

# HIDDEN FEES INCREASE RELOCATION SPEND BY THOUSANDS OF DOLLARS

Even before the economy and housing market cratered, the average cost to relocate a home-owning employee was just over \$65,000.<sup>1</sup> But what most companies did not realize then is that they were paying thousands of additional dollars in the form of mark-ups or hidden fees for each relocating employee. Today, as companies search for ways to reduce their \$76,600 average relocation spend per homeowner,<sup>2</sup> more corporations are examining what they are paying for each individual component of the relocation process. Instead of eliminating a benefit, companies need to be aware of the hidden fees and/or mark-ups they are continuing to pay to their relocation provider.

Among the services a full-service relocation company offers clients are real estate, temporary living, and household goods services. Hidden fees and/or mark-ups are often found in each of these areas. The key is to know where and how to look for hidden fees and to select a provider with a transparent pricing model.

## THE PROBLEM

In 2008, a large retail chain relocating more than 120 homeowners annually was challenged to find cost savings within its relocation program. The mortgage closing costs, temporary living expenses, and household goods moving services together averaged more than \$10,000 per transferee. The Company's spend was approximately \$1.2 million per year.

## THE CHALLENGE

The Company provided Graebel with invoices and policies to analyze and determine cost-saving areas. The challenge was to identify hidden fees and/or mark-ups charged to the Company by its present supplier.

## RESULTS: MORTGAGE CLOSING COSTS

First, Graebel audited 10 U.S. Department of Housing and Urban Development (HUD) statements for employees relocated in the previous year. The actual lender fees charged by the selected mortgage company for each employee were compared to the Graebel \$495 Capped Lender Fee negotiated with multiple national lenders.

- > The analysis identified an average savings of \$2,398 per loan.
- > \$290,158 savings could have dropped to the Company's bottom line for this single component of its relocation program with Graebel.

Because most relocation companies own a mortgage company or broker, they determine lending fees and keep the revenue generated. As a result, the mortgage company does not need to compete for business nor offer a competitive rate, which results in a higher rate for the client.



The mortgage company also provides an additional revenue stream to the relocation company by paying referral fees.

Since these mortgage companies are unwilling to dip into their pockets to pay this fee, they simply raise the fee charged to the client. The referral fee is then added into the lender fees on a single line item in the HUD statement.

For example, a mortgage company may charge \$3,000, but the relocation company charges the mortgage firm a 10-percent referral fee. To compensate, the mortgage company will increase the fee to \$3,300 to reflect the additional 10-percent.

<sup>1</sup> "Cutting Costs, Not Corners: How HR and Procurement Are Building Better Relocation Programs Together." MOBILITY

<sup>2</sup> Worldwide ERC. "2009 Relocation Assistance Survey," sponsored by Graebel

The relocating employee is responsible for signing closing documents, including the HUD statement. However, since closing costs are part of his/her relocation package, the excess fees are overlooked. Often, the client company does not review HUD statements, but rather, pays whatever is owed on the invoice. Ultimately, extra fees are paid to the relocation company without the client realizing what happened.

Graebel does not own a mortgage company or brokerage, nor does the organization require vendors to belong to a network. Additionally, Graebel does not collect homage or fees from providers, thus offering a fair and unbiased list of vendors to their clients.

Graebel works with preferred providers to eliminate mortgage “junk fees” and loan origination fees. Its \$495 Capped Lender Fee includes fees for the application, appraisal, title, and more. With Graebel’s transparent pricing model, clients know exactly how much they will pay and are never charged an additional fee.

### RESULTS: TEMPORARY LIVING

Next, Graebel evaluated temporary living costs. On average, the Company had paid \$3,150 per month for a furnished apartment. As with most relocation companies, the Company’s provider charged the corporate housing company a referral fee. In return, the housing company eliminated its loss by incorporating that fee into the client company’s invoice. In this case, the relocation company charged a mark-up. Mark-ups are fees passed on to the client that are above and beyond the amount a vendor charges the relocation provider.

According to the president of a corporate housing company, “Every relocation company we work with, excluding Graebel, charges a referral fee. The fee is between \$100 and \$150 per referral. To compensate for this loss, we roll the fee into the clients’ invoices.”

For a furnished apartment costing \$3,000 per month, this mark-up represents an additional 5-percent to the client. Overall, the relocation company can make tens of thousands of dollars, based on the number of employees in temporary living situations.

Graebel negotiates the best price with vendors and directly passes these lower costs on to the client. Graebel refuses to accept or charge a referral fee, so the rate negotiated is the rate passed to the client. Routinely, Graebel evaluates different companies in different locations to ensure the best price, keeping clients’ best interests in mind.

### RESULTS: HOUSEHOLD GOODS

Many relocation companies contract with a number of movers that must agree to a large discount. The relocation company will in turn pass some of the discount on to its clients, but will pocket the difference. The Company was not receiving a competitive rate because the relocation company took advantage of the management process and added a mark-up to generate revenue.

A 58-percent discount was applied to the retail chain’s household goods transportation services. But after factoring all data, the Company would have received a 64-percent discount from Graebel, saving thousands of dollars.

Graebel works with a preferred list of movers and reviews each mover’s performance quarterly. If a complaint against a vendor is filed, Graebel looks into the matter and will remove a vendor from the preferred list, if necessary. For each household goods move, Graebel selects the best mover on an individual basis. Whatever the contracted discount, Graebel passes that discount directly to the client.

### THE SOLUTION

Clients have predictable costs and can save more with Graebel because no mark-ups occur on any direct cost, and because Graebel does not accept fees that will increase clients’ costs. Unlike the majority of relocation companies, Graebel does not treat the relocation supply chain as an opportunity to buy wholesale and sell retail to its clients.

Other relocation companies mark up direct expenses such as title reports, appraisals, inspections, mortgage closing, temporary living, and household goods costs. These mark-ups can cost a client an additional 10- to 15-percent of its total spend to relocate an employee.

With Graebel, all direct costs paid to, or on behalf of, the employee are passed through to the client company with absolutely no mark-up or hidden fees.

Because Graebel does not require its global vendors to belong to a network, it fosters preferred supplier relationships. Every relocation service is managed with clients’ best interests at heart, anywhere in the world.