



## Commission Explanation for Sellers

### Introduction

The majority of residential real estate sales are handled by licensed real estate agents. Those who are members of the National Association of REALTORS® may call themselves REALTORS® and must subscribe to a strict Code of Ethics.

A real estate commission, usually a percentage of the sale price, is paid to real estate company for handling the sale of property. This company, called the listing broker may place the property into the Multiple Listing Service (MLS) to be shared with member companies to increase exposure to the highest number of potential buyers.

If a member of the MLS, called a cooperating broker, brings a buyer to complete a successful sale, then the listing broker may pay a portion of the total commission to the selling broker for that service. This has benefited both sellers and buyers. Sellers have their home exposed to more buyers, and buyers have agents assistance in finding home.

### Litigation

Recent litigation claimed that there was a violation of anti-trust laws in regard to the negotiability and payment of commissions. The plaintiffs asserted that the requirement to display a coop brokerage fee in MLS listings put pressure on sellers to offer high commissions to attract buyers' brokers, Sellers were unaware that the buyer agent commission amount was negotiable.

### Results

#### **Commissions are negotiable**

Real estate agents must clearly state to clients that commissions are negotiable between the brokerage and client. They must also define how that commission is collected and paid to other parties. It does not, however, deprive brokers from holding to their stated fee schedule.

#### **Buyer agent compensation is optional**

The offer of buyer agent commission is optional. Sellers are free to offer, through their listing broker, any compensation amount they choose, to a buyer agent.

When deciding whether to offer compensation, consider these factors:

1. The majority of residential real estate sales are procured by coop agents through the MLS.
2. After paying down payment and closing costs, buyers have limited funds to pay their buyer agent.
3. Buyers may ask in their purchase offer for concessions to cover their buyer agent commission.

### Summary

The results of the lawsuits have created more transparency in the payment of commissions in the real estate industry. Sellers will have a more clear understanding of how commission is paid and how it may be split between the listing broker and selling broker. It is in the best interest of sellers to have their home exposed to the maximum number of buyers through the MLS. Offering buyer agent compensation rewards agents who bring their buyers to your home.

