GENSTONE
REALTY

Referral Income & Strategies Workshop Summary

Sources of Referral Income

Income from referrals comes from two sources:

1. *Outgoing Referrals* – Income from referral fees from referring buyers and sellers who have housing needs outside your target market to other brokerages and agents to handle the sale or listing. You receive a percentage of the list or sale side of the brokerage fee from that closed transaction.
2. *Incoming Referrals and Leads* -- Your share of the brokerage fee from closed transactions of buyers and sellers referred to you. Those buyers and sellers referred to you from a company or agent requesting a referral fee are deducted from the brokerage fee's referred side. There is no fee to pay when it's a lead where no fee is requested.

Referring Buyers and Sellers from Anywhere

Most of the time, we become aware of a buyer or seller moving out or into our target market. However, if you know of a friend or relative moving from one city to another other than your own, refer both sides to agents in those locations – first to a listing agent where the listing is and then to an agent where they are moving for the purchase. One person, two referral fees!

Sources for Outgoing Referrals

1. Listings are an excellent source. Ask where and when the owners are moving. If out of your target market, explain you can get them an excellent REALTOR® who will get them information about schools, transportation, and other needed information for their new destination, plus get them the right property.
2. For Sale By Owners (FSBOs) and Expired listings who are moving out of the area are prime prospects. Use your ability to find them a REALTOR® in their new destination as one of your first ways of assisting them.
3. For current buyers and sellers, find out the status of all the properties they own. They may not think of mentioning it to you because it was outside your target market.
4. Your personal contacts include bankers, lawyers, corporate contacts, and others who may become aware of someone needing real estate assistance outside your target market.
5. Any of those contacts, friends, and relatives who may need to buy or sell investment, vacation, or retirement properties.
6. Be sure to let your Sphere of Influence group and others know you offer this additional service for anyone needing real estate service anywhere in the world.
7. Leads you discover or are given to you should be asked about those they know who may need listing and buying services outside your market.

Permission to Refer

In the relocation business, it is required to alert the buyer or sellers you are referring them and obtain their permission to do so. After securing an agent in their destination, let them know who it is, so they are prepared to take that agent's call, text, or email.

Information Required to Refer to Another Company or Agent

- **Name and as much contact information as you can get – phone numbers, email, address**
- **Your name, company, and all contact information**
- **For a listing referral, the full address of the property, and if it is currently listed**
- **For a buyer referral, the destination city and state and price range**
- Additional helpful but not required information about buyers:
    - Type of housing desired – single family, condo, townhouse, other
    - Bedrooms, baths, style of property, and other wants
    - Date of the house hunting trip and date of the move
    - Reason for the move
    - Household information
    - Status of present property – sold, under contract (closing date), on the market, renting
- How and when you want the assigned agent to contact the referred party, and you
    - After you have informed the party who the assigned agent is
    - After contacting you for additional information
    - What method of contact the assigned agent should use to inform you of progress

Example of Information Needed on a Referral Form

REFERRAL INFORMATION FORM

SECTION 1 - RECEIVING OFFICE	SENDING OFFICE
TO: Agent:	FROM: Agent:
Firm Name:	Firm Name: GenStone Realty
Address:	Address:
City/State/Zip:	City/State/Zip:
Business Phone:	Business Phone:
Cell Phone:	Cell Phone:
Email address:	Email address:

SECTION 2 - SELLER INFORMATION	
Seller Name:	When to make initial contact:
Address:	Property address to be listed: Same
City/State/Zip:	Additional Helpful Information:
Cell Phone:	
Home Phone:	
Email address:	

SECTION 3 - BUYER INFORMATION	
Buyer's Name:	New Employer:
Address:	Address:
City/State/Zip:	City/State/Zip:
Business Phone:	Position and Approximate Salary:
Home Phone:	Must home be sold first?
Fax Phone:	Company buyout?
Preferred Location:	Cash Available for Purchase and Closing Costs:
Size and Type of Home Desired:	Comments:
Price Range: $	
Number in Family:	

Referral Income Possibilities

There's no predetermined amount to charge or be charged for a real estate referral fee, just like real estate commissions. The range is 25-35%, but often it's in the middle at 30%. Often, those asking for the higher fee provide a much more solid lead. If it's a "hope," it's more like 25%.

Example of income from a 30% referral fee:

$300,000 property with a $15,000 brokerage fee
$7,500 listing side, $7,500 sale side
$7,500 on referred side @30% =$2,250
$2,250 x 70% split = $1,575

Finding the Company & Agent to Refer

If you know a good company or even an agent in the referral location, contact them. Unless you know the agent, use the broker or office manager to suggest the right. Be sure the referral destination is in their target market. If you need assistance, contact the GenStone operations team.

Referral Fee Agreement

The fee agreement is a contract between the referring agents' two brokers of the referral fee, plus the referral's length, typically one year, but a company wants 18 or 24 months in some cases. The referring agent's responsibility is to supply the referral contract with the initially stated terms. If the receiving broker and agent want to negotiate these terms, they may do so. Enter the executed referral agreement into dotloop.

Receiving Broker agrees to consider Title, Clearing & Escrow (TCE) as the title company to perform the title search, issue Title and/or Owners Insurance Policy and perform closings. Contact information for a TCE representative will be provided for each referral submitted upon request.

Receiving Broker's Initials

SECTION 4 - REALTOR'S ACCEPTANCE OF REFERRAL	
Prospect's Name:	Comment:
Date Contacted:	
Date of First Appointment:	
WE ACCEPT THIS REFERRAL, AND WHEN THE SALE IS CONSUMMATED, WE AGREE TO SEND _____%. (OF THE GROSS COMMISSION) REFERRAL FEE. WE WILL ENCLOSE DETAILS OF THE SALE WITH THE CHECK.	

Receiving Sales Associate Signature: Date: / /	Receiving Broker's Signature: Date: / /

Follow Up on the Referral

It is good to check with the agent who received the referral in about a week to know about contact with the referred person. After confirming the contact, check with the referred person to determine if that agent is helpful and if it's the right fit. If not, you can take control and assign another agent. For example, let the agent who first received the referral that the referred party ask for another agent.

Receiving the Referral Fee Income

When you make a real estate referral, you are handing over the referred person to another real estate agent. If it becomes a closed transaction, your company receives the referral fee percentage of the side of the listing or sale. When you find out the referred buyer is under contract or the referred seller has accepted an offer, enter the information into dotloop so the company is aware and can give the referred company how to send the referral fee. As with all brokerage fee income, you receive your normal percentage of what the company receives.

When to Refer Business to Another Agent

A real estate referral is getting a client into the hands of the person who is the most qualified to get them the real estate services they need. Unfortunately, there are times when we hear of an opportunity for things we shouldn't or even can't deliver. These situations are perfect for referring to an agent better able to assist that person. Here are two situations to consider.

1. *When it is a stretch from your target market*. Although you want to work with every lead, working outside your target market hurts in the long run. Why?
    - Your knowledge of the market just outside your target is limited and even more limited the farther out you go. It results in your not giving the buyers or sellers the best information, so they may not trust you in the future or refer others to you, damaging your real estate reputation.
    - The travel time issue is a two-fold problem. First, more travel time means fewer productive hours to get to other business. With listings, because it is farther out, you tend to go less frequently. This results in owners not being as happy with not seeing you as often. You would probably not do an open house there because you are compounding the issue of getting more business outside the target market.
    - Your claim of being a local expert focusing on your target market is diminished. As you let owners know where you have sold properties, and it's all over the map, they think you are not a local expert.

2. *When it's outside your expertise*. For example, it seems interesting if it's an office building, industrial site, selling a business and its properties, or any income property. However, you probably are not the expert in calculating and presenting ROI (return on investment). It seems tempting to go after a potential hefty brokerage fee. Still, the referral fee for it by referring to the area's expert will be more than enough compensation for the time invested in referring it.

Income from Incoming Referrals – With Fee

When you are on the receiving end of outmarket referrals, you receive your share of the 70% of the brokerage fee after paying the referring agent a 30% or whatever fee you and that agent decide. Although the trade is not as often from an agent to whom you sent an outgoing referral, it still could happen. It can happen more frequently when you send your outgoing referral to a GenStone associate.

Income from Income Referrals – No Fee

Referrals or leads from your own sources are the most satisfying when they come from past clients and your SOI, who trust you to provide excellent service to those they refer. Encourage “referrals” from your relatives, friends, others in your Sphere of Influence, past clients, or associates from a previous business. Most important is to regularly contact past real estate clients to keep you in their minds. Let them know you can still assist others as you did for them.