

The Transaction Coordinator

An Underutilized Asset to Residential Real Estate

By:



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Introduction

This white paper examines:

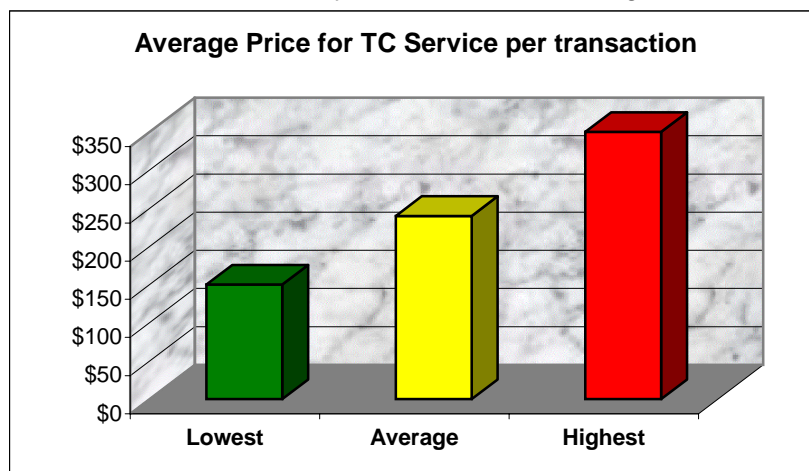
1. The responsibilities of Transaction Coordinator (TC) and how it benefits the Broker, Agent and Consumer.
2. The synergies created between a Transaction Management Platform and a Transaction Coordinator.
3. Case studies of current Brokers' Transaction Coordinators Programs.

Many residential Real Estate Brokers have adopted and implemented a Transaction Coordinator program within the past 2 years. This emerging trend has changed business processes within the industry. The following white paper will examine the impact of this evolution to date and explore the various benefits received by all parties relevant to the transaction.

Responsibilities of a Transaction Coordinator

A Transaction Coordinator is a person responsible for managing and monitoring the transaction process through interfacing with Real Estate professionals, clients, escrow companies and property management companies. A TC is responsible for maintaining escrow files and the production, coordination and processing of all information and documents pertaining to the sale and escrow of each home. A TC will often perform accounting-related, administrative and clerical duties, including setting home inspection appointments and assisting agents in communications and Client Relationship Management (CRM) duties.

Clareity's 2003 Transaction Coordinator study revealed the following:



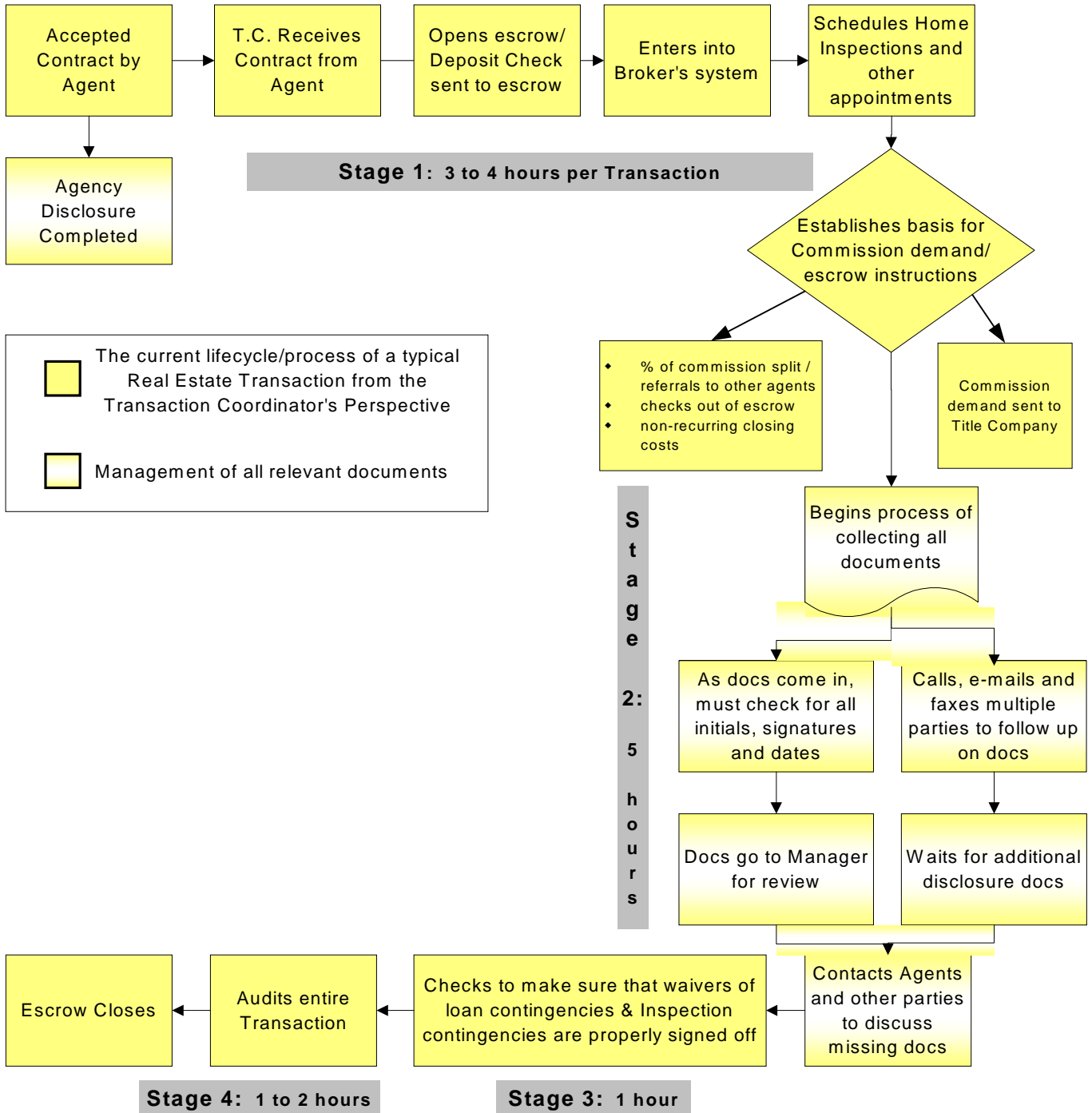
Average price for TC service paid by the Agent: \$240 (lowest is \$150, highest is \$350)

Additional TC Statistics:

- Average number of transactions managed by one TC at a time: 18 (range is 15 to 30 with a few exceptions that reach up to 65)
- Average time TC spends per transaction: 12.5 hours.

While all transactions are unique, on the following page you will find a diagram that examines the typical transaction lifecycle from the TC's perspective.

The Real Estate Transaction Lifecycle from the Transaction Coordinator's Perspective (12.5 hours average spent on each Transaction)



Transaction Coordinator Program Benefits

All parties involved in the transaction, the Broker, the Agent, the Service Vendor and the Consumer, benefit from the services of a Transaction Coordinator. The following are the primary benefits of a Transaction Coordinator program:

Focusing core competencies

Dedicating someone solely to the transaction process releases the Agent of administrative responsibilities, allowing Agents to do what they do best, create relationships and drive new business. This division of labor allows for greater productivity by all parties concerned. The synergy created by individuals focusing on their core competencies enables increased efficiencies.

Increase non-commission profit from sales of ancillary services

With commissions and margins becoming tighter throughout the Real Estate Brokerage community, Brokers are looking for ways to verticalize their business. Using a Transaction Coordinator increases the capture rate of Broker controlled ancillary services, such as mortgage and title insurance.

Gain greater quality control into transaction activity

Brokers often experience a lack of oversight into the monitoring and regulation of processing transactions. Many times, Brokers have little visibility into what activities are taking place by each agent. Brokers have very little control over the various files and documents that are critical to a successful transaction. By adopting and implementing a Transaction Coordinator program, Brokers may centralize and standardize the company's processes.

Risk Management and Reduced liability for Errors and Omissions

Many insurance companies offer a reduced E & O premium to the Brokers that have standardized their transaction process.

Gain a recruitment and retention edge over other brokers

Brokers are always seeking differentiation. Successful Brokers leverage new processes and other differentiators early to attract Realtors. Agents are looking toward their Broker and asking, "What have you done for me lately?" Providing a Transaction Coordinator program may be an excellent way to differentiate the Broker's suite of services. Many agents do not want to be in the business of paper management. Even the "Control-Freak" agents will relinquish the responsibility to a Professional TC.

Increase customer satisfaction & gain repeat business

Today's consumers expect to be kept in the loop and to receive immediate answers regarding their affairs. Realtors are busy people and, when available to talk, don't always have the answer on hand. Consumers will find that in working with a Transaction Coordinator who is more readily available than their Agent allows them quicker and more comprehensive answers to their questions. These benefits add up to improved customer satisfaction, referrals and repeat business.



Focus Agents on finding new clients and selling property

Currently Realtors are trapped in an arcane web of communication with all of the players in the transaction. Lots of time is spent on the phone, fax, and in e-mail ordering products and services and checking on their status. Using transaction coordination, much of this time could more profitably spent finding new clients, selling property, and other tasks that increase productivity, resulting in greater revenues – dollars on the bottom line.

Narrows the funnel of information

With the growing number of people involved in a single transaction, from inception to closing, information is being disseminated multiple times, to multiple parties. Not unlike the old elementary schoolyard game of “Telephone-tag”, information can be mishandled, misunderstood or misdirected if a common platform or central facilitator does not remain in control of the critical communications.

Time Savings and Opportunity Costs

While the TC spends an average of 12.5 hours on a typical transaction, the average agents spend approximately 19 hours managing a transaction. The time spent managing the transaction has significant financial implications on the agent. Assuming the average full-time, experienced Real Estate agent earns \$75,000 a year (equal to \$37.50 an hour); the agent will spend in excess of \$700 in his/her time managing a transaction. The average fee for a professional TC is \$240. Utilizing a professional coordinator can save the Agent over \$400 in time.

Many of the benefits listed above can directly and in-directly affect all three parties relevant to the transaction. In this grid, a check mark indicates which Transaction Coordinator benefit has an impact each of the three parties:

| Benefit experienced by implementing a TC program | Broker | Agent | Consumer |
|---|--------|-------|----------|
| Focusing core competencies | ✓ | ✓ | |
| Increase capture rate, non-commission profit from sales of ancillary services | ✓ | | |
| Gain greater quality control into transaction activity | ✓ | ✓ | ✓ |
| Risk Management and Reduced liability for Errors and Omissions | ✓ | ✓ | ✓ |
| Gain a recruitment and retention edge over other brokers | ✓ | ✓ | |
| Increase customer satisfaction & gain repeat business | ✓ | ✓ | ✓ |
| Focus your Realtors on finding new clients and selling property | ✓ | ✓ | |
| Narrows the funnel of information | ✓ | ✓ | ✓ |
| Time Savings | ✓ | ✓ | ✓ |

The synergies created between a Transaction Management Platform and a Transaction Coordinator

Earlier this year, Clareity published a white paper titled "Transaction Management 2.0" (<http://www.callclareity.com/2003-tmp.html>). In that paper, Clareity identified four leading Transaction Management Platforms:

- First American's Transaction Management Platform
- FNIS' TransactionPoint
- Realty Assist's Realty Assist
- GuruNetwork's G3

It is Clareity's belief that when a Transaction Coordinator uses a modern, web-based Transaction Management Platform, great synergies are created. A Transaction Management Platform that includes Settlement Service Ordering and Vendor Management technologies can further streamline this process for the Transaction Coordinator. All relevant parties to the transaction communicate and collaborate via a singular platform. These systems provide the ability to order services online, receive status updates on the service, and receive documents electronically that are associated with the service.

Various benefits below may be realized by the utilization of a Transaction Coordinator and a Transaction Management Platform:

Driving Ancillary Services

As mentioned earlier, Brokers are looking for new ways to drive revenue. By participating in a TMP with a Transaction Coordinator running the process, Brokers will have a greater ability to encourage Agent and Consumer participation in the products and services offered by the broker, such as Mortgage and Title relationships. A Broker will have greater control of the ordering process, which could include drop-down pick lists that feature the relationships endorsed and sponsored by the Broker set as the default.

Productivity and Efficiency for the Transaction Coordinator

The average Transaction Coordinator approximately spends between 10 and 13 hours per transaction from beginning to end in an off-line environment. By utilizing a transaction management platform, Clareity estimates that the average time spent by a coordinator will be reduced by half to approximately 6 hours per transaction. This has been proven by one of Clareity's clients, NOTAR, a large, highly automated Real Estate Company in Norway. At NOTAR, a single TC routinely manages over 100 transactions at a time; far above any U.S. company we have seen. In addition to the timesavings, Transaction Coordinators will be able to communicate more effectively with the relevant parties to each transaction, thus alleviating a current industry wide dilemma. Several studies and surveys have shown that if Transaction Coordinators were able to use a standardized process and application, productivity would increase.

Facilitated Communications

With multiple vendors and parties participating in each transaction, communicating with everyone can be a difficult undertaking. By utilizing a TMP, and Transaction Coordinator will have one common platform in which all communication is funneled and recorded.



Juggling phone calls, faxes and e-mails can become a thing of the past. All of the leading four platforms offer tools that enable a Transaction Coordinator to tightly manage and control communications between the Agents, Clients and Vendors. When a transaction is complete, a specific record of all communications is kept that may prove to be valuable should a disagreement emerge which could potentially lead to a lawsuit.

Shortened Time to Closed Transaction

According to a Broker that was recently interviewed by Clareity, "Time frames are softer without a Transaction Coordinator because issues may go unnoted for longer periods of time." A Transaction Management Platform offers a means in which tasks and deliverables are tightly managed with accountability measurements in place. These measurements aid the coordinator in maintaining a time sensitive process ensuring that documents and communications arrive as scheduled.

Consumer Benefits

In this information age, consumers expect immediate access to data 24/7. Clients will find that transaction management platforms, which are available at all times, allow them quicker and more comprehensive answers to many of their questions thus alleviating the primary consumer complaint of "lack of communication."

Redundancy and backup

In a traditional offline transaction, the people managing a transaction hold all or parts of the transaction information in their own filing system. This can create a redundancy and security problem. If the Transaction Coordinator leaves the company, becomes ill or injured or misplaces the documents, the integrity of a transaction may be in jeopardy. By utilizing a TMP, a Transaction Coordinator automatically creates a backup of their work, which a co-worker can take over and assist with at any time since a complete record of all files and correspondence is stored.

Standardized Process

A transaction management platform provides for a standard processes across branch offices enabling for a common system to train on as well as improved efficiency and accuracy.

Case Studies

The following case studies explore transaction coordination programs across four different brokers of varying size, location, and vision of the real estate transactional process. Since the transaction coordination concept is relatively new, no industry standard is yet established.

RE/MAX Valley Properties.

RE/MAX Valley Properties have a very unique approach to Transaction Coordination. As a leader and visionary in the industry, Dennis Badagliacco, the President of the company made the decision to offer this service to his agents five years ago. While the decision to travel down this road was not a difficult one for him, deciding to make this service mandatory for his agents most definitely was. As he states, "Agents have a



choice, if they would like to work here with us, they'll use our Transaction Coordination service. If they would rather not use the service, they most definitely do not have to work with us." This bold approach has become a tremendous success story for his organization. He has built a Transaction Coordination department, which acts as its own separate business unit responsible for its' own P & L statement and operating in its' own office space with their own Department Head who is responsible for the productivity, performance and fiscal results. The Transaction Coordination staff, which is comprised of Real Estate Licensed Coordinators, are salaried employees who earn a bonus based on department profitability and Agent feedback surveys. At the close of every transaction, Agents are asked to rate their experience in working with their Transaction Coordinator. Bonuses received by the Coordinator are directly correlated to the Agent survey scoring.

Agents are charged between \$150 and \$250 per transaction for Transaction Coordination services. The Agents decide which level of service they would like to receive from the Coordinator. The services range from strictly on-line tracking to a fully coordinated service inclusive of all communications, file management and processing. According to Dennis, "90% of the Transaction Coordination fees are being paid by the client, not the Agent."

Dennis has taken the same approach with the Vendors, "If they would like to be in our office, they are required to be on our platform."

This approach to Transaction Coordination has been very rewarding for the organization. The value that the mandatory service has delivered can be measured in many ways, from enhanced service for the clients, to reduced liability for the Broker. In fact, in over 23 years of doing business, RE/MAX has only paid out one claim from litigation in the amount of \$15,000.

Prudential California Realty

Prudential California Realty has 123 offices in its network with approximately 3,300 agents. They first started using transaction coordinators eight years ago, but the majority of the offices have developed a transaction coordinator program over the past two years.

Prudential's strategy for implementing its program is entrepreneurial in spirit. Each office chooses whether or not to use transaction coordinators as well as the extent to which they implement the program. For example, one of their offices requires new agents to use the program for their first two transactions while other offices may not even provide such services. If an office decides to hire transaction coordinators, the coordinators work in the office and are responsible to drive their own business. Offices with a successful program have up to 70% of transactions administered by a transaction coordinator.

While no standard transaction coordinator program exists across the company, there are some valuable observations to be made. The average transaction coordinator is compensated with a base salary with a unit-dependant bonus. The average fee for this service is approximately \$300 per transaction and is sometimes passed off as a cost to the client.



When asked about the perceived benefits of implementing such a program, the following were mentioned: uniformity of look and feel of files, quality control that reduces liability, increased productivity through focusing core competencies, and greater control over the flow of information. The last benefit, greater control over the flow of information, is of particular interest because it helps the company drive ancillary services and collect information on different market verticals. Exemplifying this point is one of Prudential's offices that achieves a 90% participation in both the broker's home warranty and property I.D. programs.

In addition to the aforementioned benefits, transaction coordinator programs help Prudential execute transactions according to a more stringent schedule as well as identify earlier in the process any potential issues that may terminate the deal.

Coldwell Banker Howard, Perry and Walston

Coldwell Banker Howard, Perry and Walston, North Carolina, has 12 offices (including corporate headquarters) and between 500 and 600 agents. Its transaction coordinator program is similar to Prudential's entrepreneurial strategy in that each office decides whether or not to provide the services of a transaction coordinator. Roughly one-third of Coldwell Banker's offices in North Carolina use a transaction coordinator program.

Among the offices that implement such a program, approximately 15% of transactions use a transaction coordinator. Transaction coordinators create their own business within the office and are compensated by the agents according to which services they offer. Sometimes agents will only seek help with one aspect of the transaction, while other times the agents seek more comprehensive participation of the transaction coordinator. The average fee of a transaction coordinator in Coldwell Banker's offices is \$225.

The main perceived benefit of using a transaction coordinator is having a cleaner and tighter transaction.

John L. Scott Realty

John L. Scott Realty, which has 117 offices and 3,100 agents, conducted 44,000 transactions last year in the greater Northwest region of the United States. This broker began its transaction coordinator program with a centralized team of five transaction coordinators serving a particular area, but they now aim to place a transaction coordinator in each of its offices. This change is slow to implement- the company aims to have a transaction coordinator in 20 of its company owned offices by the end of this year.

Under the centralized strategy, each transaction coordinator managed between 35 and 65 transactions at a time, which was far above the industry average of 18. Also, the fee for this service ranged from \$150-185, which was far below the industry average of \$240. These transaction coordinators were compensated by a salary and bonus based on volume.

The original centralized service concept has the advantages of redundancy and backup. Since several transaction coordinators participate on a single transaction, someone is always available to provide immediate attention. In addition, the centralized team offers multiple "sets of eyes" to increase accuracy of the execution. However, despite these



advantages, agents prefer transaction coordinators to be in the office for the benefit of face-to-face interaction. The industry's proclivity to human interaction cannot be forgotten.

Conclusion

Transaction Coordinators are here to stay. The preceding case studies show that TC programs work across various sized companies, brands and demographic locations. TC programs from coast to coast continue to be refined and improved.

Implementing a TC program is a low-risk, low-cost endeavor, and if properly executed, it can be a profit center for the Broker. The synergies created by coupling a TC with a robust, web-based TMP dramatically impact a Broker's operation.

What will happen when this country's largest regional MLSs deploy TMPs as part of the base MLS service?

Will the marriage of a TC and TMP propel electronic transaction management across the chasm from early adoption to mass implementation?

Stay tuned...this will be an interesting year!



About Clareity

Founded in 1996, Clareity continually strives to provide our clients a truly independent and unique perspective. Due to our extensive involvement and interaction across the entire Real Estate industry, we do *truly* have a finger on the pulse of the industry. Clareity has successfully executed a vast array of consulting projects for our clients, related to:

- IT Security Audit and business continuity assessment
- Development and analysis of RFPs for MLS systems, public records, broker systems, and TMPs
- Mergers and acquisitions and strategic alliances
- New product marketing and business plans
- Product integration specifications
- Competitive analysis
- Contract negotiation
- Project management and implementation assistance
- Market research including agent, broker, and staff electronic and telephone surveys as well as onsite focus groups

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