



Laura Ritter
Broker
Ritter Real Estate
339 Broadway Suite 206
Cape Girardeau, MO 63701
Office: 573-579-4046
Cell: 573-579-4046



How to Avoid The Discount Listing Fee Shuffle

As with everything else in life – it pays to read the fine print, and you get what you pay for. Ask yourself, when services are discounted what services or attention has to go. It's impossible to offer the highest and best level of service and at the same time discount the product.

There is virtually no situation in which you will end up paying just 1 per cent to sell your home – with one exception. That would be if you were to list with a discount brokerage that offered 1 percent or flat - fee service and they were able to secure a buyer. They would thus be representing both buyer and seller in the transaction, a situation known as multiple representation, or “double-ending” in the real-estate world. Smart buyers avoid this arrangement.

In most cases with a discount brokerage, you would be paying the listing brokerage 1 percent plus an additional 2.5 or 3 percent to the co-operating broker or “buyer’s agent” if listing on the Multiple Listing Service (MLS). Some discount brokerages just offer 2 percent to the buyers agent so that they have more opportunity to find the buyer themselves.

Brokers also offer discounted Listing Fees from 1% to 4.0% to single home clients. Remember fees are negotiable. Why? Because, they offer no marketing services or limited marketing services. Examples would be:

1. No Introductory broker presentation/tours (Not introduced to Full Realtor Community)
2. Seller sets and handles all customer/agent tours (You do all the work)
3. One page MLS sheets for on-site marketing materials (minimum broker expense)
4. Negotiation is left to Selling/Buyer’s Agents, Broker just has to present offers (limited seller representation)
5. Reduces the price as quickly as possible until your home sells (Commission remains the same)
6. Limited or None of Necessary Marketing to Maximize the home value (lower broker costs)
7. The brokers business model is based upon high volume, low involvement, low expense

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Sometimes with a flat fee service you are still a "For Sale By Owner". Your home will be listed in the MLS, but professional agents will be able to see that you are representing yourself and may not want to be involved in such a high risk transaction. There are over 72 documents in a Real Estate transaction to protect, and disclose information to all parties, are you knowledgeable on the paperwork?

You may ask yourself, "So what's wrong with that?" Perhaps nothing, as long as you're willing to have your house potentially sit on the market for longer since your pool of buyers will dramatically shrink. Real Estate agents in your marketplace will avoid showing your home. Be prepared to revisit your game plan and reduce your price if you don't see results. The result is often the homeowner "saves" thousands on commissions, but may lose tens of thousands on an offer price.

Although it may appear that you may save a little money, selling your home yourself, in the end that is usually not the case at all. You may pay less of a commission, but your net profit is usually considerably less, AND you work very hard hoping to bring the transaction to a close. A professional Agent or REALTOR, on average will net you 17% more on the sale of your home and do almost all of the work for you. It is not an easy task to keep an escrow moving ahead through lender requirements, lawyers and inspections all the way to closing. Selling your home yourself, can be an open invitation to a lawsuit, and may not be worth the 2.5% - 3% you might save in commission costs. A good agent can market your home to receive multiple offers and bring the sales price up, would you be able to do that on your own and negotiate with all of the offers?

Beyond the actual fees, it's paramount to be clear on what services are being offered to you with a discount or flat-fee service. For example, did you know that many flat-fee services simply provide you with the ability to have an MLS listing posted? This means you are responsible for photography, staging, handling appointments, access to your home, negotiations and contracts.

If you get stuck, you can always have the brokerage provide you with additional services – at an additional cost, of course.

When dealing with a discount brokerage that offers a lower than normal fee (Real Estate commissions are negotiable as brokerages are free to charge any fixed percentage), it is equally important to be clear on the services being provided. Typically, appointments, negotiations and contracts are included with the discounted rate. However, I would argue that the quality of these services may be lacking. A discounted brokerage business model is built on volume, so that may mean less time to work on your specific transaction issues.

The real distinction between discount and full - service brokerages is in the marketing of your home. From photography to staging to promotion, to negotiation, the quality of these services can vary widely. If you do decide to go the discount route, make sure you get information about the company's track record and samples of previous listings and marketing materials.

I know I'm going to get a lot of flak for this article as a full-service broker, but I'm simply offering my honest opinion as someone who's seen most sides of the real-estate business.

Your results and success with the various routes to sell your home may vary. I have seen discount brokerages do a great job of selling a home, and I've also seen full -service brokerages do a terrible job for their clients. Remember that buyers are very savvy these days and they will know that you are selling at a reduced commission and will try to cash in on some of your savings. In most markets, buyers are in the driver's seat and will reduce their offer because you are "saving money" by doing most of it yourself. It is a very competitive market out there and I believe sellers, at least in the tech-savvy Cape Girardeau County market, need to be as competitive as possible to increase their showings and chances of selling quickly and attracting maximum value offers. A 2009 National Association of Realtors study said that 89% of buyers use the internet to search for a home. In my opinion it is wise for sellers to use an agent who utilizes significant internet tools to market his/her properties. Again, you get what you pay for.

As always, your best course of action is to arm yourself with the best information to make an informed decision and ask the right questions. In many cases these agents are capable and diligent and the only difference you will find in service is the fee structure. You must carefully evaluate the agent's complete program to see whether it will work for you. Everyone wants to save money. But it is more important to net the most money you can.

- Pros: it's cheap
- Cons: it's cheap

Compare The Outcome on A Sample Net Sheet Analysis

Selling Action	Discount Broker	Marketing Broker	
Inflated Listing Price	\$500,000	\$490,000	Accurate Market Value
Listing Fee	4.0%	6.0%	Listing Fee
RE Commission	\$20,000	\$29,400	RE Commission
Gross	480,000	460,600	Gross
1st 30 Day Reduction	5%	0%	1st 30 Day Reduction
New Listing Price	475,000	490,000	New Listing Price
RE Commission	19,000	29,400	RE Commission
New Net Gross	456,000	460,600	New Net Gross
2nd Reduction	2.5%	0%	2nd Reduction
New Listing Price	463,125	490,000	New Listing Price
RE Commission	18,525	29,400	RE Commission
New Net Gross	\$444,600	\$460,600	New Net Gross
Total Cost	\$55,400	\$29,400	Total Cost

Source: Fictitious data, for illustration purposes only

The Missed Opportunity:

To Realize the maximized sales price offer, Complete and thorough marketing exposure to the most extensive buyer market, Complete seller representation and Beneficial seller negotiation with The Seller's Advantage. Don't be misled about the real market value and wonder about what else were you misled about? Besides, Ask Yourself, What Real Estate sells 50% of all homes in your marketplace?

Get the Full Exposure and more Buyers, Representation and Marketing Effort That You Deserve!



Call Laura Ritter 573-579-4046