

### **Top 10 reasons why Real Estate commissions will change in 2007**

- 20 years ago average home prices were about were less then \$100,000. 3% (\$3,000) to each agent was reasonable. Today the average home prices are over \$600,000 and up in many places. That means it will cost \$36,000 to sell your home.
- 15 years ago, we did not have the World Wide Web (www). It was much more difficult to match buyers and sellers. Today we have search engines and databases with pictures. Anyone can search for homes that meet their needs from their own computers. Sellers should be able to list their own homes if they choose. There should be a Public listing service (PLS)
- Most of our parents live in the same house we grew up in. Families today want to be able to upgrade to bigger homes every 4 or 5 years. They should not have to lose 6% to sell their house.
- Real Estate commission is like a tax on homeowners. However instead of the money going to schools and highways, the money goes to fancy cars and expensive homes for the agents and especially the brokers.
- In the past several years, homes appreciated so much that paying 6% was not noticed, however, as the market slows and home prices are flat, people are realizing that they are losing money on their home due to the agent's commission. The agents are still making money.
- During Seller's markets, homes may only stay on the market for a couple of days, yet the agents still charge the same amount.
- During a Buyers market, homes stay on the market longer but what are the selling agents doing? They are not on the phone calling people. They are not sitting in your home. They are waiting for the phone to ring.
- 90% of the work for agents is finding new clients. Once they get a listing or a buyer, the rest is easy. They can list several homes at once.
- Selling agents should be the one to show the homes to buyers that are interested. Let the buyers drive themselves to see the home. They don't need agents to drive them to the house.
- Lowering commission fees would make the Real Estate market more liquid. Today, people are losing money on their homes due to commission fees. Not all homes appreciate 100% every 3 years.

### **Questions**

- Why is everything so secret/private. You must be an agent to get access to information that should be public? Why can't buyers search the MLS or look up Comparable homes sales on their own. This is what people want. Look at the travel industry. 90 % tickets are purchased online.
- Why do you need to be a licensed agent to receive a referral commission? If it's not legal to pay anyone, why is it legal between brokers?
- Car dealers give cash back to buyers all the time. Why can't agents give buyers rebates in some states?
- *How many buyers would still choice to use an agent if they were about to keep the buying agent commission? I don't think many would let an agent keep the \$18,000 on a \$600K home if they could search for homes on their own. I say 90% of buyers would do it themselves.*

### **Disadvantages of using an Agent**

- Agents can pick and choose which houses to show you. You don't know if they are withholding listings or missing ones that you would be interested in.
- Agents may not show you listings due to commission rates, differences with seller's agent or they have another client that wants to put an offer in on a house.
- Agents will always tell Sellers that the first valid offer is usually the best. Of course it's in their best interest that you accept the first offer. Otherwise, it may stay on the market longer. They don't care about getting you an extra \$10,000. That is only \$300.00 to them.
- Sellers do not get to see all the offers. The offers go to the agent. The listing Agent may decide to withhold offers for one reason or another. Homeowners are not in control. They may turn down a better offer because the selling agents wants to bring in their own buyers. That way they can double dip.
- Agents do not always get the most exposure for your house. They try to prevent other sites from listing it.
- Since Realtors expect referral fees from Mortgage brokers, home inspectors, contractors etc, chances are you will be paying more for those services if the Realtor has referred them

### **Commission Fees (The bottom line)**

- Agents can write a contract in 30 minutes or less. They make \$18,000 on the offer of a \$600,000 house. I know there is other work involved but when you take out the driving around time, they spend less then 10 hours with buyers. It would be even less if buyers could search on their own.
- Agents will argue that they only make 60% of the Commission. (\$10,800) The brokers take the other 40%. Why are the brokers each making \$7,200?
- It takes accountants on average 3 hours to do a tax return. Costs about \$200.00. Tax returns are much more complicated then purchase contracts.
- Listing Agents hold Open Houses twice a month for 4 hours each. Listing agents have very few costs. They spend very little time with the Sellers once a house is listed.

### **What Agents do and Don't do**

- Agents will not tell you how much to list your house for. They will show you "comps" of other houses sold in the area. If sellers had access, they could do it themselves. What is to stop Agents from only showing selective comps of lower priced homes sold which will have you lower your sales prices?
- Appraisers are professionals that lenders require that you hire to make sure that you are not overpaying for the house. Obviously, they don't trust the Real Estate agents assessment. They charge about \$350.00
- Home inspectors will make sure the house is structurally sound. Cost about \$300.
- The title company makes sure there are no liens on the property. They will also handle all the paper work between the two parties during escrow. Costs \$3,000

- Using a Real Estate agent should be optional like Travel Agents are today. You don't hear Travel Agents suggest that you are putting your life in danger going on an airplane if you buy a ticket without an agent. The plane might crash. You might end up in the wrong city. Your bags won't make it. Etc
- The NAR claims that the commission rates are not fixed at 6%.
- I talked to 3 agents about listing my house. All three agents said the commission rate is 6% with half going to the Buying agent. When I questioned if that was negotiable, they all said they would have to check with their brokers and claimed it would hurt the sales price if we lowered the buying agent's commission.
- Some agents compare their work to Doctors and Dentists. They claim that you wouldn't do surgery on yourself so you should try to buy/sell a house on your own. Agents take a 2 week course and a 3 hour test to become an agent. ANYONE can become an Agent.

**Here is how the National Association of Realtors is preventing the markets to be open to competition.**

- Selling agents don't want non Traditional agents reposting their listings. Why would they not want the extra exposure? If I am selling something, I would want everyone to see it. Homeowners should have the final say where their homes are listed. It should not be controlled by the agents because agents have shown they are only looking out for their own interests by not listing on other services.
- Agents won't work with discount brokers. Agents have their own code of honor: Avoid dealing with discount brokers. (Maybe they will go away) They have publicly threatened to blacklist Non traditional and discount brokers.
- NAR Lobbyists are trying to prevent Flat Rate Brokers and those that offer rebates from competing.

**Comments**

- The Top agents are not the ones that know the most about real estate or have your best interest in mind. The top agents are the ones that can network themselves best to homeowners. They are the ones that can do the dog and pony show.
- Homeowners are tired of hearing about "the biggest invest of your life" What is going to happen if I don't use an agent, am I going to loss all my money?.
- There are some great agents out there. These agents know the industry. They know how to present your home and keep you informed. There is still a need for agents. However the price structure has to change.
- If agents made \$5,000 per transaction, they would only need one per month for a decent salary. Besides, it might only require a few hours per month. If they did 3 per month, they would be making \$180K.
- Not all agents are getting rich. Many don't last long. That is a good thing. It is called supply and demand. Every other industry allows you to competition to lower prices. I thought we had laws against monopoly and price fixing