

Competency in Practice

What Defines Competency?

Definition: Understanding facts, truths and principles gained from formal training and/or experience

When a Broker does not have the competency to properly guide a Client, the Client's interests are not protected

Competency in Practice

Rule 6.2

A. In order to conduct Real Estate Brokerage Services, a Broker must possess the necessary experience, training, and knowledge to provide Real Estate Brokerage Services and maintain compliance with the applicable federal, state and local laws, rules, regulations and ordinances.

Competency in Practice

B.If a Broker does not have the necessary experience, training, and knowledge, the Broker must:

- 1)Decline to provide Real Estate Brokerage Services;
- 2)Obtain the necessary experience, training, and knowledge;
- 3)Obtain the assistance of their Employing Broker, Supervisory Broker, a Broker who meets the requirements as set forth in subsection A of this Rule, or legal counsel that is competent in the matter; or
- 4)Co-list with another Broker who meets the requirements.

Common Liability Pitfalls

Taking on something without proper knowledge:

- List a condo with special assessments coming up but did not disclose
- List a property with septic, not realizing if it needs a septic use permit
- List a property that has a well on it but have no clue where to get well permit
- Help first time commercial buyer purchase a property, but not help them understand the property's net operating income
- Help first time tenant lease a commercial location not ensuring they know it is triple-net and what that means to them in terms of dollars

Questions to Assess Competency

On Specialized Circumstances, do you have expertise/training in:

- This type of transaction? (Residential, Commercial, Land, Income-Producing, Timeshare, 1031 Exchange, Foreclosure, Short Sale, etc.)
- Affordable Housing?
- The inspection process for this type of property?
- Water, Wells, Mines, Wind
- Difference between Surface & Mineral Estates such as Oil and Gas leases/rights?

On Area Knowledge:

- How do you know area?
- Live or have lived there?
- Farm it?
- Sold in area?
- Understand the CICs (CC&Rs), Metro Districts, Schools, Local Amenities.

More Questions to Assess Competency

On market knowledge, do you have expertise/training in:

- The needs and concerns of a typical buyer for this type of property?
- Reviewing market reports for the type of property, area and industry if commercial?

On General Knowledge, are you:

- Competent in Title issues and Title Commitment?
- Understanding easements and property lines?
- Understanding related financials?
- Knowing when to recommend experts such as attorneys, CPAs, trades, etc.

How to Stay Competent - Best Practices

- 1) Know the activities, new developments, services, amenities, special districts of areas in which you are working
- 2) Stay informed on what's happening - go to public meetings
- 3) Read and send out market reports
- 4) When starting out or attempting a new type of transaction always get assistance from a knowledgeable broker and your supervising broker
- 5) Take classes, trainings, and certifications to expand your competency
- 6) Advise your clients to seek expert advice such as their attorney, CPAs, and trades
- 7) Stay up to date

Where To Go For Help

Resources:

- CCIM Institute - Commercial Training and Certification
- REALTORS® Land Institute - Land
- Society of Industrial and Office REALTORS® - Commercial
- NAR Certifications and Designations
- Center for REALTOR® Development

Assistance in building competency:

- Classes, Trainings, Certifications
- Working or seek mentoring with another agent through several deals until complete understanding
- Managing Broker