

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 (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 as long as they are not acting in the capacity of a mortgage broker

When Are Referral Fees Ok? If....

- All cash
- Investor
 - Seller carry -back
- Commercial, vacant land or residential 5+
- Hard money loan

Then, you can pay a referral fee to a non-licensee in the "OK" category as long as 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 Can 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
- However, they 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.