

How Al Gore changed the real estate business by inventing the internet: © By: Terry Shortt, CRS, GRI, Broker. Aug 2005

The numbers of licensed real estate agents swells in the US and the competition for listing contracts heats up. Every agent knows the advantage of a good listing inventory and most are finding it harder and harder to get what they feel is their fair share.

The competition comes not only from the traditional competitor; all the other companies agents, but from the huge number of brand new agents in their own office, Couple this with the rising tide of those sellers' going it alone and purchasing only MLS access from a broker and the plain old "FSBO", times are tough on the farm.

Although both factors are making life difficult for the tradition broker; those that take the listing, put the house in the MLS, put up a sign, run a few ads and wait by the phone while charging 6%, the most severe threat comes from and the one most likely to effectively change the way the business works in the future, the "limited service broker" (AKA MLS only brokers or Flat Fee Brokers) made possible by the internet and former VP Al Gore.

This just can't be allowed to prosper according to the traditional brokers who control the state real estate licensing agencies. We've been charging 6% for this service since the 60's and everybody was happy. Lets throw as many barriers as possible at these Flat Fee Brokers and hopefully the complications with the regulations will scare them back to their senses. Better yet, lets emphasize that our intent in adding these new rules (minimum service laws, limiting access to listing info, no redates etc.) is actually to protect the consumer. They won't object to being treated like babies will they?

The National association of Realtors can't be accused of *not doing* it's part either. They are doing all possible to influence state licensing agencies to implement new rules and make new laws that restrict the possibility that the "Fee For Service" real estate office business models succeed. The "limited service" rules or laws on the books in most state require a broker who has entered into a real estate brokerage relationship with a seller to perform certain minimum task is but one example of this.

Kentucky quietly implemented such a rule recently even as the US Department Of Justice, Anti-Trust Division hammered them into changing the outdated and anti-competitive provision of the state licensing law that made it a violation to rebate or offer discounts to sellers. In the end the Kentucky Real Estate Commission settled the federal lawsuit by agreeing to stop enforcing this law and to get off the backs of brokers resulting in lower costs for Kentuckian to get access to real estate services.

The Kentucky Real Estate Commission is perhaps the nationwide leader in trying to stave off this new trend of flat fee brokers. They even run their own radio commercials suggesting that if you are seller, 3% is a small price to pay to get access to professional help when selling your house. I'm not sure where they picked up the figure of 3%, however, based on the typical commission being charged in the state, their ad may fall into the category of "False, misleading and deceptive". That's alright since the intent is to "protect consumers".

Its time for the real estate license authorities in every state to get out of the commercial aspect of the real estate brokerage business and stop allowing themselves to be used by the very industry that they are mandated to regulate. This won't be easy as most of the commissioners (in KY at least) have served on the commission for over ten years and could hardly be called progressive by most standards. One of the great things about the USA is our free market system. In our free market system only the strong survive, however, when a misguided state agency piles on with outdated and anti-competitive rules even the strong have a harder time surviving.

But here is perhaps the most important point. Consumers are not babies that need hand holding from the state government in order to get access to real estate services or any other competitive service. Your dentist is not exposed to minimum service rules, nor is your attorney, electrician, plumber, auto mechanic, accountant, or doctor. Your doctor could, for example, tell you that you need surgery, however, he is not required by law to force you to get it done.

Let each person make their own choices and accept responsibility for them is my recommendation.

