

Opening an Office



**A guidebook for REALTORS® considering
opening their own office.**



Iowa Association of REALTORS®
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Are You Really Ready?

Because there is no set business plan that works for everyone, your own personality will be reflected in the business operation you select. Any inquiries through the association will be kept confidential and you should use your own professional discretion what to reveal to others. If you are currently employed in a brokerage firm - prepare for potential bitterness when you leave and start your own business.

To begin with, you must have a broker's license. Also remember that all previous listings belong to your previous company. You may not "take" your listings with you. You will have to transfer your license to your new office, or have your current broker mail the license to the Iowa Real Estate Commission and they will re-issue a license to your new firm. A new firm also requires a license.

Fees: Iowa Administrative Rules 193E 9.1

9.1(1) Original license or renewal

- Salesperson license: \$125
- Broker license: \$170
- Firm license: \$170
- Branch office license: \$50
- Trade name license: \$50
- Additional office or partner license: \$50

9.1(2) Fee for renewal of license between January 1 and January 30 following expiration of license

- Salesperson: \$125 renewal fee plus \$25 penalty fee: \$150
- Broker: \$170 renewal fee plus \$25 penalty fee: \$195
- Additional officer or partner license: \$30
- Reinstatement fee is not applicable to a firm license, additional officer license, additional partner licensed, trade name license, or branch office license.

9.1(3) Fee for certification of license: \$25

Iowa Real Estate Commission

1920 SE Hulsizer

Ankeny, IA 50021

Phone number: 515-281-7393

Fax: 515-281-7411

Website: www.state.ia.us/irec

1. Financial Backing

Most lenders require a **written** business plan before committing.

There are several resources available to formulate a plan.

Search the Internet under search terms *business plan*, *biz plan* or *starting a business*.

You can find helpful resources in libraries and bookstores.

- For example:
Small Business Management and Entrepreneurial Emphasis - Text

Allow your thinking and thoughts to be ready to adapt to continuing changes in the business environment.

Financial Resources

- Savings
- Lines of credit
- Other

Business Resource Links

- Iowa Department of Economic Development
www.state.ia.us/ided/index.html
- Iowa Department of Commerce
www.state.ia.us/government/com/
- Iowa Area Development Group
www.iadg.com/
- Iowa Association of Business and Industry
www.iowaabi.org/
- Iowa Business Network
www.iabusnet.org
- Iowa Bankers Association
www.iowabankers.com/
- Small Business Administration
www.sba.gov/regions/states/ia/

2. Business and Market Conditions

Competitors - How many active listings are in the area?

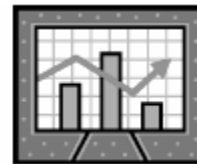
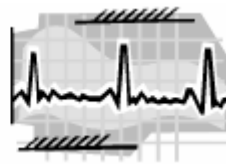
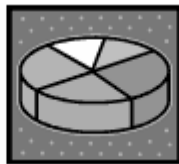
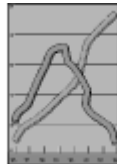
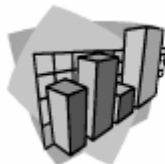
- Will you be serving a niche market?
- Joining a family run operation - pros and cons
- Assembling agents who have been in different offices.

Economic forecast - Which stage of business cycle presently?

- Local, state and national cycle.

Other persons possible to join a new business

- Other licensees interested in sharing benefits/costs?



3. How to Incorporate

The **Iowa Secretary of State** office has a very good website that describes many of the advantages and disadvantages of the various forms of incorporation, and it has most of the forms you would need to file in downloadable form.

Refer to the business center at www.sos.state.ia.us/business. There is great information on this website.

Examples include:

- Sole proprietorship
- Partnership
- Limited liability corporation
- Corporation

Your accountant/attorney may have a recommendation on how you should incorporate.

4. License Requirements

Office license - Filed with the Iowa Real Estate Commission

Broker license - Required to supervise any office/licensee in Iowa

Reciprocal licenses needed/helpful - check reciprocity with the Iowa Real Estate Commission or visit their website for licensing information index.

Office manger - If any.

- Compensation
- Work arrangements

Relevant Iowa Code Sections:

543B.1 License mandatory.

A person shall not, directly or indirectly, with the intention or upon the promise of receiving any valuable consideration, offer, attempt, agree to perform, or perform any single act as a real estate broker whether as a part of a transaction or as an entire transaction, or represent oneself as a real estate broker, broker associate, or salesperson, without first obtaining a license and otherwise complying with the Iowa Code.

543B.2 Individual licenses necessary.

A partnership, association, or corporation shall not be granted a license, unless every member or officer of the partnership, association, or corporation who actively participates in the brokerage business of the partnership, association, or corporation, holds a license as a real estate broker or salesperson, and unless every employee who acts as a salesperson for the partnership, association, or corporation holds a license as a real estate broker or salesperson. At least one member or officer of each partnership, association, or corporation shall be a real estate broker.

543B.3 Broker -- definition.

As used in this chapter, "real estate broker" means a person acting for another for a fee, commission, or other compensation or promise, whether it be for all or part of a person's time, and who engages directly or indirectly in any of the following acts:

1. Sells, exchanges, purchases, rents, or leases real estate.
2. Lists, offers, attempts, or agrees to list real estate for sale, exchange, purchase, rent, or lease.
3. Advertises or holds oneself out as being engaged in the business of selling, exchanging, purchasing, renting, leasing, or managing real estate.
4. Negotiates, or offers, attempts, or agrees to negotiate, the sale, exchange, purchase, rental, or lease of real estate.
5. Buys, sells, offers to buy or sell, or otherwise deals in options on real estate or improvements on real estate.
6. Collects, or offers, attempts, or agrees to collect, rent for the use of real estate.
7. Assists or directs in the procuring of prospects, intended to result in the sale, exchange, purchase, rental, or leasing of real estate.
8. Assists or directs in the negotiation of any transaction intended to result in the sale, exchange, purchase, rental, or leasing of real estate.
9. Prepares offers to purchase or purchase agreements, listing contracts, agency disclosures, real property residential and agricultural rental agreements, real property commercial rental agreements of one year or less, and groundwater hazard statements, including any modifications, amendments, or addendums to these specific documents.

543B.4 Real estate -- definition. As used in this chapter, "real estate" means real property wherever situated, and includes any and all leaseholds or any other interest or estate in land, and business opportunities which involve any interest in real property.

5. Selection of Office Site

- Home office - Check municipal and county zoning restrictions.
- Stand alone building
- Common office building - Review the terms of rental.
- Misc.
 - i. Signage regulations
 - ii. Municipal business regulations/permits
 - iii. Overall appearances - accessibility
 - iv. Janitorial and maintenance

Iowa Administrative Rules 193E - 7.1(543B)

Real estate offices and licenses required.

7.1(1) Every Iowa resident real estate firm or self-employed broker shall maintain an office for the transaction of business in the state of Iowa, which shall be open to the public during business hours or by appointment.

A nonresident Iowa real estate broker or firm is not required to maintain a definite place of business within Iowa, provided the nonresident broker or firm maintains an active place of business within the state or jurisdiction of domicile as provided in Iowa Code section 543B.22.

7.1(2) Sharing office space. It shall be acceptable for more than one broker to operate in an office at the same address if each broker maintains all records and trust accounts separate from all the others. Each broker shall operate under a business name, which clearly identifies the broker as an individual within the group of brokers.

7.1(3) Branch office. A resident Iowa real estate firm or proprietor maintaining a branch office shall display two branch office licenses in that location. One branch office license is issued in the name of the firm or proprietor and one is issued in the name of the designated broker or broker associate assigned to supervise the branch office. (EXCEPTION: A sole-proprietor broker who is the designated broker for a branch office location and not the main office location is required to display only one branch office license in that location.) The main office and every branch office shall be directly supervised by a broker or broker associate assigned to that location as the designated broker. No broker or broker associate shall be the designated broker of more than one location.

7.1(4) When a real estate brokerage firm closes, the principal broker or a designated representative shall follow procedures as provided in 193E—Chapter 8.

7.1(5) A licensed officer of a corporation or partnership may be licensed as an officer or partner of more than one corporation or partnership. The main or primary license for which the full license fee was paid must be maintained in active status to keep any additional licenses that were issued at a reduced fee active and in effect.

Continuing education is required only for renewal of the main or primary license.

7.1(6) When the designated broker of a branch office transfers to a different office, terminates employment, or otherwise ceases to be in charge of the branch location, the branch office license must be returned to the commission. A new designated broker for the branch must be assigned before a new branch license can be issued. If the branch office is assigned to a corporation or partnership, the corporation or partnership license displayed in the branch office must also be returned to the commission.

7.1(7) A broker associate employed or engaged to be in charge of the branch office shall have the same responsibilities of supervision of the licensees working from that location as are imposed on the employing, sponsoring, or affiliated broker.

7.1(8) Each actively licensed broker associate and salesperson shall be licensed under a broker.

7.1(9) A broker associate or salesperson shall not be licensed under more than one broker during the same

6. Office Planning

- Current needs
- Future needs - additional salespersons/administrative staff planned.
- Storage/work room needs - Never have enough?
- Furnishings
- Office supplies and equipment - lead time to acquire.
 - Electronic Data Processing - What Computer system will you use? Intra-office system capability, Internet Service Provider, ability to up/download Multiple Listing Service information.
 - Handheld (Palm) compatible. Digital Camera usefulness.
 - Software to utilize - programs which
 - Invest in best virus protection available.
 - Ensure hardware/software have customer support - helps avoid lost time and frustration.
- Wire office with modern cables/technology for computer networks
 - Phone line - ability to roll over to cell phone, etc.
 - Internet line - dial-up, DSL, cable, T1, wireless, etc.
 - Email access
 - Fax line
 - Customized number? Always available to be reached?
 - Phone system, voicemail

7. Insurance

Errors and Omission Insurance

For state offered insurance, call the commission at 281-7393 or you may “shop around” for your own insurance carrier.

American Home Shield 708-271-2858

General Business Insurance

Contact your local insurance agent.

Health Insurance

Information on the Iowa Association plan is available on www.iowarealtors.com under membership benefits. Call 575-270-8178.

8. Advertising

Inquire with Secretary of State Office regarding obtaining a trademark for your name. (Website: www.sos.state.ia.us)

Review Chapter 10 - Iowa Administrative Rules and NAR Code of Ethics.

Go to association conventions and trade shows and talk to vendors regarding their products and services. Recent vendors have included Lowen Sign Company, Gateway Computers, Sprint PCS and UPS.

In general, professional service companies pay off in the long run.

- Franchise assistance
- Agency Promotion - company name, logo, colors
 - Efficient and effective advertising dollars
 - Newspaper
 - Phone directory
 - Business publications
- Announcements
- “Reasonable and Necessary” business deductions - tax deductible
 - Office supplies
 - Initial and one time costs
 - Reoccurring expenses

Apparel w/ logo
Trinkets - marketing exposure

Any reasonable expenses you incur in operating your business



9. Financial

Contact local bank

- Open trust account(s)
Trust Account Manual available from the Iowa Real Estate Commission
(Website: www.state.ia.us/irec)

- Fill out Consent to Examine
Forms also available on iowarealtors.com

- See Brokerage Forms

- Open General Ledger accounts
- Interest to IAR Foundation?
- Set up accounting system
Hire accounting firm?
Software available



10. Forms

- State association forms are available
Go to www.iowarealtors.com and click the “Online Forms” link
User name is your last name.
Password is the last four digits of you Social Security number.
- There many different categories of forms available, such as: offers, agency, farm and land, non-residential, property management, listing, and disclosures.
- Customized forms
Must be prepared with attorney approval
Franchise forms available
Local REALTOR® boards draft forms

11. Company Policy and Procedures



- Written procedure book - How is your firm going to operate?
- You must decide and have all broker/salespersons follow:
 - Agency Policy Disclosure and Acknowledgement
 - i. Client Single Seller Agency
 - ii. Client Single Buyer Agency
 - iii. Clients Dual Agency
 - iv. Client Appointed Agency
 - v. Customer self representation
 - Presentation of offers
 - i. Multiple offer situation
 - ii. Informed consent by clients
 - Sales records and procedures
 - i. Maintain for a minimum of five years
 - Independent contractor staff
 - i. Independent contractor agreements signed and on file (form available at www.iowarealtors.com).
 - Paid employee staff

12. Local, State and National Association of REALTORS®

Taking an active role in the association network has many direct and indirect benefits.

- Board Membership
- Call IAR at 800-532-1515 for a list of local boards available to join.
- Multiple Listing Membership
Local board fees - separate from regular board dues
- Orientation/ new initiation fee -
Optional but helpful for local boards to conduct



13. Miscellaneous

Recruiting Agents

- Visit Chapter 6 - Iowa Administrative Rules
Transfer and Termination Rules/Forms

Notary

- Meet new seal requirements from Secretary of State

Psychological/mental aspects

- Ability to work alone
- Ability to meet a payroll
- Ability to be a boss
- Who to cover business when away
- Vacation, unexpected time away from office

Other

- Info available on www.IowaRealtors.com and www.realtor.org

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