A woman listed her house for sale with a real estate broker. The woman and the broker signed a listing agreement, under which the woman agreed that the broker was to be the woman's sole agent during the six-month period of the listing agreement. The listing agreement was not recorded.

The list price for the house was $250,000. The broker produced a prospective buyer who offered to purchase the house for $249,000 and who was prequalified to purchase at that price. The woman rejected the offer, giving no reason for her rejection, and the listing agreement expired the next day.

Three months later, the woman sold the house to a corporation for $249,000. The broker never had any contact with the corporation.

Is the broker owed a commission?

A. No, because the listing agreement was not recorded. (0%)
B. No, because the woman sold to a buyer found without the broker's help and after the expiration of the listing agreement. (85%)
C. Yes, because the broker produced a ready, willing, and able buyer during the term of the listing agreement, and the buyer's offer matched the ultimate sale price. (11%)
D. Yes, because the woman gave no reason for rejecting the prospective buyer's offer during the listing period. (2%)

Correct

85%Answered correctly

01 min, 13 secsTime Spent

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Explanation:

Types of listing agreements

Open	Seller may use other brokers to sell listed property & commission goes to whichever broker finds buyer during listing period
Exclusive agency contract	Seller can find buyer &, if seller does so without broker's assistance, broker receives no commission
Exclusive right to sell	Commission goes to broker if property is sold during listing period, no matter who finds buyer

A real estate broker is someone typically employed by a seller to handle the sale of real property under a **listing agreement**. Most listing agreements provide for **payment of commission** if the **broker procures** a **buyer who is ready, willing, and able** to purchase the property on terms that are **agreeable to the seller *during* the listing period**. Therefore, a broker is generally not entitled to commission until a sales contract is executed OR, if the contract is subject to conditions, the conditions are met.

Here, the broker found a prospective buyer who made an offer to purchase the woman's house for $249,000. The woman was within her rights to reject this offer because it was $1,000 below the asking price. The fact that she later sold the house to a corporation for the same price the prospective buyer had offered is irrelevant because the sale occurred *after* the listing agreement had expired and without the broker's help **(Choice C)**. Therefore, the broker is *not* owed a commission.

(Choice A) Recording is used to protect a real property interest against competing claims. Since a listing agreement provides the broker and the seller with contractual rights (not a real property interest), it need not be recorded.

(Choice D) The woman was not required to give a reason for rejecting an offer for an amount less than the listing price made during the listing period.

Educational objective:

Listing agreements generally provide for payment of commission if the broker procures a buyer who is ready, willing, and able to purchase the property on terms that are agreeable to the seller during the listing period. Under such agreements, no commission is owed if these criteria are not met.

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