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OCTOBER 2018 NEWSLETTER

THE DYNAMIC OF TEAMS

WHERE VALUE RESIDES

A recent study sheds light on gross commission income. | By Steve Murray, president

The California Association of Realtors® and REAL Trends recently studied the financial metrics of teams. While full results are not available, there is one piece of data that demonstrates where a great deal of value resides in the residential brokerage industry.

First, recall that we collect financial data from hundreds of brokerage firms of all models, brands, and regions each year. From that, we released a report that showed that the Average Gross Margin (the amount brokerage firms have for their own expense after commission payments to their agents) in the United States was about 15 percent for the 18 months ending June 30 of this year. Further, the report showed that this critical metric had declined from about 22 percent just five years ago. Keep that 15 percent Gross Margin in mind as we proceed.

What Are Team Leaders Paying Agents?
In studying the newly compiled team metrics, we noted that, on average, these teams from across the country paid about 35 percent of their gross commissions to their inside agents. That means that these teams,

REALTRENDS
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7501 Village Square Drive, Ste. 200
Castle Rock, CO 80108
Phone: 303-741-1000
E-Mail: realtrends@realtrends.com
Web: realtrends.com

President:
Steve Murray - smurray@realtrends.com

Publisher:
Tracey Velt - tvelt@realtrends.com

REAL Trends Team:
Alicia Vivian - avivian@realtrends.com
Bo Frize - bfrize@realtrends.com
Brent Driggers - bdriggers@realtrends.com
Bryan Warrick - hi@hihellostudio.com
Cooper Murray - cmurray@realtrends.com
Doniece Welch - dwelch@realtrends.com
Nikki Lindholm - nlindholm@realtrends.com
Peter Gilmour - pgilmour@realtrends.com
Rebecca Chapla - rchapla@realtrends.com
Scott Wright - swright@realtrends.com
Trish Glodava-tglodava@realtrends.com

who averaged approximately $1.1 million in gross commissions per year, had a Gross Margin of 65 percent. That means that the Gross Margin for a typical team was ***50% higher than the Gross Margin*** of the average brokerage firms in the country now.

Now, these teams were typically lead generation models where the team itself generates most of the business of the team. This lead generation can come from a sphere of influence (SOI), direct mail, online leads and other forms of prospecting. The key is that when a brokerage organization generates most of its business, the amount paid to the agents who serve the firm's customers is less than when a brokerage provides little to none of the leads.

Determining the Great Value

Now we have a clue as to where the value resides. The majority of value does not lie in the marketing, technology, facilities, management, brand, education provided to agents; rather; it's in the delivery of opportunities to serve buyers and sellers. The value of referrals can be said to be about 50 percent of the total commission generated from transactions.

Yes, this is an imperfect measurement, but it is instructive. For all the investment in the multiple support systems mentioned above, the fact is that agents are willing to receive a substantially reduced commission split where the firm itself provides the business opportunities.

The Challenge for Brokers and Teams

One other note—in speaking with teams with whom we've consulted in the past two years, even they have the challenge of retaining agents willing to work as inside agents at a lower split.

Several teams have commented to us that one of their biggest challenges is keeping agents who've gained experience and a following and who want a higher split even while staying on the team. And, like brokerage firms, they're having some challenges attracting new agents at these lower splits even when the agents have little experience or their book of business.

There is great value to be unlocked for those brokerage firms who can demonstrate that they can either directly or indirectly deliver leads and referrals to their agents, particularly their new agents. While it won't end the challenge of how agents generally behave once they're up and running, it does point to a solution to how a brokerage can attract newer or lower productive agents and improve their gross margin in doing so.

HAS THE DAY OF RECKONING ARRIVED?

LOOMING CHALLENGES OF BROKERAGE

A few observations on new competition, cost of agent retention and more.

By Steve Murray, president

The gross margin for the average brokerage firm in the United States, as of June 30, 2018, has declined to 15 percent—down from 22 percent five years ago. While a traditional brokerage firm's gross commission, whether independent or franchised, is still nearly 21 percent, those firms have also declined proportionately over that period. It appears that this trend is accelerating downward in many regions of the country.

Agent Consolidation is Here

The nearly 14,000 agents and teams represented on the REAL Trends America's Best Real Estate Agents rankings from the calendar year 2017 represented about 1.5 percent of all Realtors® in the United States, nearly 11 percent of the transactions sides and a stunning 23 percent of all the closed sales volume last year. Consolidation among fewer agents is not coming; it's here now.

New Business Models

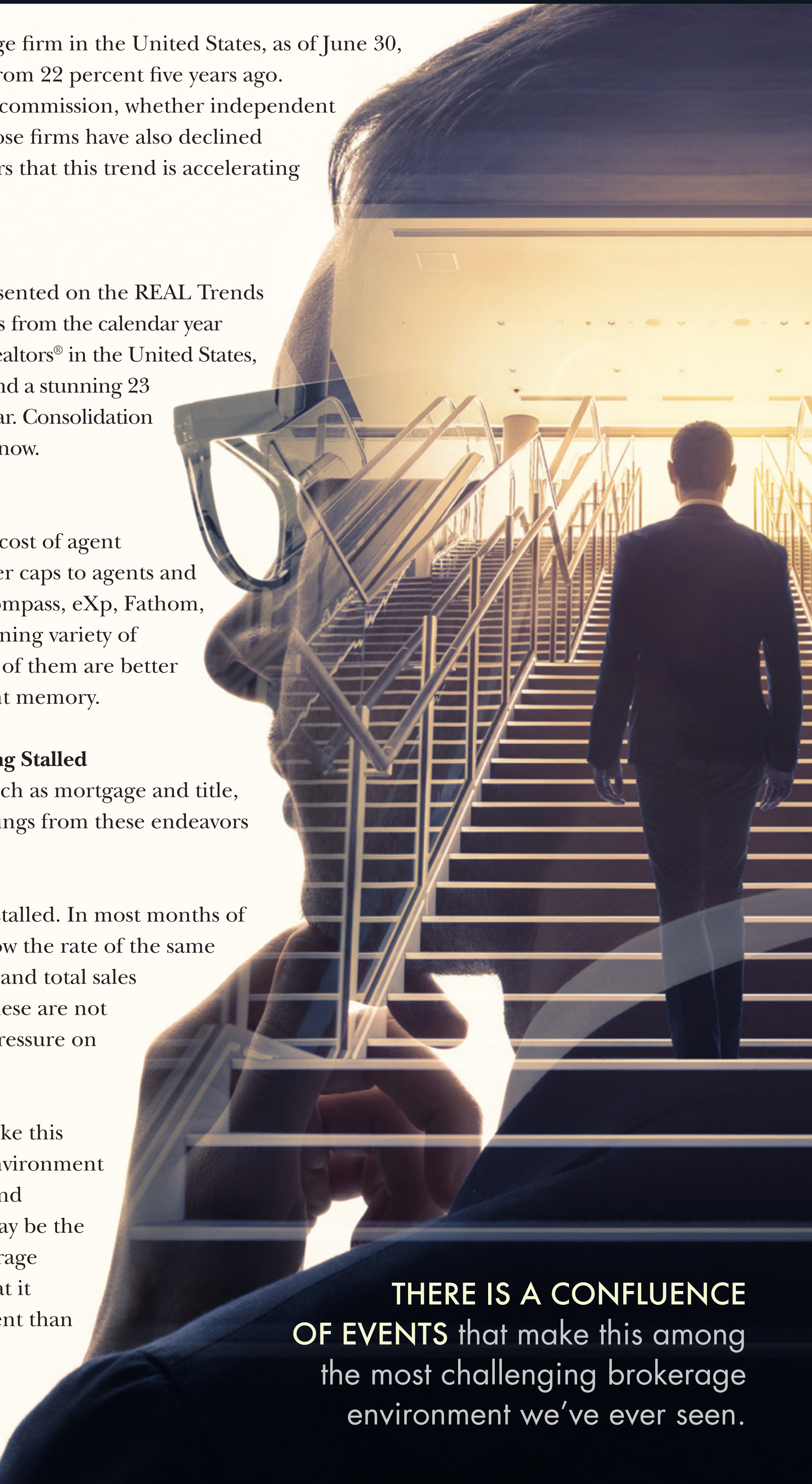
New forms of competition are driving the cost of agent retention to new heights and offering lower caps to agents and teams across the country. Firms such as Compass, eXp, Fathom, JP Piccinini and others are offering a widening variety of operating formats than ever before. Some of them are better funded than any new competitors in recent memory.

Core Services Margins Decreasing, Housing Stalled

Margins in several related core services, such as mortgage and title, are decreasing making the growth in earnings from these endeavors more difficult.

Existing and new homes sales growth has stalled. In most months of 2018, existing homes sales have fallen below the rate of the same month a year ago. Price increases remain, and total sales volumes are mostly increasing, but even these are not making up for the continued downward pressure on commission rates.

So, there is a confluence of events that make this among the most challenging brokerage environment we've ever seen. Apart from the housing and economic recession of 2006-2010, these may be the most challenging times ever for the brokerage industry. The business will survive, but what it looks like going forward may be far different than what it has looked like in the past.



THERE IS A CONFLUENCE OF EVENTS that make this among the most challenging brokerage environment we've ever seen.

WHAT BROKERS CAN DO TO FIND OPPORTUNITY

It's not all doom and gloom. There are opportunities, and it's not too late to execute a plan.

By Steve Murray, president

In the book, *Moneyball* by Michael Lewis, the complete reinvention of a baseball team was chronicled. In the 16 years since the Oakland A's leadership team looked to data to help make talent selection a science, virtually every sport at every level in America has been fundamentally changed. Winning games and making a profit while doing so turns out to be guided by more than chance regardless of which sport. As Paul DePodesta, who with Billy Beane, re-engineered the Oakland A's, said at our Gathering of Eagles conference five years ago, it starts with the Naïve Question—"If we weren't doing things the way we are, how would we be doing them?"

A recent article in *The Wall Street Journal* commented on the billions (yes, billions) of dollars that the airline industry makes on their affinity group credit cards as well as on baggage fees. The article pointed out that without these additional revenue sources the airlines might not be profitable at all.

Several leaders of one of the nation's leading real estate organizations where we were discussing how to deal with lower-cost new competitors were asked, "How does it feel to go from being the hunter to being hunted?"

A separate conversation with a group of brokerage leaders from a different national organization who were among the original low-cost competitors, who were discussing the myriad of new, even lower-cost competitors led to a statement (paraphrased), "Well, we started it 40 years ago—what did we think was going to happen?"

RE/MAX founder Dave Liniger, at the recent RE/MAX broker-owner conference, relayed what a senior level business executive from outside of the brokerage industry had to say, "in the environment today and in the future, you will either be unique or cheap."

Courses of Action

REAL Trends has written that the future is for brokerage firms to either be a Walmart or a Nordstrom. It appears that the time is coming soon to do so. For brokerage firms, one must choose to be one or the other. The good news is that there are many opportunities and there's time to make that choice and execute a strategy to get there. But leaders are going to have to make a decision.

When asked at a recent gathering of young future leaders what the future holds, we responded by saying the following:

First, if it were only about the money for all the agents, most brokerage firms would already be out of business. There are always lower-cost brokerage models available or firms offering higher splits. The fact is it is not only about the money all the time for all the agents.

THE FUTURE IS FOR BROKERAGE FIRMS TO EITHER BE A **WALMART OR A NORDSTROM.** IT APPEARS THAT THE TIME IS COMING SOON TO DO SO.

Second, every firm should plan on more of an à la carte basis for their brokerage. Bundled offerings to a large group of agents are not working today as it did in the past as a strategy. A great example is while brokerage firms expend enormous amounts of time on technology, few see more than 30 to 40 percent adoption of their platform offerings.

Third, every firm should plan on how to operate its business at a Gross Margin of 11 to 12 percent within the next three years. That's already the rough average of brokerage firms representing nearly one-half of all the agents on the REAL Trends 500.

Each firm must look inside to charge service fees for those services that agents do want individually. These may include service charges for risk management, marketing, technology, education and more. Secondarily, each firm must look to other related core services, such as mortgage, title, escrow, property casualty insurance, residential property management, among others, to increase the revenue and profit potential from each customer. This is no longer a nice thing to have; it may make a difference in your survival.

Technology is Not Just for Agents

As we pointed out in our article about gross margins and teams ("Where Value Resides," page 1), one of the most significant opportunities may lie in how to build a lead generation capability and tie that to the recruitment and development of new agents. While our recent consumer study shows that 69 percent of buyers and sellers use a referral from a trusted source as the most important way they choose a real estate professional, that leaves over 30 percent who use some other method. This is not all about online lead generation. For instance, we've recommended that all employees develop personal databases and that companies should be engaging them in connecting these people with their agents. Ten employees each with 100 personal contacts with a 1.5 percent conversion rate would be 15 potential closings.

Recruiting Criteria

In recruiting both new and experienced agents, what criteria are you using to help you more effectively contact those who most closely align with you and your value offering? One brokerage firm we know has made a science out of identifying which group of agents has the most affinity with their offerings and who have the highest propensity to move from one brokerage or another. We know that two national firms are using big data approaches to identify and connect with recruits using this technique.

Lastly, it's known that you can choose to be unique, but it probably means you will be smaller. Keep in mind that in the world of cell phones, Apple is far smaller in market share than those devices using Android technology. Apple is far more profitable (and for those who haven't been watching just passed $1.1 trillion in market value). Cheap does not mean cheap services. It does mean low cost. How efficient can you be? Unique means developing an actual environment of customization targeted towards a small group of those willing to pay a premium for your services or products. It also means saying no quite a bit.

The brokerage business will survive and prosper in the years to come. And just like many of us wondered about that through the last 40 years given three housing recessions and numerous challenges from new lower-cost competition, so too, should we all pay attention to making the changes it will take to survive and prosper in the years ahead.

IF IT WERE ONLY ABOUT THE MONEY FOR ALL THE AGENTS, MOST BROKERAGE FIRMS WOULD ALREADY BE **OUT OF BUSINESS.** THERE ARE ALWAYS LOWER-COST BROKERAGE MODELS AVAILABLE OR FIRMS OFFERING HIGHER SPLITS.

COACHING OUT OF A SALES SLUMP

By Larry Kendall, author of Ninja Selling and chairman emeritus of The Group, Inc.

All salespeople, even the best, will hit a flat spot and experience a sales slump. Your mission is to help them find a way out of their pain. You need to be their *slump buster!*

How do you help them? First, look for the cause of the slump and fix it. In my 40 years of experience training and coaching salespeople, I've observed three primary reasons for sales slumps: mindset, skillset, and actions. These are also the three key drivers of their success. Use these three keys as a template for coaching your associates to success or out of a slump.

1. **Mindset.**
   A change in the market, a tough client, or a life event (illness or divorce) can throw an associate into a victim mindset. Typical signs of a victim mindset are slumped shoulders, eyes down, negative attitude, constant criticism of the company or other associates, self-centeredness, and hiding out (not coming to the office or meetings). Victims project a negative vibe that customers avoid causing a negative feedback loop which deepens their slump.

   What to do? Interrupt their negative pattern. Don't scold them for poor production. They're in enough pain already. Instead, have them share their frustration and concerns. Then, interrupt that pattern by asking, "regardless of the issues you're facing, will you be better or worse off if this slump continues?" Show empathy but not sympathy. Their situation is going to get worse unless they change their patterns and their mindset.

In my 40 years of experience training and coaching sales-people, I've observed three primary reasons for sales slumps: **mindset, skillset, and actions.** These are also the three key drivers of their success.

Start by helping them reconnect with their why–their life goals. Show them how real estate sales are a better way to fund their goals than getting a *real job*. Ask them what they are grateful for and give them something positive to read or suggest a class that will re-energize them. Encourage them to sit with the top producers at meetings and interview them. Help them re-establish a player pattern and mindset.

2. **Skillset**
Next, ask to see their Hot List. This is their list of buyers and sellers who want to buy or sell in the next 90 days. Nothing cures a slump faster than a transaction, so go through the Hot List looking for the transaction that is ready to be made. "Who is ready to write a contract this week?" is the question you ask.

   If they have a good-sized Hot List but are not making sales, check to see if they have closing reluctance. Are they afraid to close buyers or confront the brutal facts on pricing with sellers? Join them on their next sales appointment or have another associate who is a strong closer join them. For new associates, research shows that rookie sales associates blow their first five transactions due to inexperience, fear of the contract or closing reluctance. Assign a mentor to accompany them on their first five transactions.

3. **Actions**
If the associate doesn't have a Hot List, it tells you they have an activity problem. Great managers and coaches manage activities, not production. Focus on productive activities, and the sales will take care of themselves. We call these activities FLOW. Have your sales associates keep a weekly log of their flow activities (handwritten notes, live interviews, real estate reviews, mailings, etc.)

   If they are in a slump, your first question is, "Can I see your activity log?" Sure enough, you will notice a drop off in their activities about 45 to 90 days prior to their production slump. Activities predict production. Do a pattern interrupt! Get them back into the flow again and logging their activities.

   The best slump-busting technique I've found over the years is to encourage associates to conduct 50 live interviews (face-to-face or voice-to-voice) this week, log them, and turn in the log to me on Mondays. Almost without exception, they're back on track within two weeks. Flow fixes everything!

Mindset, skillset, actions—a simple template for success and slump busting. Follow the formula. You'll not only help your associates; you'll earn a reputation as a *slump buster.*

Encourage them to sit with the top producers at meetings and interview them. Help them re-establish a player pattern and mindset.

ENGEL & VÖLKERS
INSIGHT REPORT

New report identifies key drivers that motivate an agent to make a brokerage change as well as what brokers can do to make sure they're attracting and retaining the right talent.

RECRUITING CHALLENGES & OPPORTUNITIES

Engel & Völkers recently released the results of its study, "Insight Report: The State of Real Estate Recruiting." As recruiting remains a top challenge across the real estate industry, Engel & Völkers surveyed more than 500 residential real estate agents to determine their level of satisfaction with their careers and current brokerages as well as motivations for making a move.

Key findings of the report include:

- 96% of agents surveyed are satisfied with their current job, 94% predict that they are likely to be with their same brokerage a year from now; and, 90% would recommend their brokerage to other agents.
- 35% say they consider leaving their job at least once a year with the key drivers for switching brokerages being better commission splits, superior lead gen, and more coaching and mentorship.
- The top three benefits agents currently receive from their brokerage are: Physical office space (86%); Support from their brokers (83%); and, Innovative technology platforms (65%).
- The three things agents are the least satisfied with at their current brokerage are: Benefits (93%); Lead gen (81%); and Coaching/mentorship (67%).
- The top reason agents say they would join a new brokerage is for better commission splits (38%).

"While the average rate of job satisfaction in the U.S.

hovers around 50 percent, a staggering 96 percent of real estate agent respondents reported satisfaction in their current positions," said Anthony Hitt, president and CEO of Engel & Völkers Americas. "This makes it exceedingly important for brokers to be actively investing in their recruiting efforts. Top talent is not just going to walk through your door; brokers must make a concerted effort to continuously be in front of their current and prospective agents with value propositions that will resonate."

Rethinking Commission Splits

The top reason agents said they would join a new brokerage was better splits. While this finding may not be surprising to many brokers, it is a sobering reminder about the misconceptions that agents have across the industry.

"Right now, the real estate industry is rife with brokerages willing to join a race to the bottom by offering excessively large splits in order to recruit agents," added Hitt. "There needs to be a re-education around the fallacy that larger splits equate to more income. What agents may not realize is that larger splits often are an attempt to compensate for a weak value proposition, which leads to difficulty in attracting home buyers and sellers. There are no shortcuts. If a brokerage is offering a deal that is too good to be true … it probably is."

Recruiting Luxury Agents

The report also analyzed agents who specialize in luxury real estate and found that those who self-identify as being luxury agents have particularly high standards and expect more from any new brokerage that is looking to recruit them. Not only do these agents expect that the brokerage will invest in their individual marketing, new technologies, platforms, and professional development, they also understand the value of a brokerage's brand reputation and ability to reach international buyers to increase their sales opportunities.

"Brokers must not only identify the value they bring to their agents beyond splits, whether that's mentorship, education, better listings, etc., they must also clearly communicate that value, " summarized Hitt. "Brokers must have a meaningful omnichannel communications strategy–being active in their communities, showcasing their network of current agents, hosting local events, and finding creative ways both online and offline to get in front of prospective talent on a continuous basis. This is the difference between talent recruitment and talent attraction."

To download the full report: CLICK HERE

Methodology

In partnership with Researchscape, Engel & Völkers Americas surveyed 566 residential real estate agents from a variety of brokerages about their attitudes on current job satisfaction and what would potentially motivate them to make a change in their brokerage, during the period of March 1-23, 2018. Ninety-six percent of respondents sell residential real estate full time, 29 percent own a brokerage and 71 percent work for a brokerage.

CORELOGIC REPORT

MORTGAGE FRAUD IS ON THE INCREASE

The Corelogic risk index has continually increased for the last seven quarters.

CoreLogic® (NYSE: CLGX), a global property information, analytics and data-enabled solutions provider, today released its latest Mortgage Fraud Report. The report shows a 12.4 percent year-over-year increase in fraud risk at the end of the second quarter, as measured by the CoreLogic Mortgage Application Fraud Risk Index.

The analysis found that during the second quarter of 2018, an estimated one in 109 applications, or 0.92 percent of all mortgage applications, contained indications of fraud, compared with the reported one in 122, or 0.82 percent in the second quarter of 2017.

The CoreLogic Mortgage Fraud Report analyzes the collective level of loan application fraud risk experienced in the mortgage industry each quarter. CoreLogic develops the index based on residential mortgage loan applications processed by CoreLogic LoanSafe Fraud Manager™, a predictive scoring technology. The report includes detailed data for six fraud type indicators that

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…compared with the reported one in 122, or 0.82 percent in the second quarter of 2017.

"Because home prices are rising, and demand is strong, most mortgage fraud in this type of market is motivated by bona fide borrowers trying to qualify for a mortgage."
– Bridget Berg, principal of Fraud Solutions Strategy for CoreLogic

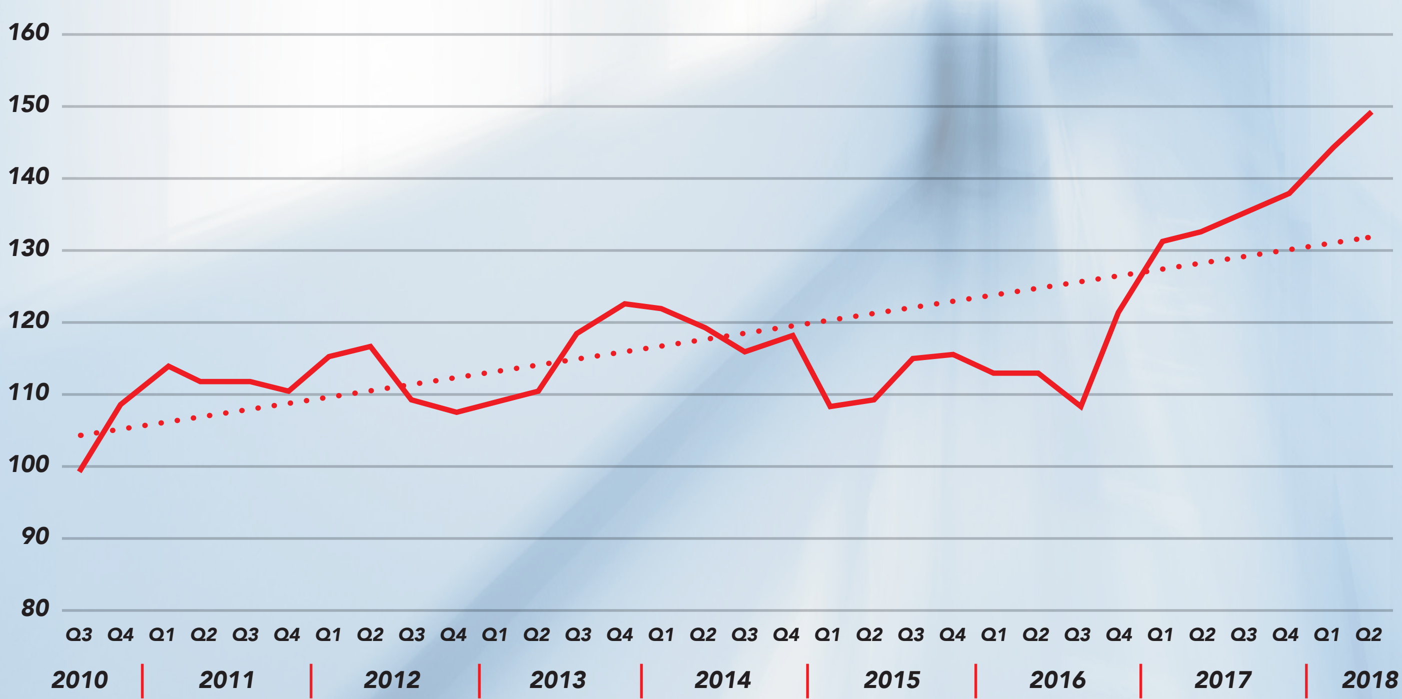
complement the national index: identity, income, occupancy, property, transaction and undisclosed real estate debt.

"This year's trend continues to show an increase in mortgage fraud risk year over year," said Bridget Berg, principal of Fraud Solutions Strategy for CoreLogic. "Because home prices are rising, and demand is strong, most mortgage fraud in this type of market is motivated by bona fide borrowers trying to qualify for a mortgage. Undisclosed real estate liabilities, credit repair, questionable down payment sources and income falsification are the most likely misrepresentations."

Report Highlights:

- New York, New Jersey and Florida remain the top three states for mortgage application fraud risk, maintaining the same positions as last year.
- All of the top 10 riskiest states showed increases in risk year over year.
- States with the greatest year-over-year risk growth include New Mexico, Mississippi, Illinois, Oklahoma and Texas. Of these, New Mexico, Illinois and Oklahoma now have risk levels greater than the National Index, which grew from 133 to 149 year-over-year.
- The conforming loans for home purchases segment shows the greatest risk increase by loan type.
- Income fraud risk had the greatest increase year over year, followed by occupancy and transaction fraud. Property and undisclosed real estate debt showed declines in risk.

National Mortgage Application Fraud Index Over Time



Source: CoreLogic Q2 2018

To view the full CoreLogic Mortgage Fraud Report: **CLICK HERE**

SEASONAL SLOWDOWN IN SHOWING ACTIVITY ARRIVES THROUGHOUT MUCH OF U.S.

South Region sees increased activity for 11th straight month; rest of country experiences year-over-year declines

Key Points:

- The U.S. ShowingTime Showing Index® for August 2018 experienced a -0.6 percent change compared to August 2017
- South Region (+4.9 percent) exhibits 11th consecutive monthly year-over-year increase; showings decline year over year in West (-8.9), Midwest (-2.2) and Northeast (-1.0)
- ShowingTime combines showing data with findings from its MarketStats division to provide a set of benchmarks that track demand for active listings throughout the country

The residential real estate industry's seasonal slowdown arrived early this year, as the U.S. ShowingTime Showing Index® revealed that showing traffic throughout the country slowed from last year's record highs for the fourth consecutive month after more than a year of increasing activity.

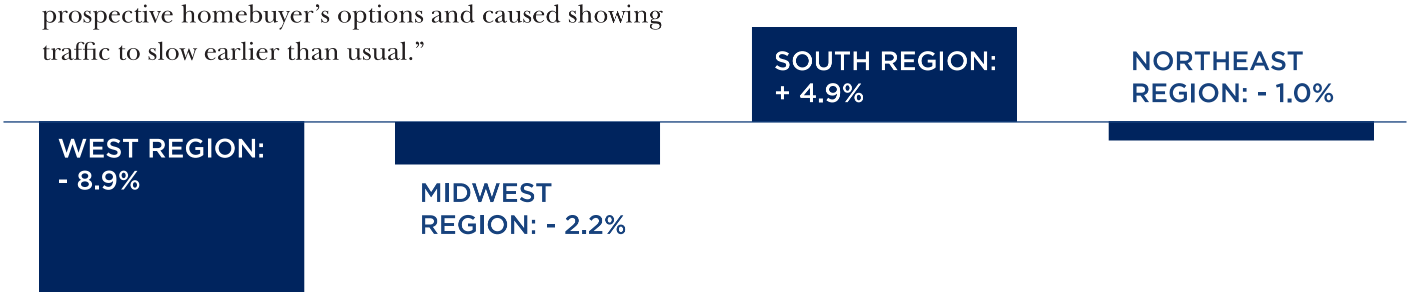
The August 2018 national index dropped just below even with last year's mark, declining 0.6 percent compared to August 2017. This marks the fourth straight month the index has measured only slight changes in showing activity, averaging a 0.3 year-over-year increase during that time period. The previous nine months averaged a 5.6 percent year-over-year increase.

"The inventory squeeze seen in the West Region and more recently in the Northeast has increasingly affected many U.S. markets," ShowingTime Chief Analytics Officer Daniil Cherkasskiy said. "This has impacted prospective homebuyer's options and caused showing traffic to slow earlier than usual."

The national index falls in line with waning showing traffic throughout much of the country.

The West Region experienced a year-over-year decrease for the seventh consecutive month, as showing traffic declined 8.9 percent compared to August 2017, while the Northeast (-1.0) decreased for the fourth consecutive month. Showing activity in the Midwest also fell 2.2 percent compared to last year.

The South Region, meanwhile, continued to experience heightened showing traffic in August as activity increased 4.9 percent compared to last year. It's the eighth consecutive month showing activity in the South has outpaced the national index. Next month's index – particularly for the South Region – could be impacted by Hurricane Florence, which made landfall on Sept. 14.



"The inventory squeeze seen in the West Region and more recently in the Northeast has increasingly affected many U.S. markets. This has impacted prospective homebuyer's options and caused showing traffic to slow earlier than usual."
— **Daniil Cherkasskiy, ShowingTime Chief Analytics Officer**

THE SHOWINGTIME SHOWING INDEX

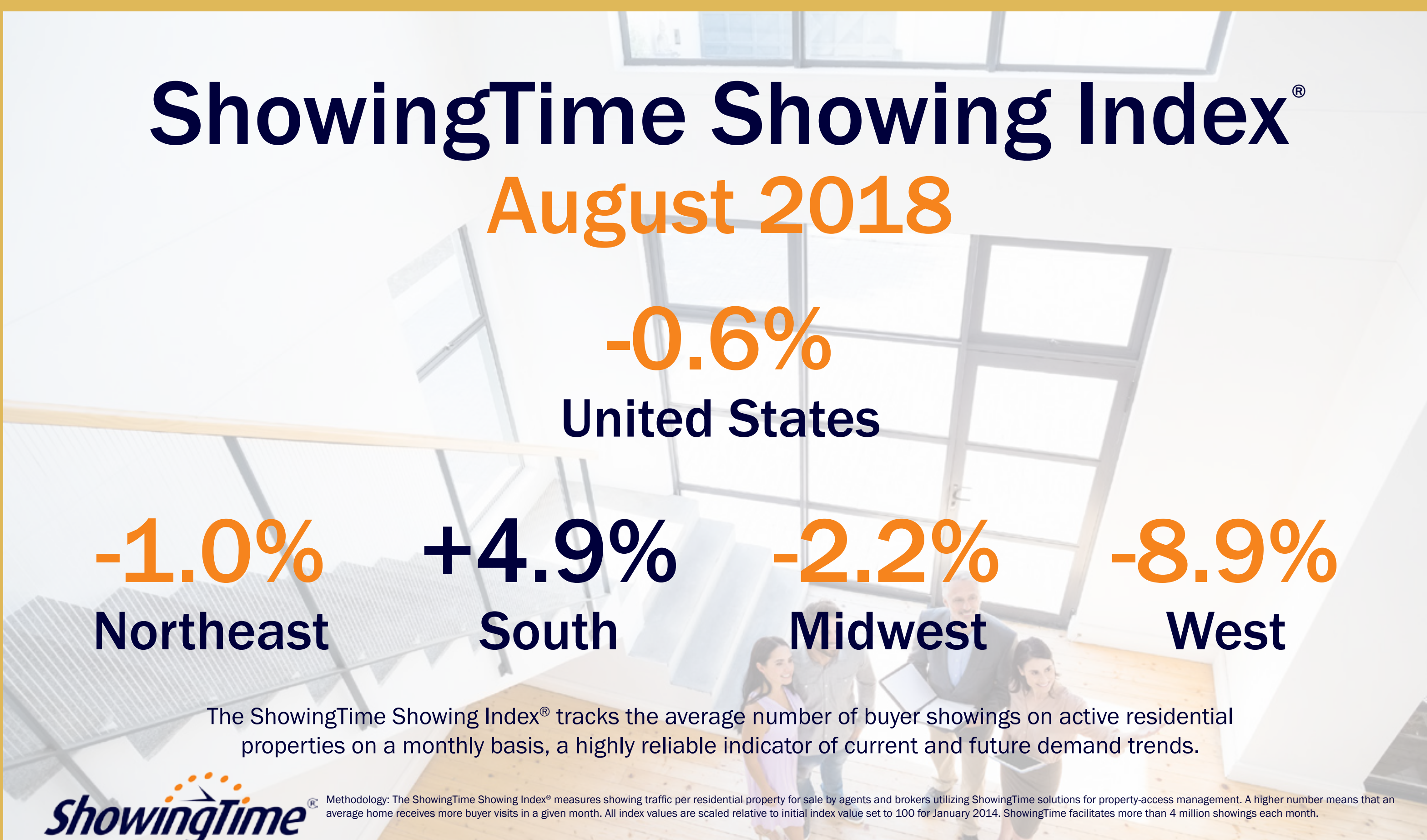
The ShowingTime Showing Index, the first of its kind in the residential real estate industry, is compiled using data from property showings scheduled across the country on listings using ShowingTime products and services, which facilitate more than 4 million showings each month.

Released on or around the 20th each month, the Showing Index tracks the average number of appointments received on an active listing during the month. Local MLS indices are also available for select markets and are distributed to MLS and association leadership.

To view the full report, visit **www.showingtime.com/index.**

About ShowingTime

ShowingTime is the leading showing management and market stats technology provider to the residential real estate industry, with more than 1.2 million active listings subscribed to its services. Its MarketStats division provides interactive tools and market reports for MLSs, associations, brokers, agents and other real estate companies, along with recruiting software that enables brokers to identify top agents. Its showing products take the inefficiencies out of the appointment scheduling process for real estate agents, buyers and sellers. ShowingTime products are used in more than 250 MLSs representing over 950,000 real estate professionals across the U.S. and Canada.



A QUALIFIED MORTGAGE RULE FACELIFT IN 2019?

A mandatory review of the Qualified Mortgage Rule is coming. Will the overly restrictive rule get an update?

By Sue Johnson, strategic alliance consultant

Ever since the Consumer Financial Protection Bureau (CFPB) published the Qualified Mortgage Rule (QM Rule) in 2014, mortgage lenders have complained that it is overly-restrictive and unnecessarily suppresses lending to creditworthy borrowers. This may change in 2019, based on some upcoming deadlines and recent signals from the Administration and the CFPB.

A Mandatory 5-Year QM Review is Approaching

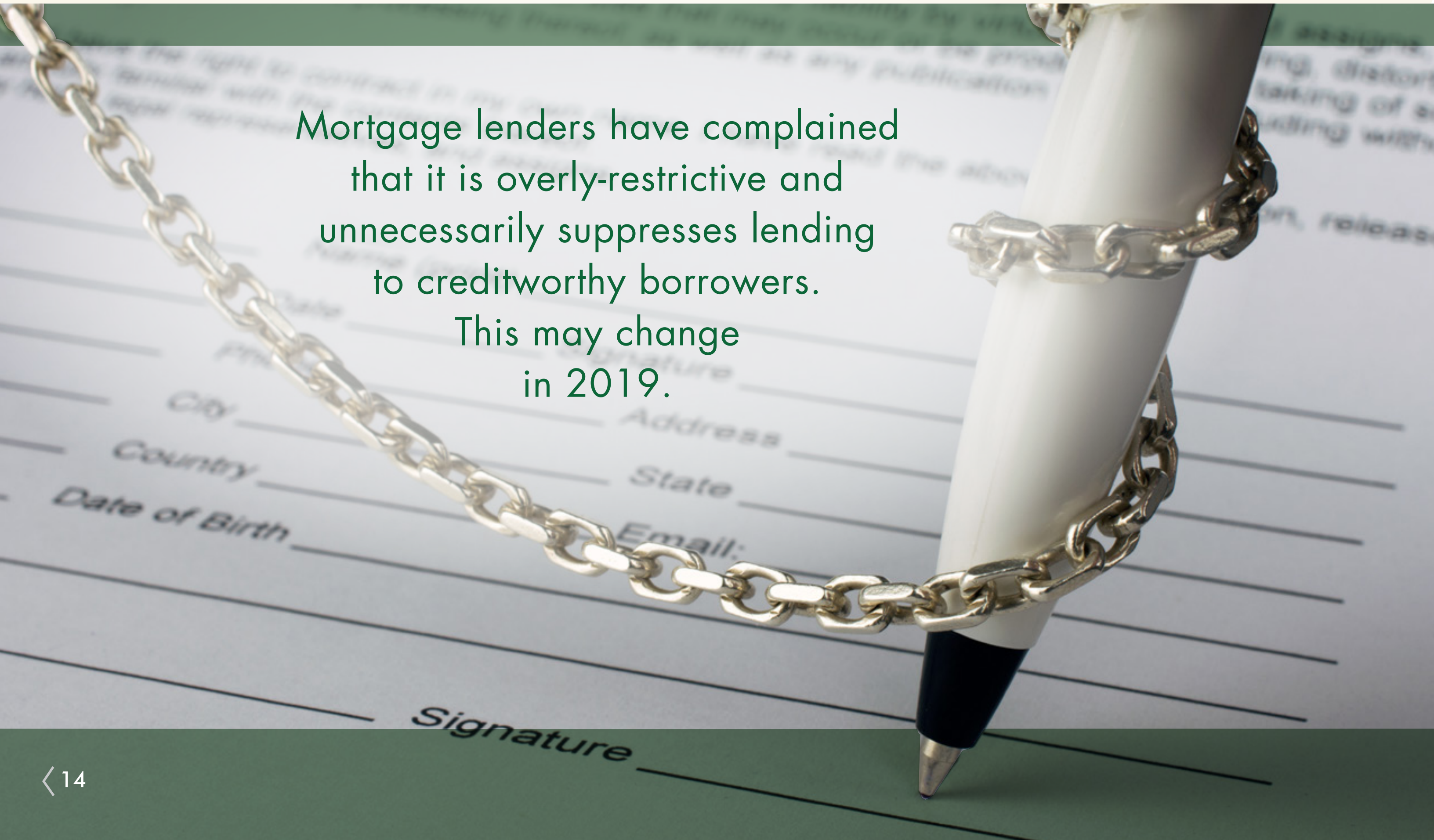
The Dodd-Frank Act required the CFPB to assess the effectiveness of each significant federal consumer financial protection law within five years of its effective date, after receiving public comment. The final QM rule was issued on January 10, 2014, and the CFPB labeled the rule as *significant*, so its assessment must be completed by January 10, 2019.

In June 2017 (under former Director Richard Cordray's tenure), the CFPB solicited public comments under this statutory mandate and announced that it would publish an assessment report with its findings no later than January 10, 2019. A total of 485 comments were received, many of which recommended raising the 43 percent debt-to-income ratio and making changes to the 3 percent points and fees restriction.

The GSE Patch Will Expire

Another motivation for the CFPB to assess the QM rule is that the GSE patch, which allows GSE-eligible loans to qualify for QM status even if they exceed the 43 percent debt-to-income ratio, lasts only until Fannie Mae and Freddie Mac exit their government conservatorship or until January 10, 2021, whichever comes first.

The Trump Administration released a proposal in June that would privatize Fannie and Freddie, but Congressional passage of GSE reform legislation in the immediate future is not considered likely. If no other action is taken by January 2021, then approximately 13.1 to 15.6 percent of GSE borrowers and 35.7 to 38.9 percent of Fannie Mae borrowers may have to look to portfolio lenders to get mortgage financing, according to Bricker and Eckler, LLP. Commenters responding to the CFPB's 2017



Mortgage lenders have complained that it is overly-restrictive and unnecessarily suppresses lending to creditworthy borrowers. This may change in 2019.

solicitation had several suggestions on how to deal with the GSE patch, including removing or extending its deadline, raising the current 43 percent debt-to-income ceiling, and changing the 3 percent points and fees cap.

The Treasury Department Recommends It

In June 2017, Treasury Department Secretary released the first specifics on how the Trump Administration plans to roll back parts of the Dodd-Frank Act. In its report, it labeled the QM rule as "the most significant post-crisis regulation impacting loan originations" and claimed that it eliminates access to mortgages for many creditworthy borrowers. It recommended that the CFPB mitigate "overly prescriptive and rigid requirements" for determining borrower debt and income levels, ultimately phase out the GSE patch, and increase the $103,000 loan amount threshold for application of the 3 percent points and fees cap to encourage additional lending in the form of smaller balance loans.

Mulvaney Wants Change

Acting CFPB Director Mick Mulvaney's recent words and actions reveal that changes to the QM rule are high on his priority list, which means they are likely to be high on the list of priorities for his nominated successor and former Office of Management and Budget colleague Kathy Kraninger.

"You're going to see us try to bring some sanity to the largest market, including QM," Mulvaney said at a May real estate conference. "If you think you can have a one-size-fits-all rule for every single mortgage, you don't understand the mortgage business."

In March, Mulvaney asked for public comment on regulations that the Bureau inherited from other federal agencies (Inherited Regulations) or issued under the authority of the Dodd-Frank Act (Adopted Regulations; including the QM rule). The comments it received, together with the comments the CFPB received in response to its 2017 solicitation of comments on the QM regulation, have built a foundation on which to recommend changes to the rule when its five-year assessment is due in January 2019.

Summary

The CFPB has broad statutory authority to amend the QM regulation through rulemaking if it chooses to do so. The signs all point to 2019 as the year in which regulatory change may begin. While it could necessitate modifications to processes and systems, it also could mean more flexibility in mortgage lending and, ultimately, better pricing of mortgage loans.

"You're going to see us try to **BRING SOME SANITY** to the largest market, including QM. If you think you can have a one-size-fits-all rule for every single mortgage, you don't understand the mortgage business." — Acting CFPB Director Mick Mulvaney

SYDNEY LEADS THE DECLINE OF AUSTRALIA'S HOUSING MARKET

Three key areas are leading the change in the market.

By Peter Gilmour, chief foreign correspondent

After a decade-long boom in the Australian property market, things have changed and buyers, sellers, and investors have to proceed with their eyes wide open. Three key areas are leading to the change in the market.

Reduction in Demand

The first is the reduction in demand for residential housing, especially the more expensive markets in Sydney and Melbourne. According to CoreLogic, national property values have fallen for nine months in a row with the most pronounced reduction in Sydney, where property values have dropped nearly 5 percent over the last 12 months. This is in addition to a drop of 22 percent in demand for the homes in Sydney, according to The Property Outlook report for July by realestate.com.au, which measured demand as the number of property views compared with the number of property listings on the premier property portal.

The upward pressure of property prices in Australia has led to the reducing homeownership numbers. In the 30 years to 2016, the proportion of 25- to 34-year olds who own their own homes dropped from 60 percent to 45 percent. For those aged 35- to 44-years old, the proportion fell from 74 percent to 62 percent. People who had never purchased a home by the age of 45 probably will never own a home.

In 2018, there appears to be a big move by buyers to consider living in regional cities and towns where prices are more affordable, and transport links have been upgraded. Demand has risen by nearly 50 percent in cities such as Geelong, Ballarat, and Launceston. Tasmania, an island off the South Australian coast, with the most interesting diverse economy, has seen demand rise by nearly 40% in recent months.

Banks Stopped Lending

Secondly, the banks in Australia have recently stopped lending for property investment purposes, and banks are scrutinizing borrowers' spending closely. The ratio of house prices to median incomes in Sydney is now about 12 times and Melbourne 10 times. In most instances, households in these cities need two income earners to secure their mortgage.

Rates are Rising

Thirdly, rates are rising. The Reserve Bank has not moved rates for some time, and rates are rising above 6 percent with some banks.

Australia also has a rapidly changing political climate with elections to be held again in the next six months with the Labour Party predicted to win by almost every poll. The Labour Party has already committed to important changes, including restricting negative gearing to new properties only, whereas it now applies to existing properties as well which are the preference for investors. They are also proposing to reduce investors' profits on the sale of investment properties by cutting the discount on capital gains tax.

Times of change are always interesting to watch and buyers, sellers, and investors will need to keep close to changes in the market in the next year.

Sydney Harbour, Australia

JUST LAUNCHED:
2018 REAL TRENDS
WEBSITE RANKINGS

By Brent Driggers,
web strategist

BREAKING DOWN THE WINNING ELEMENTS

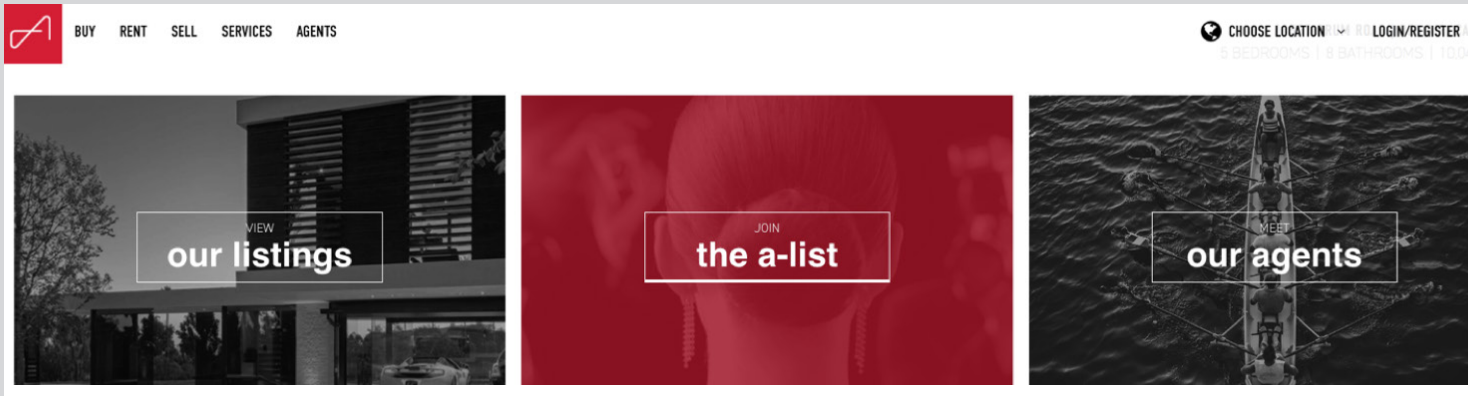
During the revision process of the 2018 REAL Trends website rankings, we came across several websites that included all the design and development elements that every great website should have. There are key indicators you should look for when viewing a brokerage website, and many of these indicators you can enhance your website. Below we've outlined the six categories from our website rankings along with tips to improve your existing web presence.

Design

Design refers to every visual aspect of a website and can include everything from messaging and branding to navigation and overall usability. With a robust design, visitors can expect to have a positive web experience from beginning to end that should cause increased engagement on different parts of your website in return. A well-designed website should make it easy for visitors to get where they need to go by taking the least number of clicks to get there.

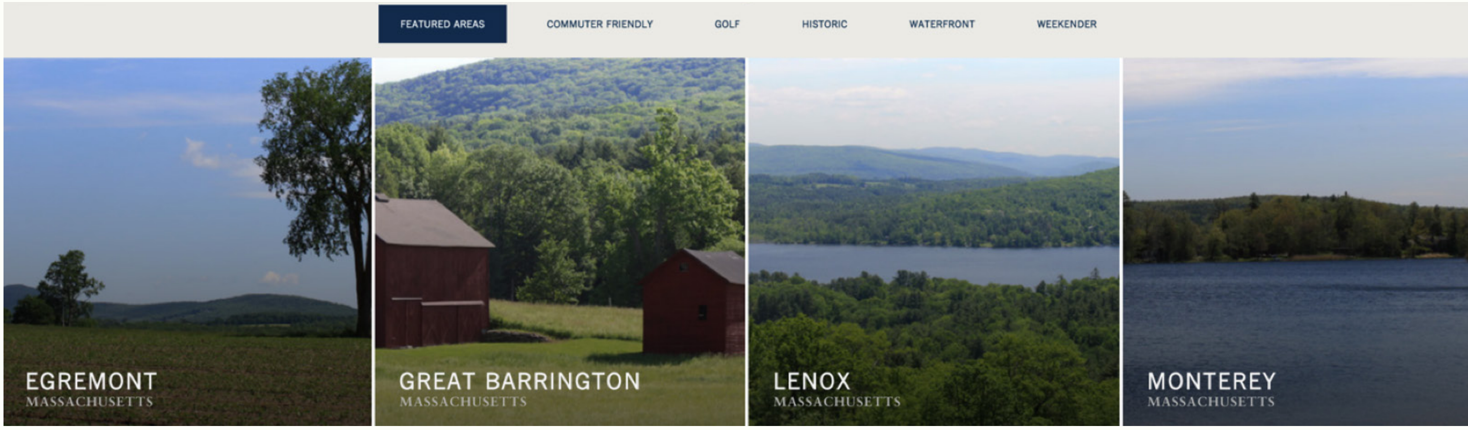
1. **Branding:** Strong branding shows itself in several different forms across a brokerage website. Strong branding should include the use of unique imagery, clear brand story, cohesive color palettes and messaging and an intentional overall tone. A visitor should be able to distinguish and remember your website from the rest after just visiting your website one time.
2. **Navigation:** Most website visitors want to get in and out as soon as possible. Having clear navigation that allows users to move as quickly as possible will not only help the visitor, but the chances of that visitor returning to your website time and again are much higher.
3. **Imagery:** The use of original, one-of-a-kind images were very prominent in this years' website rankings. Using images that are 100 percent original will set your brokerage apart from the rest, as stock photography is easy to recognize, even to the untrained eye. Having unique photography will lend credibility to your brokerage.

VIEW THE BEST DESIGN WEBSITE WINNER



Community/Neighborhood

When it comes to community pages on a brokerage website, you should provide visitors with a powerful experience, as these pages can make or break how a visitor perceives your brokerage's expertise in the community. To provide a meaningful experience for the visitor, you should add elements to engage the visitor and showcase your knowledge.

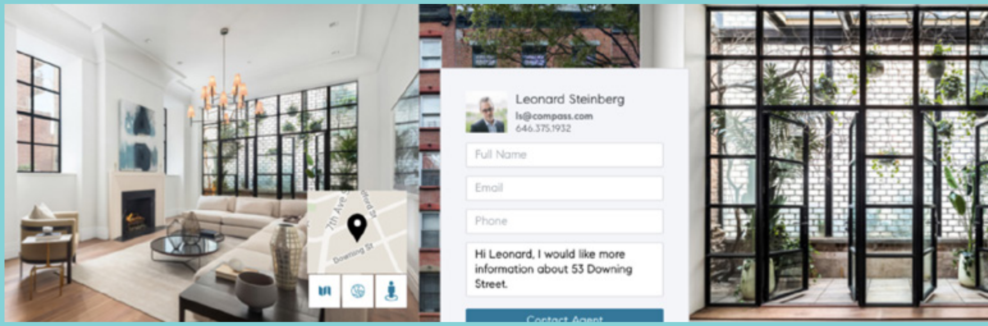


1. **Culture:** Explain the neighborhood culture—what to expect, population, events, history, appeal/attractions, etc. Give visitors a reason to stick around your community pages and see value where they otherwise would not.
2. **Imagery:** Provide unique photography of the neighborhood and surrounding areas. Showcase the imagery in a captivating fashion through sliders, galleries, mosaic layouts, grids, etc.
3. **Market Data:** Statistics regarding the area and community that provide direct insight for the visitor to learn more about the area.

VIEW THE BEST COMMUNITY PAGE WEBSITE WINNER

Property Detail

Property detail pages give your brokerage the opportunity to showcase property in a meaningful manner for your visitors to take action and convert into a lead. These pages should do more for your visitor than merely layout the property basics. Instead, excellent property detail pages will educate the visitor on the community and the home. Consider including features such as a mortgage calculator, professional interior and exterior photography and property amenities.



1. **Amenities:** Showcase the best of what the property has to offer by using iconography as well as organized columns and layouts to create an easy-to-navigate experience for the visitor.
2. **Market Data:** Included on each property detail page should be relevant information regarding the property and detailed/historical information about similar properties, such as property history, comparable listings, crime rates, school ratings and reviews, commuting time, etc. If a property is downtown or close to restaurants and shops, add these filters to your neighborhood map and include Yelp reviews!
3. **Video:** Aerial tours/drone footage have become wildly popular in showcasing featured or luxury properties to give added incentive for the visitor. 3-D or Matterport tours are also a great way to captivate your visitors and provide them with an insider view of the home.

VIEW THE BEST PROPERTY DETAIL PAGE WEBSITE WINNER

Video

It's no surprise that video holds a predominant position in web design. Video is a great way to tell a story and give your visitors context into various aspects of your brokerage, culture, and brand in a way that would otherwise be difficult to communicate. Video is also used in several capacities across a website that can create the ultimate experience for your visitor.

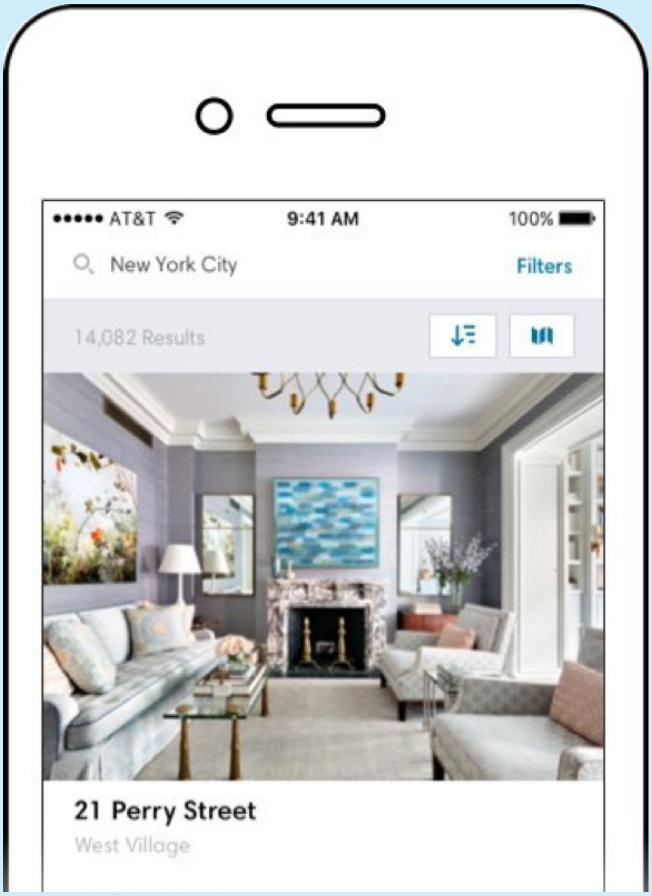
1. **Hero Background:** The first opportunity for video on the homepage—a hero background image. Tell your story and distinguish who you are, what you do, and why people should care. Brokerages who compellingly leverage video can communicate this message methodically through video on their homepage. This video displays above the fold.
2. **Community:** Videos that demonstrate the core values of a community and provide unique information are great pieces of content that can live on community/neighborhood pages. Include local interviews, drone footage, town footage of local shops and restaurants.
3. **Quality:** An essential aspect of video includes the capacity in which it is shot, edited and published. Quality video means having impactful transitions, stunning quality and a presence on the website outside of a YouTube embed. Websites that self-host a video give the visitor a chance to view the video without leaving the page and also comes across as more genuine to the visitor.

VIEW THE BEST VIDEO STRATEGY WEBSITE WINNER

Mobile

Responsive web design should be curated to provide two different experiences for the visitor. Smooth transitions from desktop to mobile will provide the visitor with various opportunities to convert or engage specific content related to that experience. Mobile should be adjusted accordingly based on device.

1. **Media Queries:** A media query is a custom script that is written by a developer to serve up specific information on a mobile device. An example of this would be to hide certain sections on your homepage and only provide the sections that are necessary for a mobile experience, such as call-to-action or sign up forms. We recommend reducing the about of text you include on a mobile device.
2. **Optimization:** Mobile optimization involves making sure your website is optimized for mobile. This means that your images are compressed, fonts are properly sized, and data is served and scaled correctly.
3. **Speed:** A mobile website should be fast to load across all platforms, especially when switching between WIFI and wireless networks. Website visitors will become frustrated if they can't access your website, or if the website does not load quickly, even if it's only a second or two slower than other sites. Making sure your website is seamless across all devices will ensure your website visitors stick around.



VIEW THE BEST MOBILE EXPERIENCE WEBSITE WINNER

VIEW THE 2018 WEBSITE RANKINGS HERE

2018 REAL ESTATE

WEBSITE RANKINGS

REALTRENDS

BEST OVERALL

#1 WILLIAM PITT AND JULIA B. FEE SOTHEBY'S
#2 COMPASS
#3 @PROPERTIES
#4 THE AGENCY
#5 HALTON PARDEE

BEST DESIGN

#1 THE AGENCY
#2 COMPASS
#3 SIMPLY VEGAS
#4 FIRST TEAM
#5 @PROPERTIES

BEST MOBILE

#1 COMPASS
#2 THE AGENCY
#3 NATIONWIDE
#4 CORE
#5 HALTON PARDEE

BEST COMMUNITY

#1 WILLIAM PITT AND JULIA B. FEE SOTHEBY'S
#2 @PROPERTIES
#3 FIRST TEAM
#4 COMPASS
#5 BHHS GEORGIA

BEST VIDEO

#1 CORE
#2 COMPASS
#3 @PROPERTIES
#4 THE AGENCY
#5 HALTON PARDEE

BEST PROPERTY

#1 COMPASS
#2 WILLIAM PITT AND JULIA B. FEE SOTHEBY'S
#3 KEEFE REAL ESTATE
#4 NATIONWIDE
#5 HOULIHAN LAWRENCE

See the complete list of winners at www.realtrendswebsiterankings.com

HOW TO GIVE BUYERS AND SELLERS A COMPETITIVE ADVANTAGE

By Tracey Velt, publisher

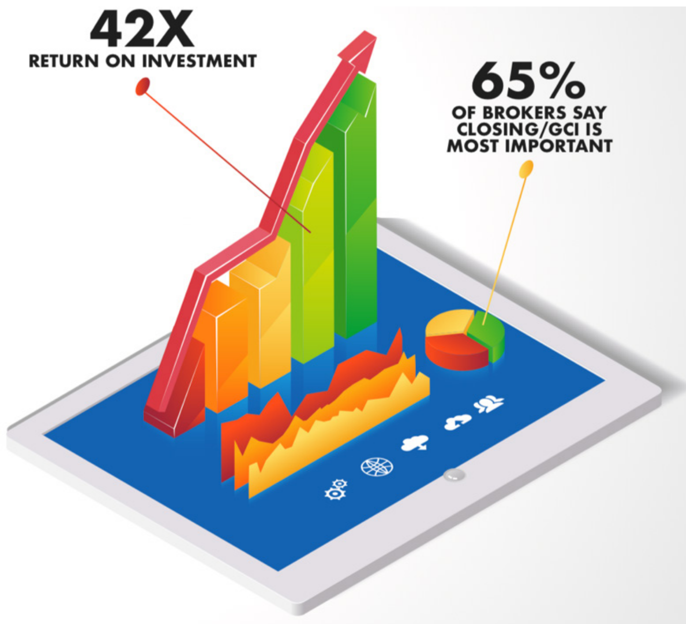
Closing Transaction Sides In-house

Some 65 percent of brokers surveyed say closings/GCI is the most important factor when evaluating a product's return on investment (65%). Buyside is able to show client's ROI based on added closings. On average, Buyside clients see a 42 times ROI.

Northwood Realty Services, Pennsylvania
39 offices

Around the country, inventory is tight. "We want to give our sellers and buyers a competitive advantage. Buyside allows us to premarket to buyers that a house that fits their needs is coming on the market," says Tom Hosack, president, and CEO of Northwood Realty Service in Pittsburgh, Pennsylvania.

He says that agents can register what their buyers are looking for, so when the brokerage gets a listing, agents can match buyers with sellers for an in-house transaction.



Real-time Buyers

"On a listing presentation, our agents like that they have the ability to tell the seller that they have real buyers who want to buy. They can even show them a graph of what buyers are looking for as it pertains to bedrooms, bathrooms, and price," says Hosack.

This is especially important in this low-inventory market. Gone are the days of weekly sales meetings announcing listings coming to market soon. Instead, with Buyside, agents can see at a glance what matches their buyer's criteria. "It's great for our buyers to know what's coming on the market before it actually hits the market. That way they can stay competitive with the offers," he says. "These tech tools are a modern version of what used to happen at sales meetings."

Building a Buyer Database

Hosack says Buyside imports their buyers' requirements into the system, listing everything from which school districts they may want to price, number of bedrooms and more. So, when agents go to a listing presentation, they can show potential sellers the demand for the product. "Pricing is all about supply and demand. In the past, we didn't know the demand. Now we do," he says.

Getting Both Sides of the Transaction

For Hosack, the buyer matching is important because it allows him to sell more transactions in-house. Since using Buyside, he's listed over 252 properties.

"Even more important than buyer matching is the ability to predict demand. It's a market changer when you can sit with a seller and talk about what the demand looks like," he says. The report is dynamic, so you run the report before the listing presentation and then go live with the seller showing how prices and demand are changing. "It's a powerful tool in the listing process and it's something different to offer. When we work with a seller and can tell them that we have real buyers who want a home similar to their home, it's great. But, we want the home sold no matter what for the highest and best deal. If we can help the buyers find a house early, it's a huge bonus."

PUBLISHER'S NOTE

ARE YOU AMERICA'S BEST?

THE RANKINGS ARE OUT!

America's Best Real Estate Professionals receive additional marketing resources from Adwerx

REAL Trends, Inc., the Trusted Source in residential brokerage, released the 2018 REAL Trends America's Best Real Estate Professionals list in July. The list, now in its sixth year, ranks the most productive agents by state and metropolitan area based on closed transaction sides and closed volume. Agents and brokers selected for the 2018 REAL Trends America's Best Real Estate Agents list will receive custom marketing collateral and discounts on ad campaigns from Adwerx to help them grow their business.

Interested in marketing your success? We are offering a $199 marketing package that allows you to design a personalized agent/team profile, and download social and digital ad creative, fill-in-the-blanks press releases, logos, badges and more!

To view the rankings and learn about the marketing package: **CLICK HERE**