



Whether you are a home buyer or seller, you're likely to work with a real estate agent for your transaction. According to the National Association of Realtors' 2013 Profile of Home Buyers and Sellers, just 9% of homeowners in 2012 opted to sell their home without the services of a real estate professional, and many of those "For Sale by Owner" transactions involved buyers and sellers who were related or already knew each other.

On the buyers' side, 88% of home buyers worked with a real estate professional. Unlike other professionals who bill their clients at hourly rates or present an invoice at the end of a project, real estate professionals are paid at the end of a sales transaction. If a real estate agent works with a buyer or a seller for weeks or months without a resulting transaction, they aren't paid for their time. REALTORS® earn a commission based on the sales price of the home and receive that commission only after the transaction goes to settlement.

Commissions are negotiable between listing agents and their clients. Some brokerages offer commission discounts for sellers, but a typical commission is 6% of the sales price. In many cases the commission is evenly split between the buyers' agent and the listing agent, but sometimes the split is negotiated unevenly. For example, a seller could agree to pay a 5.5% commission divided so that the listing agent receives 3% and the buyers' agent receives 2.5% of the listing.

Brokers and Real Estate Agents

While some REALTORS® are also brokers or associate brokers—positions that require extra training and licensing commission payments go to the broker who manages the real estate brokerage where the REALTOR® works. The commission is then split between the broker and the agent according to their agreement. The commission split varies from one agent to another, with new agents sometimes earning a smaller percentage of the commission than experienced agents or successful ones who sell more homes or more expensive properties.

Who Pays the Commission?

Technically, the total commission is always paid by the seller at the settlement table, where the fee is subtracted from the proceeds of the home sale. However, in a sense, the buyers are paying the commission because they're paying to buy the house and the sellers have taken the REALTORS®' commission into account when determining a listing price. The commission is split at the settlement table between the listing agent's brokerage and the buyers' agent brokerage; then the agents themselves are paid by their brokers.

Contracts and Commissions

The exact percentage of the REALTORS®' commission should be spelled out in the listing agent's contract with the seller so that the listing agent gets paid if the property sells, regardless of who buys it. Listing agents and their brokers spend time and money marketing a home, advertising and preparing the home for sale, so they're being paid for those services. Buyers' agents typically have a contract with their clients so that they are paid when the buyer completes a purchase even if the buyers found that particular property on their own. Whether you're a buyer or a seller, the professional support of a REALTOR® who represents your interests should be worth every dollar of the commission.