REALTOR® Mag

Use Your Expertise to Justify the Commission

In part one of a three-part series, learn how to explain to prospects and clients that your specific real estate knowledge is worth the money they'll pay for your services.

MAY 2018 | BY TONYA EBERHART AND MICHAEL CARR

Everyone wants to feel appreciated, and you're no different. You want your clients to see the value you bring to the transaction, but many real estate professionals are timid about tooting their horn to prospects and clients. You don't want to come off as self-important, but you do want to educate customers about what you do—and most importantly, why you're worth a commission check. Particularly in this digital age, where face-to-face communication is becoming scarcer, you might hear some of these aggravating comments:

- "You made *what* off the sale of that home? It must be nice to ride around all day and make money."
- "I can save a lot of money if I don't use an agent. That's 6 percent more cash in my pocket. How hard can it be?"
- "You can show me some homes, but I'm not going to sign an exclusive agreement with you. I'll work with whoever brings me the best deal."
- **"I'll consider using you to sell my home if you'll cut me a break on the commission."**

You know all the reasons you're valuable, but this list is a resource you can provide customers. It's part one of a three-part series designed to help you bust common misconceptions about your profession, drawn from our book, *31 Reasons Your Real Estate Agent Is Worth Their Commission* . We've grouped our points into three value-building categories, beginning with *knowledge* .

Part Two: 10 Skills You Have to Calm Commission Gripes

Glean talking points about your experience in the field, which will come in handy if clients object to the amount they're paying you. Read more.

Feedback

1. **You have better information to assess a home's value.** Homes listed with a licensed full-time real estate agent sell for nearly 26 percent more than FSBO listings—even after factoring in the agent's commission—according to the National Association of REALTORS®' 2017 Profile of Home Buyers and Sellers. Why? Mainly because you have intimate knowledge of the local market and what price it will support. Homeowners may have an idea of what price they want to ask for, but that figure is often not in alignment with market fundamentals. You have the professional training to assess your clients' situations and position their home to sell for maximum value.
2. **You understand the appraisal process.** Buyers and sellers don't always know why there is an appraisal and why it matters. Federal rules on appraiser independence requirements can add confusion to how a buyer or seller can communicate with an appraiser. A full-time agent understands that an appraisal is meant to help the lender determine if the sale price of a home will adequately support the loan the lender is giving to a borrower. You can explain how the process works to confused buyers and sellers so they don't feel caught off guard and understand the need for an appraisal. You can also provide the appraiser with additional information, including comps and market analyses, to ensure the information that is most important to the value of the home is being considered.
3. **You're a professional dealmaker.** Common sense might dictate that a professional salesperson's talents are applicable to any industry, but nothing is farther from the truth. The average consumer can't sell a vehicle as well as a professional car salesperson. The same goes for houses. A natural salesperson might be able to win the confidence of a buyer, but are they prepared for the next step? You can earn a client's trust, but you also know how to handle contracts, negotiations, etc. Negotiating is generally done on the back end, when the details of the transaction come to the surface. In order to keep a deal together, you sometimes have to play hardball—especially when the opposing side drags its heels, potentially harming your client. Negotiating takes a lot of practice, which you've taken the time to master.Your clients need that expertise to keep a deal from falling through.
4. **A Google search won't teach your clients what you already know.** The real estate business is a complex system. Your customers could search online for the answers to any state or national real estate test, and it still will not give them the full knowledge you possess. Buyers and sellers might be able to glean the basics of filling out a contract—but then what? Even if they could find every answer to every possible question, how long would that take? Google is indeed an incredible gateway to knowledge, but it is no substitute for the hours, days, and years you've spent applying your knowledge to real-life scenarios.
5. **You do most of the thinking for your clients.** The brain is a muscle, and when muscles are overused, they get sore and need recuperation. You can supply peace of mind—literally—to your clients by handling the most taxing parts of a transaction for them. And that's worth every penny of a commission. Your clients don't need to tax their brains in an attempt to gain knowledge or information you already have. You can let them focus on their bottom line while you engage with those who want a piece of it.
6. **When you make money, your clients benefit.** You might make a $30,000 commission on a million-dollar home, but you don't keep all that money to yourself. Some of it goes back to your clients in the form of rewards for loyal customers, gas and meals when taking customers out on a day of showings, not to mention marketing expenses such as MLS fees, Google ads, listing photography, signs, and open house events, all to help sellers find a buyer for their home. You put your money where your mouth is.
7. **You're properly trained.** It's not possible to do what you do at your skill level without the proper training it takes to understand all the nuances of the industry. Not only are you properly educated and licensed to conduct business, you are required to take continuing education courses to keep your skills in line with current trends. Would your clients make that kind of commitment?

8. **You have an eye for what sells.** Staging is a key factor in selling a home for its full value. You know which improvements or repairs will bring maximum return on investment for your clients. You keep up with home style trends in order to make a property stand out and catch buyers' attention. You're skilled in portraying a story with listing photos, and you know how to highlight the attributes of a home and properly address the drawbacks.

9. **You work in an age-old industry that has weathered ups and downs.** The REALTOR® brand has been around for more than 100 years, and you are carrying on a legacy of continually putting systems into place to help consumers, set industry ethics standards, and find better marketing solutions. You're backed by industry leaders who lobby for better training and laws that protect the client from fraud. And in the end, your clients are better off because of it.

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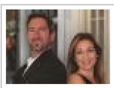

Tonya Eberhart and Michael Carr

Tonya Eberhart is the founder of personal branding firm BrandFace, LLC. Michael Carr is a former BrandFace client-turned-co-author and partner. They focus on helping real estate professionals become the face of their business and a star in their market. Learn more at BrandFaceRealEstate.com.

Helen Snyder • 17 hours ago
In my experience, commissions come in just fine if forget about them, never calculate them and just work as though referrals were all you're really after
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Richard Curby • 2 days ago
The local real estate market seems so anemic right now. We cannot figure out why, or how to stimulate the market.
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Gloria Harkins • 21 minutes ago
Wow!!
All the appraisar feedback is helpful, but would really like to know how to deal with the new barrage of commission cutting realtors, who seem to appeal to the milenniels who just want things done via text as cheaply as possible, and want to choose from a menu of services provided for a sliding scale of commission costs.
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Graham Wood Mod • an hour ago
We have heard the concerns of appraiser members regarding the original language of number two in this article. Appraisers are strong allies in a home purchase transaction, and we recognize the importance of real estate agents working closely with appraisers to ensure a smooth and

fair sale. We regret any insinuation otherwise. We have updated the language to better reflect the appraiser's significance and important work in the real estate transaction.

^ | v • Reply • Share ›

Tom Markoski • 4 hours ago

Real Estate Broker/Agents are not Real Estate Appraiser peers. However, I do expect a professional argument. So I save a lot of time and frustration by always reminding them (Agent-Brokers) if their Valuation based on MBS Agency/Lender Compliance (FDIC, OCC, HUD, FHA, FNMA etc) is better than the Realtor Appraiser-they have to prepare and provide CMA report, with completed grid, supporting adjustments, docs and analysis. If not the conversation is done as they are in violation of Realtor Ethics:

Article 15 (Case Interpretations for Article 15)

REALTORS® shall not knowingly or recklessly make false or misleading statements about other real estate professionals, their businesses, or their business practices. (Amended 1/12)

Standard of Practice 15-1
REALTORS® shall not knowingly or recklessly file false or unfounded ethics complaints. (Adopted 1/00)

Standard of Practice 15-2
The obligation to refrain from making false or misleading statements about other real estate professionals, their businesses and their business practices includes the duty to not knowingly or recklessly publish, repeat, retransmit, or republish false or misleading statements made by others. This duty applies whether false or misleading statements are repeated in person, in writing, by technological means (e.g., the Internet), or by any other means. (Adopted 1/07, Amended 1/12)

see more

^ | v • Reply • Share ›

Spencer Reilly • 12 hours ago

Redfin should be boycotted. Their destroying the industry. I won't go into detail, but if your a traditional Real Estate Agent/Broker, look into their practives.

^ | v • Reply • Share ›

SrGigante • 14 hours ago

Here on the SF Peninsula & Coastside it becomes extremely difficult to inform sellers that my expertise is worth my 6% fee when the overbidding is almost 100% of the time, as long as the property is priced reasonably correct. It is not unusual to have over bids of $200K or more. The last home was overbid by $312K.

^ | v • Reply • Share ›

Feedback

Bob Haglund → SrGigante • 2 hours ago

When you say, "overbid", did appraise AND close? If 'yes', then it did not "overbid", its the market. If it did not, then your 6% would have been worth it!
And remember, it's not entirely "your 6%". They will very likely pay at least 3% because a buyer will very likely have an agent. You ARE worth it!

^ | v • Reply • Share ›

Marknose • 15 hours ago

If I read half of these to a client, I think they might be insulted. 'I do most of the thinking for my clients?' 'When I make money, my clients benefit?' And then there is the old plug of the Realtor brand. It's like a Tommy Hopkins training tape from the '70's.

^ | v • Reply • Share ›

Cathy Gilbert Harper • 16 hours ago

I WOULD LIKE TO DISCUSS THIS PART OF THE ARTICLE. MY RESPONSES ARE IN ALL CAPS. 2. You know where the system is broken. Full-time agents know where the traps lie in a real estate transaction. Appraisals, for example, are a big setback when they come in lower than expected. APPRAISALS ARE THE ONLY NON-COMMISSION, UNBIASED PART OF THE TRANSACTION. You know when it's the product of a misinformed appraiser and when to seek a second opinion. VERY OFTEN, I WOULD CONCLUDE THAT THE AGENT IS THE UNIFORMED FACTOR. $XX/SF IS NOT A WORLD WIDE INDICATOR OF MARKET VALUE. MANY FACTORS COME INTO PLAY. Also, some federal regulations have put sellers at a disadvantage when it comes to appraisals, and your knowledge of how to work around them can save many deals. You go the extra mile to provide appropriate comps to appraisers, helping to shape their opinion on pricing and maintain an upward trajectory of home value. MOST AGENTS ARE NOT EDUCATED ON THE REQUIREMENTS OF A VALID APPRAISAL, THEREFORE DON'T HAVE A CLUE OF WHAT AN "APPROPRIATE" COMP IS. IS THE MARKET ALWAYS IN AN UPWARD TRAJECTORY? THIS IS A VERY DISTURBING ARTICLE. ESPECIALLY CONSIDERING APPRAISERS ARE PART OF NAR AS WELL. WE ARE CONSIDERED REALTORS, PARTICIPATE IN ETHICS COURSES TAUGHT BY AGENTS/BROKERS, AS WELL AS MUCH HIGHER STANDARDS TO RETAIN OUR CERTIFICATIONS. SHAMEFUL!

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Lorie Rowe • 17 hours ago

You had me until #5. Most people don't appreciate the concept that someone else will do the thinking for them. It echoes of "Don't worry your pretty little head" or "You're not as smart as I am". Clients today are smarter than ever if they correctly use the multitude of information available to them. I prefer to speak to their intelligence and guide them in how to use the information and don't see this as being at odds with my expertise. Also, the comment that the brain is a muscle is completely wrong. No, it's not a muscle and it doesn't fatigue with use.

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Scott Kroepel • 18 hours ago

As a real estate broker and certified residential appraiser, I think it's disgusting the way NAR keeps trying to throw appraisers under the bus whenever a deal doesn't go through. Insinuating in #2 the Realtors know better than the appraisers, because they can print off sales that sold for more money than the subject property? That it's the appraisers fault for decreasing property values? You do realize that the majority of appraisers in this country are NAR members, right?

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Gerald Mosley • 19 hours ago

With all the internet based companies that tout 1% listing commission rates one has to wonder how much "Expertise" sellers will be getting.

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Jay Quigley • 20 hours ago

Thank for a very informative piece.

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stanny1 • 20 hours ago

So is there a correlation between knowledge and commission? Is a Phd or Masters worth more than a CRS? Do we tell the public that the agents with more credentials should get paid higher commissions? Should we also tell them that you can be a Broker and not even graduate from high school?

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shortlilbroker ➜ stanny1 • 18 hours ago

I finished HS and some college but I still run circles around folks with CRS, phd, masters, mba, etc. in income!
I think it's just some people took the time to become really good at what they do, some just took a bunch of expensive classes but didn't excel on the playing field. I had an unfair advantage as a corporate accountant in mgmt.

1 • Reply • Share ›

Feedback

This comment is awaiting moderation. Show comment.

Richie Nichilo ➜ stanny1 • 17 hours ago

If a Realtor has real estate specific knowledge that can get me the best price/service I don't care what formal education he/she may have. I believe Henry Ford only made it to 3rd grade!

Reply • Share ›

Joseph Lightfoot ➜ stanny1 • 18 hours ago

A degree or certification doesn't necessarily signal knowledge, it's probably more reliable as a signal of persistence and drive toward that degree. The problem for the agent is how to communicate to the client the depth of your knowledge and practical skill. That's the essence of the process of building enough trust to earn their business.

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Sheila Goff ➜ stanny1 • 19 hours ago

I think the OP made their point that there are really good realtors and when you are working with one of them, it is a real benefit to the buyer or the seller.

I don't think anyone said anything about more credentials getting paid more, and that last comment is kind of funny. Did you know Richard Branson dropped out of high school at 15? 2 of my favorite people didn't finish high school and can run circles around most people in both success and intelligence.

I truly don't care how much formal education someone has, as long as they are at the top of their field. I just want them licensed and dedicated to what I hired them to do.

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