

Our most popular issue is back. The annual list issue is loaded with practical ideas for mastering the tactics and techniques for growing your business. Flip this section open to any page or read through it, front to back, to be inspired. It's packed with tips on prospecting, selling and marketing, saving time and money, legal issues, and technology, as well as information on today's hottest real estate trends. Our goal is to give you an edge in your business and help you better serve your clients and customers.

Want even more lists? Check out REALTOR® Magazine's new book *1,200 Great Sales Tips for Real Estate Pros*, available through REALTOR.org/store. If you want to get ahead and consistently grow your income, this quick-reference guide will instantly become your go-to resource for every day and every deal. In addition, click **Current Links** at REALTOR.org/realtor_mag to access a PDF version of this issue's lists, including some exclusives that don't appear in print.

The only tool you need

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*In designated REALTOR® edition only. Also available at REALTOR® Magazine Online.

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THE BUZZ

Those who look only to the past or present are certain to miss the future.

—John F. Kennedy



5 real estate trends that already affect your business

Stay ahead of the curve by keeping up on what's happening in your industry.

EMINENT DOMAIN Allows governmental entities to take (and pay a fair market price for) private property to serve the public good, such as building roads and schools.

- **What's the trend:** A long-established governmental power, eminent domain has been used in recent years to take land for private development. Recent takings of private homes have drawn the ire of owners and real estate practitioners and prompted efforts by the NATIONAL ASSOCIATION OF REALTORS® to support home owners' rights over government powers.
- **Why it matters to you:** "Until *Kelo vs. the City of New London (Conn.)*, the vast majority of the population didn't realize that municipalities were taking land for private development. Once people found out, the overwhelming majority found it deeply offensive," says Dana Berliner, senior attorney at the Institute for Justice and an advocate for home owners' rights in eminent domain cases. The result is new laws limiting the use of eminent domain in 34 states. If you're in one of the states that haven't changed their laws, be aware that *Kelo* makes it even easier for developers to take your client's dream home for a public use.

TENANT-IN-COMMON INTERESTS In general, permits each multiple owner to have an undivided fractional interest in a piece of property, as opposed to a share in a partnership that owns the property.

- **What's the trend:** Since an IRS ruling in 2002 allowed TIC interests to be used as a replacement property in a 1031 exchange, investor interest in TIC deals has soared. An added appeal has been the management-free aspect of the ownership for soon-retiring boomers. The catch for real estate practitioners is the ongoing debate about whether they can receive a commission on a TIC when the interests are classified as securities. Receiving a commission isn't an issue if the TIC is structured as real estate.
- **What it means to you:** "TICs solve a basic problem for investors who want to reinvest in a better class of investments, aggregate their portfolios, and defer taxes," says Tim Snodgrass, president of the Tenant-in-Common Association and head of Argus Realty Investors. Although Snodgrass foresees the dramatic rate of TIC growth leveling off, he expects overall market caps for the sector to grow. Currently, real estate practitioners may not be able to earn compensation for advising individual investors on deals that are structured as securities, but that doesn't mean they aren't getting a piece of the TIC pie. Almost every property that's bought or sold for a TIC portfolio is sold through a commercial broker, who receives a commission, according to Snodgrass.

ONLINE SOCIAL NETWORKING Connects individuals or groups via the Internet. Social networks draw their strength from individuals' ties to others.

- **What's the trend:** The wide-ranging connectivity of the Internet makes it a natural for social networking around a shared interest—like real estate sales. The connectivity concept seems tailor-made for real estate

Test your hipness quotient with these up-to-the minute trends.

relocation and the needs of a mobile society. (More: See “5 Web sites that help you get connected online,” page 33.)

- **Why you should care:** “Real estate is all about personal relationships, so it’s a natural for online social networking,” says Matt Heaton, CEO of ActiveRain, a social networking site for real estate professionals launched in May 2006. The advantage of networking in the online universe, says Heaton, is that participants aren’t limited from sharing information or referrals because of geographic differences. The blogging aspect of social networking sites also gives sales associates a way to assess the skills and personality of another salesperson before making a referral, says Heaton.

FRACTIONAL OWNERSHIP A middle ground for second-home ownership between an individual vacation home or condominium and a time share, in which a property is held jointly. Fractional ownership is applied to homes that are intended primarily for use, not purely for investments.

- **What’s the trend:** Soaring vacation home prices have spawned this alternative form of ownership. With fractional ownership, buyers own a portion, such as one-sixth of the property, and can use it for that portion of time. The same trend is spreading to everything from luxury cars to yachts to, yes, handbags. (Don’t believe it? Check out www.fractionallife.com.)
- **What it means to you:** “Fractional ownership reduces hassles and gives buyers more amenities and less maintenance responsibility than would owning an individual home,” says David Hehman, president of Escape Homes.com, which tracks the vacation home market. At the same time, sales associates need to make clients aware of the annual dues and other expenses often tied to fractional ownership. You pay a premium over the cost of a comparable stand-alone home, but these properties are selling a lifestyle, not just a house. There may also be opportunities for practitioners to bring parties together and sell a home to several fractional owners, Hehman suggests.

GREYFIELDS The term—a play on *brownfields*, which describes polluted infill sites—refers to the obsolete, old, underused retail sites that have prime locations but are no longer correctly configured to meet today’s retailing needs.

- **What’s the trend:** Changing demographics and the continual need for retailers to innovate are just some of the factors that continue to turn once viable malls into greyfields, says Lee Sobel, author of *Greyfields Into Goldfields*, published by Congress for the New Urbanism and PricewaterhouseCoopers. Developers are breathing new life into some greyfields, converting them into mixed-use projects often with a transit component.
- **What it means to you:** Today both consumers and real estate developers are embracing more walkable, interrelated forms of building, from lifestyle centers with a Main Street feel to mixed-use properties with apartments and condos over shops, says John Norquist, president and CEO of the Congress for the New Urbanism. Investors, too, are finally recognizing that mixed-use and lifestyle developments offer more long-term value than many traditional malls, according to the latest ULI/PricewaterhouseCoopers *Emerging Trends in Real Estate* survey.

What’s hot

IN HOMES

- Cozy, small homes on a big lot
- Earth colors—brown, green—as well as handmade accessories
- Informal living spaces like an oversize family room and an open kitchen
- Exotic hardwood floors like bamboo and Brazilian cherry
- Mudrooms with cubbies, chests, and benches for kids and dogs
- Marble, limestone, and concrete kitchen countertops

IN MARKETING

- Videos or video podcasts of you offering market updates
- Listing property at all available sites, including REALTOR.com, Craigslist, and Zillow
- Handwritten thank-you cards and invitations
- Multiple property photos and virtual tours
- Word-of-mouth referrals built on buzz

IN TECHNOLOGY

- HTML e-mail brochures
- Ms. Dewey, Microsoft’s virtual librarian with attitude, personalizes your search
- Automating showing feedback requests by e-mail
- Voice-over Internet protocol services like Skype
- Learning how to use every feature and maximizing the use of the technology you have

What’s not

- McMansions
- The cold look of modern
- Formal dining rooms
- Carpeting
- Leaving all your junk in the foyer or the coat closet
- Granite countertops
- E-newsletters on trends
- Just putting your listings into the MLS and hoping
- Thank yous sent by e-mail
- One static picture
- Anonymous lead-generation sites
- Expensive paper flyers
- Staring at a plain white search screen
- Leaving showing salespeople multiple feedback-request messages that are never returned
- Paying for long distance on a phone
- Buying the latest tech gadgets and never reading the manual

Sources: Steve Melman, director of economic services, National Association of Home Builders, Washington, D.C.; Bruce Wentworth, president, Wentworth Inc., a residential remodeling company in Chevy Chase, Md.

MORE ONLINE For NAR Research publications covering trends, visit REALTOR.org and click Research.

It's easy sounding green

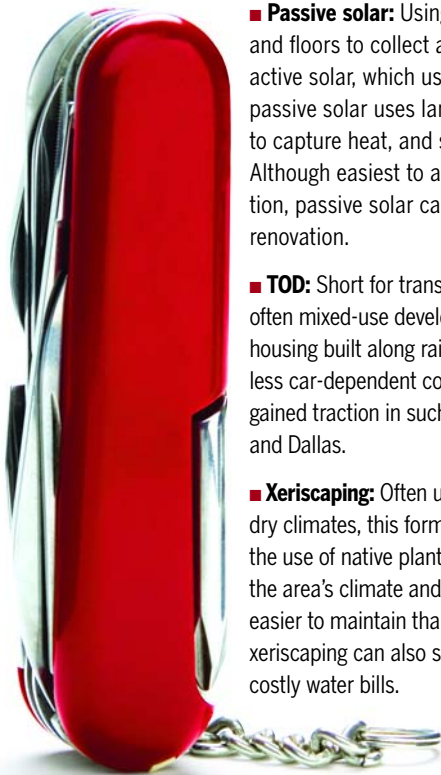
The triple whammy of gas prices, global warming, and health concerns about chemicals has made green buildings red-hot. Take a first step toward working with the growing segment of buyers who appreciate green building materials by greening up your vocabulary. If you want more depth, read the NATIONAL ASSOCIATION OF REALTORS' smart-growth green publication, *On Common Ground*, at REALTOR.org/ocg. Or see what the green house of the future will be like by checking out the NAR co-sponsored exhibit The Green House at the National Building Museum in Washington, D.C., or on the Web at www.nbm.org.

- **Energy-efficient mortgage:** This FHA product enables home owners to finance the cost of energy-efficient features added to a new or existing home. The program insures loans for up to 97 percent of the value of new purchases of one-to-four family homes.
- **LEED for Homes project:** The U.S. Green Buildings Council, the granddaddy of green commercial building, has finally embraced residential with this program, which will launch a rating system for green homes in June 2007. Factors influencing the rating include energy efficiency, sustainability, and a healthy interior environment. Once in place, LEED (Leadership in Energy and Environmental Design) certifications will give buyers an objective way to rate the greenness of homes.
- **Miles per house:** How far a home is from retail, education, jobs, and entertainment may become a bigger factor for buyers as traffic intensifies and if gas prices continue to rise, according to a blue-ribbon panel at the fall 2006 Urban Land Institute conference.

- **Passive solar:** Using a home's windows, walls, and floors to collect and store the sun's heat. Unlike active solar, which uses fans and electrical controls, passive solar uses large, specially glazed windows to capture heat, and special insulation to hold heat. Although easiest to add to homes during construction, passive solar can also be installed during a renovation.

- **TOD:** Short for transit-oriented development, these often mixed-use developments include higher-density housing built along rail or bus routes. A return to less car-dependent configurations of living, TODs have gained traction in such car-centric places as Atlanta and Dallas.

- **Xeriscaping:** Often used to describe gardening for dry climates, this form of landscaping emphasizes the use of native plants that have evolved to survive the area's climate and water availability. Generally easier to maintain than traditional landscaping, xeriscaping can also save home owners a lot on costly water bills.



8 really useful Web sites

1. Public Records Online Directory

(<http://publicrecords.netronline.com>) A one-stop portal to access online info on property tax assessments, deeds, and recorded property documents. Options also include parcel maps, property detail reports, and comparables. There's also a foreclosure search by ZIP code for the intrepid investor. Note: Not all counties have records available online. But enough counties do to make the site a great first stop before trooping to the courthouse. Access to public records is free, but the site charges small amounts (beginning at \$5) for property detail reports.

2. MarketResearch.com

(<http://www.marketresearch.com>) The ultimate site for the statistics geek, it includes research on market segments, individual companies, the real estate industry, e-mail marketing best practices, and much more. A great resource for commercial practitioners who want to research a company or an industry before leasing. One caveat: Reports can be pricey, with the low end starting at \$200.

3. Real Estate Software Directory

(<http://recenter.tamu.edu/soft>) Whatever your software needs—from call management to video imaging—this Real Estate Center at Texas A&M University site is a great place to narrow your search, though it doesn't review products. Each listing gives such critical info as price, support options, release date and current version, and copies sold. And it's free.

4. Knowledge@Wharton

(<http://knowledge.wharton.upenn.edu>) Sign up for the RSS (real simple syndication) feed at this site, maintained by the Wharton School of Business at the University of Pennsylvania, and you'll soon find insights from some of the best

business minds in the country in your in-box. The site includes sections with articles on technology, marketing, finance and investment, business ethics, and entrepreneurship. Although much isn't specific to real estate, it's a great way to learn best practices from other industries.

5. U.S. Census Bureau

(www.census.gov) Serving as a demographic ground zero, the Census site offers hundreds of ways to slice and dice data on population, income, age, and other factors that can affect home buying. The American Community Survey is a new annual nationwide survey on how communities change. Free.

6. National Bureau of Economic Research

(www.nber.org) The next best thing to having NAR Chief Economist David Lereah on speed dial, this private, nonprofit site gives you free access to a wide range of the latest key economic indicators, from mortgage applications to employment numbers. You can also read abstracts of economic research papers and download them for a few dollars each.

7. REALTOR.com Your very own national MLS is a one-stop shop for consumers looking for property, but there's also plenty of valuable marketing advice and add-ons for you, such as Featured Agent and Featured Homes Marketing Systems.

8. REALTOR.org Information from NAR, including **The Center for REALTOR® Technology:** Industry-specific takes on technology that can change your business and tips on how to use technology better. **REALTOR BenefitsSM:** Save money on top real estate products from insurance to laptops. **REALTOR® Magazine Online:** Read all about it, from breaking real estate news to exclusive, in-depth articles on how to increase your business.

Remember,
you only have
to succeed the
last time.

—Brian Tracy,
business
consultant
and author



5 inroads to FSBOs

Home owners who use a real estate professional tend to sell their homes for about 16 percent more than those who don't use one, according to 2005 statistics from the NATIONAL ASSOCIATION OF REALTORS®. And that's a great way to show your value once you find FSBOs.

- 1. Use a team approach.** Form a FSBO referral network, composed of a lender, a home inspector, an attorney, handymen, and any other professionals you believe appropriate. The team can refer unrepresented sellers to other members of the group and help identify FSBOs you might not have otherwise come across. Also, to find FSBOs, check out FSBO Web sites, particularly those that offer free listings, and *PennySaver*-style magazines.
- 2. Become a valuable resource.** Offer FSBOs advice on the home selling process and become an asset and resource to them so that they'll turn to you whenever they need help. REALTOR® Magazine Online (*REALTOR.org/realtormag*) offers printable Handouts for Consumers, with tips ranging from marketing a home to generating buyers. In reaching out to FSBOs, be careful of running afoul of phone antisolicitation laws and the CAN-SPAM Act. You can contact FSBOs by phone only if you have a buyer who's interested in their property or they aren't on the national do-not-call list. And you can e-mail them as long as you adhere to the rules for commercial e-mail. (See "CAN-SPAM: What the law requires," page 31.) Check with your state for specific guidelines.
- 3. Earn a commission in other ways.** The more services you provide, the more business you earn—regardless of whether you get the listing. If FSBOs are relocating, offer to refer them to a salesperson in their new town and collect a referral fee from that salesperson. FSBOs may also want your representation when they buy a new home, or they may be willing to pay you as a consultant for certain phases in the selling process. In addition, FSBOs' acquaintances or family, or even their buyer who needs to sell first, can be a source of leads.
- 4. Don't make promises you can't keep.** Don't try to get the listing with bold promises that you can sell their property quickly or that you have a buyer lined up when you don't. Build their trust and show them you're different from practitioners who go for the hard sell.
- 5. Be persistent.** Continue to make contact with FSBOs even when you don't generate response from them at the beginning. Keep a database of FSBOs you contact; that way, you can easily monitor their properties' status and tailor your message to how long those properties have been on the market. For example, if a property has been on the market for four weeks, you might send a letter saying, "Some of the properties that were exclusively listed by me at about the same time you offered your property for sale are now sold and in escrow." Then offer them contact information on some of the professionals in your network who can assist them as they sell their home. That shows them you will continue to be a resource and are available if—or when—they need help. Soon they might be the ones contacting you.

Source: Walter S. Sanford, Sanford Systems and Strategies (www.waltersanford.com), Kankakee, Ill., author of *Expert Lead Generation Tool Kit* (Sanford Systems, 2005)

5 tips to a picture-perfect head shot

A strong head shot on your business card or Web site can help bring you more business; a bad photo can turn off potential customers. Photographer Scott Southall, owner of OC Portraits in Orange County, Calif., says a head shot should convey trust, professionalism, and confidence. Here's how:

- 1. Keep your head shot current.** Your client may think you're dishonest if your materials feature a photo of you looking 20 years younger and 20 pounds slimmer. Update your photo whenever your appearance changes, probably about every three years.
- 2. Think business portrait, not glamour shot.** Don't go overboard with digital plastic surgery to remove wrinkles and gray hairs. Your photo should be a true representation of yourself. Be real, not phony.
- 3. Find the right light and frame.** Lighting and framing can make—

or break—a photo. For example, light striking your face predominantly from the left side can subliminally convey trust; a tight crop usually creates intimacy, making you look more approachable; and a smile along with smiling eyes conveys genuineness. A good photographer can recommend proper lighting, framing, backgrounds, and poses.

- 4. Dress appropriately.** Your target market will help determine proper attire. If you're in a coastal recreational market, a Bahamas shirt and casual dress may be appropriate, whereas a more formal market may call for a suit and tie. Regardless, don't let your wardrobe, hairstyle, or makeup negatively distract prospects.
- 5. Choose the right photographer.** Find a photographer who realizes that getting a good head shot requires more than snapping five frames. The person should be tuned in to you and what you do, make you feel comfortable, and be honest in telling you when a smile looks more like a smirk.

Add zip to your e-newsletter

Your customers' in-boxes are packed with e-mail from coworkers, friends, and advertisers. So how do you make sure your e-newsletter gets noticed and read? To find out, we consulted marketing expert Michael Fleischner, founder of Marketing Scoop LLC (*MarketingScoop.com*) in Robbinsville, N.J. He offers these tips:

- **Use snappy subject lines.** The subject line is often the only thing your prospects see before they choose whether to read or delete your e-newsletter. Make it short—no more than eight words—and consistently start the subject line the same way each time. For example, ABC Newsletter: [catchy headline here].
- **Customize your content.** For your newsletter to be valuable to recipients, the content must be highly relevant to their unique situation. If your niche is historic homes, for example, segment your audience into buyers and sellers, then send each group tips and articles specific to them.
- **Make it a quick read.** Traditional newsletters may have articles that fill an entire page, but e-newsletters require a different approach. Consumers want to scan their e-mail in seconds. So use short paragraphs and bulleted lists. Keep headlines short and to the point. If you feel that a topic deserves more depth, provide links to more information.
- **Stick to a schedule.** When customers sign up for the e-newsletter, let them know how often it will arrive in their in-boxes. Then keep your promise. They'll be more likely to recognize your e-mail and open it if they receive it on a regular basis rather than just a few times per year.

CAN-SPAM: What the law requires

The CAN-SPAM (Controlling the Assault of Non-Solicited Pornography and Marketing) Act went into effect in 2004, setting requirements for any e-mail that advertises or promotes a commercial product or service, including Web site content. Here are four key requirements for commercial e-mails:

- **Accurate header information.** Your e-mail's "To" and "From" fields, as well as the originating domain name and e-mail address, must be accurate and identify the person who initiated the e-mail.
- **No deceptive subject lines.** The subject line can't mislead the recipient about the content or subject matter of the message. And your message must contain clear notice that the content is an advertisement or solicitation and that the recipient can opt out of receiving more commercial e-mail from you.
- **Easy opt-out method.** You must provide a return e-mail address or another Internet-based response mechanism that allows recipients to ask you not to send future e-mail messages. When you receive an opt-out request, the law gives you 10 business days to stop sending e-mail to the requester's e-mail address.
- **A valid physical mailing address.**

Source: Federal Trade Commission (www.FTC.gov)

- **Ask for feedback.** Polls and surveys are great ways to get readers to interact with your e-newsletter. At the very least, ask for feedback on the e-newsletter and solicit ideas for the next issue.
- **Include stories from peers.** People like to read about their peers' experiences. Include brief interviews with recent clients. Ask such questions as, How did you know when you found the right home? What advice would you give other first-time buyers?
- **Test everything.** Break up your list of recipients into two groups, A and B, and then experiment with different headlines and formats to see what your audience responds to best. Try different subject lines, types of content, design, or anything else you think could impact readership.
- **Stay out of spam traps.** Certain words and phrases in your e-mail may trigger spam filters, which means your e-newsletter will go straight into the junk mail bin. Some examples: "financial freedom," "money-back guarantee," "offer expires," "work at home," "pennies a day," and "no catch."
- **Follow the law.** All commercial e-mailers must follow the rules set out in the federal CAN-SPAM Act. (For a quick rundown of those important rules, see "CAN-SPAM: What the law requires.")

Hold a seminar: 4 great topics

Meet new prospects and establish yourself as a real estate expert by holding informational real estate seminars. These hot topics are sure to attract a crowd:

Is now the right time to buy?

Why? After years of rapid appreciation, followed by a slowdown in some markets, buyers may be worried about the timing of a real estate investment. Let buyers know that with more homes on the market, they have increased negotiating power.

Ideas: Prepare a presentation using statistics from your MLS to educate potential buyers on current market conditions. Explain how they can benefit from increased inventory (if that's the case in your market), and why they should work with a real estate professional who can help structure the best deal. Click **Current Links** at REALTOR.org/realtormag for talking points—mortgage rates are comparable to 40-year lows, the average home value increased 88 percent over the past decade—from NAR's recent "Buy Now" campaign.

Moving with pets

Why? People love their pets! An estimated 63 percent of all U.S. households have at least one pet, according to the *2005/2006 National Pet Owners Survey*, released by the American Pet Product Manufacturers Association. That means the odds are good that pet owners are a sizable share of your prospects.

Ideas: Partner with the local humane

society, a vet, or a pet shop owner to talk about handling a move with pets. Cover such topics as how to make your dog or cat less anxious on moving day, the importance of registering your pet under your new address, and finding animal-friendly hotels. As an extra draw, plan the seminar in a place that allows pets; that way, pets and their humans can mingle. Don't forget to advertise that pets are welcome to attend.

What to know before buying a condo

Why? Twenty percent of all buyers purchased a condo or town house, according to the NATIONAL ASSOCIATION OF REALTORS® *2006 Profile of Home Buyers and Sellers*. The percentage is even higher—27 percent—for first-time buyers.

Ideas: There are countless topics to discuss, starting with the basics: assessments, parking, home owners associations, and the conveniences and drawbacks of living in a multi-family building. Invite a real estate lawyer to speak about bylaws, and ask clients or acquaintances who've recently moved into a condo to share their experiences. Be prepared with handouts on mortgages and other home buying basics.

Boost your home's appeal on a budget

Why? Home owners are fascinated with learning how to make their home look better and increase in value. Now that the real estate market has softened, sellers need help positioning their home and engaging serious buyers.

Ideas: Bring in a staging expert (check www.stagedhomes.com for a listing of staging professionals) to offer simple tips for preparing a home for sale. (Buyers might be interested in the decorating point-

8 ways to get your name in the newspaper

Seasoned newspaper editor Joan Stewart knows what it takes to get your name in the paper without charge. In fact, she's made a second career of it. Her 12-year-old company, The Publicity Hound, in Port Washington, Wis., helps businesses of all sizes get noticed by the media. She offers these tips:

- 1. Establish a rapport.** Make a list of all newspapers in your area and get the names of reporters who write about real estate. Simply call or e-mail those journalists and offer yourself as a source for their articles, whether it's for commentary or background. Ask them, "How can I help you?"
- 2. Emphasize your expertise.** Do you know how to stage homes? Are you an expert on rental properties? Let reporters know about it. You'll be the person they call when they're on deadline and need a quote from an expert.
- 3. Pitch story ideas—even if they don't involve you.** As a real estate practitioner, you're tuned in to the local buzz. If you hear about a unique new development or spot an interesting trend, let your new friend at the newspaper know about it. Reporters appreciate story tips. By pitching worthwhile article ideas, you'll build trust.
- 4. Don't appear self-serving.** Say you've been playing a major role in a local organization's food drive. It wouldn't hurt to get some media coverage. But rather than pitch the story yourself, suggest that the nonprofit group approach the newspaper. Reporters will be more likely to pursue a story if it's not coming from a company that's looking for the spotlight.
- 5. Never say "no comment."** The phrase is abrasive and makes it look as if you had something to hide. From a reporter's perspective, it shows you're not willing to be cooperative. You can't run for cover when controversy arises and then expect media coverage when everything is going your way.
- 6. Create photo opportunities.** A great photo can move a story from the back of a newspaper to the front page. But we're not talking about ribbon cuttings. Remember the three things that make a great newspaper photo: people, colors, and action. Hire a magician for the opening of a new brokerage office and tie it in with a theme, "Let us create magic for you." Or to get noticed at a food drive, have people from your company pack boxes with food rather than pose with a pile of donations.
- 7. Be accessible.** Let reporters know you'll be available for their calls, even if it's after regular business hours. Make sure they know how to reach you when you're not at your office.
- 8. Gear press releases to consumers.** Even if you plan to submit the release to local media, you'll want to write it with consumers as your audience. This will demonstrate to the media that you understand the value your news would have for their audience. This is also important to keep in mind if you archive your press releases online, where any Web surfer (aka prospect) may stumble upon them.

ers, too.) Or, if you have ample experience, share your own tips. A slide show of before-and-after photos will liven up the presentation. Create a checklist for attendees to

take home and encourage them to take the staging quiz at REALTOR® Magazine Online. (See Quizzes under Tools at REALTOR.org/realtormag.)

5 Web sites that help you get connected online

Boost your network by connecting with other practitioners and professionals online. It's a great way to get referrals and advice. Here are a few Web sites that can get you networking fast:

■ **Active Rain** (<http://activerain.com>): A free networking site for real estate professionals where members can share ideas, gain referrals, and access or create blogs. Members are categorized by geographic location.

■ **Ecademy** (www.ecademy.com): A social network of more than 100,000 businesspeople worldwide for exchanging ideas, building contacts, and obtaining advice from others in their field. You can also rate other members on their networking skills. The site offers a free 14-day trial, but after that you must choose between a limited basic membership or select one of two advanced memberships for a fee.

■ **LinkedIn** (www.linkedin.com): An online community of 9 million business professionals. Join at no charge by creating a profile, which helps you find and be found by former colleagues, clients, and partners. You can then invite others to become part

of your online network, but they have to accept your electronic invitation to be added. Although basic accounts are free, paid subscribers have access to three levels of additional features.

■ **Ryze.com** (www.ryze.com): With more than 250,000 members worldwide, this site allows business professionals to join special networks related to their industry, interests, or geographic location. You can also set up your own network Web page and invite others to post comments. Basic accounts are free, and certain features are available for a small fee.

■ **WannaNetwork** (www.wannanetwork.com): A free network for real estate professionals where you can create a profile of your background that's then used to connect with others. You can also post listings.

Sources: Brian Hilliard, Agito Consulting (<http://agitoconsulting.com>), Atlanta, and NAR technology reports

Networking no-no's

■ **Don't give out your business card right away.** Some practitioners hand out their card before the people they're meeting even introduce themselves.

■ **Don't feel you have to meet everyone at an event.** Shoot for five or six interactions at a typical two-hour event, which will allow more time to build lasting connections.

■ **Don't be inclined to attend every networking event.** Aim for four per month, which could help you meet about 20 new people each month. That'll keep your network to a manageable number, so you won't feel overwhelmed about following up.

■ **Don't expect results right away.** You're not likely to make a best friend and obtain immediate new business by attending a two-hour networking event. Relationships require nurturing. Follow up with the people you meet, such as inviting them to coffee.

Source: Brian Hilliard, Agito Consulting (<http://agitoconsulting.com>), Atlanta

A generation worth your attention

With an estimated 78 million baby boomers in the United States, this generation most likely makes up a good portion of your client base. By learning more about this fascinating demographic, you can tailor your service to suit their needs and wants. Here's a look at findings from NAR's 2006 research report *Baby Boomers and Real Estate: Today and Tomorrow*, based on a survey of 1,969 adults born between 1946 and 1964.

TOP 5 THINGS BABY BOOMER BUYERS WANT FROM YOU

1. Represent my interests and coordinate with other parties involved in the process (23%)
2. Manage the closing process from start to finish (14%)
3. Explain all contracts, forms, and agreements (14%)
4. Negotiate on my behalf (11%)
5. Provide advice on critical issues throughout the process (7%)

TOP 5 THINGS BABY BOOMER SELLERS WANT FROM YOU

1. Help establish the right asking price for my home (17%)
2. Represent my interests and coordinate with other parties involved in the process (14%)
3. Show my home to potential buyers (12%)
4. Explain all contracts, forms, and agreements (8%)
Manage the closing process from start to finish (8%)
Screen and prequalify buyers (8%)
Negotiate on my behalf (8%)
5. Advertise my home in the media and on the Internet (7%)

COMMON MISCONCEPTIONS ABOUT BABY BOOMERS

■ **They're rich.** When describing their financial situation, 54 percent of respondents said they were either "just making ends meet" or "having financial difficulty"; 4 percent described themselves as "well-off"; and 43 percent said they were "comfortable." (Percentages total more than 100 percent due to rounding.)

■ **They're self-absorbed.** It's been called the "me" generation, but baby boomers clearly think of others: 42 percent expected to pay at least some college costs for kids or grandkids; 35 percent said it's important to leave a significant sum of money to family; 22 percent expected to help kids or grandkids with a home down payment; and 17 percent said it's important to leave a significant amount of money to charities.

■ **They have lots of buying and selling experience.** Most baby boomers have at least some experience in the real estate market; 78 percent are home owners. However, the majority haven't purchased a home in 11 years, and a hefty 48 percent of home owners have never put their house up for sale.

■ **They're old.** Watch whom you're calling old! The U.S. Census Bureau estimates that nearly half—47 percent—of baby boomers are in their 40s, and 26 percent are 50 to 54 years old. Just 27 percent of baby boomers are 55 to 60 years old, the age range in which many workers start thinking about retirement.

WHAT DO THEY WANT TO BUY?

Baby boomers who said they were extremely or very likely to purchase real estate in the next year indicated they would like to purchase the following types of property. Respondents could choose more than one type.

- | | |
|---------------------------|---|
| ■ Primary residence (66%) | ■ Commercial property (14%) |
| ■ Land (26%) | ■ Vacation home or seasonally occupied home (15%) |
| ■ Rental property (19%) | |

10 reasons top producers get the listing

Ever wonder why that other practitioner gets more listings than you? Steve Stewart, a writer and speaker on real estate sales and marketing and the principal of Steve Stewart Seminars (www.steve-stewart.com) in Claremont, Calif., explains why top producers are so successful.

- 1. They treat real estate like a real job.** "They're always in control of their job," says Stewart. "And they're confident enough to say no to clients they think are too demanding or unreasonable."
- 2. They're masterful presenters.** "They have a planned listing presentation they could give in a howling windstorm without being distracted," he says. "They know what they're going to say and where in the presentation the decision points for sellers are. It's all because they practice, practice, practice."
- 3. They're terrific at getting others to make decisions.** "They never pressure sellers during the listing presentation," Stewart says, "but every time there's a decision to be made, they say, 'Do you want to do this or not?' They get people in the habit of making decisions."
- 4. They're big thinkers.** Top producers think beyond the task in front of them. For instance, one top producer Stewart worked with decided he'd be more likely to get listings if he scheduled more than one presentation for each evening. "The fact that he had several presentations a night made it more likely that he'd get every listing agreement signed, because he was in great demand," says Stewart.
- 5. They're excellent at delegating to their team members.** "Top producers make artful use of their assistant teams," Stewart says, "which helps in marketing, too, because salespeople with teams can market themselves as being able to handle the sale from top to bottom."
- 6. They get sellers to understand why pricing is so important.** For instance, they keep emphasizing that sellers can price the home to own it or to sell it, Stewart says. They might say, "If you price this home too high, you'll keep owning this house. Here's the price that'll get results."
- 7. They look like sellers but slightly better.** "People like and trust people who are like them," says Stewart. "You want sellers to identify with you, but you should dress one notch above them. However, never go in way overdressed."
- 8. Their confidence markets them.** "You're your own walking visual aid," Stewart says. During listing presentations, sellers scrutinize not only what you say but also how you carry yourself. Do you know what you're talking about? Can sellers trust you to sell their home? Do you appear confident about what you're doing? Can you think on your feet?"
- 9. They have professional marketing materials.** "Thousands of salespeople don't go to the appointment with presentation materials," says Stewart. "They think they can wing a listing presentation." Have visuals that sellers can easily see, whether in a printed presentation book or on a laptop screen.
- 10. They invest in themselves.** The best salespeople spend the money they need to be successful. "If they need new computer equipment, they upgrade," Stewart says. "If they need more advertising, they get it. They go to conventions and seminars all the time. They're always looking for new ideas."



"I know the price of success: dedication, hard work, and an unremitting devotion to the things you want to see happen."

—Frank Lloyd Wright

Set the stage

Some of the best staging techniques are free. Getting rid of clutter and rearranging furniture can go a long way toward improving the way potential buyers view a room or home. Sometimes, however, you might need to invest a little cash to achieve the desired look. But you won't bust your budget with these ideas under \$25.

- **Plants and bowls of fruit:** They add warmth and a splash of color to a room.
- **Lighting:** Replacing heavy, dark shades with sleeker, lighter versions can add more light to a room. Lighting should blend in and complement a room, not dominate it. And make sure hallway fixtures aren't too dated.
- **Excess fabric:** A versatile tool for any stager, fabric can be used in a variety of ways. For example, pin it around pillows for makeshift shams, use it to cover a dirty seat cushion, or hang it as temporary window treatments.
- **Artwork:** Look for oil paintings, watercolors, and posters at flea markets, secondhand stores, or discount retailers—or have a photo enlarged at an office services center—to add just the right finishing touch to a room. If you do a lot of staging, keep such artwork on hand to use as needed.

Source: Lori Matzke, president of Center Stage Home Inc. and author of *Home Staging: Creating Buyer-Friendly Rooms to Sell Your House* (Center Stage Home, 2004)

Terms of negotiation

Understanding these concepts is key to a successful negotiation.

- **Position vs. interest:** Think of position as the factual statement a person makes: "The price of the house is \$250,000." A person's interest is the reason behind the statement: "That's the amount of money I need to purchase my new home."
- **Target point:** Also known as aspiration level, this is a person's optimistic goal in a negotiation. A buyer might be willing to pay \$250,000 for a house, but his target point might be \$200,000.
- **Reservation point:** Also known as the bottom line, this is a person's limit. A seller might want to sell her home for \$300,000, but her reservation point is \$275,000.
- **Trade-offs:** Areas of flexibility or concession whereby one person can trade an item of lesser importance to obtain something of greater importance. For example, a buyer might give up wanting the washer and dryer to be part of the purchase agreement in exchange for the custom-made window treatments.
- **BATNA:** The best alternative to a negotiated agreement refers to a solution a person would pursue if negotiations prove unsuccessful. For example, if a buyer and seller can't agree on the sales terms, the buyer could decide to continue living where he's at for another year or purchase another home. Each party should know its BATNA before negotiations begin.

Source: Michelle L. Buck, associate professor, Kellogg School of Management, Northwestern University, Evanston, Ill.

Negotiating solutions

Perhaps the most important part of any negotiation is getting past stated positions and understanding each party's true interests, says Michelle L. Buck, an associate professor with the Kellogg School of Management at Northwestern University in Evanston, Ill.

Position is a person's stated, factual stance, whereas interest is the reason behind the position. "If you stay with people's positions, you get stuck. But if you look to interests, you can get creative in finding a solution," says Buck.

She also suggests discussing multiple issues simultaneously rather than sequentially. Often the solution to an impasse can be found if one side offers a concession on another item, Buck says.

Below are three common bones of contention that might come up during a real estate transaction. For each, we've provided the positions and interests of both buyer and seller and offered some possible solutions. Use this exercise in your own negotiations and see how quickly your negotiating skills improve.

SCENARIO 1: POSSESSION DATE

Positions: The seller wants to close at the end of the month, but the buyer wants to take possession sooner.

Interests: The seller's new home isn't ready yet, so she needs more time. The buyer wants his decorators and contractors to start working on the house so that they'll be finished before his lease runs out.

Possible solutions: The seller could offer to give the buyer's workers access to the house on predetermined days so that they could begin taking measurements and ordering supplies. The buyer could offer to compensate the seller for the cost of temporary housing.

SCENARIO 2: CONVEYANCES

Positions: The sellers want to take all window treatments, but the buyers want them to stay with the house.

Interests: The selling couple searched for months to find the perfect window treatments—they even had them custom-made—so they've developed an emotional attachment to them. The buyers have stretched financially to buy the house and don't think they can afford new window treatments.

Possible solutions: The sellers could offer a concession, such as leaving air-conditioning units behind or lowering the purchase price to offset the cost of replacing the window treatments.

SCENARIO 3: REPAIRS

Positions: The seller doesn't want to make a lot of small repairs, but the buyer thinks it's the seller's responsibility.

Interests: The seller is being transferred and doesn't have time to do the work herself or to hire the appropriate contractor. The buyer isn't very handy and can't afford contractors on top of his down payment.

Possible solutions: The seller could offer to pay for—up to a set amount—competent contractors to do the work after she's gone. The buyer could ask for a reduction in the purchase price and recommendations for capable repair service providers.

Field 7 tough consumer questions

1. Why should I list with an agent? Having a third party negotiate on sellers' behalf saves them money, says Floyd Wickman, a speaker, trainer, and founder of the Floyd Wickman Team LLC (www.star makerteam.com) in Easton, Mass. Tell sellers you're trained to negotiate, you're not

emotionally involved, and although you'll always keep their interests foremost, you're skilled at negotiating in a way that makes the other party feel comfortable with the outcome.

2. Can you charge a flat fee to sell my property? Danielle Kennedy, a trainer and owner of Danielle Kennedy Productions (www.daniellekennedy.com) in Pacific Palisades, Calif., coaches salespeople to tell sellers: "You need to remember that you pay nothing until the transaction closes. You're signing an employment agreement for a certain percentage, and the risk is on my shoulders to provide full service to you in exchange for the full fee. Here's a list of the services I provide. By law, the fee is negotiable, so if at any time you feel you're not getting the full bang for your buck, let me know, and we'll discuss it."

3. Why shouldn't I just post my home on some Internet sites? "Sellers think all they have to do is place their home on the Internet, and some nameless, faceless person" completes the sale, says Carla Cross, CRB, GRI, president of Carla Cross Seminars Inc. (www.carlacross.com) in Issaquah, Wash. "They assume practitioners are of little importance, and what's important is technology."

Your retort to Internet-savvy sellers: "I and the other associates within my company work with buyers every day. Listing with me, then, is the equivalent of target marketing versus a shot in the

dark. By listing with me, you also receive exposure, through the MLS, to all the other real estate brokerages in the market, whose agents are also working with buyers every day."

4. What's wrong with the price I want to list for? If sellers are just testing the market and don't really have to move, you have to decide whether you'll take an overpriced listing, says Kennedy. The solution might be to compromise. If sellers won't agree to list at market price, get them to agree that you'll return in a month to discuss the feedback you're getting and reconsider the price. Once sellers

The word on investing and development

Before you take the plunge into real estate investing, familiarize yourself with the vocabulary.

Capitalization rate: A percentage that relates the value of an income-producing property to its future income, expressed as net operating income divided by purchase price. Also referred to as *cap rate*.

Exchange: Under Section 1031 of the Internal Revenue Code, like-kind property used in a trade or business or held as an investment can be exchanged tax-deferred. Under a fully qualified Section 1031 exchange, real estate is traded for other like-kind property. All capital gains taxes are deferred until the newly acquired real estate is disposed of in a taxable transaction. The underlying philosophy behind the deferral of capital gains taxes is that taxation shouldn't occur as long as the original investment remains intact in the form of like-kind real estate. Like-kind doesn't mean the properties exchanged have to be of the same type or number.

Internal rate of return (IRR): Used to evaluate the profitability of investments after expenses and taxes. It's expressed as the percentage rate earned on actual dollars invested. Because of inflation, IRR is calculated by discounting future cash flows to reflect their total sum and timing. To calculate an IRR, investors discount future

cash flows to equal total operating expenses and outlays. A real estate project is a good investment if, after factoring in risk premiums, the IRR is greater than the rate of interest that could be earned by other investments (stocks, bonds, etc.).

Net operating income (NOI): The potential rental income, plus other income, less vacancy, credit losses, and operating expenses.

Net present value (NPV): The sum of all future cash flows discounted to present value and netted against the initial investment.

Sale-leaseback: A leasing and financing strategy in which a property owner sells the property to an investor, then leases it back. This strategy frees capital that would otherwise be frozen in equity.

Securitization: The phenomenon of indirectly investing in real estate markets in ways that minimize risk (for example, investments made collectively with pooled money or the use of investment packages or funds, such as mortgage-backed securities sold on the secondary financial market), as opposed to direct investments where by investors own property or hold mortgages.

Vacancy rate: The percentage of the total supply of units or space of a specific commercial type that's available for occupancy at a particular point in time within a given market.

While you're learning investment lingo, you may also want to add some common development terms to your lexicon.

Absorption: The amount of inventory or units of a specific commercial property type that become occupied during a specified time period (usually a year) in a given market. Typically reported as the absorption rate.

Gross leasable area (GLA): The total floor area designed for tenant occupancy and exclusive use, including basements, mezzanines, and upper floors. It's measured from the center line of joint partitions to the outside wall faces. GLA is the area for which tenants pay rent.

Highest, best use: The reasonably probable and legal use of vacant land or property, which is physically possible, appropriately supported, and financially feasible and results in the highest value.

Tax increment financing (TIF): A tool that uses future gains in tax revenues to pay for economic development or redevelopment projects in a specific geographic area or district.

Zoning: The designation by a local planning authority of legal land use or land use categories for specific areas within a given jurisdiction.

Sources: REALTORS® Commercial Alliance's Glossary of Commercial Real Estate Terms and NAR's Guide to Tax Increment Financing (TIF)

experience the inconvenience of having their house shown, they may be more willing to budge on price, says Kennedy.

5. What's wrong with lowballing the seller?

"When buyers want to lowball, I do everything in my power, using comps and market statistics, to show them that if they intend to stay in the property for at least five years, they'd be foolish not to offer something fair to both parties based on the appreciation they'll most likely receive," says Kennedy.

"I say, 'We can make the offer [you suggest], but we're not dealing with sellers who are desperate. They understand the market and want to sell, but if they don't sell for a price they know is possible *and* they have to move, they'll probably rent out their property until the market adjusts. If you pay what's

reasonable and fair, you're going to reap the benefits of home ownership and financial gain.'"

6. Why should I even respond to a buyer's lowball offer?

Some sellers believe low offers are insults, says Kennedy. Not true. They're a sign of interest. Tell sellers there's a low offer, stress that the buyers want to negotiate, and say that you might be able to increase the offer through negotiation. When sellers respond, they should be gracious, say the offer doesn't fit their needs, and make a counteroffer, she says.

7. Why shouldn't I stretch to buy the most expensive property?

Sometimes when you're working with buyers, you learn they plan to squeak into a new home with financing that may keep their initial payments low

but balloon later to an amount they probably can't afford. When that happens, stop selling and put them in touch with a lender you respect who'll explain the pitfalls of such a stretch and explain options that may be better for them. "We must have ethics and integrity, and our focus can't be on making the deal," says Kennedy.

"Lenders need to see whether there's something that would be more financially stable for the buyers," she says. "If that's not the case, I say to buyers, 'I'm concerned. You can afford your current home. I don't read crystal balls, but on the basis of historical statistics, you're going to earn X amount on that investment over the next five years. However, if you buy this new home, you're putting yourself and your family in jeopardy.'"

Make an impression

Holly Janney, ABR®, e-PRO®, a sales associate with Keller Williams Realty Cityside in Atlanta, knows how important incentives are for snagging buyers when inventory is up. In her market, town-homes and condos are widely available. "We need incentives to get them sold and to compete with new construction," she says. Buyer incentives that Janney has tried or heard of:

- A decorating allowance of up to \$5,000
- Paying six months' worth of home owner association dues
- A \$1,000 gift certificate to a furniture store
- Frequent-flier miles or other reward points
- Offering the buyer's agent a higher commission
- A gym or club membership
- Paying the buyer's closing costs
- Paying \$1,000 toward the buyer's moving expenses

ADVERTISEMENT

Avoiding foreclosure

A pending foreclosure is stressful and confusing. If you can help owners through this difficult time, you could earn their gratitude and loyalty for years to come. Encourage owners to contact their lender to see whether a loan workout option is available.

If the problem is temporary, options include

Forbearance. A lender may allow a borrower to reduce or suspend payments for a short period of time, after which another option

must be agreed on to bring the loan current within a specified time period. A forbearance option is often combined with a reinstatement, especially if the borrowers know they'll have enough money to bring the account current. The money might come from a hiring bonus, an investment, an insurance settlement, or a tax refund.

Reinstatement. Lenders may be willing to discuss accepting the total amount owed to them in a lump sum by a specific date.

Repayment plan. A borrower might be able to forge an agreement with the lender to resume making regular monthly payments, in addition to a portion of the past due payments each month, until the loan is current.

If the problem is long-term, options include

Mortgage modification. If the borrower can make at least some of the payment on the loan but doesn't have enough money to bring the account current, the lender might be willing to permanently change one or more terms of the original loan to make the payments more affordable. Examples include:

- Adding the missed payments to the existing loan balance
- Changing the interest rate, including making an adjustable-rate loan into a fixed-rate loan
- Extending the number of years to repay the loan

Claim advance. If your mortgage is

insured, you may qualify for an interest-free loan from your mortgage guarantor to bring your account current. The repayment of the loan may not start for several years.

If keeping the home isn't an option, alternatives include

Sale. The lender will usually agree to a specific amount of time to find a purchaser and pay off the total amount owed. The borrower will be expected to obtain the services of a real estate professional to market the property aggressively.

Pre-foreclosure sale or short payoff. If the property's sales value isn't enough to pay the loan in full, the lender might accept less than the full amount owed to cut its losses. This option can also include a period of time to allow the borrower's real estate professional to find a qualified buyer. A pre-foreclosure sale could provide additional funds to pay other lien holders and a few moving costs.

Assumption. The lender might agree to permit a qualified buyer to assume the mortgage payments, even if the original loan documents state that it's nonassumable.

Deed in lieu. The lender might agree to allow the borrower to voluntarily "give back" the property and forgive the debt. Although this option sounds like the easiest way out, the borrower must generally attempt to sell the home for its fair market value for at least 90 days before the lender will consider this option. Also, this option may not be available if the borrower has other liens, such as judgments by other creditors, a second mortgage, or IRS or state tax liens.

Source: U.S. Department of Housing and Urban Development (www.hud.gov)

3 strategies for getting sellers to price right

1. Do what buyers are doing: Shop in a larger area. Today's buyers are less wedded to one neighborhood, says Monique Walker, a salesperson with Intero Real Estate Services in Scottsdale, Ariz. That's why she pulls comps from more than just the listing's immediate area.

"I up the area to a five-mile radius because buyers are willing to drive farther for better values," says Walker. "I ask sellers, 'If you were the buyer, and you had the choice of your home and a similar home five miles away for \$25,000 less, which would you pick?' That gets sellers to look at things objectively, she says.

If sellers still won't price at market value, she walks away. "I lost two listings yesterday," she says. "The sellers weren't motivated. With the time, energy, and money we invest, we can't afford to take overpriced listings and end up with unhappy clients. They won't be clients for life, and that's what we strive for."

2. Show sellers the numbers, and don't fall for the wiggle room line. Sellers need to see detailed market statistics to understand why prices from six months ago are no longer operational, says Michael (Brick) Brickner, a salesperson with Lyon Real Estate in Sacramento, Calif. Brickner uses comps from only the past 30 days. "The message is that the pricing is right now," he says.

Brickner walks into every listing presentation with detailed statistics showing trends in his market, including the number of units on the market, the number of pending and sold units, the average time on market, and the average list and sales price. "They can't argue with the numbers," he says. "It's very strong stuff."

If sellers still ask Brickner to leave some wiggle room, he holds firm, saying, "I'm sorry, but if you want me to market your property, you have to offer it at this price." Brickner says he remains silent and leaves it up to the sellers to decide what to do. Eventually, he says, they agree with him.

3. Don't blame sellers for not being experts. "Practitioners make a mistake when they think sellers are being stubborn about price," says Jose Del Rosario, operating principal of Keller Williams Tierra Del Rey in Chula Vista, Calif. "Sellers are choosing the wrong price only because they're not knowledgeable about the market. Can you really blame them when they don't have all the information we have?" Del Rosario emphasizes that point to his sales associates, and it helps change their mind-set going into listing presentations.

Del Rosario also tells his sales associates that they have to work hard to develop correct comps. Some pull only sold listings, but Del Rosario says you must also include pending sales because they're often a sign of where the market is heading. And remember, the MLS doesn't display information on concessions given to buyers to close the deal. "You need to call listing agents to see whether they're willing to divulge that information," says Del Rosario. When you present comps, you need to show sellers how thorough your research has been but that there are unknowns that may affect pricing.

Getting sellers to understand today's market might take time. Most practitioners are hostage to a single listing appointment, Del Rosario says. "But you have to build a relationship with sellers so that they'll listen to you. Sometimes it takes five minutes, but sometimes it takes five hours over five meetings."

5 real-life RESPA violations and how you can avoid them

1. Inflating costs may cost you.

The U.S. Department of Housing and Urban Development considers it a violation under the Real Estate Settlement Procedures Act to inflate the cost of third-party settlement services. That means your mortgage broker can't charge your buyers more for a credit report

at closing than it paid to pull their credit report.

HUD recently settled a case against a national mortgage company for committing just that kind of violation and fined the company \$370,000. If your company offers mortgages, charge consumers only what you pay for third-party services.

2. Take no captives. HUD considers it a violation of RESPA when your brokerage's title company or its owners have a financial interest in a captive reinsurance program formed by the title insurer that underwrites your title company's policies. (A captive insurance company is wholly owned by the company with which it does business.) HUD's investigations have uncovered strong evidence that such arrangements attempt to

disguise the fact that the referral fee paid by the primary title company to the reinsurer is being funneled to the brokerage's title company. The practice of paying referral fees to a captive seems particularly questionable when there are limited risks and a history of few payouts by the reinsurance company.

Not convinced participating in captives is risky? Ask the three home builders who recently paid HUD \$1,950,000 to settle claims that their affiliated reinsurance companies were captive.

3. Payments aren't just money.

When you make or receive a payment or anything else of value in exchange for referral of a settlement service, you're violating RESPA. For example, HUD recently settled with an appraiser who gave a mortgage company's employees restaurant gift certificates in exchange for referrals. The appraiser settled with HUD by agreeing to pay \$4,000, stop providing the gifts, and cooperate with HUD's ongoing investigation of the mortgage company whose employees accepted the gifts.

4. More than the market will bear. It's OK to charge for services you provide to third-party vendors, but inflating the fees is just a quick step down the path to trouble. HUD recently accepted settlements totaling \$80,000 from four real estate companies that charged title companies using their

conference rooms for closings at what HUD considered rates substantially higher than the rooms' fair market value. HUD considered the amounts over fair market as disguised referral fees, which violated RESPA's antikickback provisions.

5. No one wins at a shell game.

Setting up shell entities to receive otherwise prohibited referral fees cost one real estate company and some of its associates \$325,000. HUD found that the company encouraged its associates to establish a shell organization, a company with no significant assets or business operations, and use it to purchase an interest in a title company partly owned by the real estate company. The shell company collected a portion of the title company's profits and then redistributed those profits to the associates on the basis of the number of transactions the associates referred to the title company. HUD also alleged that the associates paid below-market prices for their ownership interests in the title company.

Where did the company and associates go wrong? HUD says the creation of the shell company and the purchase of interests in the title company at below-market value were attempts to skirt the antikickback provisions of RESPA. Those methods disguised the financial benefit the company and associates received by referring business to the title company.

Source: U.S. Department of Housing and Urban Development (www.hud.gov)

The law is reason, free from passion.

—Aristotle

10 tips for settling disputes without going to court

Between attorneys' fees and time spent in case preparation, going to court is often a no-win even if the ruling is in your favor. Try these options instead.

- 1. Go to the source of the trouble.** If there's a dispute over the property's condition, getting all the parties—and the arbitrator if one is involved—to meet and discuss the issue at the actual site sometimes gives everyone a chance to see the actual damage and resolve any issues.
- 2. Put the issue in perspective against the greater benefit of reaching an agreement.** For example, if a seller refuses to make a repair requested by a buyer, you can present the cost of the repair as just a small reduction in the profit the seller will realize. Or point out to the seller that the cost and inconvenience of making a repair are small compared with the need to begin conducting open houses and showings again if the offer is rejected.
- 3. Appeal to people's sense of fairness.** Most people are reasonable, so use an argument such as, "If my clients agree to pay an extra \$6,000 for the house, it seems only fair that you'd be willing to leave the custom draperies in the bedrooms."
- 4. Keep good records of who said what and when.** Sometimes disagreements occur because people truly don't remember what they said or agreed to. Keeping careful, detailed notes is an excellent way to remind individuals of past agreements and prevent disputes. One easy way to keep notes on hand is to create a folder in your e-mail program for each transaction, then file the pertinent e-mails there. E-mail notes to yourself about phone conversations and verbal discussions and file in the same folder.
- 5. Assume the best.** Always operate on the assumption that the other party is acting in good faith and that the dispute can be resolved.
- 6. Talk it through.** Make every effort to negotiate a dispute between the parties before it escalates and ends up in arbitration or court.
- 7. Keep it cool.** Getting angry and making personal attacks or using aggressive tactics to bully the other party will only escalate a dispute.
- 8. Take a break.** Stop discussing whatever it is you disagree about and give everyone a chance to cool off. Sometimes that can diffuse the dispute before it gets too serious.
- 9. Ask each party to the dispute what the ideal solution would be.** Although all parties won't get just what they desire, this exercise often helps identify the real issues of conflict.
- 10. Honor your obligation to arbitrate.** REALTORS® are required by Article 17 of the NAR Code of Ethics to arbitrate contractual disputes with other REALTORS® and with their clients through their local board or state association. Requests for arbitration are generally made by a REALTOR® principal. For other disputes, the Better Business Bureau (www.bbb.com) also offers a dispute resolution service, as does the Counselors of Real Estate (www.cre.org).

3 risky situations and how to handle them safely

1. BEWARE OF SIDE DEALS.

The offering of a car or six months' worth of home owner association dues to entice a buyer happens more often these days, but if you make a side deal, be sure it's documented in the contract. Avoid getting tangled in the buyer's attempt to defraud the lender, says Oliver Frasca, an attorney with Frasca, Joiner, Goodman and Greenstein P.C. in Boulder, Colo. Document the real terms of the transaction in the contract, he says. Include any concessions paid to the buyer before or after closing, such as loans that are to be forgiven, cars to be purchased, or any other incentives given to the buyer to seal the deal. Don't let those concessions be part of oral side agreements or buried in addenda. Then make sure that the detailed contract is delivered to the lender and that all concessions are properly documented on the HUD1 closing statement.

2. CAUGHT IN THE MIDDLE OVER HOME REPAIRS.

More and more salespeople are getting caught in the middle over sellers' failure to disclose home repairs, says Frasca. For example, the sellers had water in their basement but claim they had the problem fixed and don't want to tell the buyers the problem ever existed. You can get squeezed when you know there were problems but don't disclose there were repairs. "The smart money today is that if it's anything significant that was broken and fixed, disclose that it's been fixed," says Frasca.

3. SMALL MISTAKES CAN TURN INTO BIG FAIR HOUSING PROBLEMS.

"Salespeople can get sucked into another agent's discriminatory practices just by not paying attention," Frasca says. He gives an example: You're the listing agent, but the flu bug has bitten you. You ask another associate to cover your open house, but you forget to tell the associate that there's been a price reduction and that buyers will have access to a communal swimming pool. In addition, the agent finds some black-and-white flyers on your desk, not noticing the pile of color flyers nearby.

An African-American couple come to the open house but aren't told about the price reduction or access to the pool, and they walk away with a black-and-white flyer. At next weekend's open house, you're healthy again, and a white tester who goes through gets a color brochure and learns about the price reduction and access to the pool. "What would you think if you were African American?" asks Frasca. "Neither salesperson intended to discriminate, but our job is to make sure everybody gets the same representation." The lesson: Make sure you pay attention to every detail so that nothing you do can be construed as discriminatory.

MORE ONLINE Learn more about staying on the right side of the law with *Real Estate Brokerage Essentials: Managing Legal and Business Issues* (item #126-358), available via REALTOR.org/store.

Laws landlords must know

Managing rental property is a great alternative or addition to selling residential real estate. But you have to know the rules to play the game.

- **Fair housing laws:** Federal and state fair housing laws prohibit discrimination in advertising rental property and renting property on the basis of race, religion, national origin, color, sex, handicap, or familial status. Some state laws go further and protect marital status or sexual orientation. One mistake many landlords make is denying a rental unit to a family on the basis of the number of bedrooms available. Be careful to review local occupancy laws and how they apply to the number of people who can occupy each bedroom. Also remember that you can decline to rent to persons in a protected class, but the denial must be based on criteria—poor credit, not having a job for more than three months—used with *all* prospective tenants and for reasons other than their membership in a protected class.
- **Fair Credit Reporting Act:** You can refuse to rent to an individual because of a poor credit rating or rent payment history. However, if you do, federal law requires you to tell individuals a poor credit rating was the reason their application was rejected. You should also inform them that within 60 days of the rejection, they have a right to obtain a copy of the report from the agency that reported the poor credit. You must also give applicants the name, address, and phone number of that agency. In most states, you may charge an applicant for the cost of obtaining a credit report.
- **Lead-Based Paint Hazard Reduction Act:** Federal law requires that before tenants sign a lease on a property built before 1978, the landlord or agent must provide them with a copy of an Environmental Protection Agency pamphlet on possible lead hazards and have them acknowledge receipt of the pamphlet (available at

www.epa.gov/lead). The landlord or agent must also provide information about any known lead hazards on the property, including copies of any lead hazard test reports. The lease also must include a specific lead hazard warning statement. If your building has four or more units, you must also notify tenants in those units about the potential health threats when renovation work is done at the property.

- **Reasonable accommodation requirements for the disabled:** Under the federal Fair Housing Act, you must permit tenants with disabilities to make reasonable alterations to their rented apartment—at the tenants' expense—so that they can use the premises. You may require that a tenant return the property to its former condition upon vacating. In addition, you must make reasonable accommodations in the rules and regulations governing your housing so that a disabled tenant can fully enjoy the premises. Examples of accommodation include allowing seeing-eye dogs in a no-pet building or waiving rules banning large vans in your parking lot for those in wheelchairs.
- **Landlord-tenant laws:** Many municipalities have laws governing how you must handle security deposits made as part of an apartment rental and what procedures you must follow to evict a tenant. Like earnest money deposits, security deposits must usually be kept in a separate account and often must accrue interest. You may also be required to provide a written account of any deductions taken from the security deposit to repair the apartment at the time a tenant moves out. Eviction regulations often set down what types of notice you must give tenants before filing for eviction and how much time a tenant must be given to resolve any problems before eviction.

5 other potential landlord liabilities

If you manage rental properties for yourself or clients, you could be facing a liability headache if

- **Your property employees** violate fair housing laws, even if you don't know about it.
- **Your maintenance workers** or third-party contractors are exposed to asbestos or lead paint while working on your property.
- **Tenants or their guests** are injured because of your negligence or failure to make repairs.
- **Your employees** commit criminal acts—*theft, rape, or assault*—against your tenants.
- **You fail** to review a new employee's passport or other identification that establishes that person's right to work in the United States and you fail to complete an Employment Eligibility Verification form (USCIS Form I-9).

8 steps to success in small claims court

Emily Doskow, a part-time small claims court judge and a legal editor at Nolo (www.nolo.com), which just released its 11th edition of *Everybody's Guide to Small Claims Court* by Ralph Warner, shares these tips for making your day in court a happy one.

1. **Know your limits.** Each state has monetary limits on the size of cases allowed in small claims court. Top limits range from \$1,500 to \$15,000. Also note that only some states allow eviction proceedings to be heard in small claims courts.
2. **Find out whether the person can pay you.** Even if you win your case, you most likely won't collect if the losing party doesn't have enough resources.
3. **Decide if you have a case.** Review the hard evidence you have—written proof of your arguments, photos, or written declarations from witnesses. You can go to court with just your word against the other person's, but it's a tougher go.
4. **Get your paperwork in order.** Obtain any necessary forms you need to file to get your case on the court's docket. Many forms are available online, often at your local government's or the court's site.
5. **Make friends with the court clerk.** Don't be rude to the clerks; as the people with whom you file your documents, they can become your best friends in explaining procedures to get your case to court. Clerks can't give legal advice, but they can make your life a lot easier.
6. **Get the person served.** Once you have a court date, notify the other party in writing and get a signed receipt of the notification. You'll have to get someone to serve the notice in person. You can't do it yourself. In many states, notification by certified mail is acceptable.
7. **Don't wing it.** Remember, this is a presentation, and making a good first impression counts. Practice what you'll say.
8. **Keep it short.** Just the facts, ma'am, as Sgt. Joe Friday would say. Judges hear dozens of cases a day, so brevity wins points.

“Automation applied to an efficient operation will magnify the efficiency.”

—Bill Gates

4 technologies that will bring change

With Web 2.0, the second generation of online tools and services, consumers will have even more options for accessing real estate information. Saul Klein, e-PRO®, GRI, president of San Diego-based InternetCrusade and coauthor of *Real Estate Technology Guide: Winning With Technology* (Dearborn Real Estate Education, 2004), says these technologies are worth watching:

- 1. Metaverse sites.** Sci-fi-like Web sites, such as www.SecondLife.com and www.There.com, have created a virtual world, complete with virtual economies, where residents appear in 3-D depictions to socialize, start up businesses, and buy homes. Although the transactions on these sites are virtual, the money is real. Metaverse sites as well as online communities, such as MySpace, will become important places for you to network with the next generation of home buyers and sellers.
- 2. Better search engines.** Buyers and sellers will have greater access to view and post property listings on public databases. Many public sites—such as Google Base and Craigslist—already allow people to post property listings without charge. And as search engines become more sophisticated, consumers will be able to retrieve information across multiple databases.
- 3. RSS feeds.** Short for “really simple syndication,” these feeds deliver syndicated content from various sites directly to subscribers’ RSS reader. Expect RSS feeds to grow as a way that consumers receive real estate information and property listings that fit their criteria.
- 4. Consumer ratings systems.** The job you do for customers may soon be publicly rated. Some sites, such as www.Homethinking.com and Judy’s Book (www.judysbook.com), offer consumers a way to provide feedback about real estate professionals and brokerages. And expect more Web sites to soon include property reviews along with feedback from consumers, who note whether property descriptions match reality.

TECHNOLOGY

4 content ideas for mashups

To create helpful visitor experiences, some site operators are blending, or mashing up, cool features from different Web sites into their own site. Mashups are created by using the free application programming interfaces (APIs) offered at some sites, such as Yahoo! Maps. To see what’s happening in the world of real estate mashups, REALTOR® Magazine visited ProgrammableWeb, which tracks mashups by category. Among

the content available as APIs:

■ **Maps.** Google and Yahoo! Maps allow you to incorporate their maps into your site. **Who’s doing it:** Housingmaps.com’s mashup combines Google Maps with Craigslist.org property listings so that visitors can scan classified ads for rental or For Sale properties and see where those properties are located. Homethinking.com combines track records of real estate

salespeople with Yahoo! Maps to pinpoint the location of the homes the practitioners have sold.

■ **Valuation Web sites.** APIs at Zillow.com and Housevalues.com let you include home valuation estimates on your Web site. **Who’s doing it:** AuctionCloud’s real estate section (www.auctioncloud.com/real-estate.php) mixes Zillow’s home valuation charts with property listings from auction site eBay.

6 ways to get the most from your PDA

Besides serving as a phone, smartphones and personal digital assistants are often used for e-mail, to store client contact information, and to maintain to-do lists. But there are many lesser-known uses for these devices—especially when you take advantage of inexpensive software add-ons, says John D. Mayfield, ABR®, e-PRO®, real estate trainer (www.realestatetechguy.com) and author of *5 Minutes to Maximizing Real Estate Technology: A Desk Reference for Top-Selling Agents* (Thomson South-Western, 2006).

1. Take digital photographs. The quality of photographs taken by a smartphone or a PDA increased dramatically over the past couple of years. **Tip:** Snap a photo of a FSBO home and use the image to create a virtual report or flyer that you can present to the owner.

2. Run a PowerPoint presentation. A variety of software add-ons, including Microsoft PowerPoint, can add new capabilities to your smartphone or PDA. The best part is that software programs for these devices tend to be very affordable (less than \$20). **Tip:** PowerPoint presentations will be easier to view on your small screen if you use fewer text boxes

and larger photos. To view the presentation on a larger screen, run presentations through a digital projector.

3. Do instant messaging. Most smartphones come equipped with MSN Messenger, which allows you to log on to your IM account and begin communicating in real time. **Tip:** Stay in touch with tech-savvy clients who prefer texting to phone calls.

4. Read e-books. Booksellers like Amazon.com and Barnes & Noble let you download books digitally to your handheld device. **Tip:** The NATIONAL ASSOCIATION OF REALTORS® has an e-books collection with hundreds of titles you can check out for no charge. Visit <http://ebooks.REALTOR.org>.

5. Store flyers and marketing handouts. With PDF software, you can save your flyers and other handouts on your device. Print them out whenever you need them. **Tip:** You can also attach PDFs to any e-mail you send from your mobile device.

6. Look up MLS data. Many MLSs have special versions of their programs for use with handhelds. **Tip:** If you know you won't have access to wireless service at some point in the day, download the entire MLS or portions of it to your smartphone or PDA. That way, you can consult it whether or not you're connected.

■ **RSS (really simple syndication) feeds.** These feeds allow users to receive syndicated content, such as real estate news, from various sources directly in an RSS reader without having to visit the sites that originated the content. For example, Propsmart.com offers RSS feeds of its online property listings for mashups. **Who's doing it:** Trulia (www.trulia.com) combines Google Maps with RSS feeds of property listings from real estate broker Web sites.

■ **Satellite imaging sites.** GoogleEarth (<http://earth.google.com>) and Microsoft's Virtual Earth (www.microsoft.com/virtualearth) provide aerial images of geographic locations that you can use in mashups. **Who's doing it:** Eppraisal.com combines home valuations with Virtual Earth's bird's-eye property views.

Sources: ProgrammableWeb (www.programmableweb.com); Center for REALTOR® Technology; and NAR Library Technology Reports

5 real estate blogs to visit

In a lively industry such as real estate, it's no surprise there are dozens of blogs—visit A Directory of Real Estate Blogs (www.real-estate-blogs.com) to see a sample—offering opinions and insights on the latest housing market news. Here are a few worth visiting:

Matrix (<http://matrix.millersamuel.com>)

This often-updated blog aims to be an independent resource on the real estate market, focusing on the latest local, national, and international industry news. Jonathan Miller, cofounder of two Manhattan real estate appraisal companies, said he created the blog in 2005 to feed the nation's voracious appetite for all things real estate. He says he's able to maintain an impartial tone in his blog thanks to his appraisal background.

Mortgage Fraud Blog (www.mortgagefraudblog.com)

Mortgage fraud is the fastest-growing white-collar crime in the United States, according to the FBI. This blog, run by Rachel Dollar, an attorney and certified mortgage banker in Santa Rosa, Calif., is a clearinghouse of information on recent mortgage fraud schemes, indictments, and prevention tips.

President's Report (<http://narblog1.realtors.org/mvtype/president>)

Want an easy way to learn about NAR's top priorities and member resources? Just subscribe to this blog and its accompanying twice-monthly podcast. 2007 NAR President Pat Vredevoogd Combs uses the forum to let members know about important legislative activities, free business tools and resources, and housing market updates.

The Real Estate Bloggers (www.therealestatebloggers.com)

If you enjoy reading interesting news on all manner of real estate topics—the sale of Dracula's castle in Transylvania and Arizona State University's new real estate MBA were two postings we found on a recent visit—check out this blog by Tom Royce out of Atlanta. Royce says he's always had a keen interest in real estate, though he's never worked as a practitioner. His goal is to capture the mood of the real estate market by spotlighting compelling news articles and video clips.

The Real Estate Tomato (<http://realestatetomato.typepad.com>)

A blog about blogs. The Real Estate Tomato's founder and author, Jim Cronin, delivers e-marketing news and tips geared to real estate salespeople. Cronin, based in Paradise, Calif., says his goal is to educate practitioners on how to embrace blogging as an effective marketing tool. Occasionally he'll include juicy or unique real estate news snippets, but only when he feels they won't be covered on other industry blogs.

MORE ONLINE

NAR's e-PRO® certification, part of the REALTOR BenefitsSM program, can teach you to conduct business in the online universe. Learn more at REALTOR.org/realtorbenefits.

“My problem lies in reconciling my gross habits with my net income.”

—Errol Flynn

8 easy ways to save money (that you can start today)

Can't figure out why your bank account isn't bigger? Perhaps you need to reevaluate how you manage your money. Here are some places to start:

1. Sweat the small stuff. Many people think spending \$5 here and \$10 there is no big deal. But if you saved that amount every day, it could add up to a very large pot of dough through compounding. For instance, saving \$5 per day can mean saving \$1,825 a year, which, with a 5 percent return, will turn into more than \$20,000 in 10 years and more than \$60,000 in 20 years.

2. Don't pay bills early. Whether you're paying personal or business invoices, keep your money earning interest in your own account as long as possible by paying bills when they're due, not early.

3. Don't pay bills late. Set up a system to pay recurring bills—mortgage, utilities, and credit cards—on time. If you're getting hit with late fees for silly things like movie rentals, sign up with an online movie delivery service

that doesn't charge late fees.

4. Take advantage of trade show discounts. Scour exhibitor information to learn which exhibitors offer discounts during the show. Consider holding off making purchases until the last day of the show for possibly bigger discounts. Exhibitors might be more willing to offer price cuts to meet sales goals or avoid shipping products back home.

5. Make smart choices about insurance. Take the time to shop around for all your insurance policies, especially business, auto, medical, and home insurance. Raise your deductibles, bundle policies with the same insurer to get bigger discounts, and ask about discounts for such things as adding a security system. Also,

keep a clean credit record because more and more insurers are using your credit information to price home owners' policies. Learn about special insurance offers through NATIONAL ASSOCIATION OF REALTORS® REALTOR Benefits™ Program (REALTOR.org/realtorbenefits) partners, including Geo. F. Brown & Sons, Liberty Mutual, and Marsh Affinity Group Services.

6. Ask your vendors for discounts.

Many vendors, such as your printer, might agree to discount their services if you agree to pay early or in cash.

7. Recycle printer cartridges.

Printer cartridges are expensive. Typically, when you bring your used cartridge to the supplier, you get a discount on the purchase of a replacement. Check your phone book for a local recycled printer cartridge supplier.

8. Think before you sign up. Join only business organizations that can bring you business. Also, if you're just starting out in the business, many organizations will allow you to join at a reduced rate or allow you to pay dues each month rather than in a lump sum.

Sources: Michael Fischer, author of *Saving and Investing: Financial Knowledge and Financial Literacy That Everyone Needs and Deserves to Have!* (AuthorHouse UK DS, 2005); American Express Small Business (www.americanexpress.com); Entrepreneur.com, Insurance Information Institute (www.iii.org); BusinessTown.com LLC



Get a higher commission split

If you want to increase your commission split, and your broker offers only one plan, you'd better be ready to negotiate. David Cocks, managing partner of CompensationMaster LLC (www.compensationmaster.com) in Charlotte, N.C., offers this advice on how to prepare:

6 ways to go home earlier tonight

Tired of working too many hours a day? One or more of these tips will help you go home at a more reasonable hour.

- 1. Think of e-mail as meals.** Check your e-mail only three times a day: morning (breakfast), midday (lunch), and late afternoon (dinner). That way, you're less tempted to fiddle with e-mail that's not crucial.
- 2. Use your cell phone's voice mail as a virtual assistant.** Your outgoing message should let callers know when you'll return phone calls. If you're in a seminar or on appointments, include that info in your message. Consumers will appreciate your attention to detail and know when to expect your call.
- 3. Program your e-mail to go directly into folders.** In your e-mail system's setup function, create rules to identify where e-mail goes. For example, send all e-mail from anybody in your address book to a "hot" folder, and check that folder often. Send all e-mail from real estate services, such as your MLS or association, to a "whenever" folder, and review them when you can. Finally, send all e-mail from unknown senders to a "later" folder, and skim them on weekends or during downtime.
- 4. Organize your forms to avoid time-wasting searches.** Place copies of every form you use in a three-ring binder with tabs that identify each category of form. That way, you can quickly find the right one.
- 5. Streamline your e-mail.** When appropriate, insert "No reply needed" in the subject line or opening of your e-mail to reduce the number of responses you receive. Also, use pre-written responses for answering frequently asked questions or requests for information, such as directions.
- 6. Plan for interruptions.** It's impossible to avoid unexpected calls or visits. Leave two 30-minute intervals of time unscheduled every day and use them to catch up or treat yourself to a little personal time.

Sources: Jennifer Cleveland, Century 21 Jim Dunfee Realty, South Bend, Ind.; Candace Deshe, RE/MAX Professionals, Duluth, Ga.; Mike Hunter, ABR®, SRES, Coldwell Banker Residential Brokerage, Sudbury, Mass.; Elizabeth A. Nelson, Keller Williams Realty East Portland, Portland, Ore.; Yvonne K. Scarlett, Exit Realty Professionals Elite, Davenport, Fla.; Peter Turla, The National Management Institute, Flower Mound, Texas

Be ready to show how much money you've actually produced. Rather than sales volume, a broker will be more interested in the gross commission generated, because that will indicate how much money the office received.

Have a plan to increase your productivity. The plan should include your sales goals and the specific steps—such as marketing programs, networking, and new technology—you're going to use to reach your objectives.

Show your broker your tech tools and how you use them. Then show how those are helping your broker's bottom line. Estimate the hours and money you've been saving your company.

If your broker is still hesitant, suggest a new commission split on a six-month trial basis and commit to bringing in X amount of business. Then say to your broker, "If after six months I don't meet my production goal, we'll return to the old split."

Planning for retirement

There's no time like the present to start a retirement savings program. Consider these options, and remember to consult a financial planning, tax, or legal expert to ensure that you understand the details, rules, and restrictions.

IRA (Traditional) People 50 or older by the end of a calendar year can contribute an additional \$1,000. There's no deduction phaseout if neither the individual nor spouse is covered by an employer-sponsored plan. Contributions for 2006 can be made until April 16, 2007.

Contribution limits: \$4,000 for a single person or \$8,000 for a couple filing jointly (same for 2007)

IRA (Spousal) If your spouse participates in a retirement plan through work, you receive a full tax deduction on your contribution to your own IRA if your joint adjusted gross income is less than \$150,000. The deduction is phased out gradually up to \$160,000 in joint adjusted gross income. You can contribute an additional \$1,000 if you're age 50 or older by the end of a calendar year. Contributions for 2006 can be made until April 16, 2007.

Contribution limits: \$4,000 (same for 2007)

Simplified Employee Pension Plan These plans are simple to set up and administer, making them very popular with independent contractors. SEPs work like a traditional IRA but have higher contribution limits. Employers offering a SEP don't have to include employees in the plan for their first three years of employment.

Contribution limits: 20% of self-employment income or 25% of compensation for employees, up to \$220,000 in income (\$225,000 for 2007)

Solo 401(k) These plans apply only to independent contractors with no employees. The main benefit is the high level of tax-deductible contributions allowed. You can also borrow up to 50 percent or \$50,000 of the plan's assets, but the loan has to be repaid within five years.

Contribution limits: The first \$14,000 of income, plus 20% of any additional income up to \$220,000 in 2006. (The limits are \$15,000 and \$225,000, respectively, for 2007.)

Keogh Plan These plans can be set up as a profit-sharing plan or defined-benefit plan, which uses a formula (based on salary and years of service) to determine a participant's annual retirement income. These plans aren't very popular because they require a professional to set up and administer thanks to the additional IRS filings involved. Employers must cover all employees immediately.

Contribution limits: 20% of self-employment income or 25% of compensation for employees, up to \$220,000 in income in 2006 (\$225,000 for 2007)

Source: Marc Jacobson, Marc Jacobson & Associates, Northbrook, Ill.

Cut your car costs

At a time when owning a car is costly, you've probably already reduced your expenses by raising the deductible on your insurance policy and taking advantage of discounts offered by your insurer (safe driver, multiple policy). Another area ripe with potential savings is gasoline costs. Some ways to improve your mileage:

- **Slow down.** Even a five-mile-per-hour decrease in speed can affect gas mileage.
- **Keep tires properly inflated.** Under-inflated tires can cut fuel economy by 0.5 percent per pound of pressure below recommended levels.
- **Give your car a tune-up.** A poorly tuned engine can increase fuel use by up to 50 percent or more. Include a regular oil and filter change. Check with your dealer or a trusted auto mechanic for the recommended frequency of oil and filter changes.
- **Don't idle.** Unnecessary idling can consume as much as a gallon of gas per hour. It also wastes more fuel than restarting the engine.
- **Maintain a consistent speed.** Accelerate gently, brake gradually, and avoid sudden stops.
- **Plan errands.** Combine outings into one trip as often as possible to spend less time on the road.
- **Pare extra weight.** The excess weight of cartop carriers and trailers causes engines to work harder and burn more gas.

Source: AAA-Chicago Motor Club

Get the most from your NAR dues

As an NAR member, you have access to a wide range of discounts, promotions, services, and resources. Your Membership Kit explains all the benefits available to REALTORS® from NAR. The 2007 kits will be mailed in June. In the meantime, here are some ways to get the most from your membership:

Take advantage of the REALTOR Benefits™ Program. This NAR program entitles you to special offers and discounts from vendors providing practical solutions to your everyday personal and professional needs. As an added bonus, using REALTOR Benefits™ Program partners generates revenue for NAR and helps keep your membership dues low.

Check out the free software available from NAR's Center for REALTOR® Technology. ezRETS, for example, lets you easily transfer information from your MLS to desktop applications like Word and Excel. For more information on ezRETS and other free resources, visit the CRT site at www.crt.REALTORS.org.

Leverage the REALTOR® brand with consumers. Independent research confirms that NAR's Public Awareness Campaign has had a positive impact on consumers' perception of the value REALTORS® bring to a transaction. Take advantage of that strength by placing the REALTOR® logo on your business card, wearing your REALTOR® pin, and showing your membership card with pride.

Keep learning. By pursuing an NAR-endorsed designation program, you can improve your proficiency, skills, marketability, and income. A good place to start learning about designation programs and other educational offerings is at REALTOR® University (REALTOR.org/runivers.nsf). Also, visit REALTOR.org/Store for a variety of books, guides, and brochures. And check out titles electronically from NAR's ebooks.REALTORS.org.

Be informed. You'll be in the know when you read REALTOR® Magazine, the business tool for real estate professionals, and visit its cyber sister at REALTOR.org/realtormag. REALTOR.org offers resources, stats, business tools, field guides, products, and services to improve your business.

Attend a convention. A convention is a great place to compare products and services, attend seminars, and network with colleagues. The 2007 Midyear Legislative Meetings & Trade Expo in Washington, D.C., will be held May 14-19, and the 2007 REALTORS® Conference & Expo in Las Vegas will be Nov. 13-16. Read more at REALTOR.org/meetingsandexpo.

Source: NAR

5 business functions to automate

Technology is a great time-saving tool, but only if you use it. Here are five tasks you can automate:

- 1. Distributing listing data.** Use syndication software, such as Point2Agent's (<http://agent.point2.com>) Point2 Exposure Engine, to automatically push listing data to multiple real estate Web sites. You enter the data once, and the software does the rest.
- 2. Replying to e-mail.** Use the auto-response function on your e-mail program to send consumers an instant reply. Although most people think of this function as their "vacation response," you can also use the message field to convey important information, such as your phone number, office location, and the time the sender can expect a personal response.
- 3. Forwarding important e-mail.** As long as you're tinkering with your e-mail settings, take advantage of the system's filters to automatically forward important e-mail to your cell phone or mobile device. Create parameters for what's sent—for example, any e-mail with a subject line that contains the phrase info request—and you'll be instantly notified when a message meeting those criteria arrives.

4. Gathering news and information. An RSS (really simple syndication) reader pulls syndicated content from the Web sites you visit regularly, eliminating the need to visit and scan each site individually. You can then read the information in your RSS reader. Examples of readers include Bloglines (www.bloglines.com) and Google Reader (www.google.com/reader).

5. Backing up information. Set up your computer to automatically back up the data on your hard drive to an external drive each night.

Source: NAR's Center for REALTOR® Technology

www.REALTORS.org/realtormag

Management is doing things right;
leadership is doing the right things.

—Peter F. Drucker

5 new business ideas

... and how they can impact your brokerage

1. Peer-to-peer lending. Thanks to innovation in loan products, automated underwriting, and credit scoring, it's getting easier for those with credit blemishes to obtain loans. But can credit-challenged borrowers always get a rate that makes sense for them? And what about their risk of being taken in by a predatory lender?

The rise of peer-to-peer lending, in which people with money bid to lend all or part of the funds sought by online applicants through a centrally managed network, offers an alternative. The bidding process helps drive down rates for applicants, and automatic bank withdrawals by the network from the borrower's checking account help ensure steady repayment to the lenders.

Loans are limited to three years on Prosper, a peer-to-peer network started by a founder of e-Loan and backed by the founder of eBay, so they can't be used for mortgage financing. But the loans can help home buyers come up with a down payment or consolidate debt to improve their credit scores. And—who knows?—in the near future, home loans might be offered, too.

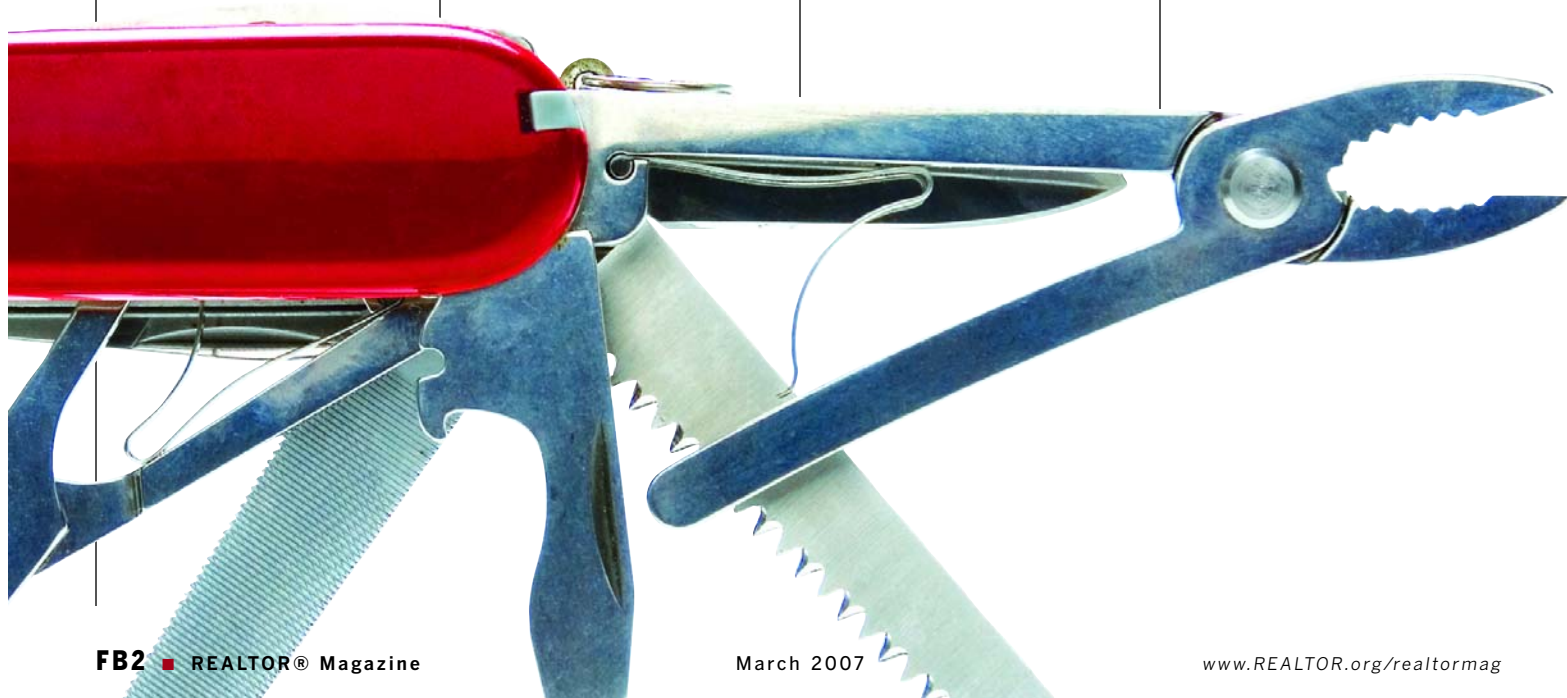
2. Internet press releases. Has your brokerage opened a new branch? Send an Internet press release to reporters.

Internet press releases, which are sent over company e-mail, mix elements of traditional press releases (preapproved quotes, for example) with technology-rich fea-

tures like links to your company logo, a video (which could be of your new office), links to blog posts if those are relevant, an RSS feed with company information, and a Web page containing links to resources, including information about your company from third parties. The idea is to give reporters everything they need for a story in one place, says Todd Defren of SHIFT Communications, which has developed an Internet release template.

An Internet press release using SHIFT's template sent by Compton, Calif.-based technology company Belkin International includes an RSS feed, downloadable high-resolution product pictures, a downloadable logo, and a link to the company Web site.

3. Beefed-up Voice-over Internet Protocol (VoIP). Thanks to today's powerful high-speed Web connec-



tion lines for VoIP technology, it's getting easier to send high-resolution pictures and audio to multiple computers simultaneously at a low cost. That means you can hold meetings and educational seminars for sales associates working in different offices, and none need to leave their desk.

Multimedia Internet conferencing host WebEx has been charging about \$75 for 15 people to meet. That's less than you'd pay to host six people in your office with lunch when you factor in their lost productivity time as they drive to and from your meeting.

4. **Small-business 401(k) plans.**

It might be more cost-effective than in past years for you to offer your sales associates a retirement plan. By taking advantage of cost-efficiencies offered by Internet-based providers of retirement plans (with their paperless transactions, for example, as well as bundled trades), you could face lower administrative costs for your plan.

One provider, Sharebuilder.com, offers what's known as an exchange-traded fund. Unlike typical mutual fund retirement accounts, exchange-traded funds offer a typically unchanging basket of securities that track a benchmark such as the Dow Jones industrial average. Investors know what they're buying and can make their own buy-sell decisions.

To keep trading commission costs down, the provider bundles together the trades of its small-business customers.

Sharebuilder said in late 2006 that it can integrate a retirement plan into an existing payroll program for about a \$750 start-up fee and \$15 per person per

month in administrative fees (not counting trading fees), according to a *BusinessWeek SmallBiz* report from spring 2006. There's no minimum number of enrollees. That would compare well with conventional mutual fund-based accounts. A regular plan can cost up to \$2,500 per employee per year, not counting trading fees, according to the *BusinessWeek* report.

5. **Shared call center services.** In 2005, McDonalds took the idea of call centers to a new level when it farmed out drive-through order taking at dozens of its restaurants to a single call center. That meant the hamburger order you placed from your car in Honolulu was routed through an order taker in California. The company says its goal is to shave seconds off order taking and reduce mistakes. That centralization mechanism would seem to have little application for real estate brokerages, but if you operate several branch offices, you can centralize your receptionist duties in one office.

That's what HomeSmart International did in 2004. The company operates four offices in the Phoenix area, all of which are serviced by a remote receptionist who greets walk-ins via flat-screen TV. The benefits are better quality control, less turnover and training, and fewer paychecks to hand out.

"The cost savings is tremendous, not to mention the headache savings that we realize in having to staff only one receptionist position," says company president Matthew Widdows.

Sources: Prosper (www.prosper.com); SHIFT Communications (www.shiftcomm.com); WebEx (www.webex.com); BusinessWeek.com; ShareBuilder Corp. (www.sharebuilder.com)

5 ideas for managing cash flow

Your sales associates might be generating plenty of commission income, but is enough of that money flowing to your brokerage for you to pay your bills on time? Here are a few ideas to help ensure that you don't run into trouble:

1. **Get the split right.** It's not uncommon for associates to earn a lot in commissions early in the year, transition to a higher split, such as 90-10, based on a preset volume trigger, and then enjoy the higher split even if the market slows and their volume shrinks dramatically. In those cases, you're left covering overhead for underperforming associates. What's better is to set the split trigger on the basis of what associates cost you in overhead. That way, you don't transition them to the higher split until they've generated enough income for you to cover their costs to you plus a little profit.

2. **Don't subsidize underperformance.** You're throwing away money paying for all your associates' business cards and signs if only 7 percent of them are generating 93 percent of your business, as some brokers contend. It's better to let your associates buy their own cards and signs, as well as pay for at least half of the costs of their marketing and training; otherwise, you're subsidizing the 93 percent who are generating little business.

3. **Shop for deals on your office essentials.** You often pay more than is necessary for phone service if you just go with your local provider. Shop national carriers instead, and you'll almost certainly find cheaper service. And buy a used copier instead of leasing a new one. You can get a high-end copier for a fraction of its original cost by going with a barely used machine that's been thrown on the market by a belly-up company.

4. **Invest in back-office software that calculates projected cash flow.** Lucero Summit (www.lucero.com) and Lone Wolf Realty Management System (www.lwolf.com) are two examples of software products that can tell you how much money you'll have to spend in the months ahead on the basis of deals your associates have in the works. Armed with that information, you can make critical spending decisions, such as when to buy new office equipment or whether you should tap reserves to pay your creditors.

5. **Don't secure a line of credit with personal assets.** It's tempting to use a personal asset as loan collateral to help ensure that you can pay your bills at a reasonable interest rate, but if you need a line of credit, make it an unsecured business loan. That costs you 2 percentage points more in interest on average than if you secure the credit with a big personal asset like your house. But you have much less at risk if you start missing repayments.

Source: Cliff Perotti, TheBrokerCoach.com, Corte Madera, Calif.

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FOR BROKERS

3 tips for effective signage

Put the focus of passersby on your business sign, not your building, especially if your office is in a nondescript property.

1. Decide what sign type is best for you. Some choices and their advantages include:

- **Illuminated awning.** Storefront stays bright at night and on overcast days; helps your customers find their way in the dark. Side benefit: discourages thieves.

- **Electronic message center.** Signs that come with a large screen for which you program customized messages let you display useful information like time, temperature, or road conditions. Those messages attract attention to your business. They also make you part

of the community if you promote a civic event or cheer on your local sports team.

- **Monument sign.** A potential alternative to the widely used pylon signs (signs on poles, typically in the parking lot or near the street) if your locality restricts pylon signs for aesthetic reasons, as a growing number are doing. With monument signs, your logo is etched into concrete or stone that sits on the ground.

2. Make sure your sign has conspicuity. Whatever sign type you choose, it must be easily and quickly readable, including at night. So conspicuity could mean giving your sign a reflective surface.

3. Add some street furniture emblazoned with your company name if there are no benches or bollards (posts that block traffic, such as from sidewalks) outside your office already and city regulators allow it. Benches are the most common type of street furniture; bollards are becoming more popular. Either one might provide an extra branding opportunity for your brokerage.

Sources: U.S. Small Business Administration (www.sba.gov); Rainier Industries (www.rainier.com), Tukwila, Wash.; Spectrum Corp. (www.specorp.com), Houston; International Sign Assoc. (www.isa.com), Alexandria, Va.

Boost referrals to ancillary services

Your in-house mortgage, title, and insurance services are as competitive as any in your market, you believe. Yet, it's like pulling teeth to get your sales associates to recommend them, along with all the other options available in the market, to their clients.

To ramp up referrals at her office, Patricia Savani, associate broker of Champion Realty in Annapolis, Md., launched what she calls "at bat." The program asks her associates to give her brokerage's ancillary services an "at bat"—a chance—with their clients. Then she thanks the associates publicly, such as during meetings, for that opportunity, whether or not the clients actually used the services. Savani says the approach has made a difference. "All else being equal, just saying 'thank you' and acknowledging their referrals change their feel-

ings toward your services," she says. Here's how you can get salespeople talking about your services:

1. At a minimum, **be sure your services are at least as good as those of the competition** in your market in terms of price, speed, flexibility, and accuracy.
2. **Make ancillary services convenient to use.** All else being equal, your associates will be attracted to the convenience of having a loan, title, or insurance representative right there in your office. If you can't make space for them, have representatives of the ancillary businesses come in at least once a week, such as to attend your sales meetings. That will help keep them in front of associates regularly.
3. **Post "at bat" messages around the office.** At Champion, those notices are illustrated with a cartoon character reminding associates to give the company an "at bat" when they're ready to make a mortgage, title, or insurance referral.
4. **Help consumers understand your services.** Savani's company has published a 27-page home buying guide for associates to hand out, detailing what customers can expect from their salesperson and the in-house officers of the loan, title, and insurance businesses. The *What to Expect* guide is an understated way to introduce consumers to the idea of using the company's services as a single package.
5. Whenever associates introduce a client to one of your in-house

services (and the company's relationship with the services is disclosed in compliance with the federal Real Estate Settlement Procedures Act), **send a note to everyone in the office thanking the associates** for giving the company an "at bat" and congratulating them on their transaction. Not only do associates feel good about being publicly thanked, but the notes are also a subtle way to publicize that the associates chalked up another transaction.

Whatever you do, it's key to know the rules of RESPA, which requires disclosure of affiliated business arrangements and also prohibits the exchange of anything of value for referrals of settlement services. To learn about RESPA, click **Current Links** at REALTOR.org/realtormag.

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Stay out of court

Good human resource practices pay off from a legal standpoint. Whether you're a small or large brokerage, you can adopt a "pound of prevention":

- 1. Adopt a "mediate" rather than a "litigate" mind-set.** Keep the lines of communication fluid with an open-door policy that allows associates and employees to bring issues to your attention without fear of retribution. If the problem can't be solved, make mediation or arbitration the next step.
- 2. Know the law.** Arm yourself with a basic knowledge of business law, particularly on discrimination and sexual harassment. Community colleges are a great place to start. Get your attorney's opinion on documents, such as employee policies, you've drafted before you put them into practice.
- 3. Communicate your policies clearly.** Explaining your policy at a sales meeting or in a memo lessens the potential

for conflict based on misunderstandings. And dispute-resolution programs work best when employees and associates are aware of the rules.

- 4. Write it down.** Keep good notes on mistakes made by your associates and employees. Document your own actions and the reasons behind your decisions.
- 5. Hire carefully.** Look for associates with a strong work ethic and values that match the company's. Stay away from those who feel life owes them something, says the SCORE Association, a small-business counseling group.

Source: SCORE Association (www.score.org)

5 fascinating facts about real estate

Like the customers they serve, real estate brokerage companies are changing. Here are a few interesting facts taken from the 2006 NATIONAL ASSOCIATION OF REALTORS® *Profile of Real Estate Firms: An Industry Overview*. (Survey information was mailed in March 2006.)

- 1. A boom spawns new companies.** Some 11 percent of residential real estate companies have been in business one year or less, and another 11 percent have been in business three years or less. In 2004 only 7 percent had been in business one year or less.
- 2. Consolidation gains momentum.** In the 2004 *Profile*, 93 percent of residential real estate companies had one office. In the 2006 *Profile*, the percentage dropped to 76 percent.
- 3. Good times don't help turnover.** In the 2004 *Profile*, 45 percent of residential brokerages reported no salespeople had left the company in the past year. In the 2006 *Profile*, 80 percent of brokerages had no turnover.
- 4. Smaller offices grow more in relative terms.** Companies with one or two offices increased their number of salespeople per office by approximately 60 percent between the 2004 and 2006 surveys. On the other hand, companies with four or more offices saw the number of salespeople per office decline by 48 percent.
- 5. More salespeople chose franchises.** Although the number of brokerage companies affiliated with franchises has grown very little since the 1999 survey, the number of salespeople affiliated with a franchise has grown to 55 percent in 2006 from 38 percent in 1999.

Improve your company's image

After growing into a 150-associate brokerage in the Tampa Bay, Fla., area over 37 years, Smith & Associates Real Estate unveiled a brand revamp in late 2006. The reason: to sharpen its image as a luxury home specialist in an increasingly crowded field. In its new incarnation, its luxury real estate focus is tied to hip, slightly edgy imagery that appeals to baby boomers. Gone is its more classical look.

On the basis of the process that Smith & Associates went through, here's what you would do to change your company image:

- **Conduct a brand audit.** The company hired a branding consultant, who, among other things, conducted consumer perception research.
- **Identify your company persona.** Several findings came from the research, including that the company associates were regarded as successful, friendly, and progressive. Also, customers said their relationship was with the associates, not the company.
- **Create your persona.** Out of the findings relating to consumers' perception of its brand and associates, the company developed a philosophy for itself around the premise that its customers would have a pleasurable, rewarding experience working with its knowledgeable and passionate associates.
- **Capture the persona in your brand imagery.** The company developed a cheerful palette for its logo and signature colors. It highlighted its associates in its marketing by depicting them in confident yet lighthearted poses in settings of affluence that showcased their individuality. One associate, for example, is shown admiring art; another, taking her dog for a ride in her golf cart.

"After a year and a half and many sleepless nights, we couldn't be more thrilled with our evolution," says Amanda Thompson, the company's marketing director.

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