**Cover Note (To Communications Directors)**

Hi X,

Attached is a template article for you to customize and use when/if asked to explain real estate commissions. We also encourage you to also include it in newsletters and other member communications, try to pitch it proactively to media (e.g., if your Association Executives contribute columns or articles to local papers), have members post this information on their respective websites and/or use this content for social media postings.

We wanted to provide this information because we know it continues to be a common question, especially with so many buyers in the market right now. Furthermore, it is imperative consumers have this and other basics under their belts.

As you customize this article to your market, association and needs, it is critical to keep in mind that it is not appropriate or accurate to say there is a “typical,” “common,” “average” or “standard” commission rate or split between buyer and seller brokers. The use of such language could suggest antitrust violations, and as you’ll see in the article, we’ve made a point of emphasizing that commissions very much vary and are set by market forces, as you know.

Please reach out with any questions.

Mantill Williams

Troy Green

**How Real Estate Commissions Work**

A common question from homebuyers and sellers is “How do real estate agents get paid?” This basic information is important to understand before beginning the homebuying process, and even more critical in today’s highly competitive market, where inventory is extremely low and homes stay on the market for a very limited time. In fact, [insert specific local market] homes spent a median of [insert stat] days on the market.

Real estate commissions depend on several factors, which can include (but are not limited to) market conditions, type of representation, types of services provided, among other things. Currently, we’re seeing unprecedented competition among real estate agents, especially when it comes to service and commission options.

**How commissions work for sellers**

While there are some real estate agents who will charge a flat fee or varied commission models for their selling services, most charge a percentage of the sales price of the home once the deal is done. Commissions can be negotiated at any point throughout the transaction, including at the outset, after the results of a home inspection and after an offer has been made.There is no set rate; every sale is unique. This gives consumers many different choices including which customer service approach, broker and commission model they prefer.

**How commissions work for buyers**

Real estate agents representing the buyer are typically paid by cooperative offers of compensation from the seller’s agent as an incentive for finding a buyer. This fosters cooperation between brokers providing the best and greatest number of options for both buyers and sellers. It also ensures greater access for first-time, low-income and many other home buyers because it saves buyers from having to pay an out-of-pocket commission to their agent at the closing, on top of their down payment and other closing costs.

**The value of a real estate agent**

Buying a home is the single largest and most complex transaction most people will make in their lifetime, with volumes of property, neighborhood, transaction, legal and regulatory details to navigate. Having an expert, local professional to manage the process is more important than ever before. In the process, consumers can count on a real estate agent to look out for their needs and provide critical, expert advice. The internet only does so much--real estate agents help people traverse complicated, data-heavy and voluminous information, details and decisions (which is what their commissions pay for). That includes everything from coordinating with lenders, managing attorney reviews and advising on zoning, to arranging appraisals, serving as a professional negotiator in a highly competitive market and advising on the latest trends in the local housing market.

**How commissions work for real estate agents**

After this involved process, let’s assume all inspections have been completed, and the appraisal comes in at or above the sales price. Real estate agents have probably spent around 30 or more days working on the transaction without getting a single payment and then on top of that the average closing time on a home is[local associations to adjust for their respective region; 47 is the national average] days. Even with all this time and effort, it is not certain the sale will go through. Those months of hard work would be rewarded with $0.

This could be viewed as a negative, however, most real estate agents view this as an incentive to make sure they are continually working in the best interest of their clients. Not being able to rely on a bi-weekly paycheck and instead relying on results drives them to work even harder and ultimately, help more and more people achieve the American dream of homeownership.