



“Seven Guidelines for Fair Consumer Pricing”

From - The National Association of Real Estate Consultants® (NAREC®)

As a Consumer-Certified Real Estate Consultant® (C-CREC®) designee, the consultant assisting you must adhere to the Code of Ethics of the National Association of Real Estate Consultants®. The following “Consumer Fair Pricing Guidelines” are a vital part of that Code and can help you determine approximately what a service or task is worth to you as a real estate consumer.

Seven Guidelines to Help Determine the Fees You Pay

While each C-CREC® determines his or her own pricing structure based on a variety of factors, there are seven general rules of thumb to help you determine approximately what a service or task should cost you. They are:

1) Expect to compensate the professional as you would others in equal standing in similarly related professions. For example, a real estate consultant with ten years of experience should receive an hourly fee in line with what a real estate attorney with the same level of expertise would charge. A real estate appraiser doing fee-for-service work could garner fees similar to those of a CPA. While there are exceptions, this rule of thumb should prove helpful in gauging costs.

2) Determine whether the service you need is a level-one skill (informational) or level-two skill (interpretative) since it can impact the fee you pay. For example, interpretative skills where advocacy, negotiating and representation are required from the consultant could be priced higher to compensate for a higher degree of skill employed. Conversely, level-one fees of an information-gathering or administrative nature may carry lesser-priced fees.

3) Don’t be penny-wise and pound-foolish” as Ben Franklin admonished us. It’s dangerous to gravitate to the lowest-priced service just because it’s cheapest. Instead, focus on the services that will provide the results you’re looking for, i.e. quick sale, highest net proceeds, lowest closing costs, etc. Consider any added value a consultant or company can provide as compared to the more cost-effective competition. A bargain-basement fee may entice you to do business with a company only later to find that their focus is volume, not meeting your individual needs.

4) Don’t defeat the financial savings of unbundled a la carte services only to later find that you’ve paid too much in individual fees and still haven’t reached your desired end result. For example, as a seller you decide to pay “x” for a comparative market analysis (CMA), “y” to rent signage and “z” to compensate the consultant for ten hours worth of negotiating. That’s why it’s vital to have a C-CREC® itemize the services and corresponding costs in advance so that you accomplish your objectives in the most cost-effective, yet thorough, manner.

5) Be aware of the myriad of ways a real estate consultant can be compensated (Depending on the business model he/she uses). You might negotiate a reduced percentage fee, a flat fee, or an hourly fee with a cap. Or perhaps you could negotiate a rebate of the fee back to you for services not required to close your sale. The lesson is that even though reaching minor success in a purchase or sale by paying a la carte fees is enticing and seemingly cost-effective, being unrealistic about the depth of help you need could churn minor fees into an albatross more costly than the heftiest commission in the market place.

If you realize mid-stream that you need additional services that you haven't contracted to receive, renegotiate the fee structure with the real estate consultant. For example, you may find that moving to a different compensation model can save you money by capping the hourly fees you're paying and still reward the consultant with a contingency fee when results are complete.

6) Understand the difference between and the application of contingent and non-contingent fees. A contingent fee is one received for a task that is likely to happen, but not guaranteed. For example, you place your house on the market with a full-service real estate broker and agree to pay a contingent fee if the house sells. While it's hopeful that the house will sell at the terms and conditions you specify, a sale (the results) is not guaranteed. If a sale does occur, you would pay the broker his percentage commission out of your proceeds at closing. With the traditional contingent fee model of the past, the real estate broker and his agents bore the majority of risk and costs up front in the hope that a house would sell. Because of this, many consumers felt little power or need to negotiate lower fees with brokers. Until the property sold (if ever) it would cost the consumer nothing.

By contrast, a non-contingent fee compensates work where an outcome is more assured. For example, you hire a consultant to prepare a comparative market analysis (CMA) on a house you want to purchase. He performs the work and you pay his fee. Even though you may not like the market range of the property as indicated by the CMA, an outcome (the approximate market value) is determined. Understanding the difference between contingent and non-contingent fees can lend creativity to what you pay and how you compensate a professional or service provider

7) Realize the impact paying a retainer fee has on your business relationship with the C-CREC®. Just as you want to move quickly to the cost-effective results you desire, so too does the consultant. It's often in your best to exemplify your willingness and motivation by placing a retainer with the consultant before launching the relationship. It shows your good faith and allows the consultant to prioritize his business efforts by working only with consumers who are motivated and results-oriented. Your C-CREC® designee will explain his retainer policy during your initial interview.

The Consumer-Certified Real Estate Consultant® assisting you will be more than happy to discuss various pricing models and fee structures available through his/her consulting practice.