

TEXAS REALTOR®

Succeed in Texas Real Estate

December 2020 \$3.50

THE VALUE OF APPRAISERS

What They Bring to the Sale

Plus what you might not know about the process p. 16

Changes to Delivery of Option Fees p. 14

How to Help Downsizing Clients p. 9

Transferring Property Prior to Death p. 24

87TH TEXAS LEGISLATURE:
What's in Store for Real Estate? p. 20



SHAPING
TEXAS

1920-2020

CONTENTS



HOUSING DISCRIMINATION? NOT IN OUR HOUSE.

If recent events have taught us anything, it's this: we have more work to do. Racism is real, tragically so. Discrimination, in all its forms, still casts a long shadow in this country, and too many are being denied the opportunities that all Americans deserve. Our commitment to the diverse communities we serve starts with a Code of Ethics. Our code sets a higher standard for fairness in housing than any federal law, it's backed by a culture of member accountability, and it extends to our work on Capitol Hill, where we continue to advocate for meaningful change.

At Texas REALTORS® we believe that fairness is worth fighting for, and we won't stop until the fight is won. Because that's who we are.

If you experience or witness discrimination in real estate, we urge you to report it.

Visit hud.gov/fairhousing to file a complaint with the Department of Housing and Urban Development.

REALTORS® are members of the National Association of REALTORS®



24

FEATURE by Tiffany Dowell Lashmet
TRANSFERRING PROPERTY PRIOR TO DEATH
There are several options available to an owner when transferring real estate to an heir, and each option has pros and cons.



INSIGHTS

- 3 Chairman's column: Thank you! Texas REALTORS® named Top Workplace ... again
- 4 Diversity and inclusion at the Greater McAllen Association of REALTORS®
Had an outstanding commercial transaction? C2EX promotion in Texas earns honors
- 5 Election Day success for Texas REALTORS®
Texas YPN receives national recognition

BUSINESS

- 6 Keep your listings hot this winter
Solar savings
- 7 Expected tenure in homes
Protect yourself from ransomware
- 8 Reorganize your team or brokerage files
How repairs factor into the equation
- 9 Helping clients who are downsizing
- 10 Not all good training has to be CE

- 10 Multigenerational households on the rise

LEGAL & ETHICS

- 12 Questions clients should ask about virtual closings
Running a business from a home
- 13 Vietnamese form translations available
NAR updates Code to address discriminatory speech and conduct
Fact or fiction? Providing a second opinion
Your forms: *Commercial Lease Addendum for Percentage Rent*
- 14 Changes to delivery of option fees—and other TREC updates
Negotiating commissions
- 15 Legal Hotline:
Third-party financing
Lender-required repairs

SHARE THIS

- 27 REALTORS® will always be there for you

TAKE 5

- 28 Get more done

20

FEATURE by Jaime Lee
LEGISLATIVE PREVIEW

As always, the real estate industry and property ownership will be affected by what bills get passed or defeated in the legislative session that begins in January 2021. Learn what topics are likely to be discussed and how Texas REALTORS® helps shape the outcomes of important legislation.



COVER: © Syda Productions - stock.adobe.com

16

FEATURE by Joe Olivieri
UNDERSTANDING THE APPRAISAL PROCESS

Appraisers play an important role in property transactions. Here's what you and your clients need to know about how appraisers work—and how you can work with them.



CINDI BULLA Chairman of the Board
MARVIN JOLLY Chairman-Elect
RUSSELL BERRY Secretary/Treasurer
TRAVIS KESSLER CEO
ANGELA BRUTSCHÉ VP of Comm. & Mktg.
MARTY KRAMER Editor-in-Chief
WARD LOWE Assoc. Dir. of Communications
MICHAEL SCHRANTZ Digital Marketing Manager
JOE OLIVIERI Assistant Editor
JOEL MATHEWS Art Director
JOSHUA BANKS Designer
CHRIS NELSON Graphic Designer

CHANGE OF ADDRESS OR EMAIL
Members should always send postal address or email changes to their local association.

CONTACT THE EDITORS
editor@texasrealtors.com
512-480-8200
P.O. Box 2246
Austin, TX 78768-2246

ADVERTISING SALES
Mohanna Sales Representatives
214-291-3648
texasrealtorsinfo@mohanna.com

Texas REALTOR® (ISSN 1068-1248) is published monthly except combined issues in January/February and September/October by Texas REALTORS®.

POSTMASTER
Send address changes to:
Texas REALTOR® magazine
Attention: Membership
P.O. Box 2246
Austin, TX 78768-2246

Periodicals Postage Paid at Austin, TX, and at additional mailing office. Annual dues of members of the association include \$5 for a one-year subscription to Texas REALTOR®. Annual subscription rate to others: \$25. Single copy rate to others: \$3.50. Office of publication: 1115 San Jacinto Blvd., #200, Austin, TX 78701-1906; mailing address: P.O. Box 2246, Austin, TX 78768-2246; phone: 512-480-8200; fax: 512-370-2390.

All articles and paid advertising represent the opinions of the authors and advertisers, and do not necessarily represent the opinions of the editors of Texas REALTOR® or the association and should not be construed as a recommendation for any course of action regarding financial, legal, or accounting matters by the association or Texas REALTOR® and its authors.

Contributions are not deductible for federal income tax purposes. Contributions to the Texas REALTORS® Political Action Committee (TREPAC) and the Texas Association of REALTORS® Federal Political Action Committee (TAR FedPAC)—which makes contributions to the REALTORS® Political Action Committee (RPAC)—are voluntary and may be used for political purposes. The amount indicated is merely a guideline, and you may contribute more or less than the suggested amount. You may refuse to contribute without reprisal, and the National Association of REALTORS®, Texas REALTORS®, and its local associations will not favor or disadvantage anyone because of the amount contributed. Until the RPAC annual goal is met, 70% of an individual's contribution goes to TREPAC and may be used to support state and local candidates; the remaining 30% is sent to TAR FedPAC to support federal candidates and is charged against your limits under 52 U.S.C. 30116. (Exception: 100% of an individual's contribution goes to TREPAC if the individual is an employee of an affiliate member of Texas REALTORS®.) After the RPAC annual goal is met, 100% of an individual's contribution goes to TREPAC and may be used to support state and local candidates. You may contact the Texas REALTORS® political committee administrator at 800-873-9155 to obtain information about your contributions.

Federal law prohibits TREPAC and FedPAC from soliciting contributions from persons not included in the following groups: Members of the association, executive and administrative personnel of the association, and the families of both groups. Contributions received in relation to this publication from a person outside of these groups will be returned.

©2020
Texas REALTORS®
All rights reserved.



Texas REALTORS®
ADVOCACY
During COVID-19

Even while sheltering in place, REALTORS® have been advocating to protect consumers, professionals, and the real estate industry.



ENSURE REAL ESTATE IS AN ESSENTIAL SERVICE statewide to protect real estate transactions



PROVIDE GUIDANCE for serving clients safely and responsibly



PROVIDE RECOMMENDATIONS for conducting in-person real estate license exams



SHARE INSIGHT into impacts on real estate industry and how REALTORS® have adapted to serve clients safely



REAL ESTATE PROFESSIONALS ARE ELIGIBLE FOR FEDERAL RELIEF, including small business loans and unemployment insurance



ADVISE STATE LEADERS on reopening government offices for real estate consumers



PROTECT REAL ESTATE LICENSE HOLDERS seeking renewal and applicants



EXPAND NOTARY SERVICES for real estate documents



See Texas REALTORS® resources, updates, FAQ, and other content related to COVID-19 at texasrealestate.com/coronavirus

#TREPACTogether

INSIGHTS



Chairman

Greetings, Texas REALTORS®!

Congratulations to Marvin Jolly, who is taking the reins as the chairman of Texas REALTORS®! By now you know how excited I am for the opportunity to serve on his 2021 Leadership Team. I hope you and yours have begun a peaceful and reflective holiday season. As leaders of our communities, we must continue to set healthy, responsible examples for how to serve others and conduct business during what we hope are the final few months of this pandemic. Please stay that course and continue to shine as you have all year.

For years, I have extolled the virtues of our team-oriented Texas REALTORS® system of governance. It is a brilliant model that ensures harmony between the members who set its course, the elected leadership who chart it, and the epic staff led by Travis Kessler who make it happen. Even so, the title of chairman brings with it an almost indescribable combination of visibility and personal responsibility. No doubt every past chairman can relate to the pressure of being the public face of our powerful, now century-old organization, especially during times of disruption. But for those who selflessly mentored, guided, and collaborated with me for years before and every single day during this year, it might have been

overwhelming. This magazine hasn't enough pages to thank you all one by one, but please know every call, message, card, email, lesson, critique, pep talk, and token will be cherished and remembered forever. Those with whom I have been privileged to serve since arriving on the Leadership Team in 2017 include Travis, NAR President-elect Leslie Rouda Smith, Vicki Fullerton, Kaki Lybbert, Tray Bates, and this year's team of Marvin, Russell Berry, and Marcus Phipps. Their collective wisdom, kindness, and generosity kept us all accountable and focused on you, the members, at every turn. They made my service not just worthwhile but also fun, and each will be a friend for life.

May you all be abundantly blessed in the days and years ahead. I am profoundly and forever grateful for the privilege of serving as your 2020 chairman. Then, now, and always, #ShapingTexas!

Cindi Bulla

TEXAS REALTORS® NAMED TOP WORKPLACE ... AGAIN



Texas REALTORS® has been recognized as a Top Workplace of Greater Austin for the second year in a row. The Austin American-Statesman partners with Energage to conduct anonymous surveys of employees to identify organizations that stand out for their leadership, vision, employee-centered culture, and other desirable qualities.

"This recognition reflects what I am privileged to witness every day—hard-working employees who are collabora-

tive, professional, inclusive, and member-focused," said Texas REALTORS® President and CEO Travis Kessler.

Employee survey results even improved upon last year's overall score despite the surveys being completed while COVID-19 required all staff to work remotely. "The value our organization places on our staff makes it such a great place to work," said Kessler, "which results in a higher level of service to our members."

C2EX PROMOTION IN TEXAS EARNS TOP HONORS



Texas REALTORS® was one of two winners in the Mega Association Category of NAR's C2EX Challenge. Contest winners had the highest point totals based on the number of members who started the C2EX program and the number who completed the endorsement. C2EX, which stands for Commitment to Excellence, empowers REALTORS® to evaluate, enhance, and showcase their highest levels of professionalism. Learn more and start the online program at c2ex.realtor.

If you completed an outstanding commercial real estate transaction that had a positive impact in your community, apply for the William C. Jennings Award.

All members of Texas REALTORS® are invited to apply by January 10, 2021. The award will be presented at the 2021 Texas REALTORS® Winter Meeting, and the winner will be featured in *Texas REALTOR®* magazine. The award winner's primary local association also will receive a \$1,000 grant.

Learn more about this and other Texas REALTORS® awards at texasrealestate.com/awards.



Diversity and Inclusion at Local Associations

GREATER MCALLEN ASSOCIATION OF REALTORS®



When was your diversity group formed and how is it structured?

It was informally formed by one of our members, Myssie Cardenas Barajas, at the beginning of 2020 and was approved as a council of our association's Board of Directors in August of 2020.

What was the catalyst that started it?

In 2019, Myssie Cardenas Barajas was appointed to serve on the Texas REALTORS® Diversity Committee. After attending several meetings and speaking with REALTOR® colleagues about the challenges they faced, she approached our board president and CEO about the possibility of adding a Diversity and Inclusion Committee to our association. While there was support for the initiative, there was also some initial concern about the need in our area—our market is diverse and not predominantly white. However, the pandemic and racial unrest happening throughout the country helped encouraged our leadership to be proactive and make it a priority. The executive leadership recognized a need to better reflect the community that the association serves.

How is your group tackling diversity, equity, and inclusion?

We are in the process of acquiring data from local leaders. We have reached out to NAR, Texas REALTORS®, and other local associations to get guidance on moving forward. We are hoping to host a Leadership with Diversity class and host a video conversation with Bill Dedman, a Pulitzer Prize-winning journalist who investigates racial discrimination in real estate. We are working on some exciting solutions to bring more minorities into the real estate industry, and we are actively recruiting leaders to serve at the local, state, and national level.

What advice would you share with others who want to make positive contributions to further diversity in real estate?

Don't let the fear of a few vocal members stop you from taking action. Don't let the walls of resistance keep you from taking the next steps. Change is needed, and it will only happen when we push past the resistance and fear.

TEXAS YPN RECEIVES NATIONAL RECOGNITION



The Texas REALTORS® Young Professionals Network for the first time won the NAR YPN Network of the Year Award in the state category. NAR's YPN Network of the Year Award goes to groups or committees that are doing the best job in involving, recruiting, and representing young professionals in the real estate industry and are living up to the goals and missions of NAR's Young Professionals Network.

"Wow, what a tremendous honor!" said Texas YPN Chair Ray Wade. "This award highlights the years of effort that have gone into planting our network, establishing it as a strong committee, and growing its outreach. With strong support from Leslie Rouda Smith, our committee started and benefited early on from leaders like Kristin Smith and Nick Kline. This year's leadership team of myself, Vice Chair Vanessa Dirks, Liaison Kylee Garza, and Immediate Past Chair Nick Kline has worked together with the committee on extensive goals. We grew participation in our network this year and increased communication, including a bi-weekly YPN newsletter. We are thankful for this award and look forward to the future!"

The Texas REALTORS® Young Professionals Network is a 24-member committee dedicated to encouraging, promoting, and inspiring Texas REALTORS® and affiliates through education and networking, and providing a gateway for future leadership at the local, state, and national level.

Learn more at texasrealestate.com/ypn.

Photos & Images: © luckybusiness, © Roman Babakin, © Teeranon - stock.adobe.com

ELECTION DAY SUCCESS FOR TEXAS REALTORS®



The November 3, 2020, election brought record-breaking voter turnout in Texas.

Federal and state candidates supported by RPAC and TREPAC, respectively, had incredible success on Election Day.

95.6%

OF REALTOR®-SUPPORTED CANDIDATES WON THEIR RACES.

- **35** Texas seats in the U.S. Senate and U.S. House of Representatives
- **5** statewide races
- **15** seats in the Texas Senate
- **142** seats in the Texas House of Representatives

Texas REALTORS® looks forward to working with these new and returning lawmakers to pass legislation that protects private-property rights and the real estate industry.

DON'T LET YOUR LISTINGS GO COLD THIS WINTER



"The most wonderful time of the year" is not nearly as slow as buyers and sellers may think. Agents who adjust their marketing and selling strategies for this season can keep their sales numbers hot even as temperatures drop. Here are a few tips to make the most of December.

Schedule ahead but be flexible. December is filled with personal and professional obligations. Get on your clients' schedules, but also discuss backup times in case they need to cancel the appointment.

Can it be done online? Digital solutions are not only useful due to the coronavirus pandemic. Video meetings, virtual showings, and digital signatures can make things convenient for everyone with busy schedules.

Stage your listing for winter. Candles on a table or blankets on a couch can make a room more inviting. Staging for colder weather can help prospects picture themselves in the home.

Emphasize communal spaces. Even if COVID-19 limits this year's festivities, clients will view homes with future holiday celebrations in mind. Spend extra time pointing out gathering places like kitchens, living rooms, and dining rooms. Cozy features like fireplaces or outdoor seating areas may be big selling points, too.

Showcase your soft skills. December offers you many holiday-themed questions and small talk opportunities with your clients to help build rapport. What are you most looking forward to? Are there any special foods or traditions you enjoy? Small talk is an excellent way to grow the personal connections that build trust and lead to referrals.

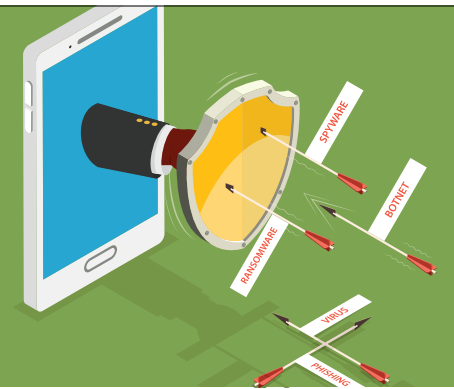
Explain to buyers the advantages of acting now. Remind buyers that winter is a great time to buy a home. It is the slow season for moving companies. Most schools have a winter break; families could be settled in their new homes by the time school starts again in January. They could even ring in the new year in their new homes.

One-third of first-time homebuyers in Texas expect to be in their homes for the long haul—at least 16 years—according to the latest *Profile of Texas Homebuyers and Sellers*. Nearly half of repeat buyers also think they will stay put for 16 years or more. Not all buyers believe they will remain in their current homes that long, though. Twenty-seven percent of first-time buyers and 14% of repeat buyers predict they will move in five years or less. Access the full report at texasrealestate.com/research.



Photos & Images © Max, © Studio-FI, © flicks, © ramunision - stock.adobe.com

PROTECT YOURSELF AND YOUR BUSINESS FROM RANSOMWARE



Every year, more organizations are dealing with ransomware. In 2019 several local governments in Texas reported attacks on their computer systems.

But it's not just city hall and big corporations being targeted anymore. Malicious actors can shut down your real estate business by encrypting your files and demanding lots of money to restore them. They can also delete your files.

"Ransomware incidents can severely impact business processes and leave organizations without the data they need to operate and deliver mission-critical services," according to a ransomware guide co-written by the Cybersecurity and Infrastructure Security Agency (CISA).

Follow these tips, adapted from the guide, to protect yourself:

Keep offline and encrypted backups of your data. Back up your data regularly. Many programs let you encrypt your backups. Store your backup offline where hackers cannot access it. Create more than one backup just in case.

Keep software and operating systems up to date. Don't delay that software update. Technology companies like Microsoft and Apple frequently discover and patch security issues. If you are not using the latest version of software and operating systems, you could leave yourself open to a newly discovered vulnerability.

Learn to spot phishing scams. Don't open the door to hackers by clicking on a malicious link or file. Be suspicious of unusual email addresses, and do not open emails you think may be fraudulent. If you aren't sure if a message is safe, contact the sender to

confirm the message before clicking any links or opening files.

Avoid suspicious websites. Think twice before visiting websites that do not look legitimate. They could infect your computer with ransomware. Examples include sites with misspelled URLs or unusual domain names, or a link with a shortened URL intended to hide its actual address.

Use strong passwords. One of the most basic and important ways to keep your information safe is to use unique, secure passwords. Change them regularly. Change default passwords. Use a password manager to keep track of them all.

Train your agents and employees. Make sure everyone is informed on cybersecurity threats. There are many free training videos online. Require anyone who uses your computer systems to complete training in this area.

Make sure third parties are staying safe. If you or your company works with a vendor on data storage or processing important information, make sure that vendor is implementing best practices.

Install and use protective software. Antivirus programs and firewalls can help protect you by identifying malicious websites or warning you of potential dangers. Spam filters can divert risky emails before they ever reach you.

Ask IT. Your organization's IT department can answer any additional questions you may have. The department may have already set up protections behind the scenes.

To learn more, read CISA's guide at cisa.gov/publication/ransomware-guide.

SOLAR SAVINGS

\$10,212

Average cost of a 5-kilowatt solar panel system in Texas after subtracting the Federal Investment Tax Credit

12.58

Years to recover investment

\$15,898

Savings over 20 years compared to conventional utilities for the same amount of electricity, including costs, incentives, and inflation

Source: Energy Sage

IS IT TIME TO REORGANIZE YOUR BROKERAGE OR TEAM FILES?



Having remote access to important business documents has grown in importance with fewer people working from offices. Whether accessed through an intranet or a file-sharing service like Dropbox, maintaining well-organized and updated internal files can minimize miscommunications or business interruptions caused by gaps in company knowledge. Here are five tips to reorganize your internal files.

Find the Right Owners

Consider if your internal files are currently managed by the right people. Do they have say over the content? Will they know when it needs to be updated? Executives or team leaders may have the most ownership of internal files. Alternatively, a group can be formed to ensure a variety of eyes regularly review the content.

Gather Feedback From All Stakeholders

Power users of internal files will likely have the strongest opinions about how they should be organized, but users who are less familiar—potentially because of a lack of organization—should also be considered. To make an intranet successful, you'll need buy-in from all stakeholders.

Track the Content

Whether you have in-house IT professionals or find an outside consultant, create a way to track views and downloads of internal files so stakeholders know which items are most important and to prioritize. Tracking may also reveal important information that's being overlooked.

Challenge Your Structure

The intranet of a brokerage or team does not necessarily need to mirror the organization's department structure or hierarchy. Question if information can be better arranged to follow how stakeholders perform their tasks.

Make it Sync

Setting up documents on the intranet to sync with files in your business cloud, such as through Microsoft or Google, reduces the burden of updating content and ensures the latest version is always the one accessible.

TALK WITH YOUR CLIENTS ABOUT REPAIRS AND REPLACEMENTS

Help your clients make more-informed decisions by discussing repairs and replacements with them.

The listing price doesn't tell the full story of what the home will cost. That great bargain may not look so great if a major renovation is needed.

Repairs and replacements can include:

- Parts of the house itself, such as the roof, electrical wiring, or plumbing
- Major built-in appliances, such as water heaters and HVAC systems
- Other appliances that convey, such as refrigerators and washing machines.

For seller clients, showcase any recent repairs, remodels, and replacements when marketing the house. A new roof or new appliances could motivate buyers to choose your clients' property over someone else's.

Buyer clients should factor in the cost to replace any feature or system that is near the end of its use life. Sellers may not know the exact age of a feature or appliance, but a rough estimate can help buyers plan for future upgrades. Clients may have a difficult time replacing a roof or water heater on short notice if they were not expecting the expense.

Remember not to practice outside of your expertise when discussing these issues. For questions about when to replace appliances, systems, or components, direct your clients to reputable resources, such as licensed inspectors and trustworthy sources of information.



Photos & Images: © Gordenkoff, © denphumi, © alevitie, © Hurral - stock.adobe.com

DOWNSIZING CLIENTS: HOW TO HELP THEM



Not all downsizing sellers have the same reasons for contacting you.

Plenty of downsizers are self-motivated and might not require much more assistance than a typical client. But others are reluctant to move out of their longtime residences—and some are being forced by health or finances to do so.

Here are tips for you to assist them, no matter their situation.

Prepare for False Starts

Even the most gung-ho downsizers may need more time than the average sellers to act. For example, a couple contacts you about selling the family home when their youngest child is in college. However, they might wait until he graduates and gets a steady job before actually selling.

Be Empathetic

These types of transactions elicit strong emotions. It helps if you show clients that you appreciate their homes and their possessions—and that you know this is a hard process. You'll need patience and empathy to help them through the transaction.

Know the Motivation

You'll want to understand early on what's driving the downsizing. Is it the desire for a smaller place? Are there financial or health worries? Are their kids forcing the sale? Knowing the "why" will help you best serve them.

Include All Decisionmakers

Ask the sellers if anyone else should be involved in your communications. They might want the counsel of their financial advisor or need their children to sign off on

a sale. Find out early in the transaction who needs to know what to avoid confusion or failed closings.

Pare Down Possessions

This part is often the biggest hurdle for downsizers. People tend to accumulate items over the years, and many possessions have sentimental value—the dishes inherited from Grandma, the picture painted by a close friend, the dining room set received as a wedding gift. Encourage your clients to start by categorizing their possessions: *keep*, *throw away*, and *other*. Next, they should look at the items in the *other* category to decide whether to donate, sell, or give to family or friends—and tell everyone they know that they're downsizing and have things to give away. Another option is to see if there are items that buyers would like and have them convey in the contract.

Talk About Timing

All sellers need time to organize and pack their belongings. However, downsizing sellers likely need more time than other clients to pare down their possessions. They may need to host a garage sale, reach out to family members, contact a consignment company, or perform other related tasks. The amount of time depends on how many items your sellers need to shed and how motivated they are to do the work.

Want more information about working with downsizers? Consider the Seniors Real Estate Specialist (SRES) designation, which teaches skills in key areas of senior real estate, such as selling the family home and moving to an active-adult community. Visit sres.realtor.com to learn more.

Did you know?

About a quarter of the U.S. population lives in community associations, such as planned communities, condominiums, and housing cooperatives. The Foundation for Community Association Research estimates 351,000 associations existed in the U.S. in 2019.



BROKERS: 3 TYPES OF NON-CE TRAINING THAT CAN BENEFIT YOUR AGENTS AND YOUR BUSINESS



Giving agents access to quality training resources can boost your firm's retention, culture, and profitability. But continuing education courses are not the only option to keep your agents engaged and informed.

Access to Real Estate Coaches

For new agents and agents looking to achieve greater success, knowing when to seek a coach or how to compare their services and costs may be daunting. Keeping a roster of well-regarded coaches can make it easier for agents to access support. And if you know coaches whose philosophy meshes well with your business model, offering to defray some of the coaching cost might benefit the brokerage as well as the agent.

Vetted YouTube Channels

The thought of agents searching YouTube for answers to real estate questions might scare you, but title companies, real estate attorneys, and other brokerages publish quality training videos. If you find channels regularly producing useful content, they can be an ongoing resource for agents.

Local, State, and National REALTOR® Resources

As a REALTOR®, you have access to webinars, tools, and training resources from all levels of the organization. Check the event schedule of your local association for trainings tailored to your market. Texas REALTORS® offers regular legal and specialty webinars from respected experts at texasrealestate.com/webinars. REALTOR® Magazine has a deep archive of webinars at magazine.realtor/webinars. And NAR is providing even more educational resources currently through its Right Tools, Right Now program at nar.realtor/right-tools-right-now. Make sure your agents know these resources are available to them, too, through their membership.

MORE BUYERS ARE SHOPPING WITH RELATIVES IN MIND

Roughly one in six Texans are not just buying homes for themselves.

The 2020 *Profile of Texas Homebuyers and Sellers* says 16% of Texas homebuyers bought a home between July 2018 and June 2019 for a multigenerational family. That is higher than the 12% nationally who bought a home during that time to live with aging parents or children over 18.

Multigenerational households have been steadily increasing for the last 40 years, says Pew Research Center Senior Demographer Jeffrey Passel. "The largest increases in the share living in multigenerational households have occurred among Hispanic and Asian households," he says. "The most rapid increases in recent years have occurred among younger adults. Since the beginning of the pandemic, there has been a rapid increase in the share of 18- to 29-year-olds living with their parents, surpassing 50% for the first time since the Great Depression."

Understanding if buyers will be living with multiple generations in the house now or potentially in the future can help your clients narrow search options. For seller clients, you can market to multigenerational buyers by promoting useful features such as bedrooms with attached baths, separate entrances, or a second kitchen area.



SERVE THOSE WHO SERVE OUR COUNTRY



EARN NAR'S MILITARY RELOCATION PROFESSIONAL (MRP) CERTIFICATION

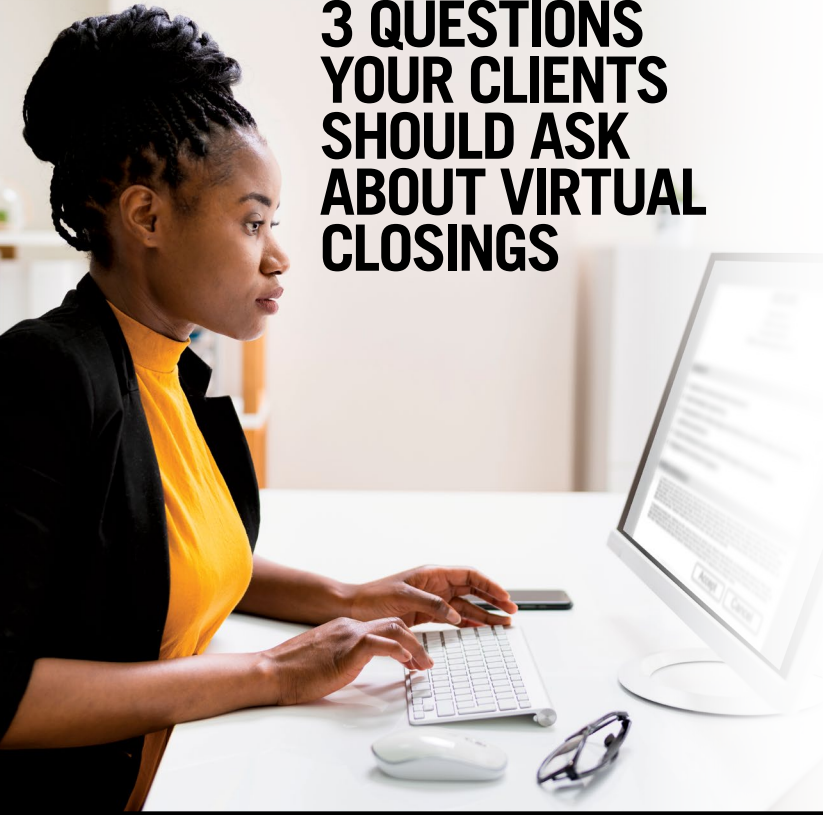
Sharpen your knowledge and skills for working with military homebuyers and sellers with NAR's Military Relocation Professional (MRP) certification.

REALTORS® with the MRP certification provide real estate support for active and former servicepeople, and ensure that they take advantage of military benefits.

To learn more about the requirements, visit MilitaryRelocationPro.org.



3 QUESTIONS YOUR CLIENTS SHOULD ASK ABOUT VIRTUAL CLOSINGS



Texas was one of the first states in the nation to allow virtual or online real estate closings, and social distancing guidelines during the COVID-19 pandemic have driven more consumers to choose a virtual closing. But virtual closings can take many different forms, depending on what title company and lender your clients are working with.

Sarah Lee Schroeder, an escrow officer with Rise Title of Texas, says your clients should get answers to these questions to make the process go as smoothly as possible.

Does the Lender Allow Online Notaries?

Not all lenders allow online notary services. And those that do might only be able to use certain approved services.

What Will the Notary Require?

All signers should confirm what the notary service will require. That could include a phone, computer, webcam, speakers, microphone, high-speed internet, or other technology.

Will it Be Fully Online or Hybrid?

Some lenders allow fully online closings, where all documents can be signed or notarized remotely. Other lenders allow some documents to be signed electronically but require documents that must be notarized to be signed in person.

CAN YOUR CLIENTS RUN A BUSINESS FROM HOME? DEPENDS ON THE TYPE OF HOUSING.



Your clients say they run a home-based business and ask what rules apply. Your answer depends on what type of housing those clients are considering.

Condominium owners must abide by the declaration, bylaws, and rules of their condominium owners association (COA) or property owners association (POA), which will list limitations on use of the unit. The rules are sometimes referred to as the declaration or the declaration of covenants, conditions, and restrictions (CC&Rs). State law gives associations the right to dictate approved condo uses.

Condo owners should also learn their property's zoning use designation to make sure their home-based business is allowed by the city. For example, some zoning use laws may prohibit all home-based businesses in residential areas, while others may only limit the type.

Single-family homebuyers have similar

concerns to condominium owners. Homebuyers should check for any deed restrictions or neighborhood POA rules (such as CC&Rs). They should also review their property's zoning use: single-family residential zoning is often more restrictive for home-based businesses than multifamily or mixed use.

Beyond that, homebuyers should research their city's ordinances for rules applicable to home-based businesses, including:

- Street parking
- Noise
- Odors
- Allowed storage
- Square footage
- Outdoor signage
- Allowed employees
- Prohibited businesses.

Tenants may not be able to operate their home-based business at a rental property.

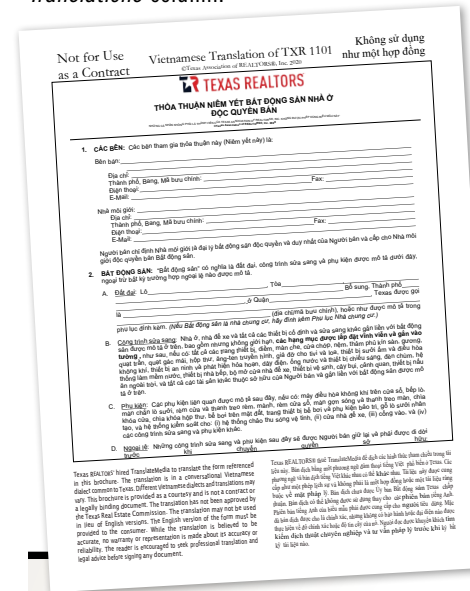
In addition to any restrictions based on the type of housing being rented, the ability of a renter to operate a home-based business will also depend on the residential lease itself. Paragraph 12D(3) of the *Residential Lease* (TXR 2001) prohibits home-based businesses of all kinds, including childcare.

Your clients may need to register their home-based business with the city and/or county or get a license to operate legally. Many cities have dedicated webpages or available information designed to help home-based businesses get up to speed quickly and easily. The office of the governor also has a *Texas Business Permits and Licenses Guide* available, which provides information on permits required for business enterprises in the state. Your clients may also want to consult with an attorney if they have any questions on the specific permits required for their home-based business.

VIETNAMESE FORM TRANSLATIONS NOW AVAILABLE

You can now access Vietnamese translations of more than a dozen Texas REALTORS® and Texas Real Estate Commission forms. While only English forms can be used in transactions, the new translations can help Vietnamese-speaking buyers, sellers, landlords, and tenants understand what they will sign on the English forms. Vietnamese is the third most widely used language in Texas, behind English and Spanish.

These translations are exclusively for members of Texas REALTORS®. Find the forms, along with Spanish translations of many forms, at texasrealestate.com/realtorforms in the *Translations* column.



Your Forms

Landlords can use the **Commercial Lease Addendum for Percentage Rent** (TXR 2106) form to set a percentage rental rate. In addition to any other rent, the tenant will pay a percentage rental rate multiplied by the tenant's gross sales in the previous month that either exceed the base monthly rent or another amount to be agreed to by both parties. The tenant must give the landlord an accurate written statement of gross sales for the previous month, as well as copies of all sales and excise tax reports. At the end of each calendar year, the total gross sales for the year will be multiplied by the percentage rental rate and reconciled with the amount of percentage rent actually paid. Funds will either be paid to the landlord or refunded to the tenant based on those calculations. This form is generally used in retail leasing.

This is one of more than 130 forms—including more than 40 commercial forms—exclusively available to Texas REALTORS®.



NO TOLERANCE FOR HATE

The NAR Board of Directors approved a series of recommendations from NAR's Professional Standards Committee that extend the application of Article 10 of the Code of Ethics to discriminatory speech and conduct outside of members' real estate practices. The changes to the Code of Ethics prohibit REALTORS® from using harassing speech, hate speech, epithets, or slurs based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity in any context.

These changes took effect immediately when passed on November 13, though they cannot be applied to speech or conduct that occurred before that time.

Fact or Fiction?

The Code of Ethics does not allow members to provide second opinions about another real estate professional's service.



FICTION. If another REALTOR®'s client asks you for a second opinion on that REALTOR®'s service or business practices, you may provide one. If you choose to offer an opinion, you should observe strict standards of professional integrity and provide objective, reliable information. It is a violation of Article 15 of the Code of Ethics to knowingly or recklessly make false or misleading statements about other real estate professionals.





CHANGES TO DELIVERY OF OPTION FEES ... and More Updates from TREC's November Meeting

The Texas Real Estate Commission met November 10 to consider several important issues. Specific meeting details and materials can be found at TREC's website: trec.texas.gov > *Agency Information* > *Meetings & Minutes*.

As anticipated, the commission approved changes to promulgated contract forms. These changes are expected to be effective on a voluntary basis as of February 16, 2021, and mandatory April 1, 2021. Not every contract received the same update, so check TREC's website for specifics.

Updated Consumer Protection Notice

There was an amendment to the *Consumer Protection Notice* to alert consumers that inspectors are required to carry E&O insurance. If your website or communications directly link to the *Consumer Protection Notice* on TREC's website, no action is necessary. However, if you have saved a copy of the form on your website, you will need to update to the new version before February 1, 2021.

Updates to the One to Four Family Residential Contract (Resale)

- Paragraph 2C: The definition of *Controls* was updated to include both software and applications used to access and control accessories along with dedicated hardware solely used for the accessory.
- Paragraph 4: This paragraph

now contains lease information, including references to the new residential and fixture lease addenda as well as information on natural resource leases to which the seller is a party.

- Paragraph 5: The revised section combines payment of earnest money and termination option in a single provision and calls for payment of the termination option fee to the escrow agent.
- Paragraph 8: The previously proposed version removed the language stating the brokers' fees obligations. This language was added back in.
- Paragraph 10: A Smart Devices section was added to clarify that those devices get transferred with the sale of the property.
- Paragraph 21: The notice information changed to allow for more email addresses by updating the email to read *Email/Fax*.
- Paragraph 23: This paragraph was deleted to follow the changes to Paragraph 5.
- The Broker Information page now contains additional space for team names.
- Disclosure language at the bottom of the Broker Information page was updated regarding broker compensation.

The commission will hold a special meeting to propose updating forms pre-

viously omitted from consideration. This meeting will ensure conformity with changes to Paragraphs 5 and 23, so that all forms will be ready for the effective date.

New Addenda

The new *Residential Lease Addendum* was approved with changes from the previously proposed version. Language was added to Section A to notify the parties that use of the addendum does not terminate an existing lease. Additionally, Section B3 was reworded to require sellers to disclose information to the best of their knowledge rather than make affirmative representations.

The new *Fixture Lease Addendum* was also approved with clarifying changes. Notably, the addendum makes clear that all rights to leased fixtures—such as propane tanks, solar panels, etc.—are governed by the fixture leases. New sections were also added to clarify whether the buyer is assuming the fixture lease or if the seller will remove the fixtures.

Texas REALTORS® Appointed to TREC Committees

Several members of Texas REALTORS® were appointed to the TREC Broker Responsibility Working Group, which is charged with examining experience requirements for potential substitution of education requirements to become a broker: Leslie Lerner (chair), Pamela Titzell (vice chair), Brian Sales (secretary), Bob Baker, Chance Brown, Socar Chatmon-Thomas, Holly Hightower, Yazmin Perez, Bill Roth, Barbara Russell.

Members appointed to the TREC Education Standards Advisory Committee, which reviews curriculum standards, course content requirements, and instructor certification requirements for qualifying and continuing education courses, include Kelea Youngblood (chair), Charles Porter (vice chair), Candy Cooke (secretary), Rick Albers, Lynda Conway, Rob Cook, Michael Crowley, Charles Jacobus, Marion Napoleon, Sarah Norman, Bill Steddum Jr., Kellie Stokes, DeLora Wilkinson.

Legal Hotline

800-873-9155

Callers have asked if a buyer is required to apply for third-party financing if the *Third Party Financing Addendum* (TXR 1901, TREC 40-9) is attached to the contract. The answer is yes. The *Third Party Financing Addendum* says at the top that the buyer "shall apply promptly for all financing described below and make every reasonable effort to obtain approval for the financing." Buyers who want to be protected by the loan approval contingencies in Paragraph 2 of the addendum must make a reasonable effort to obtain financing approval.

—Ryan Bauman, staff attorney



Contract Closeup


WHEN THE LENDER REQUIRES REPAIRS




The buyers may be happy with the condition of a property, but their lender could require repairs before committing to a mortgage loan. That's when Paragraph 7E of the *One to Four Family Residential Contract (Resale)* (TXR 1601, TREC 20-14) comes into play.

Just because the lender asks for repairs doesn't mean the repairs will be made. According to Paragraph 7E, absent another written agreement, neither party is obligated to pay for lender-required repairs. The parties can negotiate who will pay for those repairs. If the parties don't reach an agreement, the contract will terminate, and the buyer will be refunded his earnest money. Also, if the cost of the lender-required repairs exceeds 5% of the sales price, the buyer can terminate the contract and receive his earnest money back.

Photos & Images © Alexander Polukay, © Vladimir50 - stock.adobe.com



NORMAN SPENCER



REAL ESTATE E&O

Comprehensive Errors & Omissions Coverage for Real Estate Professionals

readvisors.com
800.362.9952
sales@readvisors.com



BFS Home Warranty

"Our Trucks, Our Techs, Your Peace of Mind"

AIR CONDITIONERS	GARBAGE DISPOSAL	PLUMBING	WASHER & DRYER
HEATING	OVEN/RANGE	DISHWASHER	GARAGE DOOR OPENER
YEARLY TUNE-UPS	BUILT IN MICROWAVE	CIRCUIT BOARDS	POOL/SPA
ELECTRICAL	WATER HEATER	REFRIGERATOR	NO DEDUCTIBLE

Dallas & Surrounding Areas:

Darren Hiller
Direct: (214) 566-1188

Austin/ San Antonio & Surrounding Areas:

Laquita King
Direct: (512) 948-8564

Houston & Surrounding Areas:

Nadine Morella
Direct: (281) 831-8468

Give your clients the benefits of Seller's Coverage today!

BFS Home Warranty • www.BFSHomewarranty.com • 1-800-237-9910



As a sales agent, you must have your broker's knowledge and consent to negotiate commissions with clients. All representation agreements are between the client and the broker—not the agent. The Real Estate License Act and TREC rules say that sales agents may only accept or pay compensation (commissions and referrals) for a real estate transaction by, through, or with the written consent of their current sponsoring broker, or sponsoring broker at the time of the transaction.

The Value of Appraisers

Understanding the Appraisal Process and All That Appraisers Bring to the Sale

by Joe Olivieri



You know appraisals are an essential part of the real estate business. You've worked with appraisers before. Yet many agents are confused about what appraisers do, what is allowed in the appraisal process, and how agents and their clients can work with appraisers.



Angelo Amoriello is a broker and certified residential appraiser with Amore Appraisal Services.



Candy Cooke is a broker and certified general appraiser with Real Property Counselors Inc.

Texas REALTOR® magazine asked two licensed real estate brokers who are also certified appraisers, Angelo Amoriello and Candy Cooke, to help clear up misconceptions about how to work with appraisers.

“Don’t look at the appraisers as the speed bumps,” Cooke says. “We are the seat belts. We keep consumers safe by valuing the properties at what they’re truly worth. We also keep the entire lending industry safe. Backing up our appraisals with data helps avoid the practices that led to the 2007-2008 financial crisis.”

DO NOT Try to Influence an Appraisal

Buyers pay the bank for appraisals, but appraisers do not work for buyers. Lenders hire appraisers as impartial third parties to figure out a property’s market value. Therefore, the lender is the client. Value is determined by many factors, including location, condition, improvements, amenities, and market trends, according to the Appraisal Institute.

“We are tasked with determining how much this property is worth, and we have to have documentation to back it up,” Cooke says.

Appraisers are required to be completely unbiased. The appraiser certifies that the appraisal was objective before delivering it to the lender. The lender then uses the appraisal to determine how much money to loan the homebuyer. “If the bank lends this money to a borrower and in a year the borrower defaults, can the bank sell that property and get all of its money back? That’s what this is all about,” she says.

Regardless of the sale price, the lender will only lend money based on the appraised value. You or your clients cannot influence appraisers to arrive at a certain value. If you or your client attempts to do so, appraisers will likely ignore it—they may even walk away from the assignment.

DO Talk With Your Appraiser

Many people think you or your client cannot talk to an appraiser at all. That’s not true. “It should be a two-way street,” Cooke says. “The agent and client should provide important documents to the appraisal, and the

appraiser should be asking follow-up questions. ‘Has anything been done to the house in the last year? Is there anything unique about this area?’” If an appraiser isn’t asking those questions, it’s even more important for you and your client to provide information.

Agents and clients may not realize that background information—the kind that may not show up on a report or in a database—is important for appraisers to know, Amoriello says. Without that communication, the appraiser could miss a key detail, such as if the homeowner chose a higher quality countertop material than what is common in the neighborhood.

Cooke says agents can show an appraiser a comparable market analysis. But tell the truth, she emphasizes. “If you’re going to give sales information, make sure it is similar to the subject property. Don’t give an appraiser overvalued or unrelated comp data just because it would make the price work,” she notes.

You and your clients cannot talk to an appraiser after the appraisal has been submitted; you must speak with the lender.

DO NOT Expect a Dollar-For-Dollar Return on Renovations

Many people think a \$20,000 renovation means a \$20,000 increase in home value. Improvements such as bathroom and kitchen remodels do raise home values, but not usually dollar-for-dollar, Amoriello says.

Clients who have made huge improvements out of sync with what is normal in their neighborhood may be in for a shock: those improvements do not significantly raise their home values. This is called superadequacy.

Imagine homeowners expanding their home from 1,400 to 2,200 square feet of livable space by converting the garage and adding a sunroom. The rest of the neighborhood’s homes range from 1,000 to 1,400 square feet. Or perhaps a homeowner installed an indoor pool. Without comparable sales of similarly sized houses or indoor pools, the appraiser will have a hard time assigning a value to these improvements.

Amoriello says an appraiser could assign a value in use based on the cost of the amenity minus a depreciation schedule, among other criteria. But

National appraisal organizations are developing training to prevent unconscious bias in valuations. Several groups have recently committed to a review of their code of ethics and governing documents to ensure that they firmly address bias and discrimination issues among protected classes.

WHY ARE APPRAISERS SO BUSY RIGHT NOW?

Candy Cooke, who is a certified general appraiser, says agents and clients are complaining that appraisals are taking too long to complete. The housing market is red-hot and there are not enough appraisers to do all the work, she explains.

“We’re so backed up and so overwhelmed. We’ve filled every appointment time for the next two weeks,” Cooke says. “Somebody says they need a rush? OK, well, how would you feel if I gave somebody else a rush and bumped you back two days even though you were already in line?”

The number of appraisers nationwide has been decreasing, according to Appraisal Institute data. There were 87,130 appraisers in 2014, compared to 78,015 appraisers in 2018. Age is a factor in the shortage, Cooke says. Roughly 20% of appraisers in Q1 2019 were age 66 or older. As these appraisers retire, the next generations of appraisers will be smaller unless more people come into the profession. Less than 30% of appraisers are 50 years old or younger.

Photo: © Syda Productions - stock.adobe.com

11 DOCUMENTS TO SHARE WITH AN APPRAISER

You and your client can share these documents with an appraiser, according to certified general appraiser Candy Cooke:

- Complete executed contract including all addenda and amendments. The lender does not always send all documents to the appraiser.
- Copy of previous survey. The *T-47 Residential Real Property Affidavit* (TXR 1907) does not have to be included. The survey provides lots of information for the appraiser, including flood hazard area and encroachments.
- List of improvements provided by the homeowner.
- Information about multiple offers. It is up to the sellers how much they want to disclose. They can give copies of all offers or just bits and pieces.
- Blueprints. If the property is unique, large, or difficult to measure, plans will help the appraiser.
- A list of recent sales and listings in the neighborhood that you have deemed similar.
- Information about any off-market sales or pocket listings.
- Information about comparable properties that may have issues. If you know of something that is wrong or not disclosed in the MLS, write it on the comp and provide to the appraiser.
- Your CMA.
- Information about what other properties the buyer viewed. This takes cooperation with the listing and buyer agents.
- Information about the neighborhood. This can be a link to neighborhood info.

an assessment may be lower than the homeowners expected.

DO NOT Think Overvaluations Help You

Say an appraiser really likes a certain home feature, such as in-ground pools, and significantly overvalues your client's pool without justification. If this overvaluation is not caught by an underwriter reviewing the loan application, that could be a problem for your client *and* the appraiser.

A year and a half later, the client wants to refinance and learns their \$375,000 property was only worth \$325,000 when correctly appraised, Amoriello says. The client now owes more money than the home is worth. Even if the home significantly appreciates in value, the client doesn't benefit because they still owe the full amount of the loan based on the higher, incorrect appraisal.

Meanwhile, the appraiser may be subject to lawsuits or penalties by the Texas Appraiser Certification and Licensing Board.

DO Try to Be Flexible

There may be delays outside of the appraiser's control. For example, the appraisal may not even be assigned for several days while the appraisal management company tries to locate an appraiser willing to do the appraisal for a specific price. If the appraisal management company cannot find an appraiser who will accept the fee it is offering, the appraisal management company will keep trying until it does, Cooke says. That's one reason why appraisals end up getting done after the lender's timeline.

One way to help expedite the appraisal process is for agents to return phone calls and be flexible, Cooke advises. If you cannot meet during the times an appraiser is in your area, you may fall to the back of the list. "Understand that appraisers are so busy right now that when they're trying to set appointments, if you don't try to work with them, they're just going to go to the next one," she says.

At the end of the day, all of the parties involved in the transaction have different jobs. "The listing agent is trying to get the highest price. The buyer's agent is trying to get the best price. I'm trying to get market value," Cooke says. 📌

JOE OLIVIERI is assistant editor for Texas REALTOR®.

APPRAISERS ARE REALTORS®, TOO

Many appraisers join the REALTOR® association, which allows appraisers to access MLS information. Membership also means that appraisers benefit from REALTORS'® advocacy, influence, resources, and tools. Appraisers represent about 1% of Texas REALTORS® members, according to the 2020 *Profile of Texas REALTORS® Members*.

There are local and state organizations appraisers may join, including the Association of Texas Appraisers and the Foundation Appraisers Coalition of Texas.

Appraisers are licensed and regulated by Texas Appraiser Licensing & Certification Board, an independent entity created by the Texas Legislature that shares staff and resources with the Texas Real Estate Commission.

WHAT HAPPENS AFTER THE APPRAISAL?

The appraiser arrives at a final opinion of value and submits a complete report to the lender, certified residential appraiser Angelo Amoriello says. From there, the lender reviews the appraisal and sends it to the underwriter. The underwriter checks the appraisal and may reach out to the appraiser to answer any questions that arise. The appraisal then goes to the investor, who approves the loan based on the appraised value. The loan must be processed before the lender can close on it.

"Once the lender closes on the loan, it's a happy day for the buyer and seller," Amoriello says. "Everyone gets paid."



TEXAS REALTORS®

From discounts on roadside assistance with AAA to unlimited e-signatures with zipLogix Digital Ink, Texas REALTORS® has you covered. Find a categorized list of discounts and services available to you in the Member Benefits section of texasrealestate.com.

How do you get your savings? Go to texasrealestate.com/benefits for complete instructions on how to take advantage of your discounts that require specific promotional codes.

Only two programs require the use of a discount card: Office Depot/Office Max and the prescription discount. If you don't have a copy of these cards, you can always access one from your mobile device at texasrealestate.com/card.

Having trouble? We're here to help. 800-873-9155 ext. 169 or benefits@texasrealtors.com



SAVE WITH THESE DISCOUNTS

Available only to Texas REALTORS® members and affiliates...

\$

TaxBot

Track expenses and mileage to maximize deductions with this easy-to-use app. Plus, get great tax tips in a free e-book and quarterly webinars.

\$

TransUnion Smart Move

Screen tenants with this safe online system that provides a credit report, background check, and eviction records. No subscription required. Use code TXREALTORS2020 to save \$10.

\$

Office Depot/Office Max

Use your discount card to save up to 60% on office supplies, furniture, and print services. To shop online, set up an account at texasrealestate.com/officedepot.

\$

Travel and Hotel Discounts

Save up to 70% on hotels and resorts all over the country (and abroad). Plus, save on car rentals, theme park tickets, and more.

\$

Rx Discounts

Save up to 80% on your prescriptions. Visit texasrealestate.com/rx to find the best pricing available at local participating pharmacies.

\$

Lowen Signs

Save up to 12% on real estate signs with a production turnaround on most options of just three business days.

WHAT WILL HAPPEN AT THE TEXAS CAPITOL IN 2021?

The legislative session that convenes in January 2021 likely won't look like any other in our state's history due to changes brought about by COVID-19. As with all sessions though, ideas will be debated, bills will be passed and defeated, and Texas REALTORS® will be involved every step of the way.

by Jaime Lee



WORKING WITH THE LEGISLATURE

REALTOR®-supported candidates had incredible success in the November 3 election, with 95.6% of supported state and federal candidates winning their races.

The 87th Texas Legislature will include several freshmen among the 31 members of the Texas Senate and 150 members of the Texas House of Representatives.

Now that these candidates have been elected, REALTORS® are working to build new relationships and foster existing ones to ensure the REALTOR® voice is heard at every level of government.

The state's changing needs will likely bring new priorities and a focus on issues related to the COVID-19 pandemic.



TIMELINE

- 2020** • **November 9:** Bill filing began
- 2021** • **January 12:** First day of session
- **March 12:** Bill filing deadline (some exceptions)
- **May 31:** Last day of session (Adjournment sine die)
- **June 20:** Deadline for governor to sign or veto legislation
- **August 30:** Effective date for finally passed bills (unless otherwise dated)

SIGN UP TO STAY IN THE LOOP

The best way to stay up to date on changes at the Texas Capitol is to subscribe to the Texas REALTORS® Legislative Liaison e-newsletter.

Subscribers receive frequent updates on real estate-related legislation during sessions and periodically during interim years.

Sign up through your profile at texasrealestate.com/liaison. Just check the Legislative Liaison box and click Save.

TOPICS LIKELY TO COME UP

Following are several issues state lawmakers are expected to consider next year.

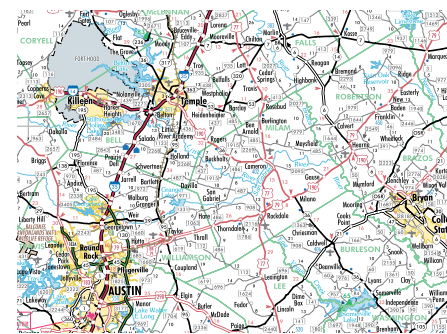


Budget

The Texas Legislature is only required to pass one bill: the state's two-year budget.

The state has seen an estimated \$4.6 billion budget shortfall due to decreased sales tax revenue and decreased oil revenue.

Lawmakers are expected to have some tough debates about funding state programs, as the state has significantly less money going into 2021 than expected.



Redistricting

The U.S. Census Bureau conducted the national census in 2020 to update the population count.

The count helps ensure communities receive their share of more than \$675 billion per year in federal funds for schools, hospitals, roads, and other vital programs.

The census count is also used for drawing updated district lines to

determine representation in the Texas Senate, Texas House, U.S. Congressional delegation from Texas, Texas State Board of Education, and state judicial districts.

The Texas Legislature is responsible for drawing and adopting district boundaries as redistricting bills before the sessions ends. The passed bills then go to the governor to be signed into law.

If the Legislature fails to pass a redistricting bill or if the governor vetoes a redistricting bill, the responsibility goes to the Legislative Redistricting Board.

Learn more at redistricting.capitol.texas.gov.



Governmental Emergency Authority

The COVID-19 pandemic provided several opportunities for elected officials to exercise authority in emergencies.

In the 2021 session, lawmakers will likely take up legislation that clarifies when emergency authority may be granted to the governor, the Legislature, or local authorities.



School Finance

In 2019, the Legislature passed significant reforms to the state's public school finance system (House Bill 3).

This REALTOR®-supported law is a comprehensive reform of the state's public school finance system and property tax system to lessen the burden on local

property taxpayers while increasing the state's investment in educators and students.

Texas REALTORS® expects the Legislature to seek ways to maintain the commitment to school funding that was made in HB 3.



Broadband Internet Access

This year has illustrated the importance of technology access and its importance for educational and economic success.

Texas REALTORS® expects to see legislation filed that supports the development of and increased access to broadband technologies throughout the state.

KEEPING TRACK AND TAKING ACTION

Texas REALTORS® staff reviews every piece of legislation filed each session to ensure the interests of real estate consumers and professionals are protected.

For example, in 2019:

- 7,851 bills were filed
- 16 staffers at Texas REALTORS® reviewed every single filed bill
- 2,784 bills were identified that could impact real estate. Staff tracked every one of those bills, so the association could support, oppose, or monitor bills based on whether they would be favorable or a hindrance to real estate consumers or professionals.

TOPICS LIKELY TO COME UP



Healthcare Access

The pandemic has also highlighted the need for Texans' access to healthcare, including the need for medical care in less-populated areas of the state.

Lawmakers are likely to propose bills related to health insurance and hospital development in rural areas.



Property Tax Reform

In 2019, REALTOR®-supported property tax reform legislation (Senate Bill 2) brought monumental changes to the state's property tax system.

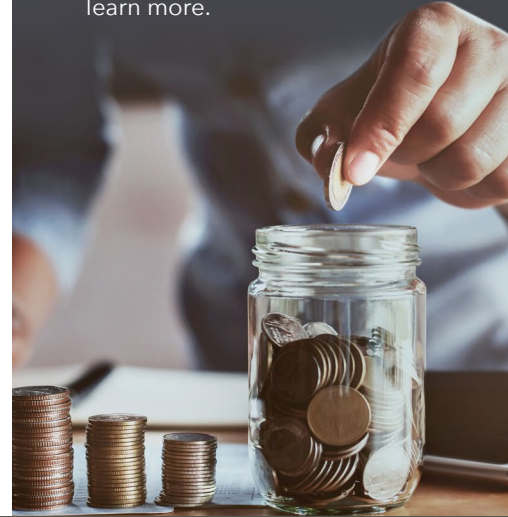
Lawmakers are expected to take up legislation that would further clarify the reform's intent to inform taxpayers and increase taxpayer engagement in the property tax process.

JAIME LEE is director of advocacy communications for Texas REALTORS®

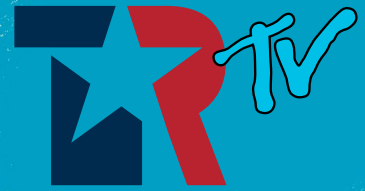
WHAT DO YOU KNOW ABOUT PROPERTY TAXES?

Texas REALTORS® has been working to educate taxpayers statewide on the property tax system and changes resulting from the passage of property tax reform laws in 2019.

Visit knowyourtaxes.org to learn more.



PREPARING TO LEAD IN 2021



Official logo of the 2021 TREPAC/Governmental Affairs Orientation and Board Officers Leadership Conference

Hundreds of REALTOR® leaders from across the state attended virtual sessions of the "Texas REALTORS" TV"-themed 2021 TREPAC/Governmental Affairs Orientation and Board Officers Leadership Conference October 27-November 5. This is typically an in-person event held in Austin but was moved to an online experience this year. For the first time, any interested member could attend along with local REALTOR® association officers and advocacy leaders to learn from REALTORS® serving at the state and national levels, elected officials, journalists, political insiders, and industry experts. Topics included leadership, advocacy, fundraising, local and state issues, diversity, and more.

1. During the General Session, co-hosts **Nicole Lopez** (left), TREPAC Trustee, and **Kylee Garza** (right), Political Involvement Committee YPN Appointee, educated REALTORS® on how to be engaged advocates in 2021.
2. Former Speaker of the Texas House **Joe Straus** discussed what's on the horizon for Texas lawmakers in 2021.
3. Texas Rep. **James Talarico** shared his insight into the 87th legislative session and the role Texas REALTORS® can play.
4. Texas REALTORS® 2021 advocacy leaders closed out the TREPAC/Governmental Affairs Orientation. Left to right: **Jeff Varnell**, 2021 Political Involvement Committee Chairman; **Bill Evans**, 2021 TREPAC Chairman; **Holly Mace Massingill**, TREPAC Trustee; **Marvin Jolly**, 2021 Texas REALTORS® Chairman; **Cameron Willmann**, Issues Mobilization Committee Liaison; **Connie Niedzwiecki**, 2021 Issues Mobilization Committee Chairman; and **Jef Conn**, 2021 Public Policy Oversight Committee Chairman
5. Texas REALTORS® General Counsel **Lori Levy**, President and CEO **Travis Kessler**, and 2021 Chairman **Marvin Jolly** discuss fiduciary responsibilities that local association leaders must uphold when serving as officers.



Thanks to the strong support of tens of thousands of members, TREPAC investments reached remarkable levels in 2020 despite the challenges presented by the pandemic. These strong totals enable Texas REALTORS® to continue supporting pro-real estate candidates.

\$5,136,317*

40% PARTICIPATION

*includes President's Circle and Corporate Ally Program



WHAT WILL REALTOR® DAY LOOK LIKE?

REALTOR® Day at the Texas Capitol, where thousands of members from across the state visit with their state representatives and senators each legislative session, is a major component of the association's legislative efforts.

This grassroots event localizes, personalizes, and reinforces the association's legislative agenda, putting lawmakers face-to-face with their constituents.

Currently, though, the Texas Capitol is closed to visitors due to the COVID-19 pandemic, which may affect in-person visits to the Texas Capitol in 2021.

Your state association will ensure you have the latest updates on the 2021 event.

Texas REALTORS® have remained in close communication with lawmakers through virtual visits and can readily use these tools to connect with elected officials to ensure real estate advocacy continues.



MEMBER-DRIVEN PROCESS

Texas REALTORS® members lead the association's public policy initiatives at every step.

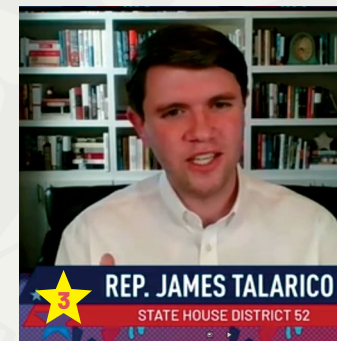
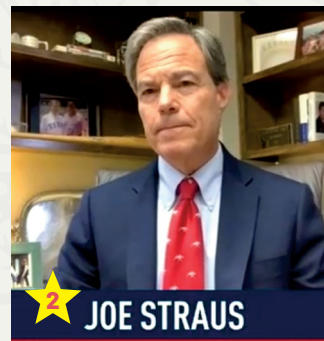
In interim years between sessions, members of the Public Policy Issues Committees on Taxation, Land Use, Infrastructure, and Business Issues spend hours hearing from subject-matter experts and researching issues identified by members.

Then they make recommendations to the Public Policy Oversight Committee, and the recommendations are posted on the Texas REALTORS® website to receive feedback from all members.

The final recommendations are submitted to the association's Executive Board. Upon approval from the Executive Board, the Legislative Management Team (LMT) prioritizes the issues and develops the association's strategy for the upcoming legislative session.

During the session, LMT members receive frequent updates from Texas REALTORS® Governmental Affairs staff, who are responsible for implementing the LMT's decisions.

Also during session, Texas REALTORS® leaders and members may testify in support of or in opposition to legislation. Lawmakers depend on these professional perspectives about how a proposed bill may affect communities locally or statewide.



Photos & Images: © Monkey Business, © baramefuolia, © lovehday12, stock.adobe.com

Transferring Property Prior to Death

Pros, Cons, and Alternatives

by Tiffany Dowell Lashmet



The transfer of property to an heir does not typically involve a real estate agent. Nevertheless, knowing basic scenarios can help you understand options some property owners may be considering.

Property owners often want to know whether it would be better to transfer property to the next generation or an identified heir while the owner is still living or wait until the property owner has passed away. There are pros and cons to transferring property prior to death, and two other options in Texas may allow a property owner to receive the pros and avoid the cons of a transfer prior to death.

Advantages to Deeding Property Prior to One's Death

First, it is done and the landowner no longer has to worry about it! It can also allow the property owner the enjoyment of watching the next generation take over and start establishing themselves in a home or begin operating the family farm or ranch.

Second, it allows the property to pass without going through the probate process. Even though the probate process in Texas is not nearly as complex as some other states, it is a process that can take time, effort, and money.

Third, this is a way to get property out of the property owner's name. This may be important for a number of reasons, including qualifying for Medicaid and avoiding the Medicaid Estate Recovery Program. It would ensure that the asset involved would not be part of the owner's taxable estate when calculating potential federal estate tax liability. It would also decrease certain expenses for the owner, such as property taxes, since the property would no longer be in that person's name.

Cons of Transferring Property Prior to Death

First, once the property is deeded, the property owner has no more control, and the deed is irrevocable. This means if the property owner gets angry at the heir, the owner cannot take back the transfer. Similarly, if the heir decides to do something with the property that the original owner disapproves of—like selling the land—the owner has no say over that decision because the land is now owned by the heir.

Second, there are tax implications of making this type of lifetime transfer. If property is deeded during a person's lifetime, that may have gift tax consequences and may affect the landowner's lifetime exemption with regard to estate taxes. It is critical that a property owner consult with a tax professional before making a decision to gift during his or her lifetime.

Third, there are potential negative consequences regarding capital gains taxes. Generally, if property is passed by will at a person's death, the heir receives a step up in basis for capital gains tax purposes, thus likely decreasing the capital gains taxes that would be owed if the property is sold. If property is transferred prior to death, the heir will not receive this step up in basis.

Fourth, this type of transfer could cause several issues related to Medicaid. It could trigger the Medicaid Transfer Penalty. When people apply for Medicaid benefits, one question that they will have to answer is whether they have transferred property for less than fair market value within the last five years. If they have, then they may be ineligible to qualify for Medicaid for a certain period of time. Additionally, the value of the property transferred within that five-year period would be counted towards the value of a person's assets for purposes of determining whether that person qualify for Medicaid.

Fifth, since the land would be in the name of the heir, it could potentially be subject to any creditors or judgment against the heir.

If the heir decides to do something with the property that the original owner disapproves of—like selling the land—the landowner has no say over that decision.

Alternatives to Consider

In Texas, there are two alternative transfer methods that offer many of the benefits and avoid many of the disadvantages of lifetime transfers. As with anything in the law, there is no “one size fits all,” so anyone considering a transfer would be wise to consult an attorney to determine if these options are a good fit.

These alternatives are the Transfer on Death Deed and the Enhanced Life Estate Deed (also known as the Lady Bird Deed). Although they differ in details, these two deeds are very similar in operation. Both allow the property owner to designate who the property will be transferred to, and deeds are completed and filed during the property owner's lifetime. For a Transfer on Death Deed, the transfer does not actually occur until the death of the grantor. For a Lady Bird Deed, the grantor would retain a life estate in the property and transfer the remainder interest to the identified heirs but would retain a number of enhanced rights, including the right to revoke the Lady Bird Deed and the right to sell or encumber the property without consent from the heirs.

Both of these types of deeds offer the benefits of a lifetime transfer in that the land will not be subject to the probate process and it is out of the landowner's name for purposes of Medicaid. They also avoid many of the downsides of lifetime transfers.

These deeds are revocable—meaning that if the property owner decides to “take back” the transfer, the owner can do so until death. For example, if a Transfer on Death or Lady Bird Deed is drafted and filed giving the farm to Child A, but later the parents decide they want to give one part of the farm to Child A and another to Child B, they can simply revoke the previously recorded deed or file a new, modified deed to make that change. Similarly, if the parents initially did a Transfer on Death Deed or Lady Bird Deed to a child, but then decided to sell the property rather than leave it to the child, they have the right to do so.

Second, these deeds do not trigger any gift tax liability. Likewise, these deeds will allow the recipient to obtain the stepped-up basis for capital gains taxes.

Third, these deeds were designed to avoid issues related to Medicaid, so they have the benefit of getting the property out

continued on the next page...

of the owner's name to allow qualification for Medicaid. These deeds are not considered a transfer to which the Medicaid Transfer Penalty applies. Additionally, since they are not technically part of the grantor's probate estate, the assets deeded by a Transfer on Death or Lady Bird Deed are not subject to the Medicaid Estate Recovery Program.

Lastly, these transfers will likely protect the property from the heirs' creditors. For a Transfer on Death Deed, since the transfer technically does not occur until after the death of the grantor, the asset is not subject to claims of the heir since the heir does not technically own the property until the death. For a Lady Bird Deed, were there to be an issue with an heir's creditor seeking to claim the property, the deed could simply be revoked by the grantor during the grantor's lifetime.

With estate planning, there are pros and cons to almost every tool. It is important for people to think carefully about the tools that offer the most benefits and the least downsides when making and executing their estate plan. One of the most valuable pieces of advice for anyone considering transferring property to an heir is to work with an attorney to help make the best informed decision from the options available.

TIFFANY DOWELL LASHMET is associate professor and extension specialist with the Texas A&M AgriLife Extension who specializes in agricultural law. She blogs about legal issues related to Texas land at agriflife.org/texasaglaw and hosts the *Ag Law in the Field* Podcast at aglaw.libsyn.com.



These deeds do not trigger any gift tax liability. Likewise, these deeds will allow the recipient to obtain the stepped-up basis for capital gains taxes.

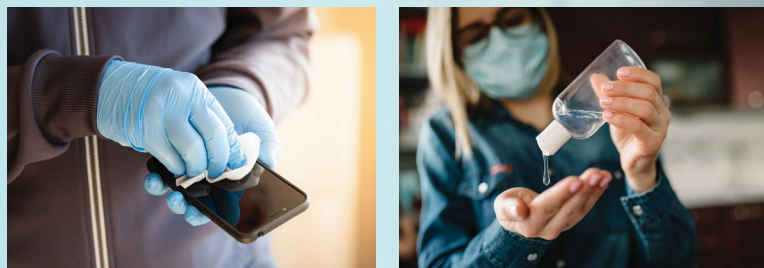
PERSONAL PROTECTIVE EQUIPMENT Is Now In Store For You

Stay safe, stay proud with the new Texas REALTORS® branded face masks.

Remaining safe while conducting business is a high priority, and essential protective items have become a challenge to find. The Texas REALTORS® Store now offers face masks, hand sanitizer, gloves, and wipes – exclusively for REALTORS®.

Visit texasrealtorsstore.com to purchase your personal protective equipment.

Questions about the Texas REALTORS® store?
Email texasrealtorsstore@texasrealtors.com.



Download a PDF of this page at texasrealestate.com/sharethis

DID YOU KNOW?

REALTORS® WILL ALWAYS BE THERE FOR YOU

A century ago, real estate leaders from across Texas formed an association dedicated to professionalism. They wanted to drive unscrupulous operators from the business. These pioneers of the industry pledged to put the interests of homebuyers, sellers, and property owners first. Though the times have changed, the organization's goals have not.

PUSHING FOR HIGHER STANDARDS AND WORKING TO PROTECT YOUR INTERESTS

You recognize that a REALTOR® is the professional best equipped to help you achieve your real estate dreams, but REALTORS® also work together to make your life better in myriad ways:

- REALTORS® were the driving force to require licensing and regulation of agents and brokers. Over the years, REALTORS® have fought for educational standards and minimum-service requirements.
- REALTORS® pledge to abide by a Code of Ethics that goes beyond what Texas law requires.
- REALTORS® have stopped countless efforts to tax real estate transactions and create real estate transfer fees and taxes.

- REALTORS® get involved in issues that matter to you, like ensuring local ordinances aren't overly burdensome to property owners, buyers, sellers, renters, and landlords.
- REALTORS® pool resources to provide the best tools to real estate clients, such as contracts that improve real estate transactions and the best market data available.
- REALTORS® volunteer in local communities to make your area a better place to call home.

LOOKING TO THE FUTURE

As members of the association now known as Texas REALTORS® celebrated its 100th anniversary in 2020, know that REALTORS® are as dedicated as ever to serving you and shaping Texas for another century and beyond.

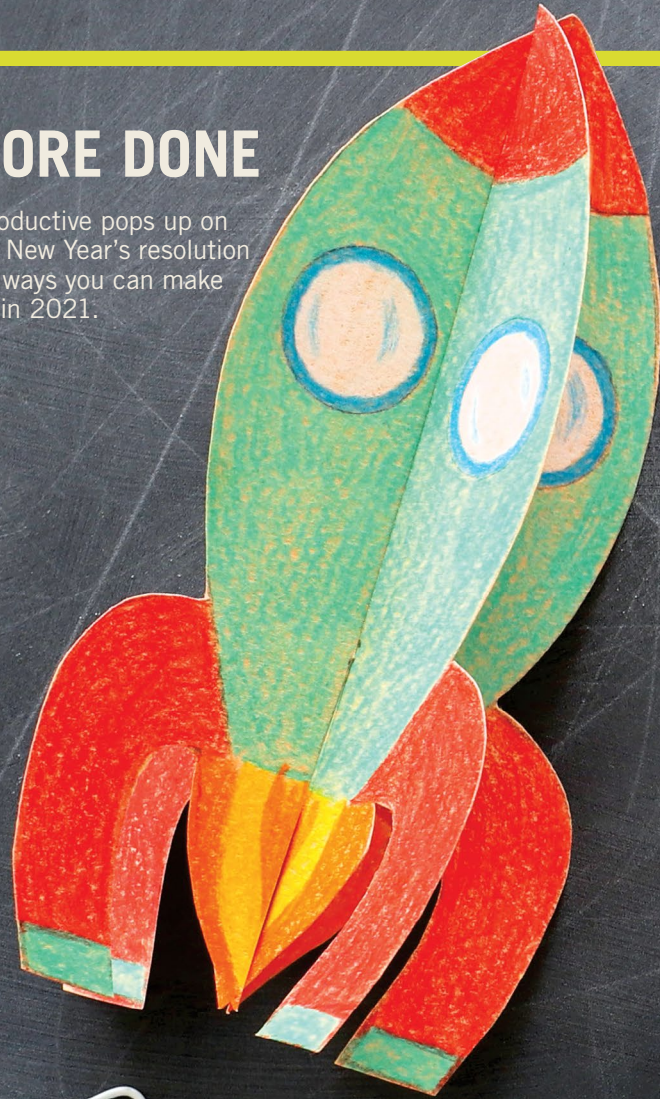


YOUR REALTOR® CAN HELP YOU ACHIEVE YOUR REAL ESTATE DREAMS. REALTORS® also work collectively to make transactions, property ownership, and life in your community better for you.

TAKE 5

GET MORE DONE

Being more productive pops up on many people's New Year's resolution lists. Here are ways you can make this goal stick in 2021.



DECIDE WHAT'S MOST IMPORTANT

Reacting to every message that comes your way puts a kink in your productivity. So does treating all tasks on your to-do list as if they have equal importance. Instead, prioritize the most meaningful tasks you want to accomplish each day, week, month, and year. If you can't get everything done, at least the unfinished jobs will be low on your priority list.

WRITE WHAT YOU WANT TO ACCOMPLISH

Whether you tack your goals to a bulletin board or set a reminder that pops up on your phone, frequent visual prompts will remind you what you set out to accomplish and keep you on track.

SCHEDULE IT

Put time on your calendar dedicated to specific tasks. When you block time to learn a new tech gadget, for example, and if you treat that time as you would any other appointment on your calendar, you're more likely to achieve what you set out to do.

OFFLOAD WHAT YOU CAN

If an overloaded plate is keeping you from accomplishing more of your ambitions, give yourself permission to hand off some tasks to others. Consider whether you can delegate or outsource clerical work or jobs with a low return on investment.

BUILD IN ACCOUNTABILITY


Successful people use a variety of methods to keep themselves on the path to realizing their objectives. Simply telling others about your big goals can motivate you to keep after them. Asking a friend or colleague to check on your progress takes it a step further. You may want to build in rewards when you reach certain milestones.



Find your escape.

Every day, we work with our fellow Texans to help them buy the land they've always envisioned. And as a cooperative, we share our profits with those same customers. Since 2006, our combined cash returned and allocated equities for members is more than \$1.75 billion. So when you're ready to secure a property loan for the perfect place to retreat, try a **partnership that really pays.**

Together we're better.

 877.944.5500 | capitalfarmcredit.com
NMLS493828

PROPERTY TAXES WAY TOO HIGH!!!



DEADLINE AHEAD!!!

IF THE 2020 ASSESSED VALUE OF YOUR HOMESTEAD WAS AT LEAST 1/4 MORE THAN ITS TRUE VALUE OR YOUR OTHER PROPERTY WAS AT LEAST 1/3 MORE THAN ITS TRUE VALUE, YOU STILL HAVE TIME TO LOWER YOUR TAXES

**THE LAST DATE TO
PROTEST A 2020 VALUE:
JANUARY 31, 2021**

Texas Property Tax Consultants, Inc., is a professional property tax consulting firm with the simple goal of reducing your tax payments. Through our careful planning, evaluation, and presentation of appeals, we have saved property owners thousands of dollars. Every analysis is backed by years of successful, aggressive property tax appeals. TAX REFUNDS may also be available, so call today.

**THERE IS NO CHARGE FOR
OUR SERVICES UNLESS
WE ARE ABLE
TO REDUCE YOUR TAXES!**



CALL ME TODAY!

JOHN G. HIRSCHY, MAI, SRA, CCIM

TEXAS PROPERTY TAX CONSULTANTS, INC.

P.O. BOX 2009 • COPPELL, TEXAS 75019-8009

972-304-0909 Ext. 0

Info@PropertyTaxDFW.com

www.PropertyTaxDFW.com