

**RealtySouth™**  
**ADMINISTRATIVE BROKERAGE COMMISSION (ABC)**  
**QUESTIONS & ANSWERS**

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**Q1** What is an Administrative Brokerage Commission (ABC), and why are we implementing it?

**A1** The ABC is a per-transaction commission the company collects from the consumer on each transaction side in which RealtySouth participates. This commission is necessary to help defray the growing cost of meeting regulatory requirements and providing consumers with ever-increasing services, paperwork, and disclosures, among other things.

**Q2** Is the ABC associated with a specific list of expenses borne by the company?

**A2** No. The ABC is a fee that covers not only the many *new* expenses incurred during the past few years, but also helps to bridge the gap between increasing levels of expense and decreasing revenues. The ABC will allow us to remain competitive and continue provide consumers with the superior marketing and services they have come to expect of RealtySouth. The RealtySouth Play Book will give you an idea of what some of these consumer benefits are.

**Q3** Who pays the ABC, and what is the amount? Will it be charged to the agent?

**A3** An ABC of \$149.00 will be paid by the consumer on each transaction side in which RealtySouth participates. This amount represents a portion of the additional cost of doing business. The commission is paid at closing to RealtySouth and will be reflected on the HUD-1 settlement statement.

**Q4** Isn't \$149 per transaction side an awful lot to charge?

**A4** When you consider the increases in our cost of doing business and the ever-increasing consumer benefits that are covered, it is really a fair and nominal fee. In fact, if you thought of it as a percentage of the sale price, on a \$175,000 sale it would be only .17% (that is, 17 one-hundredths of one percent!) of the price. Other companies charge as much as \$499—and some impose a non-refundable, up-front, listing fee.

**Q5 Does the ABC apply to all property transactions?**

**A5** Yes, with certain exceptions.  
The exceptions are:

- On VA sales, the buyer may not pay the ABC.
- On FHA sales where MortgageSouth is the lender, the buyer may not pay the ABC.
- Qualified employee/associate-transactions when the employee/associate is a principal to the transaction.
- No consumer will pay more than 5 ABCs per year.

**Q6 Can the associate pay the ABC?**

**A6** While it is permissible for the associate to pay the ABC, we strongly discourage it because the ABC is a consumer-related charge. Such payment might, however, be considered by an associate in the same light as paying for home repairs or other items on behalf of a buyer or seller.

**Q7 Do I have to disclose the ABC?**

**A7** Yes. Disclosure is always the legal and proper thing to do. Just like any other fee or commission, advance written permission is required. Our forms have been modified to provide such disclosures to the consumer.

**Q8 Does the ABC apply to current listings and pending sales?**

**A8** No. The ABC applies to all transactions signed on or after the ABC is put in place (most likely March 3, 2003).

**Q9 If I re-list or extend the listing agreement of a property listed *before* the ABC is put in place, will the ABC apply?**

**A9** The ABC will not apply if the property is re-listed within 30 days of the expiration date. After 30 days we will consider it to be a new listing and the ABC will apply.

**Q10 What is the benefit to our associates?**

**A10** By passing this nominal but necessary charge on to the consumer, the ABC helps defray the company's increased operating costs without impacting our associates' commissions (as, for example, many franchises do).

**Q11 Will the associate receive a portion of the ABC?**

**A11** No. The ABC is not part of the sales commission income which is split between the associate and the company.

**Q12 What has been the consumers' reaction to administrative brokerage commissions in other markets?**

**A12** Consumers elsewhere have accepted such commissions when explained in a straightforward manner. In fact, other companies have told us that, while there was some initial resistance to the commission on the part of their agents, consumers accepted it as a normal cost of doing business.

**Q13 What if someone says they'll find a company that doesn't charge an administrative brokerage commission?**

**A13** The question is really, "What are they leaving out, and which services will not be offered?" There will always be companies willing to discount their commissions, services, and level of client care. The RealtySouth Play Book covers many items that benefit the consumer and which, among other costs, are generally covered by the ABC. And remember, on an average RealtySouth sale, the commission adjustment is only 17 one-hundredths of one percent.

**Q14 Will competitors use the ABC against us?**

**A14** Possibly. However, other real estate companies across the nation have been charging an administrative brokerage commission since the mid-1990s, with many of those commissions ranging as high as \$499 per transaction side. We believe that most companies, if not charging such a commission now, will charge one in the future in order to survive and to continue to provide to consumers the services they expect.

Such charges are not new, and they are not unique to real estate. Consumers have encountered them in many other industries for quite some time. Banks charge ATM fees, mortgage lenders charge a variety of processing fees, travel agencies pass on various surcharges, retailers charge restocking fees, dry cleaners convey environmental impact fees, and service stations charge an oil disposal fee when your car is serviced. The list goes on and on. Each of us pays similar fees every day.

**Q15 Does RealtySouth's ABC relate to similar fees currently charged by other local companies?**

**A15** Yes, in fact, it does. Many franchises (e.g. C-21, Re/Max, etc.) charge fees as high as 6% off the top of the commission to cover similar administrative costs. The only differences between their fees and RealtySouth's ABC are: 1) theirs may be significantly higher

[e.g. 6% off the top of the commission on a \$175,000 sale is \$735], and 2) because their fee comes off the top of the commission, the agent pays a significant portion of the fee while the consumer pays none of it.

**Q16** How will the closing attorney know to collect the ABC?

**A16** We will give our closing attorneys advance notice of the ABC so they will know how it is to be handled. It will also be the RealtySouth associate's responsibility to be sure the closing attorney is aware of the charge. In addition, a "closing checklist" form will be provided.

**Q17** How much profit does the company need to make? Aren't we being greedy by imposing such a fee?

**A17** Over the years commission rates have gone down while commission splits and other operating costs have increased. The ABC is a way to recoup some of the profit that has evaporated over time. Profit is what drives our ability to create new programs and provide more services to the consumer and to our associates. Wouldn't you agree that providing superior real estate service is in the best interest of our associates, our company, and the consumers we serve? Recovering a portion of our lost profits helps us insure a solid future for all involved, including the consumer. For the consumer's sake and for ours, it is not enough to be a survivor, our company must remain strong.

**Q18** When will the ABC be increased?

**A18** There are no plans to increase the ABC at this time, but none of us can predict the future. It can be said that RealtySouth will always be proactive in protecting our mutual interests as well as those of the consumer.

**Q19** Why do you keep putting these roadblocks in the way of my doing business?

**A19** First, we will never do anything we do not believe to be in your best interest and in the best interest of the consumer. Second, experience in other markets has shown that such a fee doesn't impede an associate's ability to be successful. Agents have been more concerned than the consumer, who has taken it in stride.

**Q20** Why don't you charge our Family of Services partners more instead of charging our consumers?

**A20** Our Family of Services partners support all of us in so many ways, and this commission is a consumer-related expense that should be paid by the consumer, not by our Family of Services or by you.

**Q21** Why not add more Family of Services partners so we won't have to charge our clients?

**A21** We will always be searching for quality affiliated partners that can bring added value to your transactions. But we do not believe that either you or our Family of Services partners should pay for client-related expenses.

**Q22** When this gets out, I'm going to lose business!

**A22** In other markets where administrative brokerage commissions have already been rolled out, agents have reported that business has not been lost. When properly presented to consumers as a fair and nominal charge to ensure that they continue to receive the protection and services they expect, it has been a non-issue.

**Q23** When other companies hear about this, I'm going to get covered up with recruiting calls!

**A23** Of course you will. The competition will always look for opportunities to take advantage of such situations. Our suggested response to such calls would be, "When are *you* going to start charging an administrative brokerage commission?" If they say they're not going to, you might ask why. Looking to the experience of companies in other markets, it seems that the competition has often followed suit—that is, they have followed the leader—in a few months.