



Department of Justice

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DEPARTMENT OF JUSTICE AND FEDERAL TRADE COMMISSION
URGE TEXAS REAL ESTATE COMMISSION TO CONTINUE
TO ALLOW FLEXIBILITY IN BROKERAGE SERVICES

***Regulation Would Cause Consumers to Pay More for Real Estate Services and
Reduces Consumer Choice***

WASHINGTON, D.C. – The Department of Justice and the Federal Trade Commission (FTC) issued a joint letter urging the state-created Texas Real Estate Commission to reject a proposed regulation that would change current rules by imposing new restrictions on the ability of Texas real estate professionals to offer flexibility in brokerage services. The agencies expressed concern that the proposed regulation would not only cause Texas consumers to pay more for real estate services, but also would reduce consumer choice by restricting the ability of real estate brokers to provide services tailored to customer needs.

Currently, Texas real estate brokers can offer the level of service that a customer wants and needs. If the Commission accepts the proposed regulation, customers will be forced to purchase additional services that they may not want or need.

"Limited-service brokers are growing rapidly in Texas and across the country because they provide greater choice and can save consumers thousands of dollars on a single home sale," said R. Hewitt Pate, Assistant Attorney General in charge of the Department of Justice's Antitrust Division. "The proposed regulation would restrict the beneficial competition created by these limited-service brokers, and the Texas Real Estate Commission should reject it."

In Texas, real estate services are offered by limited-service brokers and full-service brokers who compete against one another. Full-service brokers charge consumers a single price for a bundle of individual real estate services and limited-service brokers offer consumers the option to pick and choose from a menu of different real estate services according to each respective consumer's individual needs. For example, a seller can decide just to purchase multi-list services from a broker and to represent himself or herself in negotiating with buyers. Under the proposed new regulation, limited-service brokers would be required to bundle together certain of their service offerings into a mandatory package and would no longer be able to offer services separately. In this example, the seller would be required by the proposed regulation to purchase representation and negotiation services from the broker in addition to the multi-list service. As a result, customers would have fewer choices and pay more for their real estate needs if the regulation is passed.

"The Commission is urging the Texas Real Estate Commission to reject the proposed rule, which would restrict the ability of limited-service real estate brokers to respond to the demands of Texas consumers," said FTC Chairman Deborah Platt Majoras. "The likely result would be higher prices and fewer options for the state's consumers, with no offsetting benefits."

The Texas Real Estate Commission is expected to vote on the proposed regulation, entitled Broker's Responsibility, 30 Tex. Reg. 1400, on Monday, April 25, 2005. The proposed regulation amends the Texas Administrative Code, title 22, section 535.2.

A copy of the letter sent to the Texas Real Estate Commission is available from the Department of Justice and the Federal Trade Commission. The Department of Justice's website <http://www.usdoj.gov/atr>; the Federal Trade Commission's website is <http://www.ftc.gov>. For more information on the letter at the Department of Justice, contact John R. Read, Chief of

Litigation III section, at 202-307-0468. For more information on the letter at the Federal Trade Commission, contact James Cooper, Attorney Advisor of the FTC Office of Policy Planning, at 202-326-3367. Paper copies of the letter are also available from the Justice Department's Antitrust Documents Group and the Federal Trade Commission's Consumer Response Center. The Justice Department's Antitrust Documents Group can be contacted telephone: 202-514-2481, fax: 202-514-3763, or e-mail: atrdoc.grp@usdoj.gov. The Federal Trade Commission's Consumer Response Center can be contacted at Room 130, 600 Pennsylvania Avenue, N.W. Washington, D.C. 20580. Call toll-free: 1877-FTC-HELP.

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