

# REAL ESTATE BROKER'S INSIDER

Management and sales tools for the residential real estate broker

December 15, 2005 Vol. 36 No. 24

## Business Models

### Long Island broker offers 100 percent splits, low desk fees

With more and more consumers expecting a discount from their agents, broker Marc Ragusa figures agents are growing price-conscious, too.

So Ragusa launched Long Island Realty Agents of Hicksville, NY, a company that lets agents keep all of their commissions in exchange for a monthly desk fee of \$199.

That's much lower than the \$1,000 desk fee typically charged to RE/MAX agents, Ragusa says.

The model has attracted 50 agents, most of them experienced salespeople who want to keep more of their commissions but who don't want the hassle of obtaining a broker's license and running their own company.

But Ragusa welcomes all comers. His marketing materials note that the company imposes no requirements on sales volume, and he calls the model a good one for teachers and others looking to supplement their incomes for part of the year.

The business model means Ragusa is pushing for more growth. After all, because he gets only a set fee from agents, his business plan is one that requires a large volume of agents.

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## Agency Management

### Pondering joining a franchise? Here's how they stack up

It's safe to say there are two types of broker-owners in the world: Those who swear by franchises, and those who swear at them.

Houston broker Wayne Murray has been both types. After years as an independent, the longtime broker decided in 2004 to join a franchise system.

And in spite of the deep divide between the industry's franchisees and its independents,

Murray says he has no regrets about making the switch.

"I'm living proof that an old dog can learn new tricks," Murray, 56, says. "I basically became a convert."

#### Franchise offers growth opportunity

Murray says his decision to ditch Wayne Murray Realtors and become Weichert Realtors Wayne Murray Properties was driven by a desire to grow.

"We never grew the way we wanted to," Murray says.

But within 18 months of joining the Weichert network, Murray's company had grown from 28 to 68 agents.

The growth went to the bottom line, too, Murray says: He's more profitable now than he was as an independent. Encouraged, he plans to open a second office and is eyeing further expansion.

**"I'm living proof that an old dog can learn new tricks."**

Murray credits the discipline imposed by Weichert's system. For instance, Weichert encourages every franchisee to hold a recruiting session every Tuesday night.

Murray posted a sign in the office window advertising the weekly recruiting session. Whether two people or 20 show up, Murray hosts the session every week. Consistency is key, he says.

Indeed, franchisees are buying systems that encourage growth, which might explain why the majority of the industry's big brokerages are affiliated with franchise systems.

"It's made a world of difference," Murray says. "I didn't mind burying Wayne Murray Realtors. It was the best thing I ever did in real estate."

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such as Texarkana, TX; Custer, SD; Mountain Home, AR; and Demopolis, AL. President Lou Francis says buyers of properties in small towns come from outside those towns, so United Country foots the bill for advertising listings in newspapers and in United Country's own catalog. Its franchise fees and royalties are among the lowest in the industry.

Number of offices: 500

Number of agents: 3,000

Franchise fee: \$5,900

Royalty: 1 percent

Phone number: 816-471-4290

Website: www.unitedcountry.com.

### Weichert Real Estate

The system: New Jersey-based Weichert launched its first franchise in January 2002 and now has 156 franchised offices in 16 states. The company pushes one-stop shopping — its Weichert Mortgage

division was one of the first lenders to offer Fannie Mae's new 40-year home loans. And through its own lead network, Weichert has strived to get a handle on the challenges posed by incubating Internet leads.

Number of offices: 355

Number of agents: 16,500

Franchise fee: \$25,000

Royalty: 6 percent

Phone number: 973-359-8377

Website: www.weichert.com. **REBI**

## Mortgage rate trends

### Mortgage Applications

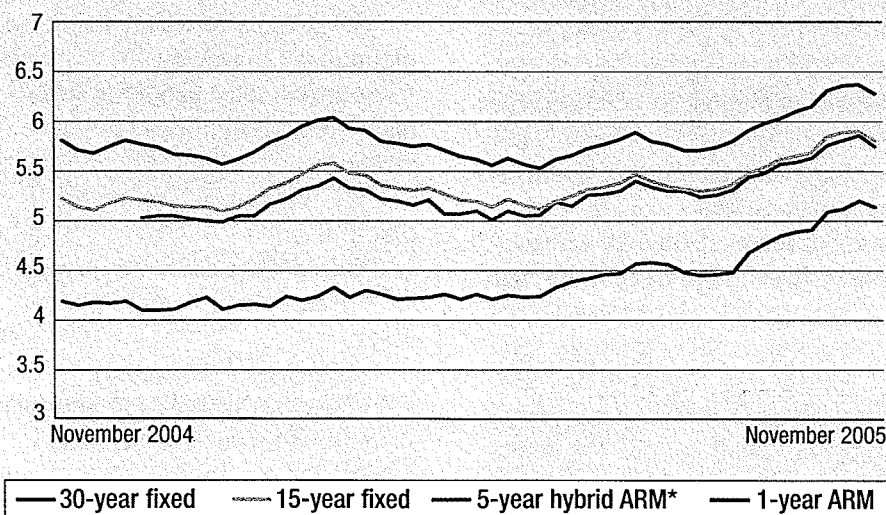
Seasonally adjusted Purchase Index for November 18: 472

Trend: Down from 478 the previous week.

Seasonally adjusted Refinance Index for November 18: 1582

Trend: Down from 1702 the previous week.

### Mortgage Rates



On November 24, the posted mortgage rates were: Average 30-year fixed-rate mortgage at 6.28%, with 0.6 point; average 15-year fixed-rate mortgage at 5.81%, with 0.6 point; average 5-year hybrid adjustable-rate mortgage at 5.75%, with 0.8 point; and average 1-year ARM at 5.14%, with 0.7 point.

Trend: The 30-year fixed-rate, 15-year fixed-rate, and the 1-year ARM are all up from a year ago. All rates are down from the previous week.

\* Five-year hybrid ARMs are new to Freddie Mac's statistics, so historic data is not available.

Sources: Mortgage Bankers Association, Freddie Mac.

## Long Island broker offers 100 percent splits, low desk fees *(Continued from page 1)*

"Obviously, you can't make money just starting out," Ragusa says.

Long Island Realty Agents offers agents three commission plans:

- 100 percent. Agents keep all their commissions and pay a monthly fee of \$199, plus \$300 per closed transaction.
- 90 percent. Agents give the broker 10 percent of their commissions and pay a monthly fee of \$149, plus \$150 per closing.
- 80 percent. Agents give Ragusa 20 percent of their commissions and pay a monthly fee of \$99, with no closing fee.

Most agents opt for the 100 percent plan, Ragusa says. Agents typically work from home offices, cutting Long Island Realty Agents' costs for office space.

Ragusa promises to return agents' calls quickly, and he provides open-house signs, for-sale signs, and business cards.

The company's listings appear in the local Multiple Listing Service, and its highest sale so far is about \$1 million.

Ragusa lets agents set their

own fees, and most charge 2 to 4 percent.

Because agents keep their commissions and pay bargain-basement fees, they can charge consumers less, he says.

In fact, he offers as a selling point the ability to win listings by charging less than the competition.

Such low-cost brokerages are nothing new. Charles Rutenberg Realty of Clearwater, FL, has

signed up hundreds of agents in recent years with a similar business model.


But Ragusa says he's the first such broker on Long Island, which makes his sales pitch sound too good to be true to many agents.

"A lot of agents are skeptical about it," he says.

But Raymond Eaton, an associ-

ate broker at Long Island Realty Agents, says he's glad he made the switch.

"I've nearly doubled my income, and Mr. Ragusa provides more support than most other brokers," he says.

Contact: Marc Ragusa, Long Island Realty Agents, 516-433-5290, [www.lirealtyagents.com](http://www.lirealtyagents.com). 

**"You can't make money just starting out."**

## **Industry Trends**

### **First-time buyers long for new home in 'burbs, say prices pose challenge**

The typical first-time buyer's dream home is a new, suburban single-family house located in the southern United States.

So says a study by Century 21, which has launched its First-Time Homebuyer Index.

Century 21 unveils its first-time homeownership survey at a time when first-time buyers face significant affordability challenges — and also represent an untapped market when a record 68 percent of Americans already own homes.

When imagining where their "dream home" would be located, first-timers prefer suburban areas (46 percent) to rural (39 percent) or urban (15 percent).

More than three quarters (78 percent) say their dream home is newly constructed. New construction is more appealing to younger respondents (83 percent for those aged 18 to 34, compared to 68 percent for those aged 35 to 64).

However, in the cold light of reality, 73 percent of first-timers opt for existing homes instead of new construction.

Survey respondents also imag-

ine their dream home situated in the southern United States. The Southeast tallied the most votes at 27 percent, followed by the Southwest in a close second at 23 percent. The Northeast (19 percent), Midwest (17 percent), and Northwest (14 percent) didn't fare as well by region, although a number of northern cities were well regarded by respondents.

First-time buyers say finances are a major obstacle: Almost two thirds of respondents (64 percent) believe it will take them more than five years to save the money needed to purchase their dream home.

First-timers expect to pay less than \$250,000, and about a quarter say they'll get help with the down payment, typically from family members.

Among the factors first-time buyers look at in choosing a hometown:

- Reputation as a great city to raise a family (26 percent) based on schools and crime rates. (In a seeming contradiction, first-timers rated New York, Los Angeles, and Chicago among their top choices.)

- Climate (22 percent).

- Proximity to water, sand, and mountains (22 percent).

- Strong local economy with many job opportunities (16 percent).

The top reasons for buying a first home:


- Need more room (36 percent).

- Want to build equity (24 percent).

- Marriage (12 percent).

- Need for privacy (10 percent).

- Job relocation (4 percent).

Contact: Century 21, [www.century21.com](http://www.century21.com). 

#### **HouseValues offers free websites**

HouseValues Inc. says it will give all HouseValues.com and JustListed.com subscribers a personally branded HomePages website at no charge.

The sites feature the agent's photo, contact information, and bio. Agents also will get HomePages detailed neighborhood information and aerial photos.

HouseValues says the sites will help agents capture more online leads.

Contact: HouseValues, [www.housevaluesinc.com](http://www.housevaluesinc.com).