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# Real Estate

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# Business

For Real Estate Professionals

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IMPROVE  
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PROFITABILITY**



**HOW TO  
AVOID LOSING AGENTS TO YOUR COMPETITORS**

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## CEO's Message



Ginny Shipe, CAE

### REBI – Your Source & Resource

School may be out for the summer, but for the rest of us, it's a busy time with a hot real estate market. Amidst this flurry of activity, it's easy to put aside – or even forget – the business plan we put in place at the beginning of the year. Are you on track with the goals you set? Are you adapting to new technologies? ... Considering new business models? ... Do you understand how operational changes affect your bottom line? Don't forget the basics in managing your business, your agents, your team.

This issue of *Real Estate Business* magazine is packed with information focused profitability, recruiting, sales strategies, and technology. Our feature stories include new ideas to improve your company's profitability and how to avoid losing agents to your competitors.

We live in a new economy with new agents entering the industry every day. We're constantly digesting new rules that apply to new types of transactions that are more complicated than ever. REBI serves as a steppingstone to help brokers, managers, agents and teams confidently navigate this ever-changing business.

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I wish you continued success in your professional and personal endeavors and hope you have a successful Summer with some time to re-charge.

# Contents

July/Aug 18



10



18



features

10

**New Ideas to Improve Your Company's Profitability**

18

**How to Avoid Losing Agents to Your Competitors**

departments

**28 Listing Strategies**

**30 Technology**

**34 Sales Strategies**

**PLUS ...**

**3 CEO's Message**

**6 Member Advantage**

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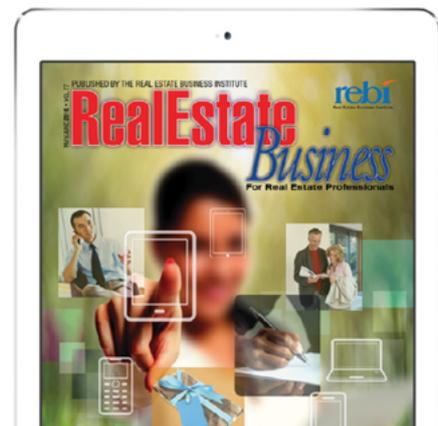
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New  
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PROFITABILITY



Earning money is much easier than earning a profit—  
but it doesn't have to be. Here's how to simplify profitability.

BY G.M. FILSKO

“Our biggest struggle is profitability,” states Mike Higgins, team leader for Caleb Hayes Real Estate Group at Keller Williams Realty Inc. in De Pere, Wis.

“It’s tough because everybody looks at big teams and thinks they’re really profitable,” he states. “But after everybody gets paid, there’s not a lot left in the pie. And there are a lot of things you can spend money on—there’s always a shiny object you can buy. When you have revenue coming in, it’s easier to spend that money and not consider profit.”

The idea of company brokers and team leaders turning a laser focus to profitability is a relatively new one, reports Ginni Field, ABR®, CRB, GRI, SFR®, SRES®, a coach, consultant, and trainer in San Diego and the instructor for a May two-part CRB workshop on creating a profitable company.

“I think brokers always cared about profitability, but I don’t think they knew how to manage it,” she says. “Years ago, when I first came to California and first went to work as a manager, the owner of the company said he and his partner would literally go to the white board where new transactions were listed and do the math to see if they were going to make enough money to pay the bills each month. That was 20 years ago.

“In May, we had 48 students on the webinar, and that’s a lot,” she adds. “That tells me there’s still a problem.”

Here’s what you need to know to make profitability much less of a problem in your organization.



*Mike Higgins, team leader,  
Caleb Hayes Real Estate Group  
Keller Williams Realty Inc.,  
De Pere, Wis.*

## Recruiting shapes profitability

Field contends the challenge of profitability is directly related to what she calls the “ready, fire, aim” syndrome.

“It’s company leaders essentially saying, ‘Let’s go do this and not plan and hope it works out,’ she explains. “Or, ‘Let’s expand the footprint of our office’ or ‘Let’s hire a new staff member,’ or any of those things, and they don’t think about how it’s going to reflect back to profitability and the bottom line.”

Profitability has two components, says Field. The first, and the most important, is recruiting, retention, and accountability. “When I wrote the profitability workshop, I really wrote it

as a partner to the recruiting program because, having been in management myself, I knew that if I recruited consistently, hired the right people, paid them a fair commission split, and helped them to be successful, that translated to profitability,” she states.

“If you have agents who really want to have a career in real estate and you help them build that career by creating a business plan and staying focused, when they do well, so do you,” says Field. “It’s kind of a miracle—and that’s the sarcastic side of me speaking!”

Focusing on agents is also how Dale Schaechterle, broker/owner at Realty Executives Integrity Lake Country in Hartland, Wis., ensures profitability. He chooses agents based first on their character, then on the chemistry with his team, and finally their competence.



*Dale Schaechterle  
broker/owner,  
Realty Executives,  
Integrity Lake Country,  
Hartland, Wis.*

“It’s not difficult to teach someone with a strong work ethic and positive attitude ways to build a successful real estate career,” he explains. “We avoid top producers if they lack integrity or aren’t a match for our culture.”

Instead, 60-70 percent of Schaechterle’s

recruits are in what he calls the rising star category. They typically have two to three years experience and are doing well but are looking to take a big leap forward in their career.

“We like that group because they’ve already gone through the part of being new to the business, and they’ve shown they can stay in it,” he explains.

“We’ve found that taking them to a different level isn’t difficult.”

The biggest question is whether those agents are motivated. To test that, Schaechterle’s team poses a question: “We have a three-month training course; it requires you to spend three to five hours a week in class, with follow up. “Are you interested?”

”Schaechterle takes a pass when the response is some form of, “I just couldn’t fit that into my schedule.”

Field also likes the idea of hiring mid-level producers, at least in the context of a company that offers commission splits instead of charging desk fees. “I never hired top producers—ever—in my career,” she says. “My company dollar was going to be lower. Hiring top producers also doesn’t always necessarily improve your market share. My philosophy was to hire newer people and help them become top producers—but that’s an active job where you’re recruiting and teaching and guiding and doing all those things.”

## Seriously, you need a plan

The other major factor in profitability, asserts Field, is planning. “This is a generalization, but many people who decide to open a real estate office have no concept of how to run a real estate company,” she says. “They say, ‘I don’t want to work for someone else. I’ve always been independent, and we’re going to make a zillion dollars!’



“Then they don’t create a plan for how to run their company,” she adds. “They don’t know how much money they need to bring in each month to be able to pay their bills. They’re not as efficient as they should be in the process of saying, ‘How will this decision impact my bottom-line profits?’”

Field says you always need to know your breakeven point, or the amount of money that must come in each month to cover all your

expenses. “If you base your decision on that, you can be as successful as you choose to be,” she says. “Because then you ask, ‘How much profit do I want to add to that? And where am I going to get that additional profit?’

“The formula is the same regardless of the type of firm you operate,” says Field. “If I have a commission-split program, I need to know the average agent production and the average company dollar per transaction, and I need to know how many transactions I need to close to break even. If I’m running a company that charges agents a monthly fee, I need to know how many transactions at that monthly fee I need to charge to break even.

“If you take that information and go back to recruiting, now you can say, ‘If I have 10 agents and those agents are doing an average of this many transactions per month, I have this much company dollar,’” explains Field. “And if you want to expand by opening another office, you ask: ‘How many more agents at those numbers do I need to hire to pay for that?’”

Be sure to track your profitability regularly. “One failure—and I detest that word—in profitability is that leadership doesn’t pay attention to the numbers consistently,” asserts Field. “I’ve heard people say they review profitability at the end of each quarter. But then it’s too late to affect your profitability. You must, must, must look at your numbers every month.”

Higgins actually reviews the team’s profit-and-loss statement daily. “If you’re constantly keeping that in front of you, it’s harder to make crazy purchases or decisions because you know what it’ll do to those figures,” he says. “It’s not like I often alter my behavior after I’ve checked the numbers; it’s more important that I’m building the discipline of following it.”

## What boosts and stifles profits

Now that you know the framework in which to build and measure profitability, here are a few specific tips on growing it.

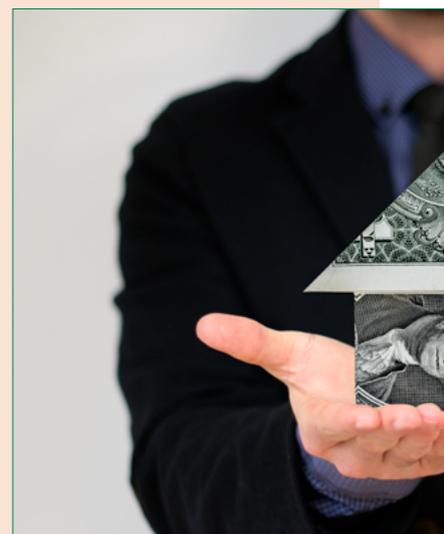
### 1 | When you’re expanding, don’t overinvest in brick and mortar.

Schaechterle says he’s learned this rule the hardest way, so he recommends you start with a short lease or a rent-free period. “It’s from past mistakes where we went in and went in big with great ideas,” he says. “We found that it takes two to three years to really mature in a location. That was a learning experience for us probably more times than I can count.

“We’ve had to bring in outside vendors, such as a mortgage or title company, to take some space,” he recalls. “Start with a small space with those other providers already taking space inside it so it minimizes the amount of space you have and minimizes the cost of opening a new office.

“Also, a short-term lease of less than five years allows you to grow without the pressure of ‘I have to fill this space,’” advises Schaechterle. “And if a landlord allows us to go without rent for the first six months, we make the most of that.

“We’ve also looked for space where there’s the opportunity to expand after taking a smaller square footage to begin with,” he explains. “If landlords give us the first rights to expand, we love that. We have one office where we had just under 2,000 square feet and first rights to 1,500 feet on the other side of the hallway. In a little over a year, we



exercised that right to expand. That's much safer and smarter than going in with all that space in the beginning."

## 2 Try something nobody else is doing—butwisely.

"It sounds crazy in an industry that rewards high producers, but there are talented people out here who are good at sales but who also like the stability of a paycheck," notes Higgins.

So he's looking for the right opportunity to hire a salaried agent even though the concept has been tried before in the business and never caught fire. "It's easier to calculate your profitability and maintain it with salaried positions because your expenses become fixed," he notes. "We haven't yet been able to bring in anybody on the home-sales side. But we also have a flipping side of our business, and we've done it successfully there."

The team uses personality profiling in recruiting. Higgins' theory is that there are people whom personality tests show are talented at sales but not necessarily driven by money. Those are the type of people Higgins is on the lookout for. "We're not going to force it," he says. "But we're open to the idea."

## 3 Do the things good leaders do well.

Leadership means making the most difficult decisions for the right reasons. Field, for example, suggests you tackle a common challenge: Adjusting some agents' commission split if they're not earning it anymore.



She's done just that. When markets started to tank during the great recession, she was tasked with the job of adjusting splits to make sure agents were being paid based on what they'd actually earned, not what they'd been offered when they joined.

The process starts with minimum standards and helping agents who aren't producing as they should. But if that doesn't work, Field advises that you do the difficult job of reducing their pay. "When you're afraid to lose someone, they have power over you, and that's not leadership," she insists.

"If I were recruiting and had a recruit say, 'I want an 80 percent commission split,' my response might be, 'Based on your current production, I don't see how you've earned to that split level. But I'll help you get to that number.'"

"Or let's say you brought in an agent at an 85 percent split," she adds. "At the time, they were making enough per a year, but then they started coasting. I might say, 'You're probably aware that based on what your split is and where you should be, the numbers don't work. I'm in a position where I have to get the numbers to agree. Here's what I'd like to do. I'm going to coach you—and there'll be no charge for the coaching—to get you where you need to be. In six months, we'll see how you're doing. If you're not there, I'm probably going to roll back your split. But my goal is to help you and not to have to roll it back at all.'"

"When I did that, I had no breakage at all, and I had 250 agents at the time," says Field. "It's not because I'm a miracle worker; it's because I was communicating, 'I want to help you get to where you want to go.' The most profitable offices are those where leaders really lead." 🐣



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## RENE

Real Estate  
NEGOTIATION EXPERT



# How to AVOID LOSING AGENTS to YOUR COMPETITORS

by G.M. Filisko

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What should you do when you hear  
an agent is about to leave?  
Real estate pros explain how they  
determine their response.

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## How to AVOID LOSING AGENTS to YOUR COMPETITORS

**All it takes for your company to suffer a serious blow to profitability is for one agent to announce a move to your competitor.**

**When it happens, it's usually a big surprise, and you're left with few options. "It's often difficult to tell when an agent is considering leaving because many of them don't give any indication that they are leaving," says Cheryl Eiding-Taylor, president of the 345-agent ERA Key Realty Services in Northbridge, Mass. "If you don't know ahead of time and can't get in front of them before their decision is made, it's nearly impossible to change their minds.**

**"Even if an agent has made a new commitment mentally and has nothing on paper, it's usually still too late to change the agent's mind," she adds.**

**But Eiding-Taylor believes you should still try. You first need to keep an eye out for signs agents might be considering leaving, and then you should take steps to prevent it from happening. Here's how.**

### Staying connected goes a long way

The first step in retaining your valuable agents is being able to identify if they're starting to rethink their position at your company, and that requires your attention.

Eiding-Taylor believes a communication system that allows her leadership team to touch base regularly is critical to that effort. She personally has an open-door policy, and all of her leadership's phone contact information is also readily available to agents, who are free to contact anybody in management at any time.

She has also set up a system that ensures that all agents at her company have regular contact with someone in leadership. "There are only so many hours in a week, and I can't reach out to and have substantive conversations and deep relationships with all of my agents," explains Eiding-Taylor. "So my top leadership and managers need to communicate regularly with top agents, while my managers need to communicate regularly with middle and newer, promising agents."

Her reasoning is that on-the-ground managers are the glue that keeps top agents stuck to her

company; if a manager leaves, your company's profitability will be in jeopardy. "Right now, we're seeing that a lot of our managers are aging out across the industry, and we don't want to see half the office go if a manager leaves," she says. "If a top agent goes, many others follow, so I'm really going to be in a bind if I lose a manager."

Those systems have paid off. One of Eiding-Taylor's top agents recently approached her to explain that

the agent was being courted and wanted to talk to Eiding-Taylor about it. "I pointed out all the things she has and talked about what direction she was headed in," Eiding-Taylor recalls. "The agent said, 'I'm so glad I talked to you. I think I need to look at what I already have.' She's still here, and she's heading toward increasing her production."



*Cheryl Eiding-Taylor, president  
ERA Key Realty Services,  
Northbridge, Mass.*

## Red flags to watch for

Darren Kittleson, CRB, SRS, RENE, operating principal/broker at Keller Williams Madison in Wisconsin, says there are three signs an agent is considering leaving:



### A drop in production

“That’s an indication there’s something going on,” says Kittleson. “Either something is happening in their life affecting production, or they’re going to start looking for other options because they think the company’s at fault for their drop in production.”

Brad Pauly, broker/owner of Pauly Presley Realty in Austin, would add to a drop in production a drop in activity. He hires new and relatively new agents and then trains them on the concrete steps they need to take to generate business; he can predict when an agent is likely to leave his company or the business by their response to that training.

“We can tell pretty quickly when they’re not following through,” he says. “We give them a fairly simple task to achieve, and we know pretty early on whether they do it quickly or if they do it at all.”



### Disengagement

“My experience has been that there are two types of agents,” says Kittleson. “One of those is agents who come and work and are engaged and show up. Maybe they don’t show up daily, but they’re involved in what’s happening in the company on a regular basis.

“The other is disengaged,” adds Kittleson. “If they’re disengaged and have decent production, my challenge is to engage them so they find value in what we have to offer. If they suddenly have no production, then it’s figuring out how to get them back to productivity. We’ll meet and say, ‘We’re worried about you. What’s going on? Let me help you set up a plan for success.’”

Pauly also sees disengagement as a warning sign. “When agents are starting to shy away from doing deals or they’re looking at other opportunities or getting out of the business, they stop showing up,” he says. “They just stop showing their face around the office.”



### Their contracts start expiring on one particular day

“If they’re solid producers, one of the warning signs is that agent’s contracts all start coming in with the same ending date,” says Kittleson. “In a lot of states, maybe all of them, listing contracts are the property of the listing broker. So if agents are planning to leave, they’re going to start setting up their business up in a way that the business goes with them if there’s a way to do that.”



*Brad Pauly, broker/owner  
Pauly Presley Realty  
Austin, Tex.*

## Should you try to change their mind?

If you see signs an agent is heading for the door, is it worth it to intervene? There are two schools of thought. One is that you should always try. The other is that agents who are leaving have already made their decision and won’t be an asset even if you convince them to stay—for now.

Kittleson says his response depends on the agent. “This is going to sound cold and harsh, but if

they're not producers, we don't get involved," he says. "If they're solid producers and culturally a really good fit for the company, we try to save that. There has to be a cultural fit, and there has to be production."

The answer also depends on the agent for Eiding-Taylor. "Unless it was a negative person or someone toxic, I'd try to save the relationship if at all possible," she says. "When an agent makes a decision, it's often that there's a personal crisis going on that causes them to rethink things. When there's a marital issue or family crisis, people often reevaluate, and they may end up making a change to their choice of brokers because it's something they can control when everything else seems out of control. An agent in the middle of a personal crisis scares the bejeebers out of me."

One factor Kittleson won't be moveable on is money. "I'm never going to try to convince agents to stay over money—some sort of better deal or split—that's not my philosophy," he says. "My belief is that if production has dropped, I want a conversation quickly on how to get back on target. A lot of times, someone leaves because they think the grass is greener, but they also think they'll find what they're missing production-wise elsewhere. In that case, I'll say, 'You can do this here; let's get you focused on the right stuff again.'"

Eiding-Taylor is a little more open to the idea of responding to a financial appeal, though not by much. "We try not to incentivize unless it's warranted, such as when somebody is already close to the point of earning

something based on our plan," she says. "I don't want to give something that I can't give to somebody else in my company who is of the same caliber. I know there are a lot of special deals in real estate; we've tried very hard to stay away from that. But if there's another benefit we can give—maybe some admin time, because often offering more support will get agents earning more money than offering more money—we're open to that."

Pauly agrees on other incentives but is also open to increasing compensation. "I sometimes come up with financial ways to keep agents there, whether it's increasing the commission or giving agents more leads," he says. "I've also paid for some marketing consultants for some agents. If there's a financial reason an agent is considering leaving, we'll figure it out that way."

### Be ready for anything

Despite all your best efforts, you may not be able to convince an agent to even speak with you. "One dilemma we have is that we don't always have that heads up," laments Eiding-Taylor. "Even if you have a gut feeling and you try to set up an appointment, agents sometimes leave and you never even get the chance to talk. Unfortunately, they've made up their mind, and they shut out the possibility of anybody playing with that decision."

That's exactly what happened at Eiding-Taylor's company. "We had a significant loss recently," she





explains. “One of our top agents, a valued member of our team, chose to open his own company. I knew something wasn’t quite right. There were the telltale signs of not engaging in company events, and normally this agent would have. The manager had also heard rumblings of something brewing, in addition to hearing there was a personal crisis. I tried several times to make an appointment with him. But no luck.”

That outcome truly pains Eidingertaylor. “I regret everybody leaving,” she laments. “It’s way too personal to me. It’s like a knife in the gut.”

Agents’ responses when you are able to arrange a meeting to discuss their status may also leave you shaking your head. Pauly had one agent tell him that she didn’t think he was supportive enough. Specifically, she said that when she completed a deal, he didn’t celebrate enough.

“She obviously needed someone to say, ‘You’re doing the best job ever!’ and start clapping,” he states. “But I’m just not a rah rah guy, and I can’t change my personality. I have 35 agents, and I’m not going to make everyone happy.”

Kittleson also faced a head-scratcher. His company has a policy of allowing all the agents in the area to attend its training sessions. So when he was meeting with an agent who was leaving, Kittleson noted, “One thing I’m confused about is that you’re in all our training.” The agent’s response:

“Oh, I’ll come back for your training; I just need to be at this other company.”

Biting his tongue, Kittleson promised to uphold his company’s end of the bargain. “I told the agent, ‘You can do that,’ and that’s what the agent has done,” he says. “I still believe that agent will be back with us at some point. I always think that if we’re delivering training at a high level, agents will stop and say to themselves, ‘Why am I coming back and forth to this company for training? Why not just work there?’”

*“If they’re solid producers and culturally a really good fit for the company, we try to save that. There has to be a cultural fit, and there has to be production.”*

Darren Kittleson  
CRB, SRS, RENE

But there will be times you simply can’t argue with an agent’s reasoning, and you just have to wish the agent well. “There was a top, top, top agent who was with me for five years,” recalls Kittleson. “This agent never really grabbed a hold of the value proposition we brought—none of the training or tools—and did their own thing all the time. When I got word they were leaving, I sat down and had a conversation. The agent said, ‘There’s a lot of your company that I love; I just have to do this for myself at this point in my career.’”

“I couldn’t refute that,” says Kittleson. “I did the same thing myself 16 years ago. So I just left the door open for the agent to return.”



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- Written authorizations/agreements

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- Allowances and restrictions
- Buyer inquiries
- Closing and post-closing
- Compensation, fees, and pricing
- Contingencies
- Cooperating agents
- Inspection process
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- Offer and negotiation process
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# Listing Strategies

## Bartering Your Service: Can You? Should You?

Everything's so expensive today. So is it wise to trade your skills for something you'd rather not spend your hard-earned cash on? Here's what to know.

Mark Ferguson has never bartered his real estate services. But the broker-owner of Blue Steel Real Estate in Greeley, Colo., recalls that his dad did.

He ended up getting three cars instead of a commission on one deal," explains Ferguson. "He got an old pickup, a Bronco, and a sedan of some sort. We sold the cars, and it was more hassle than it was worth! My dad took the barter because he wanted to help a friend who had no money to pay the commission."

The experience soured Ferguson on the idea. "I've been an agent for 15-plus years," he notes. "I had a FSBO seller offer to give me their furniture if I found a buyer. They didn't want to pay any real estate commissions at all but were willing to give an agent their furniture just for the buyer side. No way! I didn't even see their furniture to know what it was like."

Alen Kadimyan, however, is more receptive to the idea. The CEO of IEI Realty in Glendale, Calif., has bartered and found the experience valuable. "The best barter we've ever done is with the CEO of our current marketing agency," explains Kadimyan. "He was my client, we were looking for a home for him, and the conversation came up that for the cost of our commission, we'd be able to get three months' worth of marketing services from an entire team.

"When you invest your time, it translates into marketing, SEO, and new business—and you have three months to see your business grow," says Kadimyan. "That's a no brainer."

### Careful not to trigger legal issues

Some agents don't barter because they're concerned they'll wind up facing legal issues, particularly a claim of a violation of the Real Estate Settlement Procedures Act.

That's the thinking of Alex Hubler, who's been approached about barter arrangements. "Due to the regulations in place, it's in my best interest not to exchange or barter services in lieu of my fees or commission," says the agent at Keller Williams Premier Realty Lake Minnetonka in Minnesota.

It's a fair concern but one that shouldn't end up being a problem if the barter arrangement is carefully considered and arranged. "I'm unaware of any statute or regulation that would prohibit the bartering of services by a real estate licensee," explains Finley P. Maxson, senior counsel at NAR's Legal Affairs in Chicago. "So this wouldn't be an issue if, say, a real estate professional took as a commission use of a seller's vacation house or other types of exchanges with clients.

"Where the bartering could be an issue is if it's done with other settlement-services providers,"

# Listing Strategies

Maxson warns. “RESPA bars referral payments between settlement-service providers but allows such payments if they’re for the fair market value of the services. So if a mortgage broker hired a licensee to sell his house, and instead of paying a commission gave the licensee a trip to Tahiti, it might be seen as a payment for future referrals if the cost of the trip would greatly exceed the value of the typical commission. So bartering between settlement-service providers could have some risk.”

bartering with is in the business of selling the goods or services you received in the barter, what they typically charge for that good or service is the fair market value.

“However, if your neighbor is going to mow your lawn for the summer in exchange for your services (assuming your neighbor isn’t a professional lawn mower), then fair market value can be more difficult to value,” adds Jones. “Generally, you look to what a reasonable person would pay for the goods or services. When in doubt, talk to your CPA.”

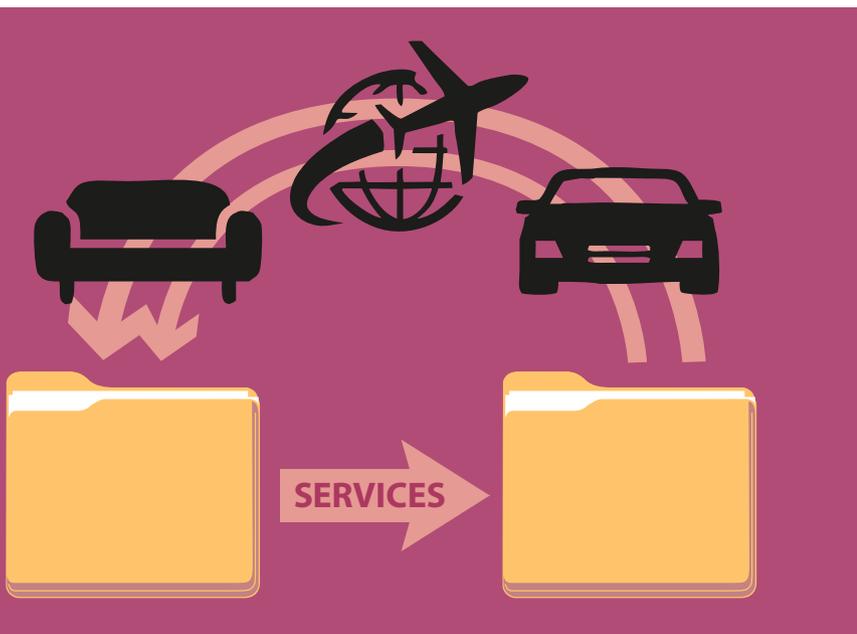
Once you determine the fair market value of the services you’ve received, you need to report it to the taxman. “There’s no threshold amount for reporting bartered goods or services,” states Jones. “Whether it’s a check for \$10,000, tickets to a sports playoff game, or a basket of free-range eggs, if you received it in exchange for your services, the IRS calls it income.”

So what’s the upshot?

Bartering could be helpful,

but you’ve got to structure any such arrangement carefully and then be sure to report the income you’re receiving, even if it’s not in the form of payment you typically receive.

Given all the complications, consider Kadimyan’s advice: “The best kind of barter is the one that’ll directly help grow your business,” he advises. “I’ve turned down barterers with companies that didn’t offer a short-term or long-term trade, such as carpet cleaning and painting services, and odd businesses that don’t affect my business.”



## Don't forget the tax side

In addition to being careful about how you structure a barter legally, you’ll need to remember that there may be tax implications. “The fair market value of the services or goods you receive in the barter is taxable income to you,” reports tax attorney Nathan Jones, who heads his own legal practice in Columbia, Mo.

Since both Maxson and Jones mention fair market value, you need to know what that means. “Fair market value can sometimes be a difficult thing to pin down,” admits Jones. “If the person you’re

## For Some, Being Tech Savvy Extends to a Nontraditional Car

Who needs gas? Some agents are walking away from the gas pump and turning toward alternatively fueled vehicles. Here are the pros and cons.

Technology has transformed real estate in more ways than we can list, and many real estate professionals have embraced that shift.

Still, does being a happy adopter of technology also mean that real estate pros are embracing alternative-fueled cars? Here, your colleagues explain why they're moving away from traditionally powered autos and the benefits they believe they're getting. Some also explain why they're not ready to make the shift yet.

### Close, but the options will get better

"I've definitely thought about buying an electric car but haven't pulled the trigger yet.

I've looked at the Chevy Volt since it combines the best of both electric and gas. However, I want a fully electric car, and the options are limited right now. I believe over the next year, we'll have a lot more options at better prices, which is why I'm holding off until then. Looking forward to exploring the Kia Niro EV and the Hyundai Kona EV later this year."

—Cory Weikel, broker, Northwest Veterans Realty, Mount Vernon, Wash.

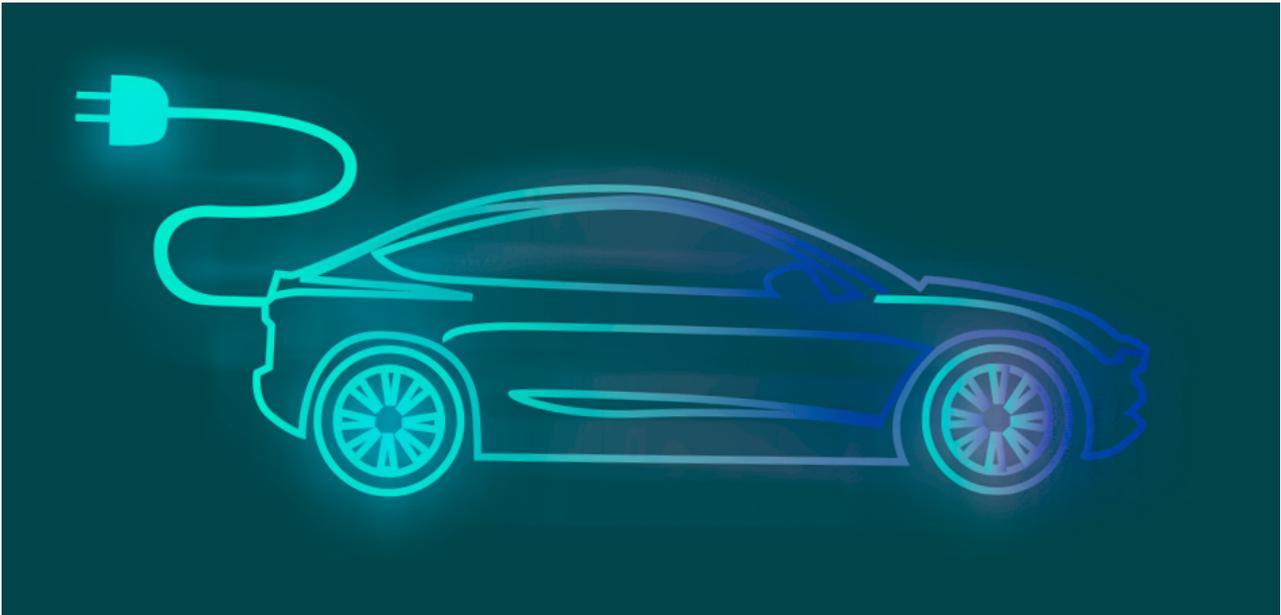
### More challenges than most people realize

"I bought my first Tesla in 2015.

If you drive a lot, an electric car is a bad idea because charging and waiting can be a real hassle—and the same goes for long road trips. The electric car will likely be successful in the future, but it's just not there yet. Additionally, electric and hybrid cars have huge price premiums and aren't nearly as environmentally friendly as we're led to believe. Here's why.

*The Wall Street Journal* and many others have done studies on the environmental impact of Teslas, and they're dramatically worse than gas-guzzler cars because the electricity has to be made somewhere. Everybody thinks the electricity just comes out of the charger for free and there's no environmental pollution. Yet 40-60 percent of the energy in the country is produced by coal, and coal isn't that clean.

The second reason is the manufacture and disposal of the batteries. There's a whole array of environmental sins that are committed. Also, electricity is a very inefficient way to power a car because the battery is so heavy. Those cars are tremendously heavy—among the heaviest cars on the road. You have to carry that weight



around and power the propulsion to move that really, really heavy car, which is incredibly expensive environmentally.

There's also the damage to the roads because those heavy cars eat up the roads, requiring the roads to be replaced more frequently. So there are many issues that most people don't bother to think about.

Tesla owners also have a phrase called 'range anxiety' because you're always watching that darn battery because you can't charge it just anywhere. It's very limiting to where you can charge it. Yes, you can park the car in your garage and charge it there all night, although you have to pay a lot of money to charge it. Electricity is pretty expensive, and it takes a long time to charge the battery.

In fact, you get only 3-4 miles of range per hour of charging. So if you want to go 30 miles on a regular plug in your residence, you have to charge the car for 10 hours. On a supercharger, you can charge the car in 1.5 hours. There are

superchargers in many places all around the country, but they're in a lot of outlying, seedy areas, which also means you have to drive out of your way to go to a supercharger.

You also have to sit there and wait and do nothing at the supercharger. Most Tesla owners sit in their car and run their air conditioning while at the supercharger, getting radiated by electro-magnetic energy, which is probably another issue. So there's way more to it than most people think.

It's just a bad equation. It just doesn't work. Maybe someday it'll be ready for prime time, but electric cars just aren't ready yet. On road trips, they're terrible. It adds easily a 1.5 hours to your trip if you want to drive from Las Vegas to Los Angeles or vice versa. If want to drive from Phoenix to Los Angeles or San Diego, it's the same thing. I've done those drives many times in both Teslas I own. It just ruins your drive because it adds two hours to your trip.”  
—Jason Hartman, president and agent, Platinum Properties Investor Network, Scottsdale, Ariz.

# Technology

## The range made me nervous; next time!

“I’m very close to buying an electric car but did tip the other way during my last purchase. And when I say ‘buy,’ I really mean lease for tax purposes, but that’s another topic.

While shopping for a new luxury car three years ago I did tilt toward a gas model over an all-electric. While I don’t have an elaborate reason for the decision, it really came down to convenience and nothing more.

My biggest fear came down to range. As an agent, I’m in my car for about two hours each day. Though the miles aren’t long, San Francisco is only seven miles by seven miles, and it’s comprised of frequent stopping and going. City miles tend to take a harder toll on mileage, especially with all these steep hills.

That said, when my lease is up, I intend to take the electric plunge. Installing a home charging system will most certainly help keep the car topped off. Plus the Bay Area is pretty green, and there are numerous public charging systems installed all over the place. After all, we do have one of the top electric vehicle manufacturers here in our backyard.

Have there been any comments from consumers? Cars are symbols and most certainly can attract or repel certain clients. I do personally feel that vehicles are an extension of your message and ultimately

should be on brand. Up to this point, I’ve never received negative feedback about my meticulously kept German car.”

—*Shawn Kunkler, agent,  
Paragon Real Estate Group, San Francisco*

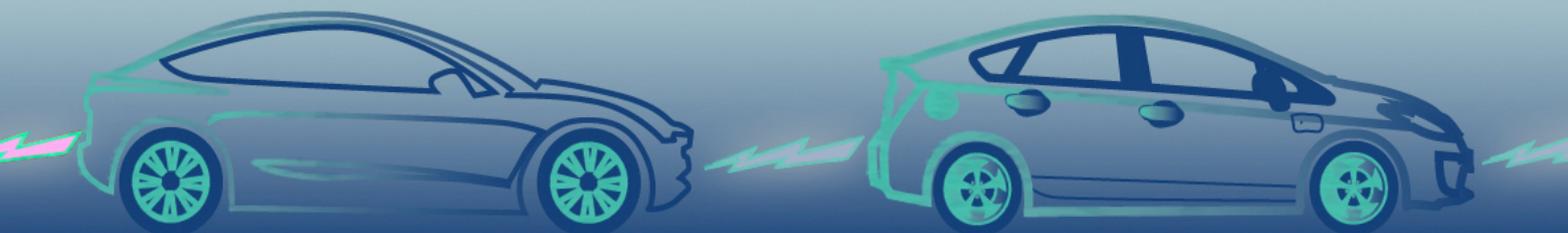
## I’m waiting!

“I’m currently on the Tesla Model 3 waiting list. I operate inside a large geographic area covering three—soon to be five—states. Environmental concerns aside, fuel costs are subject to price increases, which created cost-projection concerns for me.

Encountering a client who sought a home specifically tailored to an electric vehicle planted the idea in my head. We toured dozens of properties, with the client seeking a combination of elements sufficiently tailored toward charging stations and garages.

I intend to charge my new vehicle at home. Tesla provides installation services for charging stations, and fortunately, local charging station options are also available. I drive frequently inside a 50-mile radius spanning multiple states, typically 150 miles per day, all well within range for an electric vehicle.

Admittedly, the car was a bit over my budget. I’ve put down a few-thousand dollar deposit, and the waiting period is said to be about two to three months.”—*Michael Kelczewski, agent, Brandywine Fine Properties Sotheby’s International Realty, Wilmington, Del.*



## Not electric but still green

“Does a Honda Clarity Fuel Cell count? The fuel cell generates electricity from hydrogen to power the car. They were available on three-year leases only. They come with a \$15,000 fuel card and a \$5,000 rebate. The range is EPA-rated at 366 miles, but real-world is more like 300 miles.

I wanted to drive a zero-emission vehicle, but I have nowhere to charge an all-electric motor. Also, the 280-300 mile range means less anxiety than a plug-in, and filling up takes minutes instead of hours.

The flip side is the lack of a local fuel station. Until Emeryville comes online for private passenger vehicles in September, I have to go to either Mill Valley or Hayward. So far, I’ve mostly been able to combine trips to see friends or kids’ athletic events with a stop at one of those stations. Berkeley is scheduled to have a station in mid-2019 and Oakland in late-2019.

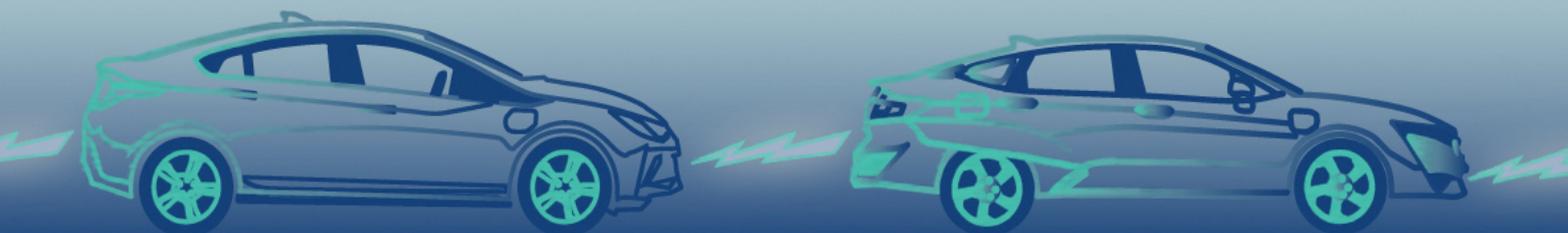
The cost? It’s funny because I didn’t even consider a traditional car after seeing the ad for the Clarity Fuel Cell and all the incentives to drive one. The MSRP is \$60,000, but Honda is only leasing them at this point, so that may not be a very useful number. My lease payments are \$403 per month, including taxes.

Since a \$15,000 fuel card came with the three-year lease, which with the vehicle’s range and the current cost of hydrogen, that should be enough to drive at least 56,000 miles (the lease allows 20,000 miles per year). Free fuel and a \$5,000 state rebate will more than cover the cost of the car. But if you measure it by the cost of gas for my 40-mpg Prius, the fuel savings are only about \$100 per month.

In fact, if I use the entire \$15,000 fuel card, combined with the \$5,000 state rebate, the car will pay for itself and then some—a total of about \$18,030 in payments, including downpayment, taxes, and fees. It also doesn’t need oil changes, so that helps, too. But that’s an optimistic way to look at it because the hydrogen is about 2.5 times the cost of gas for the same number of miles.

Fueling the car is a lot like fueling a gas car. You pull up to a ‘pump,’ attach a hose with a metal coupling, push ‘Start,’ and let the machine do the work. It takes less than five minutes.

People think my car is pretty special. The Prius has kind of replaced the Volvo as the preferred car of choice in Berkeley, but the Clarity Fuel Cell can’t be far behind.”—*Todd Andrew, agent, Red Oak Realty, Berkeley, Calif.*





**John D. Mayfield**  
CRB<sup>sm</sup>, e-PRO<sup>®</sup>, GRI<sup>sm</sup>

## Fair Housing: Watch Your Words

**Category:** Legal

**Materials Needed:** Handouts included with meeting materials

**Estimated Time:** 20 minutes

**PowerPoint Available:** Yes

**Meeting Objective:** To help agents understand and recognize what words are OK to use with advertising as it relates to fair housing and what words to avoid. Agents will also learn some verbal statements that can often lead to fair housing problems.

### INTRODUCTION TO TODAY'S MEETING

Explain that 2018 marks the 50th anniversary of the federal Fair Housing Act. Then read the following news story.

The internet site Craigslist faced a lawsuit regarding biased housing ads. According to the lawsuit, some of the rental postings included on the Craigslist classifieds contained such comments as, "No Minorities," "African-Americans and Arabians tend to clash with me," and "Only Muslims need apply."

**Ask:** Do you think Craigslist should be liable for allowing such biased housing ads on its website?

**Answer:** Craigslist Not Liable for Biased Housing Ads

by DONNA HIGGINS,  
Andrews Publications Staff Writer

The Internet site Craigslist is not liable for discriminatory real estate ads because

it is not the publisher or creator of those postings, which are made by its users, according to a ruling by a Chicago federal judge.

The judge granted Craigslist's motion for judgment in a case testing a provision of the Communications Decency Act that says online service providers are not responsible for information posted by users.

The law preempts state tort claims against the service providers if those claims would treat the provider as a traditional publisher of information submitted by another person or entity. The statute has been applied mainly in defamation cases.

Craigslist operates Web sites in several large cities throughout the United States, including Chicago. The sites let users post classified ads for apartments, jobs and goods for sale as well as personal ads and other miscellaneous postings.

The Chicago Lawyers' Committee for Civil Rights Under the Law Inc. filed suit under the Fair Housing Act, alleging Craigslist Inc. published rental and sales ads that showed preferences, limitations or discrimination on the basis of race, religion, sex, national origin or familial status.

Some of the rental postings included comments such as, "No Minorities," "African-Americans and Arabians tend

to clash with me,” and “Only Muslims need apply.”

U.S. District Judge Amy St. Eve of the Northern District of Illinois agreed with Craigslist that the Communications Decency Act trumped federal housing laws in this case.

Beginning with *Zeran v. America Online Inc*, 129 F.3d 327 (4th Cir. 1997), courts have held, almost without fail, that Section 230 of the statute grants immunity in suits where plaintiffs seek to hold online service providers or Web sites liable for third-party content.

In crafting Section 230, Congress recognized that the amount of information sent and received via interactive computer services was “staggering,” Judge St. Eve said. She noted that according to Craigslist, its users post more than 10 million new notices in a typical month.

The National Fair Housing Alliance filed a friend-of-the-court brief in support of the Chicago lawyers. The nonprofit corporation represents about 85 fair-housing organizations nationwide. Craigslist also received support in a joint amicus brief submitted by 10 companies and trade associations affiliated with the online and electronic communication industries, including powerhouses AOL, Amazon.com, eBay, Google and Yahoo!

## STEP 1

Distribute the following quiz and allow agents approximately five minutes to complete it.

## Is It OK to Say the Following?

Please answer YES or NO

**(Manager/broker note: All answers are NO.)**

1. \_\_\_\_\_ “This two-bedroom condominium is just too small for you and your three children. Plus, there’s no playground nearby.”

2. \_\_\_\_\_ “Because you moved to this country from Japan only a little while ago, the sellers may be uneasy about your ability to secure a mortgage. I suggest you make a larger earnest money deposit to help convince them of your interest and ability to close.”

3. \_\_\_\_\_ “You know, the people who live in this neighborhood aren’t the same Polish immigrants who lived here when you bought this house 30 years ago. It’s just not safe for you to walk around alone anymore. Maybe you should consider selling now while you can still get a good price for your house.”

4. \_\_\_\_\_ “I know how important it is for you to find a church congregation you can belong to. Let me show you two houses near the African American Baptist Church on Second. I think that church would suit you.”

5. \_\_\_\_\_ “There’s no point in your showing the Smiths’ house to that Hispanic couple; the Smiths will never sell to them.”

6. \_\_\_\_\_ “Mr. Hernandez, I think your best bet is to look into lenders that offer subprime mortgages. It’ll be more expensive, but they’re more likely to accept your application.”

# Sales Strategies

7. \_\_\_\_\_ “See if you can get the value of the property as high as you can. She’s an old lady, and this house is her only asset, so I want to get her a really good price.”

8. \_\_\_\_\_ “I’d love to show you the house in this development, but the restrictive covenants wouldn’t allow you to build the entry ramp you need for your wheelchair.”

## STEP 2

Review the quiz with your agents providing the answers as shown above.

**All answers are NO.**

## STEP 3

Have agents break into small groups to work on the next assignment (labeled Handout 1-2 with your meeting materials).

**Group breakout\*:** Review the following list of words that could be included in a general real estate classified advertisement. Determine in your group which words would be acceptable (A), not acceptable (NA), or for which caution (C) should be used. In your group, list the initials next to each ad your group feels would be appropriate.

Able-bodied	_____	Blind, no	_____
Active	_____	Board approval required	_____
Adult community	_____	Catholic	_____
Adult living	_____	Christian	_____
Adult park	_____	College student, no	_____
AIDS, no	_____	Convalescent home	_____
Assistance animals(s)	_____		

Den	_____	Nanny’s room	_____
Drug user, no	_____	Near	_____
Employed, must be	_____	Neighborhood name	_____
Empty nesters	_____	Newlyweds	_____
English only	_____	Non-smokers	_____
Exclusive	_____	Number of bedrooms	_____
Executive	_____	Number of children	_____
Family room	_____	Number of persons	_____
55 & older community	_____	Number of sleeping areas	_____
Gays, no	_____	One child	_____
Golden-agers only	_____	One person	_____
Gold course, near	_____	Prestigious	_____
Guest house	_____	Privacy	_____
Handicap accessible	_____	Private	_____
HIV, no	_____	Private driveway	_____
Jewish	_____	Private entrance	_____
Kids welcome	_____	Private property	_____
Mature couple	_____	Restricted	_____
Mature individuals	_____	Retirement home	_____
Mature person(s)	_____	Safe neighborhood	_____
Membership available	_____	School name or school district	_____
Mother-in-law aptmnt	_____	Senior adult community	_____

Senior citizen(s) \_\_\_ Singles only \_\_\_  
 Shrine \_\_\_ Sixty-two and older community \_\_\_  
 Single-family home \_\_\_ Smoker(s), no \_\_\_  
 Single person \_\_\_



## STEP 4

Go over the answers with your team members and discuss any issues that might come up regarding the use of such words.

*Please note: We've included a fair housing internet resources page with links to additional information regarding advertising and fair housing.*

## STEP 5

Terms to avoid: Remind your agents that to help reduce liability, they should avoid words or terms that have a connotation in any one of the protected categories. While the words used in this exercise don't constitute an exhaustive list, the following are some examples of terms that may be viewed as unacceptable in advertisements for the sale or rental of a dwelling:

- Adult
- Bachelor
- Couple
- Family
- Mature
- No children
- One person
- Retired
- Sex
- Single
- Two people
- Christian
- Executive
- Exclusive
- Handicap
- Integrated
- Membership
- Approval
- Mentally ill
- Religious
- Religious landmark
- Older persons
- Senior citizens
- Physically fit person
- Race
- Restricted
- Senior discount

## CLOSING

Explain to your group that a good rule of thumb when advertising properties they have for sale or rent is to always describe the property, *not* the person.

*"In the end, we will remember not the words of our enemies, but the silence of our friends."*

—Martin Luther King Jr.

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*John Mayfield, CRB<sup>SM</sup>, e-PRO<sup>®</sup>, GRI<sup>SM</sup>, received his real estate license in 1978 and has been a practicing broker since 1981. He is a senior GRI<sup>SM</sup> instructor for the Missouri Association of REALTORS<sup>®</sup> and the Arkansas Association of REALTORS<sup>®</sup> and is a master instructor for the CRB Council. John has been a featured speaker at the National Association of REALTORS<sup>®</sup> conventions, authored seven books, and created the "5-Minutes Series for Real Estate Agents." For more information, contact [www.easysalesmeetings.com](http://www.easysalesmeetings.com).*

## Handout 1-1

### Is it Okay to Say the Following?

1. \_\_\_\_\_ “This two-bedroom condominium is just too small for you and your three children. Plus, there’s no playground nearby.”
2. \_\_\_\_\_ “Because you moved to this country from Japan only a little while ago, the sellers may be uneasy about your ability to secure a mortgage. I suggest you make a larger earnest money deposit to help convince them of your interest and ability to close.”
3. \_\_\_\_\_ “You know, the people who live in this neighborhood aren’t the same Polish immigrants who lived here when you bought this house 30 years ago. It’s just not safe for you to walk around alone anymore. Maybe you should consider selling now while you can still get a good price for your house.”
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5. \_\_\_\_\_ “There’s no point in your showing the Smiths’ house to that Hispanic couple; the Smiths will never sell to them.”
6. \_\_\_\_\_ “Mr. Hernandez, I think your best bet is to look into lenders that offer subprime mortgages. It’ll be more expensive, but they’re more likely to accept your application.”
7. \_\_\_\_\_ “See if you can get the value of the property as high as you can. She’s an old lady, and this house is her only asset, so I want to get her a really good price.”
8. \_\_\_\_\_ “I’d love to show you the house in this development, but the restrictive covenants wouldn’t allow you to build the entry ramp you need for your wheelchair.”

## Handout 1-2

**Review the following list of words that could be included in a general real estate classified advertisement. Determine in your group which words would be acceptable (A), not acceptable (NA), or for which caution (C) should be used.**

**In your group list the initials next to each ad your group would feel appropriate.\***

Able-bodied	___	Empty nesters	___	Membership available	___	Private	___
Active	___	English only	___	Mother-in-law apartment	___	Private driveway	___
Adult community	___	Exclusive	___	Nanny's room	___	Private entrance	___
Adult living	___	Executive	___	Near	___	Private property	___
Adult park	___	Family room	___	Neighborhood name	___	Restricted	___
AIDS, no	___	55 & older community	___	Newlyweds	___	Retirement home	___
Assistance animals(s)	___	Gays, no	___	Non-smokers	___	Safe neighborhood	___
Blind, no	___	Golden-agers only	___	Number of bedrooms	___	School name or school district	___
Board approval required	___	Golf course, near	___	Number of children	___	Senior adult community	___
Catholic	___	Guest house	___	Number of persons	___	Senior citizen(s)	___
Christian	___	Handicap accessible	___	Number of sleeping areas	___	Shrine	___
College student, no	___	HIV, no	___	One child	___	Single-family home	___
Convalescent home	___	Jewish	___	One person	___	Singles only	___
Den	___	Kids welcome	___	Prestigious	___	Sixty-two and older community	___
Drug user, no	___	Mature couple	___	Privacy	___	Smoker(s), no	___
Employed, must be	___	Mature individuals	___				
		Mature person(s)	___				

\*Research and information from [www.nar.realtor](http://www.nar.realtor).

## Handout 1-3

### Fair Housing Website Resources



[www.HUD.gov](http://www.HUD.gov)

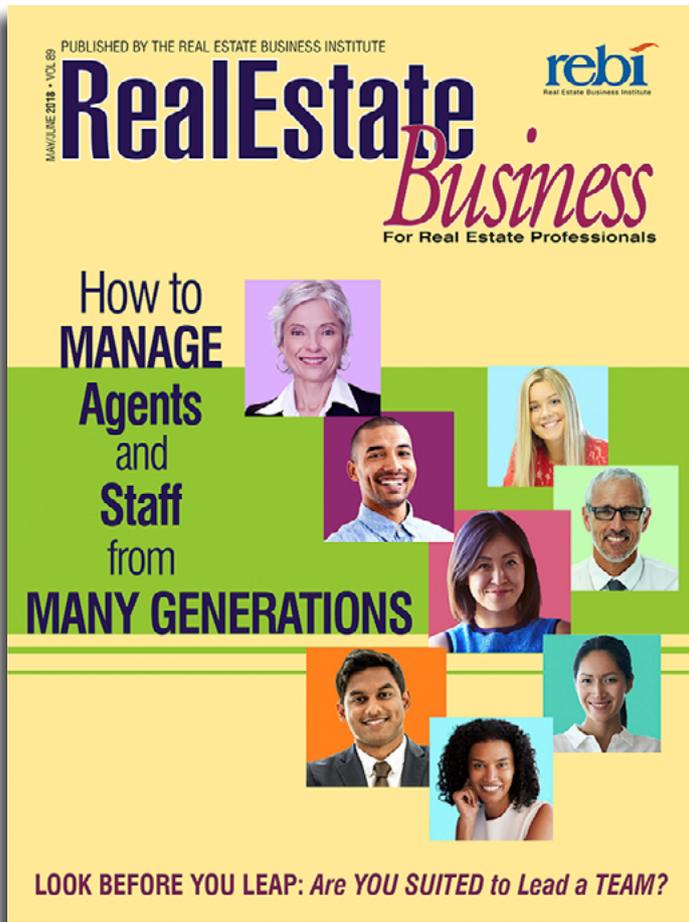


[www.FairHousing.com](http://www.FairHousing.com)



[www.nar/realtor](http://www.nar/realtor)

<http://www.fairhousingflorida.com/resources/>



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