

Details of a Listing Contract

Obviously the name of the seller and the property address will be included in the listing contract. There are many other things that are included, too, and you should be aware of them.

Price and Terms of Sale

When setting the terms of sale, the main thing you are concerned with is the price. You should have a basic idea of what your home is worth by keeping track of other sales in the neighborhood. Plus, you have probably interviewed at least two real estate agents and they have given you their own ideas. Exercise great care in determining your asking price, making sure not to set it too high or too low.

In addition to the price, you will disclose what personal property, if any, goes with the house when you sell it. Personal property is anything that is not attached or fixed to the home, such as washers, dryers, refrigerators, and so on.

There may be some item that is considered "real property" that you do not intend to include in the sale. Real property is anything that is attached to the home. For example, you may have a chandelier that has been in your family for generations and you take it from home to home when you move. Since the chandelier is attached to the house, it is considered "real property" and a reasonable buyer would normally expect it to go with the house.

Lockbox - Yes or No?

A lockbox is basically a padlock with a cavity inside where a key to your home can be placed. Only someone with an electronic key or the combination can get into the lockbox and access the key. Having a lockbox available at your house makes it easy for other agents to get access to your house.

Without the lockbox, agents representing buyers would have to set appointments to meet you or your agent at the house so they could gain access and view the home. This would be inconvenient. Since almost every other house does have a lockbox available, if you do not allow one most agents will simply not show your property. You will miss out on lots of potential buyers.

The listing contract specifies whether you allow a lockbox or not. It is locked into place, usually on the front door and cannot be removed. Only other agents can access the key that is located within the lockbox.

Real Estate Commission

Are Commissions Negotiable?

In some areas of the country there is a certain percentage that real estate agents expect to earn as a commission. This commission amount is a certain percent of the sales price. Or, some companies will charge a set fee for their services. However, just like anything else in real estate, this amount is negotiable. When completing the listing agreement, you and your agent will agree on the amount of the real estate commission.

How and When Listing Commissions are Earned

Your listing contract specifies a listing price. Your agent's job is to bring a "ready, willing and able" buyer to present an offer. If you reach agreement with the buyer, then the agent has done his job and earned the commission. Once the sale has closed, the real estate broker gets paid from the proceeds of the sale.

If the buyer proves unable or unwilling to conclude the sale, the house is placed back on the market and the agent has to begin earning his or her commission all over again.

However, if the seller backs out or does not accept an offer that meets the price and terms of the listing agreement, the listing broker has still earned the commission. They may want to be paid, even though you did not actually sell your home. Therefore, it is very important to carefully consider every detail when completing your listing contract and accepting an offer to buy your property.

"Hot Market" Under-Pricing Sales Technique – Commission Issues

During a "hot market" there is a certain marketing technique which, though very effective, could cause trouble because of the way the contract is written. This is the practice of "under-pricing" the home. In a hot market, a home that is under-priced gets a lot of attention from other Realtors, and they all start showing your home to their clients. Often, you get into a situation where multiple offers are presented and the price starts going up because of the frenzy. You end up selling the house above your asking price and perhaps above what you could have received if you had priced it traditionally.

However, the technique does have the potential to backfire, so you should build safeguards to prevent having to pay a commission "just in case."

You see, the listing contract usually states that if an offer is received that meets the terms presented in the contract (including price), the real estate agent has earned his or her commission – even if you decide not to sell. A reputable agent would never attempt to collect a commission if they were using the "under-pricing" technique and it backfired, even if they are technically entitled to one. For that reason, in the "additional terms" space on the listing contract, you should specify your true target price – when the agent has **really** earned the commission.

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