

## 9 ways to avoid a real estate 'commissionectomy'

Stop giving up commission you've earned

BY BRIAN ADAMS

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I've heard "commissionectomy" used a couple different ways.

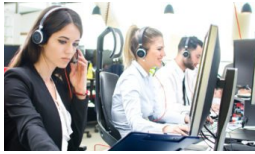
It's often used when an agent is being pressured to discount his or her commission at a listing presentation. I don't have that problem: "My brokerage charges X percent and I always encourage you to interview multiple agents," I say. And that is it. Sellers can take it or leave it.

I define "commissionectomy" as the following:

*An agent's voluntary but begrudged and unforeseen surrender of all or part of an earned commission in order to compensate a client for a perceived mistake, whether or not it was the agent's mistake.*

Sometimes it might be my mistake — like when we closed on the house without verifying that the agreed HVAC servicing had been completed or getting invoices (*Doh!*). After funding, when we learned it hadn't been serviced, I ended up ponying up for the cost as it was my fault for not being more diligent. (And you'd better believe I updated my transaction template so it wouldn't happen again).

further through legal means, but I wanted my buyer to have as smooth a transaction as possible, so I forked over the difference.



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I've paid my fair share of money out-of-pocket to fix a mistake or make a client happy, but as I get wiser and more experienced, I get closer to lowering that amount to \$0. Here's what I've learned.

## 1. Transaction management software

This is no. 1 on the list because it's the no. 1 most important component of an airtight real estate transaction. I've used Reesio and Realvolve, both of which I have high opinions of and recommend. Other programs to look into are Folio and monday.com. (Monday.com is not real estate specific, but I was wowed by how simple and usable it is for basic project templates and tasks).

Maybe your transaction management software (TMS) is part of your customer relationship management (CRM) — like Realvolve — or maybe it is a separate software product — like Reesio. Whatever works for you, use it!

With my TMS, I am able to start a new transaction with each executed contract and apply a template that reminds me of everything I need to be paying attention to. Did I get copies of the leases? Is the option period expiration coming up? Do I need to check on whether the survey has been ordered?

When you have multiple deals going on at one time, it is impossible to keep track in your mind. One slip could mean \$100s, \$1000s or more.

## 2. Prepare for the worst

When estimating the buyer's cash at closing or seller's net, be very conservative!

For example, on your seller's estimated net sheet, show the worst-case scenario. I know the temptation is to be optimistic during listing presentations. Your competition may be painting a much rosier picture than you, but it is so much better when you get the final closing disclosure (CD) and can show your sellers that they are getting *more* than your original estimate.

It also gives you a little wiggle room if an expense comes in higher than expected or a new item rears its head during the transaction.

want my sellers' net to be on the safer side. We aren't offering \$1200 in repairs or agreeing to anything. I just want that cushion on the numbers.

### 3. Don't sign for stuff

I remember an email I got from the buyer's agent on a deal I was listing. "Here's the new survey."

My response: "Hello [Agent]. My apologies, I didn't realize you had ordered one. Was there an issue with the existing survey we sent to everyone at the start of the transaction?"

Oops.

That poor agent ended up paying \$550 for a survey.

When I started in real estate, I would order surveys in my own name. I was lucky to not get burned, but I now know better! If there is no existing survey, I have my seller sign the survey order form while they're signing the rest of the listing agreement. If my buyer is paying for it, I make it clear to them when we order it. No takesies backsies.

That way it is their survey, not mine. If a deal goes south, I'm not the one caught holding the bag.

That is true of anything else that involves money that you are not intending to pay for yourself — utilities, staging, repairs, lawn care. Have your buyers and sellers sign and order everything you are not willing to risk paying for yourself.

### 4. Communicate

Closely related to the aforementioned scenario, it is important to communicate!

Continuously keep the other agent informed about what you are doing, when repairs have been completed and when you are expecting to close. Loop the title company into the communication so everyone is on the same page.

That is why I ultimately chose Realvolve as my CRM. It has letter templates that I can draft when I complete tasks that automatically message other parties in the transaction when we achieve relevant milestones: "Hey, title company and listing agent — I just ordered the pest inspection. You should be getting it from Mantis Pest Control soon."

In Realvolve, I can make a template that has all that wording minus the title company, listing agent and pest control name which can fill in automatically with merge tags.

Communication is a good business practice in general. But it can be more than just creating smooth transactions and happy customers. Communicating can save you money.

So, the opposite of communicating — be quiet. Don't make promises you can't keep. "Don't worry about that — the seller will pay for it," is an easy line. Hopefully it's true, or *you're* going to be paying for it.

My biggest personal "commissionectomy" came under this category. It was a VA foreclosure, and I advised my buyers that the VA would cover closing costs if we added it to the price. "Don't worry about it!"

Well, I was sort of right. The VA did pay closing costs if we added it to the price, but they limited it to 3 percent of the purchase price. Apparently it's a VA rule. That 3 percent was \$1800 short of the total closing costs, a difference my buyers weren't counting on per my erroneous advice.

My commission check was \$1800 short (but my buyers were happy!).

## 6. Avoid escrowing repairs

I once loved escrowing repairs. Especially on the seller side. Why hold up closing because of a roofer's schedule?

Well, I'm not so sure anymore. Escrowing repairs leaves the buyer at the mercy of a third party vendor.

I was the listing agent on a deal in which the A/C needed a new coil, but the part was two to four weeks out from delivery. We escrowed the estimated amount for the part and closed.

Two months later (in hot, hot, hot Texas), the part still hadn't shown up and it became a concern that the manufacturer might not even be producing the part anymore. The only workaround was to replace the entire inside unit, which was two to three times the amount the seller escrowed from closing.

That is not necessarily an agent's fault, but many "commissionectomies" are about making clients happy — not fixing agent mistakes. I don't want that happening to my client, and I try to avoid repair escrows whenever possible.

## 7. Get the seller's sign-off on your advertising

In Texas, we have a form called the "Seller's Authorization to Release and Advertise Certain Information." It's designed to get permission to disclose why the seller is selling, plus any other advertising terms you might use when marketing the property (e.g. all offers accepted, priced to sell, some TLC, etc).

display, and any fliers, videos or promotional materials you create for the property.

When I say “sign-off on,” I mean it literally. DocuSign that stuff over! I have them initial the MLS page, photos pages, reason for selling and public remarks. It is part of the listing agreement.

In particular, be sure to emphasize exclusions so that you are not advertising something that the seller is actually taking with them, like the fridge. The seller can also double check your work, like catching language about a garage door opener when there isn't one.

As the agent, you are responsible for what's on the MLS. If you advertise something for sale that the seller isn't selling, then you just bought it!

## 8. Review everything before you sign or send

I once paid for a home warranty. My seller had agreed to pay for it, but the title company had left it off the CD and I didn't catch it at closing. It was caught a couple weeks later, but my seller was long gone by then.

I was embarrassed. I should have caught it. And I *really* didn't want to send the email saying that they had to return about \$550 of their money. So I made the problem go away.

Closely reviewing the CD is critical for a closing. Make sure that task is on your transaction list. Have the contract open while you go through it to make sure all the numbers match the original contract. Get a second pair of eyes on it, and talk to the buyer after they initially receive the CD three days before closing to make sure they have no questions.

Another issue is sending incorrectly filled out forms. Maybe you are working with a customer who has made several offers with you, and none of them have stuck yet. In zipForm, you copy the previous offers into the new offer so that most of the information is filled in. Then you change the offer price, seller and legal description.

Make sure you have made all those changes before you send! Having the wrong legal description in an offer, forgetting to update non-realty items to include the spa, or other missteps will make you look foolish at a minimum, and maybe cost you.

## 9. Have all documents at your disposal

There are a *lot* of promulgated forms at our disposal that I think many agents, myself included, forget to use. Real estate is about more than the buyers rep, listing agreement, contract and a brokerage services disclosure.

For example, TAR has an “Information about Mineral Rights,” handy for both buyers and sellers. Mineral rights aren't a big thing where I do business. But it is an added protection

updates to forms and additions. Add them to your form templates in zipForm so you don't forget to leave any out!

Even more important, one of your ethical obligations is to be competent. If your state's real estate commission or industry association promulgate forms for your use, even if just ancillary, you are responsible for using those forms when available and applicable.

I'm sure a lawyer could argue that it is relevant on *every* transaction that a buyer or seller be familiar with how mineral rights are handled.

## Bonus tip! Budget for it

So this doesn't count as avoiding a "commissionectomy," but there are times when, in spite of all your efforts, it might make sense to contribute some fraction of your commission to getting the deal done or making a customer happy.

An example: at a closing with a builder, my buyer objected to a \$250 HOA fee he thought the builder was paying. In spite of having reviewed the closing disclosure beforehand and the contract clearly showing the builder was right to charge that to the buyer, I paid the \$250.

My buyer had been great to work with, buying an amazing home and it was a small price to pay to preserve her peace of mind and a good Google My Business review.

## Conclusion

There's only so much you, as an agent, can do. "Commissionectomies" are part of the job, but by implementing these steps, you will hopefully become a better agent, create happier customers and manage to keep more of your money at closing.

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