

## LESSON

# 12

## Incentives to do business

Marketing is an important function of any business. And to be successful you'll want to market your services aggressively. This may eventually include offering prospects an incentive for using your services. There is nothing necessarily wrong with incentives, even if the prospect has to work with you in order to take advantage of the offer. But, as with everything else, be clear.

Make sure you are clear in your offer; make sure the people who might benefit from your promotion have a clear and thorough understanding of the terms and conditions of the offer in advance. Certainly, make sure you understand and follow any limitations set by state law or the Code.

### TIPS

**1:** Could your incentive be in violation of RESPA? How about Regulation Z?

**2:** It's perfectly OK to offer gifts or concessions to attract sellers. If you are trying to attract buyers, there are some limitations. If a loan is involved, make certain your inducement will not cause a problem with the mortgage company. Inducements to

buy are considered part of the seller's concessions and there are limits on the amount depending on the percentage of the loan.

**3:** You can only offer incentives to people who wish to do business with you or to another licensee. Offering to contribute to your church or other group for any buyers they send your way is not acceptable.

## CASE STUDY

### Case Study #12-7: REALTOR® Advertising Free Market Analysis

A REALTOR® in your market is running an ad offering a "Free Market Analysis, with no obligation." One of your former clients takes the REALTOR® up on his offer, noting that at the time, the agent told him, "I presume you understand that when we provide this service, we also expect that if you list your property, you will permit us to serve you."

For the next three weeks, though, the REALTOR® hounds your former client, calling every day to solicit the listing of his home. He reminds your client he had provided a "valuable free service and we feel that you owe us" the listing of the property. You urge your former client to file a complaint, which he does.

At the hearing, the REALTOR® says he had provided the "free market analysis" as represented in his advertising, and had provided it "... with no obligation." He stated that he had neither asked for nor received a fee for the market analysis. He could not understand why he was required to appear before a hearing panel in connection with allegations of a violation of Article 12 of the Code of Ethics.

The hearing panel noted that offering premiums or prizes as inducements, or the advertising of anything described as "free" is not prohibited by the Code of Ethics nor can such advertising be prohibited by a Board of REALTORS® unless it presents other than a "true picture" as required by Article 12.

*So, did the agent violate Article 12?*

**The Hearing Panel concluded that although the agent was free to advertise his free market analysis, such a representation was not a "true picture" if all of the terms governing availability were not clearly disclosed in the ad or representation. The Hearing Panel noted that the statement by the agent that it was "presumed" the property owner would list with him made the representation less than a "true picture." The panel concluded that the REALTOR® was in violation of Article 12.**



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### Instructor's Notes

- Try to create conversation; lectures are less interesting. Try to talk about personal experiences. Encourage newer agents to talk about situations that might be confusing. In the long run, dialogue is good for your business.
- Ask your agents to list promotions they've heard about that pushed the ethical boundary.
- Ask them about promotions that have been successful in the past.
- Talk about where the lines are drawn and how to know when you've crossed one.
- For agents that miss your meetings, these lessons are also available online at [thecodeisgoodbusiness.com/va/lessons](http://thecodeisgoodbusiness.com/va/lessons).