

## Referral Fees

### When are Referral Fees illegal? If:

- Residential 1 to 4, AND
- Buyer will take occupancy or other personal use, AND
- Federally related loan or lender (this includes most types of loans), AND
- Involves a settlement service (this will include referrals of buyers or sellers by an unlicensed third party)

### Exceptions:

- Rebates of commission to a buyer or seller are OK
- Brokers and agents may refer business to each other. That's OK. That's OK if they are not acting in the capacity of a mortgage broker

### When are Referral Fees okay? If:

- All cash
- Investor
- Commercial, vacant land or residential 5+
- Most hard money loans
- Most seller carry backs

**Then, you can pay a referral fee to a non-licensee in the "Okay" category if the non-licensee arranges an introduction only.**

- But, the non-licensee cannot represent, negotiate or act as licensee. Any act beyond mere introduction, however slight, may result in that person being an agent.

**Finally, no matter what type of transaction, you may never receive a Referral Fee from these companies or people:**

- Escrow
- Structural pest control firm
- Home protection company
- Title insurer
- Controlled escrow company
- Underwritten title company

**NOTE:** These companies/people may pay for food and meals within the context of customary educational, business, or promotional practices, and may furnish documents, services, information, advertising and educational materials that are customary in the real estate business.