

You have a quality lead on a new listing, but you get some news — it's going to be seller-financed. Now what? Can you still get real estate commission? Is it going to be 6 percent? Should you even bother with clients like this?

Well, if you're a [Minnesota Realtor](#) then you know all there is to possibly know about Minnesota real estate commission, right? And you know all there is to know about [seller-financed commission](#), right? Well, if not, here's what you absolutely need to know.

First off, let's face it, good Minnesota real estate professionals just do not give up on deals because of bank denials. Rejections occur for many reasons (just take a peek at the chart below):

- High student loan balances.
- Low credit score.
- Divorce
- Job change.
- MN bad credit.
- Recent foreclosure.
- Bad debt/income ratio.
- Tax liens and judgments.
- Arbitrary loan officers.
- Inability to prove income.
- Small business ownership.

	Total applications for purchase	Rejection rate	Applications denied
Wells Fargo*	399,911	21.2%	84,687
JPMorgan Chase	80,036	33.6%	26,894
Bank of America*	76,355	25.6%	19,547
U.S. Bank *	52,425	17.2%	9,014
Branch Banking and Trust Co.	43,840	15.6%	6,855
Flagstar Bank	52,030	13.2%	6,853
Citibank*	44,945	14.3%	6,442
Quicken Loans*	25,038	17.3%	4,331
SunTrust Mortgage	34,749	11.0%	3,831
PHH Mortgage	17,034	11.5%	1,967

\*Applications denied for these lenders includes preapprovals denied

Source for data: Federal Financial Institutions Examination Council

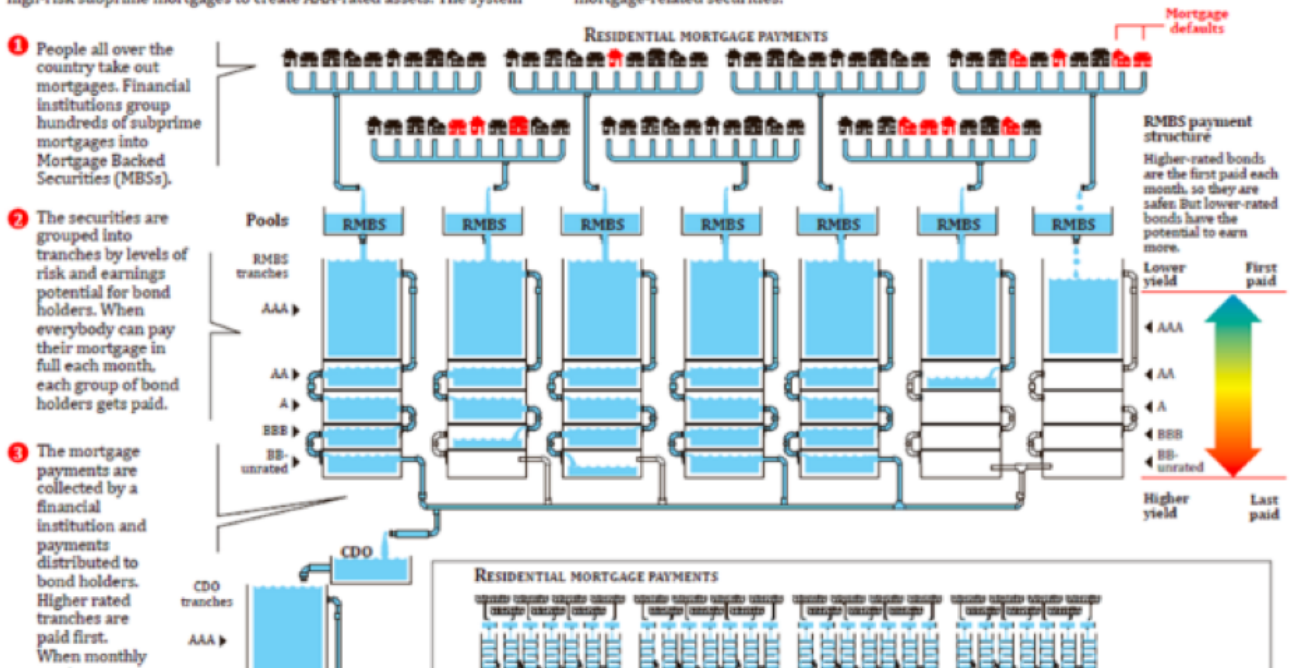
Source for largest lenders: Inside Mortgage Finance

If your client was denied by [Bank of America](#), for example, hopefully you keep working the deal even though a credit union or a community bank also gives the thumbs down. In situations like these, trying to find homes for sale by owner and working a [MN contract for deed sale](#) might be the answer. While you may be hesitant to enter the subprime financing arena, there are many well-intentioned potential homeowners with bad credit that just need a way to buy a home.

## THE THEORY OF HOW THE FINANCIAL SYSTEM CREATED AAA-RATED ASSETS OUT OF SUBPRIME MORTGAGES

In the financial system, AAA-rated assets are the most valuable because they are the safest for investors and the easiest to sell. Financial institutions packaged and re-packaged securities built on high-risk subprime mortgages to create AAA-rated assets. The system

worked as long as mortgages all over the country and of all different characteristics didn't default all at once. When homeowners all over the country defaulted, there was not enough money to pay off all the mortgage-related securities.



[Homegates](#) states that a contract for deed lets buyers purchase a home without a mortgage. When a buyer and seller sign a contract for deed or contract for sale, the buyer agrees to pay for the property in installments. The seller retains the deed—the document that transfers title—until the buyer has fulfilled the contract by making the final payment.

## Serious Commission Issues



OK, you found a seller that will agree to a contract for deed transaction. Of course, you now need to make sure that the property is not encumbered by liens or other mortgages, and a title search will accomplish this. After all due diligence has been completed, an attorney should draft the Minnesota contract for deed documents.

## **You're Not Done Yet**

In a traditionally financed real estate transaction, the Realtor's [commission is protected](#), and will be paid from the sale proceeds. In a contract for deed transaction, however, disputes can arise as to who is responsible for paying broker commissions. The seller may say, "I'm not paying real estate commissions to anyone. I never signed any agreements that obligated me to do so." The buyer may state, "Commissions have to come from the seller. I have enough problems already; I'm probably paying a subprime interest rate to get this deal done, and I can't afford any more expenses."

## **What Is The Buzz?**

A recent [Trulia](#) FAQ page offered this advice:

“Here’s a solution: Don’t act in the capacity of an agent (meaning you are not representing buyer or seller... just yourself). Calculate the equity in the home. Negotiate a price that leaves you (buyer #1) some equity. Draft up an assignable purchase agreement for the negotiated price. Assign the agreement to buyer #2 for a certain percentage of the purchase price. There’s your payment... now walk away.”

If that seems complicated, you’re right. A better way to protect your real estate commission is to be transparent when submitting a contract for deed transaction to the seller. Let the seller know that the deal should work like any traditional financing scenario where broker commissions are protected. Reasonable sellers should realize that real estate commissions are paid in most transactions.

## **Ensure That You Receive Your Commission**

In some cases, reasonableness just does not apply, but luckily there are some reputable Minnesota contract for deed companies that will engineer these transactions. Our company, [The C4D Crew](#), makes the point that they always protect broker commissions.

These intermediary financing specialists are a great place to turn if you need to do a seller financed deal because they will actually purchase the property from the buyer and then sell it to your client with a MN contract for deed. Using an experienced and respected company will greatly increase chances that your deal will close while, at the same time, ensuring that you do receive your commission.

## **The Real Estate Commission Basics**

For more information on the basics of real estate commission, check out this video from [Redfin](#).