

Discount Brokers – Yay or Nay?

Real Estate, Community & Other Stuff

Osgood Team Real Estate's main mantra is "Guidance to Smart Real Estate Decisions" and this mantra is especially true when considering using a full service REALTOR VS. a Discount Broker.

HOW MUCH CAN USING A DISCOUNT AGENT COST YOU?

Contrary to what a lot of sellers may think, using a discount agent may cost you MUCH MORE money in the end.

So what is the difference between a "full-service/full-price" listing agent and a "discount/flat fee" agent? Simply put... a lot.

A full service agent is most likely a REALTOR, who is bound by higher ethical standards and integrity by the National Association of REALTOR's Code of Ethics. A full service agent will schedule showings, use professional photography, implement a cohesive and comprehensive marketing plan, will negotiate on your behalf, will fight for you during inspection and appraisal, will be located in your area and therefore more knowledgeable about the market where you're selling or buying your home, and will be available to you and to prospective buyers or their agents. Full service agents will price your home so you will get the highest possible amount for it in your market.

A discount or flat-fee agent will sell your home at a reduced rate and may reduce the buyer agent commission as well, which will bring fewer potential buyers to see your home. If they are also "limited-service", they will post your property on the local MLS and the rest of the "marketing" is left up to YOU. Buyers may be calling YOU to set up showings, the agent is less likely to fight for you and negotiate on your behalf, because they have already received some of your fee upfront. Many flat fee brokers will use an "umbrella" agent for the

office, but the “agent” assigned to you may not even be a licensed agent; this is not only unethical, **it's illegal**. They are usually not local or nearby, therefore not around when you may need them. You may not get as much for your home as you could; they profit on volume (quantity vs quality), so they don't care if your house sells for less, because they get their fee regardless.

I have two very recent personal experiences working with discount/flat fee agents:

Property A, a condo, listed the homeowners phone number as the number to call to schedule a showing. Nowhere in the listing did it warn “limited service” or that the number was the homeowner's (**violation**). The homeowner was giving out the garage code for entry, there was no lockbox, and the agent didn't reply to emails unless it was an offer, etc. This condo went under contract 5 times! That is highly unusual, and very unlikely to happen with a full-service agent. One of the offers fell through because it was an FHA offer and the condo was not FHA approved; this offer should have never been accepted, and the homeowner wasted time off the market because of this! FRUSTRATING!

Property B, a single family two-story home with a finished basement. The MLS showed the home as a tri-level, which may not seem like a big deal, but it can severely limit who sees your property. If a buyer is set up on a search that includes ranch or 2-story homes (maybe they're not interested in a tri-level home), this home, that was incorrectly input as a tri-level, wouldn't even show up. How many potential interested buyers did they lose? This discount agency also had limited availability and let an offer and an amend to the offer expire because they didn't pay attention to deadlines.

If you are selling in a slow market or haven't yet built equity in your home, I understand that saving on a listing commission sounds intriguing. But you need to understand the potential pitfalls and realize that in the end, you may not come out ahead. And when it comes to selling (or buying) what may be the biggest investment of your life, weigh the pros and cons very carefully before you make a costly decision. In real estate, you really may get what you (don't) pay for.