

The Web: Home-sales rules changing

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Is it going to be harder in the future for you to buy, or sell, residential real estate over the Internet? Some experts think so. In interviews with UPI's The Web column, real-estate agents and lawyers say new regulations are emerging, primarily at the state level, that are preventing online discount real-estate firms from selling properties with fees priced below the industry standard of 5 percent to 6 percent. What's more, cutting-edge online sellers may be restricted from offering rebates or other incentives -- e-coupons to HomeDepot.com, for instance -- to entice potential buyers.

"We are in a wait-and-see mode now," said Colby Sambrotto, chief operating officer of the New York-based ForSaleByOwner.com, a leading online real-estate site. "There are some 13 states I believe that have enacted legislation or regulation that impacts online real estate sales. Our corporate counsel is reviewing those rules."

One state that implemented rules considered too arduous by the federal government was Kentucky. The U.S. Department of Justice recently sued, and settled with, the Kentucky Real Estate Commission over a policy that prevented real-estate brokers from offering discounts there.

The settlement "resolves the anticompetitive concerns raised by the Kentucky Real Estate Commission's broker regulations," said Thomas O. Barnett, acting assistant attorney general in charge of the Justice Department's antitrust division. "Kentucky consumers will now be able to avail themselves of the benefits of increased competition through broker-offered rebates, discounts and other inducements."

The proposed final judgment also stipulates that any disciplinary action initiated by the commission against any broker for offering a rebate, discount or other inducement is void, and the commission must note that in its records, according to the DOJ.

An American Enterprise Institute-Brookings Joint Center for Regulatory Studies report, "Paying Less for Real Estate Brokerage: What Can Make it Happen?" indicates that the traditional model for residential real-estate brokerage services -- e.g., not selling online -- may be dated.

Moreover, the study said real-estate sales competition could be improved substantially. But there are increasing regulations that slow the emergence of new models such as the Internet for serving consumers.

The study also suggests that federal and state antitrust officials should strictly "scrutinize efforts to limit competition in the residential real estate brokerage market."

But in recent weeks governors in Missouri, Texas, Alabama and elsewhere have signed new legislation that goes in the opposite direction, providing protection for established real-estate professionals from discounters. Other states that already have similar laws include Kansas, Alaska, Mississippi, New York, Iowa and New Jersey.

One leading New York-based real-estate attorney, Salvatore Strazzullo argues that government regulations may be needed to protect consumers from scam artists on the Internet.

"If an online broker gives someone a discount, it could be a conflict of interest," said Strazzullo. "There are a lot of ethical considerations here. This is a kind of 'buyer beware' policy. The Internet should be used for a preliminary view of property, but they need to do other due diligence too before closing."

Online sellers counter that consumers are tired of paying high prices for routine transactions and note that insurance, banking and stock sales are also regulated businesses that thrived when they went online and offered discounts to consumers.

"We pioneered self-listing of real estate," said Sambrotto, of ForSaleByOwner.com. "We also developed a hybrid national listing for sales by owner. The fee is \$250, which goes to a real estate agent to type the listing into the Multiple Listing Service (a database for real estate agents). But, admittedly, this innovation did not endear us to the real estate industry."

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