

The Graduate REALTOR® Institute

Commission Defense

Session Two
Lesson Six

Know What Is Included In Your Fees

Know your firm's policy regarding commission negotiation and if you have the flexibility to negotiate a commission. Some brokerages will allow this while other will not.

Once you have determined your firm policy, know what you personally will and will not do. What services are included in your fee? If someone asks you to do more are you going to charge extra?

Will you offer a menu of services or different levels of service?

There are **two** important questions to ask sellers when they begin questioning commission percentages:

1. Ask sellers why. We often begin defending our commission before we realize why the sellers are asking for a reduction in the commission. Finding out the sellers intentions is crucial.
2. Find out if the commission is the only issue standing in the way of getting the property listed. Confirm that commission negotiations are the last stumbling block to signing a listing agreement.



REALTOR[®] Code of Ethics Standard of Practice 1-12

When entering into listing contracts, REALTORS[®] must advise sellers/landlords of:

1. The REALTOR[®]'s company policies regarding cooperation and the amount(s) of any compensation that will be offered to subagents, buyer/tenant agents, and/or brokers acting in legally recognized non-agency capacities;
 2. The fact that buyer/tenant agents or brokers, even if compensated by listing brokers, or by sellers/landlords may represent the interests of buyers/tenants; and any potential for listing brokers to act as disclosed dual agents, e.g. buyer/tenant agents.
- (Adopted 1/93, Renumbered 1/98, Amended 1/03)

Validating Your Value

Show them you are worth it. Show them what your time worth. Show value in what you by providing services they cannot do themselves?

Use statistics like comparing your website or company website vs. the traffic on a competing FSBO website.

Describe the Fee Breakdown

Focus on Listing Fee –The listing side is a portion of the total fee. That is easier to justify than the total amount. Why are you trying to explain what it is not even part of your job?

Break It Down In Numbers

If you and the seller are disagreeing over one percent of the commission then breaking it down in terms of dollars may help.

For example, one percent of a \$200,000 home is \$2,000. If you cut your commission it saves the seller \$2,000. Can you prove you are worth the \$2,000? Find numbers that support your effort.

SCRIPT HELP

Seller: *The other agent I interviewed has already agreed to cut their commission. Why won't you?*

You: *If an agent is willing to work for less, are they going to push you to accept a lesser offer?*

Something May Be Better Than Nothing

One idea is if an agent lists a home at a reduced commission the agent can also help the sellers purchase another home. Be careful. Before agreeing to anything, get the sellers to sign buyer agency agreement.

If the sellers are moving out of town then get referral fee on the relocation.

Determine If That Is The Seller You Want To Work With.

Do not be afraid to walk away from the listing. If commission is all a seller thinks about then they may not be the sellers you want to work with.