

# So, What is a Variable Rate Commission?

A Variable Rate Commission is created when a seller agrees to pay a different commission percentage based upon 1 (one) of the following 2 (two) situations.

## 1. The Agent Responsible for Procurement of the Buyer.

**Example:** Seller agrees to pay X% in total commission if the listing company is responsible for procuring the buyer. Seller agrees to pay Y% in total commission if a different company is responsible for procuring the buyer.



*A NON VARIABLE rate commission would be X% to the listing agent and the same X% to the buyer's agent regardless of who procured the buyer.*

### Why is disclosure necessary?

Disclosure of a Variable Rate Commission is required as a means to inform the agent working with that buyer, as well as the buyer, that if an offer is drafted on behalf of that buyer, and they are in competition with an offer drafted by the listing office, their offer may be at a disadvantage based upon the difference in the commission rate..



*A NON VARIABLE rate commission would be X% to the listing agent and the same X% to the buyer's agent regardless of buyer, named or not..*

### Why is disclosure necessary?

The buyer and their agent have the right to know that if they are in direct competition with that named buyer, their offer maybe at a disadvantage based upon the difference in the commission rate (assuming both offers are comparable).

## 2. Commission Rate Changes Based Upon a Particular Buyer Purchasing the Property.

**Example:** If buyer, John Smith, purchases the property, the commission rate shall become X%. If any other buyer purchases the property the total commission is Y%.

## KNOW YOUR RESPONSIBILITIES:

**You must inform the Public & other Agents when offering Variable Rate Commissions to a Seller.**

- 1st** Disclose the existence of a Variable Rate Commission by checking (Y) in the MLS for that listing.
- 2nd** When asked by another agent, disclose the difference in commission rate as a percent per section 5.1 of the MLS Rules, as well as in Standard of Practice 3-4 of the REALTORS® Code of Ethics.

## STILL NOT CLEAR?

**Ask yourself the following question.**

- Does the commission percentage the seller pays change based upon terms set forth in the listing contract as they relate to the current listing? (Note: Changes in commission rate based upon Seller's procuring the services of the listing agent to serve as their buyer's agent in the purchase of their new home is not counted towards Variable Rate Commission).
- YES**-The listing needs to be marked as Variable Rate Commission
- NO**-The listing should not be marked as Variable Rate Commission

**NOTE: VARIABLE RATE COMMISSION IS NOT THE SAME AS A CO-BROKE COMMISSION, THEY ARE DIFFERENT.**

