

# BROKER COMPENSATION TRUE OR FALSE

As of August 17th, the results of the National Association of Realtors (NAR) settlement became affective across the United States.

In my nearly four decades in this industry, I have seen many evolutions-- this is yet one more. This one though, is built on some false claims.

While I can not speak to how Real Estate Brokers conduct business in Kansas City, Missouri, I can say with conviction, here in the litigious state of New York, our business is highly regulated and transparent. Real Estate Brokers in New York have several disclosures that must be presented and acknowledged. Important disclosures such as: who does the Broker represent in negotiations- fiduciary; is there the possibility of lead paint based on the age of the home; have all parties acknowledged the Fair Housing Laws: and, most recently, PCDA - Property Condition Disclosure Act requires Brokers present the form which sellers, with their attorney, disclose any defects or conditions buyers should be aware of. These important disclosures ensure total transparency in every transaction. New York State Real Estate Property Law, outlines a Brokers obligation is to consummate the meeting of the minds, through negotiating price, terms, conditions and closing date. Of course this is fully transparent, as evidenced by required disclosures outlined above.

Let's examine the claims and the facts:

## CLAIM 1-Brokers are responsible for inflating home prices: **FALSE**

Brokers do NOT set home values.. the definition of 'market value' is the highest price a buyer will pay and the lowest price a seller will sell for. "Broker" is not in that definition because we don't make the market-- buyers & sellers make the market. Home prices, like most everything, is based on supply and demand-- PERIOD!

## CLAIM 2- Brokers fix commission rates: **FALSE**

Real Estate is one of the most competitive businesses that exist. Brokers compete for listings, customers and agents, which in turn has ALWAYS made compensation negotiable. Just as the Listing Agent uses their negotiation skills to get their client the best deal possible, they also negotiate the fees that are acceptable for their work and their place in the transaction.

## CLAIM 3- Brokers collude and practice antitrust behaviors: **FALSE**

Again, competition out there is fierce... Ethical Brokers abide by the Real Estate Code of Ethics and strictly adhere to the Real Estate Property Law. Those Brokers cooperate and respect the hard work we are all expected to do every day, while knowing that we are in competition with each other... working within a regulated framework.

## CLAIM 4- Brokers 'bake in' 2 sides of commission to sellers: **FALSE**

Commissions are whatever rate the Broker and client (seller) agree to and memorialize in a listing agreement that outlines explanations and expectations. That commission is the commission agreed upon to sell the property whether the listing agent finds the buyer or a co-broking broker brings the best qualified buyer with the best price for the seller. There are many articles proclaim that every listing gets sold out-of-house... that's not true. Furthermore, the commission agreed at closing may, in fact, vary from that in the listing agreement.

## CLAIM 5- The new rules will lower home sale prices: **FALSE**

Again.. Brokers do not set home values-WHICH ARE SET VIA SUPPLY & DEMAND. The new rules may in fact raise the purchase prices for buyers since they now may have to pay their broker over and above the purchase price, and the seller may lose out on potential buyers who may never get to see their home because there is no compensation for the Buyers Broker and no one works for free-- and no one should be asked to!

## CLAIM 6 - Co-brokers are bad.. they 'fix' commission rates: **FALSE**

Co-broking actually originated to enhance Broker cooperation and transparency. Before co-broking, Brokers didn't share listing information since there was no benefit to sharing a listing or educating a competitor with nothing in it for them. This led to the birth of co-broking and the driver to securing exclusives. Listing Brokers committed to represent their clients' best interests and agreed to split the commission to maximize exposure and 'hire' thousands of sub-agents through co-broking. When did "sharing" become a bad word? Sharing the commission to maximize who sees and has the opportunity to purchase is TRULY in the best interest of the consumer.

## CLAIM 7- Brokers will not adjust to the new rules: **FALSE**

Real Estate professionals have always adjusted to the many rules and regulations imposed on us for the benefit of the consumer and to better our industry. Hopefully, soon we will have the powers that be issue standardized forms for all licensees to deploy so that there is no room for error due to the many custom forms created to comply.

The American Dream of home ownership is becoming increasingly more difficult for so many. The transaction is highly complex. The role of the licensed Real Estate Broker has great value. There have always been those who choose to go it alone and those who choose professional representation. Personally, I greatly value the knowledge and experience that I receive when I pay my financial advisors, stock brokers & accountants.

And yes — Real Estate Brokers. They are worth their fees!

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