



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.

Historically real estate commissions, usually a percentage of the sale price, was paid to real estate company for handling the sale of property. This company, called the listing broker placed 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, brought a buyer to complete a successful sale, then the listing broker would pay a portion of the total commission to the selling broker for that service. This has benefited both sellers and buyers by providing assistance to each.

Litigation

On March 15, 2024 the National Association of REALTORS® settled a lawsuit that claimed there was a violation of anti-trust laws in regard to the negotiability and payment of commissions. The settlement goes into effect on August 17, 2024 with the following results:

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. However sellers are still free to offer any compensation amount they choose, to a buyer agent. However this amount may not be displayed on the MLS. Buyer agents must contact listing agents for this information.

Sellers may offer concessions to cover buyer closing costs.

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. Buyers have limited funds to pay their buyer agent.
3. Buyers may ask in their purchase offer for concessions to cover their closing costs

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.
