



MRED Policy Update | Offers of Compensation on Net

MRED's Board of Managers began discussions on the MLS' policy on calculating offers of compensation based on net price in July, 2021 when the three MRED Localized Rules Teams added the topic to their agendas. MRED's Board of Managers also discussed the policy in September but made it clear that it wanted to hear subscriber feedback on the changes before anything was finalized. Based on this feedback from MRED subscribers, trainers and Preferred Unit Owners, a revised policy was approved in the January Board meeting. The policy is:

"Net": As a percentage of the net sale price in the initial contract, reduced thereafter only by an agreed reduction in the amount to be paid by the buyer due to a subsequent appraisal. The net sale price is defined as the gross sale price minus amounts to be credited or paid to the buyer, as reflected in the initial sales contract."

Why was the change made?

The change seeks to further clarify the existing policy by expressly accounting for adjustments due to an appraisal that comes in lower than the initial contract sales price. Otherwise, the calculation of "net price" would remain what the buyer and seller agreed to in the initial sales contract.

When does this change take effect?

The rule change will be effective May 10, 2022.

Can inspection credits be included in the calculation of Net?

Under MRED's rule, inspection credits are not a part of the net compensation calculation. Of course, parties to the transaction may enter into a replacement sales contract if they both agree that inspection credits should be included in the price.

Does MRED provide other options for calculating offers of compensation?

MRED does not set any number or minimum on the offer of compensation. A number of calculation options are available in addition to the guidance for calculating a commission based on net compensation. These include:

- Gross: As a percentage of the gross selling price.
- Fixed Dollar: As a definite dollar amount.
- For rentals: As a percentage of the net rented price. A 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.

MRED also added options for New Construction properties:

- As a definite dollar amount
- As a percentage of the new construction base price.
- As a percentage of the new construction price with buyer upgrades.

What if I have additional questions?

MRED wants to hear from you! Send them to Communications@MREDLLC.COM.