The Real Estate Commission Explained

Sell | By: Chrystal Caruthers

The real estate commission is the agent's fee for service. It is a percent of the sale price negotiated at the time of the listing. Every seller has the right to negotiate the commission, just as every agent as the option to hold fast to their fee.

Full-service agents charge more than fee-based, or flat-fee, agents. Know what you expect and want from your agent before attempting to discount the commission.

Agents with an in-depth knowledge of the market, a team of associates and assistants, a full marketing plan and a syndicated listing schedule will always charge more than an agent who merely adds your house to the MLS and wishes you luck with your sale.
In traditional home sales, sellers always pay the commission—but there are exceptions. Auctions usually charge buyers a 5% "premium", or commission, for instance.

There is a tendency by some buyers to think they can negotiate the commission. They cannot. The listing agreement specifies the commission. It is a contract between the seller and the brokerage. It details the terms under which a commission is paid and the total commission to be paid.

Based on the type of listing agreement the seller agrees to—Exclusive, Variable, Non-Exclusive—the commission can change. For instance, in a variable-listing agreement, the agent could make more or less depending on who represents the buyer or who procures the buyer. Again, the seller specifies this up front.

The buyer, therefore, can only negotiate the purchase price and terms of the sale, with the seller's agreement. The buyer's agent is paid by the seller, because the listing agent is sharing a percentage of the commission. Sharing the commission is called cooperating, or a co-op commission.

And remember, the real estate commission—along with most costs associated with buying and selling a home—is tax deductible.