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| Slide 1 |  | Information in this presentation is a summary of RESPA. Your brokerage firm may have more specific policies regarding RESPA, which you may insert into this presentation. |
| Slide 2 |  | **Instructor:** RESPA was signed into law in the 1970s. It’s purpose is to protect consumers by ensuring they are provided with information about the real estate settlement process, and keeping them from being overcharged for settlement by outlawing certain abusive practices, including kickbacks and charging unearned fees. |
| Slide 3 |  | **Instructor:** Almost everyone involved in a real estate transaction is subject to RESPA, including agents and brokers. Settlement Services is defined in the law as [Read Definition]. |
| Slide 4 |  | **Instructor:** So how does this affect you? It depends on how you do business, but at the very least you must be aware of how to engage with other settlement service providers, what kind of referrals you may engage in, and what kind of disclosures you may need to make if you have an interest in an affiliated business. |
| Slide 5 |  | **Instructor:** Let’s first talk about the most likely affect on your business, which is that of referrals. RESPA prohibits real estate settlement service providers (which, remember, includes licensees) from receiving money for referring business. This means, generally, you cannot give your clients or former clients money or anything of value in exchange for their referring your business to others.  There are a few important exceptions. For property management and “finders fees” to tenants, this is OK because RESPA only applies to transactions involving settlement and federally related mortgages. Additionally, you may give and receive referral fees with other real estate licensees, pursuant to cooperative referral agreements or arrangements. And you may refer a client to an affiliated business in which you have an interest, provide the proper disclosures are made. |
| Slide 6 |  | **Instructor:** Let’s cover some common questions with rules on referrals. A thing of value does not have to be cash. It can be a trip, a home warranty, a gift card, etc. And there is no minimum amount – a $5 gift card is still a thing of value. A closing gift is not the same as a referral fee, and is acceptable so long as it is not tied to a referral of future business. Follow any applicable IRS restrictions when determining the amount or value of the gift. Likewise, a rebate of your commission for a particular transaction (not for future business) is not the same thing as a referral fee and is permitted, with lender approval. Let’s go through some common examples of ways to provide appreciation to your clients. [*Click for examples of things that are OK (YES) and not OK (NO*)] |
| Slide 7 |  | **Instructor:** Here is the part of RESPA that prohibits referrals in exchange for things of value (Section A) and the exception for referrals between licensed real estate agents and brokers (Section C, 3) and affiliated business arrangements with property disclosures (Section C, 4).  **Source:** 12 U.S. Code § 2607 |
| Slide 8 |  | **Instructor:** It is not unusual for people in the real estate industry to have an interest in businesses outside of their everyday work but related to real estate. RESPA requires that if you are involved in an affiliated real estate service business and you are in a position to refer a client to that business, you must disclose that arrangement. Here is how Affiliated Business Arrangement is defined in the law. Note that it includes direct ownership interests AND beneficial ownership interests. This means if your spouse or partner has an ownership interest in such a company, you likely must follow the disclosure requirements.  There are other requirements for affiliated businesses to ensure that the business is not a sham one set up to avoid RESPA violations. Virginia REALTORS has a podcast devoted just to Affiliated Business Arrangements, which you can find at our website https://virginiarealtors.org/law-ethics/legal-resource-library/ and filter the topic to RESPA (link provided on slide). |
| Slide 9 |  | **Instructor:** The Disclosure Form is fairly short and straightforward. It lays out the relationship between the person making the referral and the entity they are referring. It also informs the consumer that they are not required to use that provider and are free to shop around. Finally, it lays out the estimated charge for the service. |
| Slide 10 |  | **Instructor:** Co-marketing agreements are usually between two or more settlement service providers (such as a real estate broker and a lender, or a lender an insurance company) who decide to co-market their business through joint advertisements. These arrangements are possible, so long as you follow the rules and don’t use them as a way to get around RESPA. Ensure that costs paid are reasonable for the return and one party isn’t paying more for equal marketing power, or paying equal amount for less marketing power. |
| Slide 11 |  | **Instructor:** Penalties for being found to have violated RESPA can be severe, including imprisonment.  **Source:** 12 U.S. Code § 2607(d) |
| Slide 12 |  | [*Read Question and Click for Answer*] |
| Slide 13 |  | [*Read Question and Click for Answer*] |
| Slide 14 |  | [*Read Question and Click for Answer*] |
| Slide 15 |  |  |