

Who's Protecting the Homeowner? Not the Real Estate Industry

If the current system for buying and selling homes was scored on the basis of consumer fairness, the card would read Realtors: 100, Homeowners: 0. That's because the system is broken, mired in bureaucracy, 2nd protected by the second largest lobbying group, the National Association of Realtors (NAR). They are a lobbyist group 100 percent funded by real estate agents whose job is to exclusively protect the \$80 billion home buying and selling commission pie.

Let's be honest and transparent; there is no consumer advocacy when it comes to the real estate industry. It's just another industry controlled by lobbyists that have erected a structure which makes buying and selling a home outside the Realtors nexus difficult at best. My hope is this workshop will be a step toward the future to look at the buying and selling process through the consumer's eyes. After all, it *is* their money.

With the internet giving transparency to consumers, the real estate industry has created new businesses that prey on consumers by creating confusion. A few simple changes and enforcement of current laws would go a long way in protecting the consumer. The goal is not to take these businesses out but to make sure the consumer is protected. That's the job of Washington DC.

Here are 4 Ways We Need to Protect Consumers

1. Call for a Truth-in-Commission Disclosure Statement

With the help of new technology and a new business model, we need a true commission cost disclosure like the Truth-in-Lending Disclosure Statement.

The full commission and cost of selling a home must be disclosed in both percentage and as an estimated total dollar amount. Like the Truth-in-Lending Loan Estimate. With all the new commission models, the consumer has a hard time realizing the actual cost of selling a home. For example, Redfin advertises a 1% rate so the consumer thinks the commission cost is just that when in actuality after figuring in additional commissions, the commission rate is 4%. Trelora's rate is \$2500 plus a 3% commission to the buyer's agent. Purplebricks cites a \$3200 rate plus a 2.5% commission to the buyer's agent.

Other business models charge extra for lockboxes, signs, and brochures. The consumer should know if there are additional costs and what the final commission is. Agreed, a home might sell for less than the list price, so the cost can't be computed exactly. But like the Truth-in-Lending Disclosure Statement provides, the list price should be used as the marker to calculate the commission along with a disclaimer stating that it may be higher or lower.

2. Enforce the Do Not Call Registry

We must enforce the Do Not Call List – for everyone. Real Estate is the only industry whose lists are not scrubbed to remove those opting out of telephone solicitation. Why is real estate solicitation exempt from the rules that apply to other businesses? Stockbrokers and insurance companies – just to name a couple – are required to crosscheck their lists with companies like Gryphon and remove any numbers on the Do Not Call list before they conduct calls.

We surveyed 120 FSBO sellers who told us they received an average of 27 calls from agents soliciting for the listing the first day they offered their home for sale. The calls start at 7 a.m. and continue until 11:15 p.m. One hundred percent of the calls used bullying tactics such as “FSBOs sell for less money,” “No agent is going to show your home,” and “You are going to be sued because you don’t know how to fill out the paperwork.”

Robo dialing is prospering in the real estate industry. You can read about it in a [real estate phone dialer’s blog](#). Real estate robocalling is a billion-dollar business with no regard for the Do Not Call list. If you don’t think this is an epidemic, go on YouTube where you can view over 1000 videos informing viewers on how to make unsolicited calls to homeowners. We could not find one video that referenced the Do Not Call list.

Companies like these are popping up everywhere. Once again, deception has created another billion-dollar business. It’s as if telemarketing rules don’t apply to real estate, an industry backed by one of the most powerful lobbying groups, the NAR. All attempts to persuade homeowners they need an agent should be illegal. It’s illegal to strong-arm individuals into buying life insurance, stocks, and bonds, so why is it legal to use this forceful marketing tactic in real estate? [Class action lawsuits are being filed](#) to put a stop to this same abuse.

3. Make Strong-arming and Misinforming Homeowners Illegal

Another billion-dollar business has been created based on misleading the consumer about the listing agent. Marketers are posting lists of homes for sale and including pictures other than those of the listing agents next to the homes.

All listings should be required to post the correct listing agent, and denote whether the homeowner is using an agent or is selling their home FSBO. Sellers and listing agents should not be allowed to be misrepresented. No matter how big or small, no real estate related business should be permitted to trick the consumer.

4. Require Truthful Consumer Information

Truthful information for consumers must be enforced. Trade associations and lobbyists should be prohibited from hiding behind the ruse of protecting homeowners.

[John Wake, an economist and real estate agent](#) decided to pay the \$250 that NAR charges to for a copy of its Profile of Home Buyers and Sellers. In its 2014 profile, NAR cited a study it conducted comparing the value of homes sold by agents to FSBO sales. What a “hit piece.” The study concluded that homes sold with a real estate agent sold for more money. What he found in the fine print was this disclaimer “including mobile and manufactured homes,” thus skewing the results in favor of agent-assisted home sales.

“FSBOS TYPICALLY HAVE A LOWER MEDIAN SELLING PRICE: \$208,700 COMPARED TO \$235,000. THUS THE TYPICAL AGENT-ASSISTED HOME SALE TYPICALLY HAS A 13 PERCENT HIGHER SALES PRICE THAN THE TYPICAL FSBO SALE.”

– NAR

“I interpret that to mean, ‘We could have published a comparison using single-family detached homes only (no mobile homes) but the difference between agents and FSBO’s wasn’t as big so we didn’t publish that’,” says Wake. “The disclaimer tells me they know they’re being misleading.”

The study isn’t the first time NAR has distributed inaccurate data. A few years ago, Corelogic found they had [caught fabricating home sales](#). Were they even required to correct their mistake publicly? Nope. If a lobbyist group puts out false data, they should be held accountable.

A few simple changes, would go a long way in protecting the consumer.