

SLIDE 10 – Commissions

A **commission** is compensation paid to a real estate broker for real estate service. A fundamental principal of commissions is who pays who. Sales associate commissions are always paid by the sponsoring broker, never the client.

SLIDE 11

Price fixing is illegal!

Per the Sherman Anti-Trust Act of 1890, which was enacted to preserve free trade and unfettered competition, it is illegal to collude with competitors to fix prices, commissions or rates.

For example, the two largest brokerages in a market jointly decide to cut commission rates by 50% in order to draw clients away from competitors. The cut-rate pricing could destroy smaller agencies that lack the staying power of the large companies.

No standard commission rate exists.

Violations of the Sherman Act bring stiff penalties:

- \$ 10 million for corporations
- \$ 1 million for individuals and/or up to ten (10) years in prison.

There is plenty of information regarding the Sherman Act available at the DOJ website. You should familiarize yourself with the ins-and-outs of anti-trust.

SLIDE 12

Sales Associate Commissions

Sales associates work exclusively through brokers and any compensation for any real estate transaction must be paid through the broker.

The terms of the commission, splits, percentages and pay methods, are typically covered through the sales associate agreement in place with the broker.

Commission disputes are handled through the broker, never the client or customer.

SLIDE 13

Kickbacks or Rebates – 61J2-10.028(1) FAC

Kickbacks are only allowed under specific limited conditions:

- All parties involved must be informed of the kickback.
- The kickback must not be prohibited by other law (such as RESPA).
- With lender approval, unlicensed sellers or buyers of a property may receive a share of the licensee's commission.

Unlicensed persons may not legally perform real estate transactions or receive portions of commissions for any reason.

SLIDE 14

Policy manual

All brokerages should have a policy manual that nails down how the brokerage will operate on a daily basis.

Commission management is typically defined in the policy manual.