAIL this form to Outreach Program Office, 301 O.D. Smith Hall, Auburn, AL 36849

WEB online at www.auburn.edu/outreach/arec

PAYMENT INFORMATION

Check Money Order MasterCard Visa Purchase Order

Expiration Date _____ Card or Purchase Order Number _____

Authorized Signature _____

Registrations received via FAX, email or telephone MUST contain a credit card number or purchase order number. Otherwise, you will not be considered registered.

MAKE CHECKS PAYABLE TO AUBURN UNIVERSITY

TOTAL ENCLOSED _____

CANCELLATIONS and REFUNDS

Written refund requests received no later than seven days prior to the program will result in a refund of fees less a \$15 administration charge.

Refund requests received after that cannot be honored. A substitute participant may be designated in place of a registrant who cannot attend.

Auburn University and the Outreach Program Office reserve the right to cancel, postpone, or combine workshop sections, to limit registration, or to change instructors or speakers.

This program is designed to be accessible to all who wish to attend. Should you have a special need, please call 334.844.5100.



**Join Us For The
AREEA Spring Fling
Apr. 28-29th**

At Lakepoint State Park Resort
In Eufaula, AL (www.alapark.com)

Agenda

Wed., Apr. 28th

1:00—4:00 PM Workshop

Topic: Develop Creative Strategies for Teaching 60-Hour
Pre-License Course and Re-Working Outline

6:00—8:00 PM Dinner/AREEA Meeting

Thurs., Apr. 29th

9:00 AM—Noon Workshop

Topic: Collaborate on Materials and Activities for 30-Hour
Post License Instructor Resource Manual

Noon—1:00 PM Lunch

1:00—3:00 PM Updates w/AREC Staff

Registration Fee = \$75.00

**(Which includes \$25 for 2010 AREEA Dues
and Continental Breakfast, Lunch, & Dinner)**

Special Rate for Lodging \$69.95/night

Call 1-800-544-5253 (Group #1202)

**For Additional Information/Registration
Contact Susan Vierkandt @ 334-714-8819
susan@servicewithasmile.info**



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2010 REEA CONFERENCE

The 31st annual conference of the Real Estate Educators Association (REEA) will be held in San Antonio, Texas June 14 through June 16. For more information about this conference, please visit the REEA Web site at www.reea.org. Alabama instructors who attend this conference may obtain instructor CE hours for their 2011 instructor renewal. A final agenda for the conference has not yet been published. If you have questions about obtaining instructor CE hours, please contact the Education Division.

