

MAILBAG – Referral Fees

Hello, Michigan Realtors® and welcome back to From the Mailbag. Today we're diving into one of our most requested topics – referral fees. Let's take a look at some questions from the mailbag.

Question 1: I have a property that I am trying to move. To generate interest, I'm offering tickets to a Detroit Red Wings game to anyone who refers a buyer to me, provided that the sale successfully closes. Is this permissible?

Answer 1: NO. The Occupational Code prohibits this type of referral fee payment to anyone who is not licensed. It would, however, be permissible to give the tickets to the actual buyer of the home (as LARA does not consider that to be a "referral fee").

Question 2: I have clients who have bought and sold many properties through me over the years. They have just referred a couple to me so that I could assist them in locating a home. I would like to give a gift card to my long-term clients. Can I do this?

Answer 2: It depends on the reason for the gift. A real estate licensee **CAN** give a gift to their client to show their appreciation for the client's past business. However, you cannot not give your long-term clients a gift for a **REFERRAL**. In this example, unless your client is a real estate licensee, you are prohibited from making a payment to them (if it is made in exchange for a referral of business).

Question 3: A local attorney referred his client to me to purchase one of my listings. He is not a real estate licensee, but he is demanding a referral fee. He said because he is an attorney, he is exempt from the rule prohibiting referral fees to non-licensees. Can I pay him?

Answer 3: NO. The licensing requirement does not include an exemption for attorneys.

Question 4: Can I agree with my church that I will donate \$500 to the church for every member of my church who lists and sells their home with me?

Answer 4: NO. Now, you **CAN** agree to make a donation to the church for every property you list and sell, but you cannot pay a fee to an organization in exchange for it referring its members to you. The fact that the organization is categorized as a religious or charitable group does not change the analysis – it's still prohibited.

As always, thanks for tuning in to another installment of From the Mailbag. For more information on referral fees, check out the Letter of the Law video linked in the description or reach out to the email listed below. Take care, and we'll see you next time!