

How To Save Half of a Realtor's Commission

By Dave Dinkel

How do you hire a full-service realtor and only pay half a commission? It is always surprising when a homeowner is going to hire a realtor® to sell his property, especially when he next complains bitterly about paying 5% or 6% to someone who he believes does little or no work. Usually the seller marks up the property to cover the commission which over-prices the property and the result is it doesn't sell.

Usually, the commission paid to a realtor® is split equally between himself and his "broker", who is the licensed agent in charge of a particular firm. If the commission on a sale is \$20,000, the realtor® and the broker each get \$10,000. Newer methods of payouts to agents include paying "desk fees" to the broker in exchange for higher payouts. For example, if the agent pays \$135/month as a "desk fee" he may be entitled to a 95% commission while an agent paying \$60/month may only be entitled to a 70% payout.

If the agent doesn't sell the property he listed, but another agent does, the buying and selling brokers each get half of the commission and the 3% commissions are again split with the agent so he gets 1 1/2 % net. So for a \$20,000 commission the split looks like - \$5,000 each to the two brokers and \$5,000 each to the two agents. This is a simplified summary of the process but illustrates the payout procedure. If the agents are on a higher payout because of their monthly desk fees, their portion of the commission is increased and their broker's portion is reduced proportionally. Industry statistics show that 95%+ of the time the listing agent does not sell the property! So the real money for a realtor is in getting the listing and having another realtor® sell it. The largest commission producers in the industry sell listings and not properties.

The way to save at least half of the realtor's commission is to list with a flat-fee broker who will list the property on the MLS® (Multiple Listing Service) and Realtor.com® but who does not show the property. The buyer for your property will come from a "buyer's agent" who brings a client to see your home and make an offer. He is interested in receiving his usual 50% of the full commission or 3% of the sales price. If you offer a 3% commission to the buyer's agent, you have saved 3% by not having to pay the seller's agent (listing agent)! In the above example of a \$20,000 commission, the agent who brings the buyer still gets \$10,000 but you are saving \$10,000.

What if you are unfamiliar with the sales and contracting process and you need help? For the \$10,000 commission savings you can hire an attorney to review any contract and give you advice usually for less than \$500 so you are still ahead \$9,500. But better yet, the attorney can give legal advice that your realtor® can not, and you have recourse against your lawyer if something goes wrong.

So to save at least 50% of your commission, should you decide to have a realtor® sell your house, use a buyer's agent only and offer him a 2.5% or 3% commission. Another unique benefit of only paying a buyer's agent is that if desperation sets in and you need to sell quickly, you can increase your payout to the buyer's agent and attract many more buyers than using a seller's agent. The highest commission seen in the past year is a 12% commission to buyer's agents for condo units. In the depressed condo market these days, it is not uncommon to see 10% commissions to buyer's agents. So if you have decided to sell your home on the MLS using a realtor®, you can save substantial money and sell your home faster by focusing on paying only a buyer's agent to sell your home.