

Revisions to the Compensation Policy's

Definition of "Net Sale Price":

Clarification FAQs

1. Why is this policy being changed?

Midwest Real Estate Data is pivoting from its plan announced last Fall to remove from the MLS system the option to calculate compensation based upon Net Sale Price. Instead of removing the option, subscribers may continue to use Net Sale Price and we will instead add to our Rules a more specific definition of Net Sale Price. Differences in rental and commercial properties will also be accommodated.

2. When will the revised policy take effect?

June 4th, 2018.

3. What is the new policy?

The compensation specified on listings published by the Service shall be shown in one or any of the following combinations:

1. By showing a percentage of the gross selling price.
2. By showing a definite dollar amount.
3. As a percentage of the net sale price. The net sale price is the gross sale price minus amounts to be credited or paid to the buyer as reflected in the initial sales contract.
4. As a percentage of the net rented price. The net rented price is the gross rented price minus amounts to be credited or paid to the tenant, as disclosed in the Agent Remarks and/or compensation field on the listing.
5. For commercial lease properties, net compensation may be paid on negotiated variables as indicated in the compensation/commission agreement.

[Explanatory note: the new Paragraph 3 covers Residential and Commercial Sales, the new Paragraph 4 covers Residential Rentals, and the new Paragraph 5 covers Commercial Leases]

Please Note:

It's important that Listing Brokers discuss the cooperative compensations ("co-op") to be offered with their sellers as pertains to the new policy. Part of the value of working with a real estate professional to list a property on the MLS is an evaluation of market conditions. This includes items such as list price, an evaluation of potential buyers in the marketplace, cooperative compensation to buyer's agents, competition of other listings, condition of property, selling options that affect the time to sell, and many other factors. MRED does not make recommendations on any of these factors, as these are conversations between the managing broker and their sellers.

4. How is this policy change being communicated to MRED customers?

We are engaged in several months of communications prior to the implementation of this policy, which will go into effect on June 4, 2018. Our communications first included our committee and association partners, then our brokers, and finally all subscribers. This order of communication is intentional, as it has consistently proven to be the most effective way to notify all our customers of major changes.

5. What will happen to properties currently listed?

Properties listed in connectMLS before June 4th, 2018 will not need to be modified.

6. How will this policy change affect commissions in the marketplace?

This policy is not intended to affect commissions in the marketplace. Please note that the U.S. and Illinois antitrust laws prevent us from, among other things, facilitating communication intended to set, limit, or increase compensation.

7. How many people complained about the old policy? Was it really a problem?

The number of brokers that have complained is a confidential part of the arbitration process. Our Association partners asked that MRED address the definition of Net Sale Price. MRED's Board of Managers then reviewed the policy, and with the input from a task force of MRED customers, adopted the revised policy.

8. What is the benefit to setting a flat dollar commission amount?

Among other considerations for your business, one benefit of a fixed commission amount is simplicity in knowing exactly what the compensation for the transaction will be at closing.

9. Why not simply define Net Sale Price versus Gross Sale Price?

Because of the TILA / RESPA Integrated Disclosure Rule (known as "TRID"), concessions became the "kitchen sink" for modifications up to closing that are not related to negotiated concessions.

10. Will this change to the commission policy discourage sellers from putting listings in the MLS, thus degrading the database and marketplace?

Since MRED does not in any way fix or control commissions offered, we are confident this change will be handled by the marketplace itself.

11. What constitutes the gross sales price?

MRED looks to the amount reported to the County Recorder's Office.

12. Will this policy change lead to more commissions being negotiated outside of the MLS?

The marketplace is responding with numerous complaints about the current policy. MRED's change simplifies and clarifies the policy so the marketplace can be more effective. It is not our intent to affect or control commission amounts. The current ambiguity already leads to negotiating commissions outside of the MLS.

13. I have a commercial lease property, where can I find a compensation/commission agreement?

Please look to your local Realtor® association or your brokerage for a compensation/commission agreement to use.

14. For commercial properties, why do I no longer need to input a compensation amount in a listing when I selected the "paid on Net Sale" and/or "on Net Lease price"?

With the new policy, the recommendation was to implement a change that aligns with how commercial transactions operate relating to the negotiation of compensation. You are still required to offer a compensation on these listings - it's just communicated in a different way.

- For Sale on Net listing- the initial sales contract (letter of intent) shall be used to determine the amount of the compensations that will be paid minus the amounts to be credited or paid to the buyer.
- Commercial on Net Lease properties- the net compensation may be paid on negotiated variables as indicated in the compensation/commission agreement.

15. Why do we have different rules for commercial sales and leases?

Commercial lease/sales typically operate differently, and the revised policy is intended to align with how commercial brokers handle these types of deals.

16. How does this new policy work for developers who choose to pay commission on the base list price (not on upgrades)?

This is addressed by the third paragraph of the new policy, which explains how Net Sales Price is calculated.