

UNDERSTANDING THE LISTING CONTRACT

When you hire a listing agent, you'll be presented a listing agreement that outlines the duties and responsibilities your real estate broker will have in selling your property for you. The purpose of the listing agreement is to authorize the broker to find a buyer for your property, including paying a competing broker to bring a buyer. Real estate brokers hire "agents" to increase their footprint in the marketplace. It may be an agent who presents the listing agreement to you, but your agreement is with the broker, typically the agent's office manager or the brokerage's owner.

Exclusive

The most common type of agreement is the "exclusive right to sell", which means the broker has exclusive rights to market your home. Typically, real estate brokers work on commission and are paid from the proceeds of the closing agreement. The broker assumes the risks and marketing costs for your home, essentially "loaning" you the means to expose your home to a wider range of media and larger pool of potential buyers than you would be able to do on your own. In this case, the broker only gets paid when the home is sold.

Limited

A less commonly used contract is the "limited service", in which the broker provides a fixed price menu of real estate services without fiduciary duties to the seller. Limited service agreements may allow the seller to list their home on an MLS system. However, unless the seller agrees to pay for additional services, the seller could be responsible for showing the home to potential buyers or developing their own marketing tools. Limited service agreements require a fixed fee either upfront or at the closing of the contract; this fee is an alternative to a broker's typical rate of a percentage of the proceeds from the sale. The listing agreement will clearly outline the terms, including the date of the listing and the length in which services begin and end. The limited service agreement will also provide explicit details concerning the broker's compensation and the actions the broker will take to market the home.

State Standards & Personal Requirements

Most brokers present standard listing agreements that have been provided and approved by their state real estate associations. However, you are welcome to add your own addendums and requirements. For example, you may require notice before showings because you have a pet to secure or children's toys to pick up. Keep in mind that your agreement is between you and your broker. Make certain that you understand the compensation portion of the listing agreement. If another broker shows your home, such as a buyer's agent, he or she expects compensation will be offered by the listing broker through the multiple listing service cooperative. If there is no provision to pay a buyer's broker in your listing agreement, you will have to provide compensation through the buyer's purchase offer agreement.

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