

FTC FACTS for Consumers

ftc.gov

FOR THE CONSUMER

FEDERAL TRADE COMMISSION

1-877-FTC-HELP

Selling Your Home? Tips for Selecting a Real Estate Professional



If you're thinking about selling your home, you may be considering using the services of a real estate broker or agent. But before you sign a listing agreement, the Federal Trade Commission (FTC), the agency that works for a competitive marketplace, wants you to be informed about your choices.

REAL ESTATE BROKERS AND AGENTS

Before you hire a real estate professional, it's important to know the difference between a real estate broker and a real estate agent. *Real estate brokers* are licensed professionals who assist sellers and prospective buyers of homes. *Real estate agents* are licensed professionals who work under the supervision of a licensed real estate broker. In return, the broker pays the agent a portion of the commission earned from the sale or purchase of the property.

Facts for Consumers

Real estate brokers and agents earn commissions from the services they provide. The services and the commission due to a broker working with a home seller are set out in the listing agreement that the broker and seller sign. Brokers generally list your home on the Multiple Listing Service (MLS), a clearinghouse that member real estate brokers and agents use to exchange and update information on property listings, and to connect with other brokers or agents working with prospective buyers. To have a home listed on the MLS, a home seller usually agrees to offer a share of the total commission to a second broker who finds a buyer for the property.

Traditional, full-service real estate brokers working with sellers provide a broad range of services, including helping prepare the property for sale, recommending an asking price, publicizing the home to prospective buyers, arranging meetings and negotiating with prospective buyers, following up on home inspections and other matters once a sales contract is signed, and arranging for the closing of the transaction. A broker also may help by referring the home seller to other service providers, like mortgage lenders, title companies, home inspectors, and real estate attorneys, which could make the difference between success and failure in closing a sale. That said, remember that you are not locked into the service providers they recommend.

Non-traditional real estate brokers often offer many of the same services as full-service brokers, but on an a la carte basis, at a reduced commission rate, or for a flat fee. You may be able to pick and pay for only the services you want. If you choose more limited services, it means that you may have to do more of the work yourself to help sell your home. For example, some non-traditional brokers offer an MLS-only package, which includes listing the property

on the local MLS for a flat fee: you would be responsible for every other aspect of the transaction, like advertising, running open houses, negotiating with buyers, and coordinating the closing.

HIRING A REAL ESTATE BROKER

Finding a broker whom you're comfortable with may take a little time. Ask friends, co-workers, and neighbors who have sold houses in the recent past for recommendations. You also can see who's selling property in your area by checking lawn signs and ads.

Interview several real estate brokers/agents to learn about their experience, track record, style, and market knowledge. Expect a broker to be professional: to return phone calls, to be organized, and to communicate clearly.

Here are some questions to ask to help you find the best real estate broker for you:

- *How many homes did you sell in the past year?* Finding out what types of properties, how many units, and where brokers have sold can help determine how efficiently they're operating and how much experience they have.
- *What is your commission?* Real estate commissions are negotiable. They are neither fixed by law nor by any local real estate associations (at 6 percent or any other level). The rate could be a percentage of the final sale price of the property, an hourly fee, or a flat fee. The payment could be up front, or when the property is sold. As you interview real estate professionals, keep two things about fees in mind: a traditional full-service broker generally charges more than a non-traditional broker, and if you hire a non-traditional broker, you can expect to pay higher fees if you purchase more services.

- *What share of the total commission should I offer to another broker who finds the buyer?* Your broker should be able to recommend that.
- *How will you market my home?* Ask whether the broker plans to rely on the MLS alone, or use it in combination with newspaper ads, open houses, or other promotions. Will the home be visible on popular websites?
- *Will you help the buyer get financing?* You also may want to discuss any seller-financing options you could offer to attract buyers.
- *Can you provide a list of references?* The broker should be able to give you the names, addresses, and phone numbers of clients whose homes have recently sold. Ask each client how long their home was on the market, whether they were satisfied with the broker, and why. Ask if they have any tips for you – or lessons learned to share.

GETTING A WRITTEN CONTRACT

Once you've selected a broker, you will be asked to sign a listing agreement or contract. Make sure all the terms are in writing, including any oral promises. The agreement should include the terms of sale you will offer for your home (like the asking price), your brokerage arrangements (what the broker will do for you and how much you will pay the broker), and a start and end date of the contract. You may want to ask about or negotiate a termination clause if you become dissatisfied with the broker's services before the end of the contract term.

There are two basic kinds of listing contracts:

- In an *exclusive right-to-sell contract*, you agree to pay the broker a commission no matter who finds the buyer – even you. This is the kind of agreement usually used for a seller to obtain the full range of traditional

brokerage services.

- In an *exclusive agency contract*, you agree to pay your broker a fee or commission. The commission paid when the property is sold may be reduced or eliminated if, for example, you find the buyer, rather than the listing broker. This kind of listing agreement can be used to provide a limited range of real estate brokerage services.

Selling real estate involves a lot of paperwork. To be legally enforceable, documents like listing contracts, sales agreements, offers, and counteroffers must be in writing. Just as important is knowing what the writing means. Ask your broker or lawyer, if you have hired one, to explain any forms or documents that you do not understand. Check ftc.gov/bc/realestate/resources/glossary.htm for a glossary of current real estate terms.

FSBO– SELLING WITHOUT A BROKER

Some consumers may consider selling their homes without a broker. These sales typically are called “for sale by owner” or FSBO. Going the FSBO route means avoiding paying a broker's commission, but requires the consumer to take on the time and expense of selling the home that a broker normally handles. Services are available to help FSBO sellers market their properties.

FOR MORE INFORMATION

To learn more about buying and selling a home, and for a glossary of commonly used real estate terms, visit ftc.gov/credit. Click on Mortgages/ Real Estate.

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get free information on

Facts for Consumers

consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. Watch a new video, *How to File a Complaint*, at ftc.gov/video to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.



FEDERAL TRADE COMMISSION	ftc.gov
1-877-FTC-HELP	FOR THE CONSUMER

Federal Trade Commission
Bureau of Competition

October 2006