

The McGrath Settlements Process

The McGrath Settlements Process

LEARNING OUTCOMES

After learning this course, the Agent should have achieved the following outcomes:

1. Knowledge of the settlement process and what preparation must be done prior to settlement
2. Recognition of key contacts/team members and who to ask if help is needed
3. Awareness of the different methods a deposit can be received and what actions are required for the deposit to be efficiently receipted
4. How to have the request of the early release of deposit actioned and what documentation is required
5. Understanding of how a settlement is calculated
6. To have the ability to use the Campaign Track system to monitor marketing campaign

The McGrath Settlements Process

INTRODUCTION

Once a sale is made and the hard work is done, there are some administrative tasks that need to be undertaken to ensure you and your client are paid at the time of settlement.

Who are the Settlements Team?

The Settlements Team are responsible for funds that come in and out of the trust account to facilitate the transaction of the sale of a property.

It is the responsibility of the Agent to inform the Settlements Team:

- When a deposit is paid;
- If the release of the deposit is required; and
- When settlement has taken place

After completing this training module, feel free to contact the Settlements Team should you have any questions or need further clarification.

Contact: SettlementsHQ@mcgrath.com.au / 02 9386 3500

The process:

The settlement process kicks off as soon as a property is sold and a deposit is paid, this can be via eft, chq or AuctionPay. Make sure you let the settlements team know when a deposit is paid. If we aren't the deposit holder, ask the settlements team to generate an invoice, so we can collect our commission from the deposit holder.

Prior to settlement ensure you have all the required documents collected. Make sure you've collected the Vendors bank details. If you're a contract agent, make sure you've created your agent tax invoice. There no need to send this to the settlements team, just save these documents in AgentBox, with easily identifiable file names, ready for settlement.

For a settlement to be processed, simply email the settlements team across the Purchasers Solicitor's Order on the Agent and let us know that settlement has taken place. We can then process the settlement and disburse the funds. Should you have any questions, please call or email the settlements team. Your front office manager is also a great first point of contact as well.

The McGrath Settlements Process

MCGRATH AS THE DEPOSIT HOLDER

In most cases the Purchaser will pay a deposit to the McGrath trust account, when the property unconditionally exchanges. This deposit is normally 5% or 10% of the purchase price.

Settlement usually takes place after a few weeks or months, where the Vendor vacates the property and the Purchaser is given the keys.

The Purchasers Solicitor must send an Order on the Agent (OOA) to the Vendors Solicitor. This document indicates that the Purchaser approves for the settlement to proceed.

If the Vendors Solicitor agrees that the settlement is ready to proceed, they will forward the OOA on to the Agent.

The Agent will then forward the OOA onto the Settlements Team, so they can disburse the funds.



MCGRATH NOT THE DEPOSIT HOLDER

Sometimes another Agency or Vendors Solicitor will hold the deposit. In this case you'll need to inform the Settlements Team, so they can generate a tax invoice for the outstanding commission.

The Agent will forward the tax invoice onto the deposit holder and wait until settlement for the commission to be paid.

Once the commission has been paid, the Settlements Team can disburse the funds.



The McGrath Settlements Process

COMMUNICATION ACROSS MCGRATH

There are several teams and departments in McGrath that you will need to interact with to successfully finalise your sale. These fall into three categories:

Settlement

Settlements Team are responsible for receipting property deposits, early releases of the deposit and disbursement of funds at settlement.

SETTLEMENT TEAM FOR YOUR OFFICE

Settlements HQ

<SettlementsHQ@mcgrath.com.au>

- Balmain
- Blacktown
- Castle Cove
- Coogee
- Double Bay
- Forestville
- Leichhardt
- Manly
- Maroubra
- Millers Point
- Mosman
- Newtown
- Northbridge
- Rouse Hill
- St Ives
- Surry Hills
- Wahroonga
- Willoughby

Settlements North

<SettlementsNorth@mcgrath.com.au>

- Castle Hill
- Crows Nest
- Epping
- Hunters Hill
- Lane Cove
- Lindfield
- Ryde

Payroll Team are responsible for paying the commission to payroll agents at the end of each pay cycle. See attached link to the payroll calendar.

(Note - contract agents are directly paid by the settlements team)

Contact: Payroll@mcgrath.com.au

Marketing

Campaign Coordinator is responsible for ensuring all marketing items are entered into CampaignTrack and correctly charged/credited against the Vendor or the Agent.

Contact: corinagelbkron@mcgrath.com.au

Accounts Receivable Team are responsible for receipting marketing deposits, managing agent account balances and the first point of contact for any agent related deductions.

Contact: AREnquiries@mcgrath.com.au

Support

Front Office Manager (FOM) will be the first point of contact in your office to assist you with day to day administration and fixing simple system problems

System Support can assist in solving the more complex problems that may arise in AgentBox

Contact: help@mcgrath.com.au

The McGrath Settlements Process



The McGrath Settlements Process

PROPERTY DEPOSITS

There are 3 Methods a Purchaser can use to pay their deposits:

1. **Auction Pay** – Electronic payment where the Purchaser logs into the AuctionPay (Macquarie Bank) Portal - <https://auctionpay.deft.com.au>

The system will send an automated email notifying you the deposit has been made

2. **Electronic Transfer** – Payment into McGraths Trust Account using our BSB & Account Number

If possible, the Agent should try to obtain a transfer receipt from the Purchaser

The Agent must then email the Settlements Team, informing them to expect the deposit.

3. **Cheque** – Purchaser provides the Agent with a cheque.

Your FOM will either deposit the cheque at your local NAB branch or courier to the Pyrmont Head Office. Note – We do not accept cash deposits

ARE DEPOSITS INVESTED?

Due to record low interest rates, only deposits over \$250k are invested.

If a deposit will be held for 3 month or longer, let the Settlements Team know, as we may be able to invest the deposit in a Term Deposit

The McGrath Settlements Process

EARLY RELEASE OF THE DEPOSIT

Sometimes the Vendors Solicitor may request that you release part or all of the deposit. There are several reasons, for example:

The Vendor may be purchasing another property and wish to withdraw part of the deposit held on your sale to facilitate their purchase.

Another example, the Vendors Solicitor has created a PEXA account and requires the balance of the deposit to be paid to them. At settlement they intend to instantly disburse the Vendor the full proceeds of their sale.

To process an early release, you'll need to send the Settlements Team:

1) Instructions from the Vendors Solicitor

Dollar amount required

Method – either EFT or Cheque

2) Authorisation from the Purchasers Solicitor

Either written consent or a clause in the Contract of Sale

(May or may not be required) If we are withdrawing more than what is required to pay our commission and outstanding Marketing at settlement, let the Settlements Team know.

We would need an undertaking or irrevocable authority from the Vendors Solicitor, to protect our commission.

The McGrath Settlements Process

SETTLEMENT AND HOW TO PREPARE

Prior to Settlement - Ensure you've collected and saved the required documents:

- Vendor Bank Details
- Purchaser Bank Details & TFN (Only if deposit has been invested)
- External Referral Tax Invoice (If applicable)
- Agent Tax Invoice (Only if the Agent is a contractor, not required for Payroll Agents)

At Settlement - Email the Settlements Team

- Inform them that settlement has taken place
- Attach the 'Order on the Agent' from the Purchasers Solicitor

(Note – There is a cut off time of 2pm each business day for settlements to be processed.

If the Settlements Team receives the Order on the Agent after 2pm, the settlement will be processed the following business day)

Useful Tips and Tricks:

Save your documents -

Once a document is saved in AgentBox, it's ready for settlement. Use clear file names for the documents you save. i.e. "Agent X – Tax Invoice.pdf".

Collect your Vendors bank details -

AgentBox has premade forms assist you with collecting your Vendors bank details. With one click you can instantly email your Vendor, requesting they provide you with their bank details.

Use your Checklist -

To make sure your sale is set up and ready for a smooth settlement, its important to stay organised and follow your settlement checklist.

The McGrath Settlements Process

MARKETING & CAMPAIGN TRACK

When a property is listed, a Marketing Agreement or DPA is agreed upon by the Vendor

The Role of the Campaign Coordinator

Your Campaign Coordinator is here to assist with entering marketing items into the CampaignTrack system.

Within CampaignTrack they will assign who will be paying for or refund marketing items at settlement.

HOW IS MARKETING PAID?

The marketing can be paid in two ways:

1. Upfront:

This will be paid directly into the Architype Marketing Account

Once a marketing deposits is made, you must notify AREnquiries@mcgrath.com.au

2. Deferred or At Settlement:

The Vendor may choose to have the marketing payment deferred through one of our third-party providers:

CAMPAIGNAGENT	LISTSURE (UNAVAILABLE DURING COVID19)
<ul style="list-style-type: none">- Vendors pay 30 days after loan funds have been advanced at settlement (whichever is earlier)- Late fee applies if marketing not paid within 30 days- Vendors should make repayment direct to CampaignAgent if settlement is greater than 30 days.- Accounts Receivable/Settlements will need to be advised if repayment is made directly to CampaignAgent so the funds are not deducted again at settlement- Capped at 0.1% of advertising spend	<ul style="list-style-type: none">- Vendors pay 15% upfront with the remaining balance of 85% to be paid at settlement
<ul style="list-style-type: none">- Option of an 'insurance' component (depending on fee structure)<ul style="list-style-type: none">- With 'insurance' – vendor does not have to repay the balance if property withdrawn outside of commitment period. Higher fee structureWithout 'insurance' – vendor has to repay the balance at settlement or if property is withdrawn. Lower fee structure	

The McGrath Settlements Process

HOW IS A SETTLEMENT CALCULATED?

When a property is listed, an **Agency Commission** (Percentage or Flat Fee) is agreed upon between the Agent & Vendor, when they enter the agency agreement.

When the property Unconditionally Exchanges, the **Sales Price** is set by the Purchaser, when the contract of sale is entered into.

An Agents pay is based on their **Commission Level**, set out in the employment agreement.

Example 1)

A property sells for \$1 million with an agency commission of 2%. Agent X is on a 50% commission level. How much will Agent X get?

Agency Commission - $1,000,000 \times 2\% = \$20,000$

Agent X Comm - $\$20,000 \times 50\% = \$10,000$

Sometimes another agent within the McGrath company owned network will be involved in the sale. When this happens, an agreement must be made determining what the **Commission Split** between the both agents should be.

With this said, it is important to remember different agents may be on different **Commission Levels**

Example 2)

A property sells for \$1 million with an agency commission of 2%. Agent X and Agent Y have agreed to split their commission, 1/3 to Agent X and 2/3 to Agent Y. Agent X is on a commission level of 50% and Agent Y is on a commission level of 60%. How much would each agent receive?

Agency Commission - $\$1,000,000 \times 2\% = \$20,000$

Agent X Comm - $\$20,000 \times 1/3 \times 50\% = \$3,333.33$

Agent Y Comm - $20,000 \times 2/3 \times 60\% = \$8,000.00$

The McGrath Settlements Process

There may also be **External Co-Agents** involved in the sale. Their commission is taken 'off the top', before McGrath and its agents commission is calculated.

Example 3)

A property sells for \$1 million with an agency commission of 2%.

Open Agent Finder referred the sale to you and is to receive 20% of the commission

Agent X and Agent Y have agreed to split their commission, 1/3 to Agent X and 2/3 to Agent Y.

Agent X is on a commission level of 50% and Agent Y is on a commission level of 60%.

How much would each agent receive?

Agency Commission - $1,000,000 \times 2\% = \$20,000$

Open Agent Finder – $\$20,000 \times 20\% = \$4,000$

After 20% Referral agent is taken account of 80% of the agents split is left

Agent X Commission = $\$20,000 \times 80\% \times 1/3 \times 50\% = \$2,666.66$

Agent Y Commission = $\$20,000 \times 80\% \times 2/3 \times 60\% = \$6,400.00$

There are 2 types of agent, **Payroll Agent & Internal Conjunction Agent** (Contract Agents).

Payroll Agents are paid at the at the end of each pay cycle, exclusive of GST.

Internal Conjunction Agents are paid at the time of settlement, inclusive of GST.

Note - AgentBox will display figures as Excluding GST. To calculate what the inclusive GST figure is, you will need to multiply the excl GST figure by 1.1

Example 4)

Using the same numbers from example 3, Agent X is a Payroll Agent with a commission of \$2,666.66 Excl GST. Agent Y is an Internal Conjunction Agent with a commission \$6,400.00 Excl GST. How much will each agent receive?

Agent X (Payroll Agent) Commission = \$2,666.66 Exc GST

Agent Y (Internal Conjunction Agent) Commission = $\$6,400.00 \times 1.1 = \$7,040.00$ Inc GST

The McGrath Settlements Process

QUIZ / KNOWLEDGE TEST

- 1) What is the document that informs you that settlement has taken place and is required by the Settlements Team to disburse funds?
 - a) Vendors Solicitors – Notification of Settlement
 - b) Purchasers Solicitors – Order on the Agent

- 2) If McGrath is not the deposit holder, what document would I need to request from the Settlements Team?
 - a) McGrath is no longer involved in the sale, I need nothing from Settlement Team
 - b) Tax Invoice
 - c) Vendors Bank details

- 3) Are deposits invested?
 - a) Never
 - b) Always
 - c) Only if above \$250k at-call / Term deposits are available if deposit is held for longer than 3 months

- 4) If a purchaser pays their 5% deposit by EFT, who do I inform?
 - a) Email Accounts Receivable, if possible with the transfer receipt
 - b) Email the Settlements Team, if possible with the transfer receipt
 - c) Tell no one, they will see the funds in their account

- 5) Do we take cash deposits?
 - a) Yes
 - b) No

- 6) If the Vendor pays for their marketing upfront by EFT, who do I need to inform?
 - a) Email Accounts Receivable, if possible with the transfer receipt
 - b) Email the Settlements Team, if possible with the transfer receipt
 - c) Tell no one, they will see the funds in their account

- 7) If a Vendor or their solicitor tells you they want to withdraw part of the deposit to facilitate a property purchase, do you need authorisation from the Purchasers solicitor?
 - a) No authorisation is needed
 - b) An email from the Purchasers solicitor authorising the release
 - c) A clause in the contract of sales that allows the deposit to be released
 - d) Either b) or c)

- 8) If you want to make an adjustment to the marketing campaign and change who will be paying certain marketing items, who should you inform?
 - a) Tell no one
 - b) Campaign Coordinator
 - c) I'd wait until settlement and inform the Settlements Team
 - d) Help@McGrath (system support)

- 9) What is the cut-off time for me to inform the Settlements Team that a settlement has taken place, to have the funds disbursed the same business day?
 - a) There is no cut-off
 - b) 5.30pm
 - c) 2pm

- 10) What do I need to do to ensure a settlement is processed?
 - a) Send the Settlements Team and email, informing them that settlement has taken place and attach the Order on the Agent
 - b) Collect all the required documents and ensure they are saved in AgentBox
 - c) Ensure the AgentBox and Campaign Track have been set up correctly
 - d) All of the above