

Discover Nine (9) Ways for Realtors to Legally Make 12% or More Fees and Commissions on Deals You May Already be Doing!

This material was taken from live presentations I made to hundreds of realtors who were looking for ways to legally earn more commissions without working any harder.

-WARNING-

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- **IN FACT, NO GUARANTEES ARE MADE THAT YOU WILL ACHIEVE ANY RESULTS FROM OUR IDEAS OR THE TECHNIQUES MENTIONED IN OUR MATERIAL OR ON OUR WEBSITES.**

Introduction

- I have been a real estate investor since 1975 and I and my associates have purchased and sold over 3,000 properties.
- **We are not realtors and never intend to be realtors, agents or brokers.**
- As realtors you are not paid enough for all the work and liability you have when you represent a buyer or a seller in regular real estate transactions.
- **Things have changed in most parts of the country – whatever priced homes your are selling or buying, your commissions have effectively been cut in half!**

Introduction - continued

- Many agents are not making a 90% or 100% payout but many can't afford to pay a desk fee to get these rates.
- At least 95% of the realtors I give this presentation to initially did not believe there are eight (8) ways to make 12% or more Commissions or Fees on deals you are already doing.
- I suspect the remaining 5% are doing it every chance they get but just didn't want to tell the rest of the world!
- In the following slides you will see actual methods that are legal and are earning agents and brokers two (2) to eight (8) times the commissions you are currently getting paid!
 - So let's get right into it ----

Bonus Because You Acted Early!

- After we are done showing you the eight (8) methods of legally getting “Commissions on Steroids”, I’m going to share with you a secret insider method of LEGALLY making huge income on some of your transactions – it is called Transactional Funding!
- For example, a \$52,000 funding for a real estate investor can yield as much as \$91,000 annual return.
 - Too good to be true? It is legally used tens of thousands of times a year and now you will know about it!
- That’s why is it a super secret of real estate pros.

Example #1 “Call it Something Else”

Property purchased for \$14,000 as an REO

Commissions to Broker \$6,000

Commission = \$1,856.25/\$14,000 = 13.25%

Bonus Commission = \$3,000/\$14,000 = 21.43%

Referral Fee = \$393.75/\$14,000 = 2.8%

Processing/Management Fee = \$750/\$14,000 = 5.36%

Total “Commission” = \$6,000/\$14,000 = 42.85%

Example of “Multi-faceted” Commission Structure

L. Settlement Charges			Paid From	Paid From
			Borrower's	Seller's
			Funds at	Funds at
			Settlement	Settlement
700. Total Sales/Broker's Commission based on price	\$14,000.00	@ % = \$1,856.25		
Division of Commission (line 700) as follows:				
701. \$731.25	to	Coldwell Banker		
702. \$1,125.00	to	Coldwell Banker		
703. Commission Paid at Settlement			\$0.00	\$1,856.25
704. Bonus Commission	to	Coldwell Banker		\$3,000.00
705. Referral Fee	to	Coldwell Banker REO Division		\$393.75
706. Processing/Management Fee	to	Coldwell Banker REO Division		\$750.00
800. Items Payable in Connection with Loan				

On The Previous Deal - How Much of The Commission Would You Have Received as the Listing Agent or the Co-broker?

Did you get 5% or 6% and divided that with your Broker? Or did you get 3% and divide that with your Broker?

Did your broker get 20% or more fees and you didn't participate?

Did you even know there could be much more money in the deal?

Have you had a client not get a REO property when you offered more than was accepted?

The Reality of Being a Co-broker in REO Transactions

- At the first Realtor-Investor Conference I was invited to give, I asked the question "How many of you have made an offer for a client on an REO that was higher than the actual final sale price - BUT your client didn't get the property?"
- Of the 216 people in the audience, about 30% raised their hands and they almost all started to tell their stories at the same time – chaos erupted and I had to calm them down by explaining why it happens all too often.
- I know that there were over 200 because I had 200 flyers to hand out and all but 16 more attendees got flyers and these people followed me out at the end of the meeting to get my contact info.
- Each one of these people had the same problem of not getting the deals while they had looked in the public record for the final sale price and confirmed their offer was higher – and by the way they said they all had cash buyers so there were no contingencies for financing on the contracts.

The Reality of Being a Co-broker in REO Transactions

You get a call from an investor who sees an REO property and wants to buy it at or above the asking price of \$144,900.

You call the listing agent/broker and inquire about the lock box number and check the MLS® for submission requirements. You go ahead and prepare the offer using the correct contract, supply Proof of Funds and have the investor get a cashier's check for the required deposit. You submit your offer for something over full list price (\$147,900) and wait to hear the outcome of the sale.

If you get a call back, the listing agent says the property sold but he can't disclose the price. You wait for 30 days and check in the public record or on the MLS® to see what it traded at and find it sold for \$137,900 or \$10,000 less than your offer!

What happened?

You call the agent and ask exactly that – “what happened” and he explains the Asset Manager took a “stronger buyer's offer” – or some other silly explanation.

Following is possibly the reality of what happened –

5% commission to REO broker & agent on \$137,900 = **\$6,895**

2.5% commission on \$147,500 to REO broker & co-agent = **\$3,687.50**

The Reality - continued

- I have heard what you are thinking – “Realtors can’t do that legally!” You are correct, and I feel it is fraud against the bank and your investor/client. The reality is it happens far too often to believe it is a few rogue agents running around doing this.
- How do they keep the Asset Manager from seeing the offerings - first, by simply not submitting them, telling the Asset Manager they believe the other submission is a “real buyer”, leaving off documents required for the submission, putting in “Under Contract” as soon as it is listed, etc.
- You are no doing your buyer a service in most cases – ask him to pay you a buyer’s agent commission on each deal you get.

Method #2 Buyer and Seller Both Pay

Property purchased for \$15,000

Commissions to realtor \$5,500

Commission to Seller = $\$2,500/\$15,000 = 16.67\%$

Service Fee to Buyer = $\$3,000/\$15,000 = 20\%$

Total "Commission" = $\$5,500/\$15,000 = 36.67\%$

Example of Buyer and Seller each paying a commission

L. Settlement Charges		4/17/09 4:03 PM	File Number: tct099851	
700.	Total sales/broker commission	based on : \$15,000.00= \$2,500.00	Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
	Division of commission (line 700) as follows:			
701.	\$2,500.00	to Williams and Williams		
702.				
703.	Commission paid at settlement	\$2,500.00		2,500.00
704.				
705.	Service Fee	to Williams and Williams	3,000.00	
999.	Items payable in connection with loan			

How to Get Double Commissions

In the last example you saw a broker charging both parties a commission on the sale/purchase of an REO property.

The buyer (me) was fully disclosed that there was a Buyer's Commission (they called it a "Fee") if I wanted the property. Since the price was absolutely fantastic, we were happy to pay the fee/commission to get this property.

Here is probably the best kept "Industry Secret" – this REO property had been listed on the MLS® for sale for many months with no success. There had been offers but the Asset Manager hadn't accepted any of them and opted to send it to an auction.

It was sold at the auction but as is so often the case (40%+), the sale do not close.

The Auction House does not get paid its "seller commission" unless it sells and closes. The Auction House now and starts looking for buyers at any price to get paid – hopefully it has backup offers from the actual auction. Otherwise, they look to their investor pool and submit these investor bids as backups from the auction, **or they go into REO Pools!**

How to Get Double Commissions

This “backup” is accepted by the Asset Manager and the sale goes to closing with the Auction House getting a double commission on the sale.

What price does it sell at? This depends on the investor buyer list the Auction House has – it could be 30% to 50% of the original auction price or even lower.

Opportunity here is to have your investor buyer list ready to go for these deals – but no commission to you as an agent/broker or you won’t get the deals, so have your investor make you a partner in the deal or have him pay you an additional fee.

Be VERY CAREFUL of getting “clear and marketable” title at the closing as most of these properties have code violations and city and county liens attached to the property.

Just because your buyer closes on the property, does not mean he has a “clear and marketable” property.

Many of these code liens far exceed the value of the property and will have to be dealt with by the new owner of the property.

Method #3 - Using an Option

- Many of the largest commercial and land sales have been consummated from an Option Contract.
 - This Agreement/Contract is between the Seller (Optionor) and the perspective Buyer (Optionee)
 - The Seller agrees to sell his property for a specific amount of money (“Strike Price”) for a limited time period (“Option Term”) after which time the option can be renewed, extended or cancelled by the seller.
- This document allows the Optionee to find another buyer who is willing to come to the closing table and pay for the property. The Optionee seldom closes on the property but has complete control of the property regarding its sale.
 - Options are also used in conjunction with a lease (Lease Option) for homeowners who want to purchase a property but are unable for some reason (such as credit, down payment, foreclosure) to do so immediately.
- Once a buyer is found by the Optionee, he can sell the option to the new buyer or close and get a “Release of Lien” (same as a mortgagee gets) on the HUD Statement!

Option Example

1. Buyer wants a property in a specific neighborhood and under \$600,000.
2. Student did a search in the neighborhood for listed properties on Realtor.com or MLS[®] and looked at the FSBO's available by driving the neighborhood.
3. Students finds a listed property for \$499,000 that fits the buyer's criteria.
4. Student approached the listing agent/broker and offer a 60 day option contract on the property for \$455,000. Property has been on the market for 100+ days and NO offers & agent is about to lose the listing.
5. We meet with seller, his attorney and the agent to discuss how options work.

Option Example

6. **Agent is only concerned about his commission. Seller is concerned about selling the property furnished and offers us 50% of whatever we get for the furniture. Attorney is OK from the start and wants to see the Option Agreement.**
7. **Student shows property to buyer who loves it. He signs a contract with the seller and at closing we do a “Release of Lien” for the Memorandum of Option Contract for fee of \$44,000.**
8. **Seller is ecstatic, agent earns \$22,750 (5% of \$455,000), buyer is in love with the property.**
9. **As a realtor you can use an option instead of splitting a commission with the listing agent and the Seller sells directly to the Buyer that you found to avoid any funding issues for buyers using conventional financing.**

Method #4 - Partner With Investors

What I mean by “partnering with investors” is a true partnership in the legal sense.

The investor and agent/broker sign a “Partnership Agreement” that stipulates the way the partnership will work:

who pays what expenses, how long the agreement lasts (through the sale of the property), who the parties are to the agreement, who gets what percentage of the profits, etc.

The realtor can be a silent partner – only showing up in the Partnership Agreement and remain anonymous to the seller and buyer, or he can inform the seller or buyer of his partnership interest in the deal if he so chooses.

When the property is sold and closed, the investor will pay the realtor from the proceeds of the sale less the cost of the property and any closing or carrying costs. For finding a deal, the usual payout to the realtor is 50% of the net profit in the deal.

This partnering is very common for investors and is rapidly catching on for realtors who see the advantage of partnering with investors.

Method #4 - Partner With Investors

1. Realtor finds a deal and sends it to an investor to buy/sell.
2. Investor signs a Partnership Agreement with the realtor for a (50%/50%, 60%/40%, etc.) split of the net profit.
3. Investor does all the contracting, makes the necessary escrow deposit, and closes the deal with the seller.
4. Assume the property is sold for a \$21,000 NET profit. This “profit” comes from the net proceeds at the closing and the investor would cut a check to the agent/broker for his 50% of the net profit or \$10,500.

Agent would have earned $5\% \times \$15,000$ (original purchase price) = \$750 on the original purchase price, instead he earned \$10,500 as our partner.

Agent/Broker's name and firm does not show anywhere in the transaction.

What Do Brokers Say About This?

- Brokers usually don't appreciate this type of transaction because their part of the commission is lost since there is no commission on the sale/purchase. However, we have plenty of brokers who do these investor deals with us.
- If you are an agent, you have a contractual agreement with your broker to "split" commissions – that probably does not include deals you do as a real estate investor. Your broker will disagree because he has legal responsibilities for your actions.
- *If you are a broker reading this, think about adding a clause to your contracts that cover agents doing investor deals. Remember, they may be investing for themselves so don't make it so onerous that you force them to leave for another broker, or they leave to become an investor.*
- The other issue brokers raise is "Did the buyer/seller get the best possible price?" Investors do hundreds of thousands of deals yearly but only if they can make a profit – so who would be buying these properties were it not for investors?
- Besides the obvious reality of the importance of investors in the market, I haven't seen a realtor's purchase/sale agreement that doesn't have a disclaimer to the effect that the transaction was "arms length and made in good faith by all parties, etc."

Method #5 – Mark it Up

1. Most often the way investors do wholesale deals is to have another wholesaler either split the “profit spread” or have the second wholesaler “mark up” the property.
2. Recently we had a realtor call inquiring about a property we had for sale for \$40,000. Our profit spread was \$10,000 as we purchased it for \$30,000. Consequently, we were not willing to split our spread with him.
3. We told him to mark it up and we would honor his price.
4. He signed a Partnership Agreement with us prior to his client signing a Purchase and Sale Agreement.
5. He offered it to his client for \$50,000 and we sold it to his cash buyer and gave him a **\$10,000 partnership distribution** after the closing. This is the most common way of doing investor/realtor partnerships in wholesale transactions.
6. The realtor received a 20% “Partnership Distribution” ($\$10,000/\$50,000 = 20\%$) from the sale that he would otherwise received $6\% \times \$50,000 = \$3,000$

Method #6 – Partner with Seller

In the past I have worked with a number of realtors who:

1. Found Investors who wanted to be in real estate but didn't want to do anything but invest funds (doctors, dentists & other professionals)
2. These realtors worked with rehab crews who were reliable, fast, and did good work at a fair price (even easier to find now)
3. They called me for wholesale properties that needed rehabbing with good equity potential
4. The realtor had the "investor" buy the property - NO commission?
5. However, the realtors signed partnership agreements and listing agreements with their investors to "split" profits (50/50 or 60/40 to Agent) on a \$50,000 Net Profit = \$25,000+ to Agent
6. They supervised the rehabs for a Management Fee of 15% of the gross repair costs which may be \$30,000 to \$50,000 or \$4,500 to \$7,500 to Agent
7. Received the full 6% commission for the sale of the property (on a \$200,000 property) = \$12,000 to the Agent

**Agent received \$25,000 + \$7,500 + \$12,000 =
\$39,500 = 22.25%**

Method #7 – Call it Something Else

This is for use on Short Sales -

Unfortunately, lenders are almost maniacal about paying commissions to realtors. To get paid more than usual, work your “fee” into the lines 1100 area on the HUD. This seems to be the most overlooked area as an acceptable area to a lender for fees that would otherwise be rejected.

The second step is to call these fees something other than anything connected with loss mitigation. I would give you exact ones that work but they won't last very long if everyone knows them.

Don't be discouraged if the lender says “no”, just go back and try a DIFFERENT amount in another section of the HUD and with another name.

Almost always the lender will allow the buyer to pay the buyer's agent a commission. Remember, the lender doesn't want to pay any more costs or expenses from his side of the HUD.

Method #8 – Grossing Up The Commission

More and more title companies are suspect of investors “flipping” properties for large gains in short periods of time. Flipping is not illegal if the investor doesn’t use an end-buyer’s contingent financing from a commercial lender to fund his purchase of the property.

Sometimes well-meaning but misinformed people have assumed that “flipping” is illegal, immoral or unethical – none of these have to be true if the transaction is done properly.

However, title companies have begun scrutinizing most transactions for “too large a profit” as they suspect the buyers and sellers could be bogus (fraudulent).

Even if this is not the case, doing large profit flips have become more difficult for investors in many cases.

Grossing Up - continued

To legally overcome this problem, many investors are “hiring” realtors to charge a commission of 25% or more on the HUD Statement instead of an Assignment Fee or Release of Lien Fee. Ironically, lenders doing financings are almost always OK with the realtor’s commission even after they turned down the investor’s original submission of another fee.

These “size” issues can still be a problem when an investor does a “Double Closing” using his or borrowed hard money.

The opportunity here is for a realtor to partner with the investor or for an investor to get a real estate license to legally get paid a commission.

Method #9 – Send Us the Buyers

- If you have a buyer for a property that is already under contract – you listing or someone else's, call the investor and see if he will give you part of the new spread - INSTEAD of hoping the investor won't close.
- You will get the commission on the buy side AND on the sell side in stead of one side only!

BONUS – Transactional Funding

Example: An investor has an REO property to close on and re-sell to a buyer for a higher price. His buyer is another investor so he needs the closing funds for the purchase before he can sell it to the investor because the REO Asset Manager has chosen another closing agent who will not do a double or simultaneous close.

The investor borrowes transactional funds for a few hours to close the buy side and pay back the loan to the transactional funder from his sale to the buyer-investor.

These types of transactional funding are done literally hundreds of thousands of times a year by investors. Commercial transactional funding can be in the amount of up to a \$100,000,000 that I am aware of.

Transactional Funding – continued

What is needed to get Transactional Funding?

- No Credit Checks
 - No Appraisals
- No Out-of-Pocket Expenses
- No Loan to Value (“LTV”) calculations
 - No Monetary Risk
 - No Application Fee
 - No Income Verification
 - No Cash Needed
- Fast Setup – 24 to 48 Hours
- Funding Available in Any State
- Only thing needed is a buyer with cash to close!

Transactional Funding - continued

What Does it Cost the Borrower?

Document Fee (only if transaction completed) - \$295 - \$595

Any Local Attorney's Costs if Applicable

Points on Loan Amount – from 2% to 7%

Minimum Fee (may apply) - \$2,000 - \$3,500

Actual Example for 3 ½ points and a \$495 fee:

For the \$50,000 loan the costs for use of the transactional funder's money was $\$50,000 \times .035 = \$1,750$

(BUT minimum fee was \$2,200) + \$495 Document Fee =

\$2,695

This represented $\$2,695/\$50,000 = 5.39\%$ for FOUR HOURS!

Transactional Funding - 5

So the transactional funder earned 5.39% on his money for four hours.

- Here is what that looks like for a full year if he does one transaction a week for 50 weeks: $\$2,695 \times 50 = \$134,750$ Annually

$$\$134,750 / \$50,000 = \underline{269.5\% \text{ Annually}}$$

Why isn't everyone doing it?

No Money, Don't Understand It,

Would Rather Earn 2% in the Bank Because it is "Safe"?

No – Because it is the Best Keep Secret of Big Money!

P.S. As I mentioned previously, you can do this for any real estate deal of any size as long as the buyer's funds are cleared and in the closing agent's bank -

$$\text{i.e. } \$250,000 \times 10 \text{ times a year} = 10 \times (\$250,000 \times .035 (3.5\%) + \$495) = \\ \$92,450 / \$250,000 = \underline{37\% \text{ Annually}}$$

Transactional Funding - 6

- Why would any sane person borrow money at 30% to 200% or higher a year?
- **First**, let's get over this sticking point - it is legal and investors only need money for a few hours just to close deals
- **Secondly**, if the transaction warrants the cost of funds, it is worth paying the costs and closing the deal

What are the Risks?

- If done properly with a trusted attorney, there should be few to none.
- This is why an attorney must close the transaction and the funds **ELECTRONICALLY WIRED** into the closing agent's account from the buyer – **NO CHECKS of ANY TYPE**
- Make sure the parties in the transaction are not related – by blood or for the financial gain of the transaction
 - Identify theft by the seller and buyer are a possibility
- **Get lender's title insurance to protect yourself if you do this loan!**

Transactional Funding - 8

Why did I mention Transactional Funding?

Because it is an opportunity for you to lend either your money or Other Peoples' Money ("OPM") to close investor deals (short sales or straight purchases).

Here is a place where you can earn a HIGH return with minimal or no risk and you can close deals for your commissions also!

To get an idea of the number of companies doing transactional funding, just Google®

"Transactional Funding".

What About You – Can You Do This?

Probably Not!

Your belief system doesn't allow you to believe you can! Otherwise, you would already be an investor!

Why Aren't You an Investor?

FEAR of Losing Money?

FEAR of Getting “Stuck” in a Property?

FEAR of Violating the Law?

FEAR of Not Knowing What to do?

FEAR of

“Or is it because of unfounded ideas about what investors do and how we do it?”

Are You Earning the Money You Are Really Worth?

Are You Happy Doing What You Are Doing?

Realtor/Investor Comparison

I wrote an ebook called the “Story of John”. It explains in detail how a mentoring student of mine did 17 deals his first year wholesaling at an average profit of **\$16,210 for a total income of \$275,576**

A realtor working to “net” a similar dollar amount at a 100% commission payout at 6%, and an average property price of \$120,000 would have to close 38 sales. **At a split commission it might take over 75 deals!**

As a professional realtor you have the tools and some experience to quickly learn how to become an investor and do deals legally that will net you many times the commission you would earn on the same property as a realtor.

Don't quit your day job to become an investor, learn to become an investor and then and only then do you have the power it takes to change the course of your future.

Thanks!

Contact me at

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