

Complaint

IN THE MATTER OF

**REALTORS ASSOCIATION OF NORTHEAST
WISCONSIN, INC.**CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATIONS OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-4178; File No. 061 0267**Complaint, November 22, 2006 – Decision, November 22, 2006*

This consent order addresses charges that the Realtors Association of Northeast Wisconsin, Inc., which operates a real estate multiple listing service, adopted a rule that limits the publication of certain listing agreements on popular real estate websites, in a manner that limits the ability of real estate brokers to use Exclusive Agency Listings to offer unbundled brokerage services at a lower price than the full-service package. Specifically, information about properties would not be made available on the websites unless the listing contracts were Exclusive Right to Sell Listings. The order prohibits the respondent from adopting or enforcing any rules or policies that deny or limit the ability of its multiple listing service participants to enter into Exclusive Agency Listings, or any other lawful listing agreements, with sellers of properties. In addition, the order requires the respondent to conform its rules to the substantive provisions of the order within 30 days and to notify its participants of the order through its usual business communications and its website. The respondent is also required to notify the Commission of changes in its structure and to file periodic written reports concerning compliance with the terms of the order.

Participants

For the Commission: Peggy Bayer Femenella, Joel Christie, Alan Loughnan, Jonathan Platt, Jan Tran, and Theodore Zang.

For the Respondent: Kendall Harrison, Kevin O'Connor, and Brady Williamson, Godfrey & Kahn, S.C.

Complaint

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that the Realtors Association of Northeast Wisconsin, Inc. (“Respondent” or “RANW”), a corporation, has violated Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this Complaint stating its allegations as follows:

NATURE OF THE CASE

This case involves a local, private real estate association that operates a Multiple Listing Service, which is a joint venture among its participants designed to foster real estate brokerage services. RANW adopted a rule that limits the publication of certain listing agreements on popular internet real estate websites, in a manner that limits the ability of real estate brokers to use Exclusive Agency Listings to offer unbundled brokerage services at a lower price compared to the full service package. This rule deprives such brokers and the home sellers they represent of a significant benefit afforded by the MLS. The rule discriminates on the basis of lawful contractual terms between the listing real estate broker and the seller of the property, and lacks any justification that such a rule improves competitive efficiency. Consumers are harmed by this rule because it inhibits a lower cost option to sellers and increases search costs to buyers. As such, this rule constitutes a concerted refusal to deal except on specified terms with respect to a key input for the provision of real estate services.

RESPONDENT AND ITS PARTICIPANTS

1. Respondent Realtors Association of Northeast Wisconsin, Inc., (“RANW”) is a non-profit corporation organized, existing

Complaint

and doing business under and by virtue of the laws of the State of Wisconsin. Respondent's principal place of business is W6124 Aerotech Drive, Appleton, Wisconsin 54912-2637. RANW operates for the benefit of its members.

2. RANW has more than 2000 real estate professionals as members, and is affiliated with the National Association of Realtors ("NAR"). The majority of RANW's members hold an active real estate license and are active in the real estate profession.

3. The large majority of residential real estate brokerage professionals in the Northeast Wisconsin Area are members of RANW. These professionals compete with one another to provide residential real estate brokerage services to consumers.

4. A Multiple Listing Service ("MLS") is a clearinghouse through which participating real estate brokerage firms regularly and systematically exchange information on listings of real estate properties and share commissions with other participants who locate purchasers. RANW is now and has been providing since 1985 a MLS for the use of its members doing business in the Northeast Wisconsin Area, and this service is known as the RANW Multiple Listing Service, Inc. ("RANW MLS"). The RANW MLS is a corporation organized, existing and doing business under and by virtue of the laws of the State of Wisconsin. RANW owns all the stock of RANW MLS and controls its operations.

5. When a property is listed on the RANW MLS, it is made available to all participants of the MLS for the purpose of trying to match a buyer with a seller. Information about the property, including the asking price, address and property details, is made available to participants of the MLS so that a suitable buyer can be found.

Complaint

6. RANW MLS services the Northeast Wisconsin Area, which includes the cities of Green Bay, Appleton, Oshkosh and Fond du Lac, Wisconsin, and the surrounding counties.

7. RANW MLS is the only MLS that services the Northeast Wisconsin Area.

JURISDICTION

8. RANW is and has been at all times relevant to this Complaint a corporation organized for its own profit or for the profit of its members within the meaning of Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

9. The acts and practices of RANW, including the acts and practices alleged herein, have been or are in or affecting commerce within the meaning of Section 4 of the Federal Trade Commission Act.

RANW CONDUCT

10. In 2001, RANW adopted and approved a rule that stated: "All active listings of all RANW MLS Participants Y that are subject to an Exclusive Right to Sell contract are eligible for IDX Internet publication" (the "Web Site Policy"). The Web Site Policy was amended by the RANW Board of Directors on August 29, 2006, before the filing of this Complaint, to provide that properties listed on an exclusive agency basis are now eligible to be included in popular internet real estate websites. RANW MLS participants were notified of the change on or about August 31, 2006.

11. The Web Site Policy had prevented certain lawful residential property listings provided to RANW MLS, including "Exclusive Agency Listings," from being transmitted to real estate Web Sites, based on the contractual relationship between the

Complaint

home seller and the real estate agent the seller employs to promote the property.

12. An Exclusive Agency Listing is a listing agreement under which the listing broker acts as an exclusive agent of the property owner or principal in the sale of a property, but reserves to the property owner or principal a right to sell the property without assistance of a broker, in which case the listing broker is paid a reduced or no commission when the property is sold.

13. Exclusive Agency Listings provide a means for RANW members and RANW MLS participants to offer lower-cost, Unbundled Real Estate Services to consumers. "Unbundled Real Estate Brokerage Services" are lawful arrangements pursuant to which a real estate broker or agent provides that a property offered for sale shall be listed on the MLS, but the listing broker or agent will not provide some or all of the services offered by other real estate brokers or will only offer such additional services on an à la carte basis.

14. Brokers offering Unbundled Real Estate Brokerage Services are able to provide home sellers with exposure of their listing through the MLS for a flat fee that is very small compared to the commission prices traditionally charged. Exclusive Agency Listings can reserve to the home seller the right to sell the property without owing more than an agreed-to amount to the listing broker.

15. The Web Site Policy in effect through August 29, 2006 did not permit the publication of Exclusive Agency Listings on Web Sites approved by RANW, including (1) the NAR-operated "Realtor.com" Web Site; and (2) RANW MLS participant Web Sites (collectively, "Approved Web Sites").

16. The Web Site Policy had the effect of discouraging RANW MLS participants from accepting Exclusive Agency Listings.

Complaint

RANW MARKET POWER

17. The provision of residential real estate brokerage services to sellers and buyers of real property in the Northeast Wisconsin Area is a relevant product market.

18. The publication and sharing of information relating to residential real estate listings for the purpose of brokering residential real estate transactions is a key input to the provision of real estate brokerage services, and represents a relevant input market. Publication of listings through RANW MLS is generally considered by sellers, buyers and their brokers to be the fastest and most effective means of obtaining the broadest market exposure for property in the Northeast Wisconsin Area.

19. By virtue of industry-wide participation and control over a key input, RANW has market power in the Northeast Wisconsin Area.

20. Participation in RANW MLS is necessary to a broker providing effective residential real estate brokerage services to sellers and buyers of real property in the Northeast Wisconsin Area. Participation significantly increases the opportunities of brokerage firms to enter into listing agreements with residential property owners, and significantly reduces the costs of obtaining up-to-date and comprehensive information on listings and sales. The realization of these opportunities and efficiencies is important for brokers to compete effectively in the provision of residential real estate brokerage services in the Northeast Wisconsin Area.

APPROVED WEB SITES AND KEY INPUTS

21. Access to the Approved Web Sites is a key input in the brokerage of residential real estate sales in the Northeast Wisconsin Area. Home buyers regularly use the Approved Web Sites to assist in their search for homes. The Approved Web Sites are the Web Sites most commonly used by home buyers in their

Complaint

home search. Many home buyers find the home that they ultimately purchase by searching on Approved Web Sites.

22. The most efficient, and at least in some cases the only, means for RANW MLS participants to have their properties listed on the Approved Web Sites is by having RANW MLS transmit those listings.

23. Property owners and their brokers in the Northeast Wisconsin Area generally consider publication of listings on Approved Web Sites, in conjunction with publication of listings on the RANW MLS, to be the most effective means of obtaining the broadest market exposure for residential property in the Northeast Wisconsin Area.

EFFECTS OF WEB SITE POLICY

24. The Web Site Policy restricted competition by inhibiting the use of Exclusive Agency Listings in the Northeast Wisconsin Area.

25. The Web Site Policy reduced consumer choices regarding both the purchase and sale of homes and induced consumers to pay for real estate brokerage services that they would not otherwise have purchased.

THE WEB SITE POLICY OFFERS NO EFFICIENCY BENEFIT

26. There is no cognizable and plausible efficiency justification for the Web Site Policy. The Web Site Policy is not reasonably ancillary to the legitimate and beneficial objectives of the MLS.

Decision and Order

VIOLATION

27. In adopting the policies and engaging in the Acts and Practices described herein, RANW has acted as a combination of its members to restrain trade in the provision of residential real estate brokerage services within the Northeast Wisconsin Area.

28. The purposes, capacities, tendencies, or effects of the policies, acts, or practices of RANW and its members as described herein have been unreasonably to restrain competition among brokers, and to injure consumers.

29. The policies, acts, practices, and combinations or conspiracies described herein constitute unfair methods of competition in or affecting interstate commerce in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this twenty-second day of November, 2006, issues its Complaint against Respondent Realtors Association of Northeast Wisconsin, Inc.

By the Commission.

DECISION AND ORDER

The Federal Trade Commission ("Commission") having initiated an investigation of certain acts and practices of the Realtors Association of Northeast Wisconsin, Inc., hereinafter sometimes referred to as "Respondent" or "RANW," and Respondent having been furnished thereafter with a copy of the draft Complaint that the Bureau of Competition presented to the

Decision and Order

Commission for its consideration and which, if issued by the Commission, would charge Respondent with violations of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45; and

Respondent, its attorneys, and counsel for the Commission having thereafter executed an Agreement Containing Consent Order (“Consent Agreement”), containing an admission by Respondent of only the jurisdictional facts set forth in the aforesaid draft Complaint and the facts concerning remedial measures it has taken set forth in Paragraph 10 of the aforesaid draft Complaint, a statement that the signing of the Consent Agreement is for settlement purposes only and does not constitute an admission by Respondent that the law has been violated as alleged in such Complaint, or that the facts as alleged in such Complaint, other than jurisdictional facts, are true, and waivers and other provisions as required by the Commission’s Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that Respondent has violated the said Act, and that a Complaint should issue stating its allegations in that respect, and having accepted the executed Consent Agreement and placed such Consent Agreement on the public record for a period of thirty (30) days for the receipt and consideration of public comments, now in further conformity with the procedure described in Commission Rule 2.34, 16 C.F.R. § 2.34 (2004), the Commission hereby makes the following jurisdictional findings and issues the following Order:

1. Respondent Realtors Association of Northeast Wisconsin, Inc. is a non-profit corporation organized, existing and doing business under and by virtue of the laws of the State of Wisconsin, with its office and principal place of business at W6124 Aerotech Drive, Appleton, Wisconsin 54912-2637.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the Respondent, and the proceeding is in the public interest.

Decision and Order

ORDER**I.**

IT IS ORDERED that for the purposes of this Order, the following definitions shall apply:

- A. “Respondent” or “RANW” means Realtors Association of Northeast Wisconsin, Inc., its Board of Directors, officers, predecessors, divisions and wholly or partially owned subsidiaries, affiliates, licensees of affiliates, partnerships, and joint ventures; and all the boards of directors, owners, managers, directors, officers, employees, consultants, agents, and representatives of the foregoing. The terms “Respondent” or “RANW” do not include directors or officers of RANW in their capacities as individual RANW Participants. The terms “subsidiary,” “affiliate” and “joint venture” refer to any person in which there is partial or total ownership or control by RANW, and are specifically meant to include RANW MLS and/or each of the RANW Websites.
- B. “Multiple Listing Service” or “MLS” means a cooperative venture by which real estate brokers serving a common market area submit their listings to a central service which, in turn, distributes the information for the purpose of fostering cooperation in and facilitating real estate transactions.
- C. The term “RANW MLS” means the RANW MLS or any other MLS owned, operated or controlled, in whole or in part, directly or indirectly, by RANW, and any of its predecessors, divisions and wholly or partially owned subsidiaries, affiliates, licensees of the affiliates, partnerships, and joint ventures, and all the directors, officers, members, participants, employees, consultants, agents, and representatives of the foregoing.

Decision and Order

- D. "RANW Participant" means any person authorized by RANW to access, use or enjoy the benefits of the RANW MLS in accordance with RANW's by-laws, policies, rules, and regulations.
- E. "IDX" means the internet data exchange process that provides a means or mechanism for MLS listings to be integrated within a Website, including but not limited to IDX as defined by RANW.
- F. "IDX Website" means a Website that is capable of integrating the IDX listing information within the Website.
- G. "Realtor.com" means the Website operated by the National Association of Realtors that allows the general public to search information concerning real estate listings downloaded from a variety of MLSs representing different geographic areas of the country, including but not limited to real estate listings from RANW.
- H. "Approved Website" means a Website to which RANW or RANW MLS provides information concerning listings for publication, including but not limited to RANW Participant IDX Websites and Realtor.com.
- I. "Exclusive Right to Sell Listing" means a listing agreement under which the property owner or principal designates a real estate broker as his or her exclusive agent for a specified period of time, to sell the property on the owner's stated terms, and agrees to pay the listing broker a commission when the property is sold, regardless of whether the buyer is found by the listing broker, the owner or another broker.
- J. "Exclusive Agency Listing" means a listing agreement under which the listing broker acts as an exclusive agent of the property owner or principal in the sale of a property,

Decision and Order

but also reserves to the property owner or principal a right to sell the property without assistance from a broker, in which case the listing broker is paid a reduced commission or, depending on the agreement between the broker and owner, no commission when the property is sold.

- K. “Other Lawful Listing” means a listing agreement, other than an Exclusive Right to Sell Listing or Exclusive Agency Listing, which is in compliance with applicable state laws and regulations.
- L. “Services of the MLS” means the benefits and services provided by the MLS to assist RANW Participants in selling, leasing and valuing property and/or brokering real estate transactions. With respect to real estate brokers or agents representing home sellers, Services of the MLS shall include, but are not limited to:
1. having the property included among the listings in the MLS in a manner so that information concerning the listing is easily accessible by cooperating brokers; and
 2. having the property publicized through means available to the MLS, including, but not limited to, information concerning the listing being made available on Realtor.com and IDX Websites.

II.

IT IS FURTHER ORDERED that Respondent RANW, its successors and assigns, and its Board of Directors, officers, committees, agents, representatives, and employees, directly or indirectly, or through any corporation, subsidiary, division, or other device, in connection with the operation of a Multiple Listing Service or Approved Websites in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44, shall forthwith cease and desist

Decision and Order

from adopting or enforcing any policy, rule, practice or agreement of RANW to deny, restrict or interfere with the ability of RANW Participants to enter into Exclusive Agency Listings or Other Lawful Listings with the sellers of properties, including but not limited to any policy, rule, practice or agreement to:

1. prevent RANW Participants from offering or accepting Exclusive Agency Listings;
2. prevent RANW Participants from cooperating with listing brokers or agents that offer or accept Exclusive Agency Listings;
3. prevent RANW Participants from publishing information concerning listings offered pursuant to Exclusive Agency Listings on Approved Websites;
4. deny or restrict the Services of the MLS to Exclusive Agency Listings or Other Lawful Listings in any way that such Services of the MLS are not denied or restricted to Exclusive Right to Sell Listings; and
5. treat Exclusive Agency Listings, or Other Lawful Listings, in a less advantageous manner than Exclusive Right to Sell Listings, including but not limited to, any policy, rule or practice pertaining to the transmission, downloading, or displaying of information pertaining to such listings.

Provided, however, that nothing herein shall prohibit the Respondent from adopting or enforcing any policy, rule, practice or agreement regarding subscription or participation requirements, payment of dues, administrative matters, or any other policy, rule, practice or agreement, that it can show is reasonably ancillary to the legitimate and beneficial objectives of the MLS.

Decision and Order

III.

IT IS FURTHER ORDERED that, no later than thirty (30) days after the date this Order becomes final, Respondent shall have amended its rules and regulations to conform to the provisions of this Order.

IV.

IT IS FURTHER ORDERED that, within ninety (90) days after the date this Order becomes final, Respondent shall (1) have informed each RANW Participant of the amendments to its rules and regulations to conform to the provisions of this Order; and (2) provide each RANW Participant with a copy of this Order. Respondent shall transmit the rule change and Order by the means it uses to communicate with its members in the ordinary course of RANW's business, which shall include, but not be limited to: (A) sending one or more emails with one or more statements that there has been a change to the rules and an Order, along with a link to the amended rules and the Order, to each RANW Participant; and (B) placing on the publicly accessible MLS News page of the RANW Website (www.ranw.org) a statement that there has been a change to the rules and an Order, along with a link to the amended rules and the Order. Respondent shall modify its Website as described above no later than five (5) business days after the date the Order becomes final, and shall display such modifications for no less than ninety (90) days from the date this Order becomes final. The Order shall remain accessible through common search terms and archives on the Website for five (5) years from the date it becomes final.

V.

IT IS FURTHER ORDERED that Respondent shall notify the Commission at least thirty (30) days prior to any proposed change in Respondent, such as dissolution, assignment or sale resulting in the emergence of a successor corporation or any other

Analysis to Aid Public Comment

proposed changes in the corporation which may affect compliance obligations arising out of the Order.

VI.

IT IS FURTHER ORDERED that Respondent shall file a written report within six (6) months of the date this Order becomes final, and annually on the anniversary date of the original report for each of the five (5) years thereafter, and at such other times as the Commission may require by written notice to Respondent, setting forth in detail the manner and form in which it has complied with this Order.

VII.

IT IS FURTHER ORDERED that this Order shall terminate on November 22, 2016.

By the Commission.

ANALYSIS OF CONSENT ORDERS TO AID PUBLIC COMMENT

The Federal Trade Commission has accepted for public comment a series of agreements containing consent orders with five respondent entities. Each of the proposed respondents operates a multiple listing service ("MLS") that is designed to foster real estate brokerage services by sharing and publicizing information on properties for sale by customers of real estate brokers. The agreements settle charges that each respondent violated Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, through particular acts and practices of the MLS. The proposed consent orders have been placed on the public

Analysis to Aid Public Comment

record for 30 days to receive comments from interested persons. Comments received during this period will become part of the public record. After 30 days, the Commission will review the agreements and the comments received, and will decide whether it should withdraw from the agreement or make the proposed order final.

The purpose of this analysis is to facilitate comment on the proposed consent orders. This analysis does not constitute an official interpretation of the agreements and proposed orders, and does not modify their terms in any way. Further, the proposed consent orders have been entered into for settlement purposes only, and do not constitute an admission by any proposed respondent that it violated the law or that the facts alleged in the respective complaint against each respondent (other than jurisdictional facts) are true.

I. The Respondents

The agreements are with the following organizations:

- Information and Real Estate Services, LLC (“IRES”) is a limited liability company based in Loveland, Colorado, that is owned by five boards and associations of realtors in Boulder, Fort Collins, Greeley, Longmont, and Loveland/Berthoud, Colorado. IRES operates a regional MLS for Northern Colorado that is used by more than 5,000 real estate professionals.
- Northern New England Real Estate Network, Inc. (“NNEREN”) is a corporation based in Concord, New Hampshire, that functions as an association of realtors. NNEREN operates an MLS for New Hampshire and some surrounding areas that is used by several thousand real estate professionals.

Analysis to Aid Public Comment

- Williamsburg Area Association of Realtors, Inc. (“WAAR”), is a corporation based in Williamsburg, Virginia, that functions as an association of realtors. WAAR operates an MLS for the Williamsburg, Virginia, metropolitan area and surrounding counties that is used by approximately 650 real estate professionals.
- Realtors Association of Northeast Wisconsin, Inc. (“RANW”) is a non-profit corporation based in Appleton, Wisconsin, that functions as an association of realtors. RANW operates an MLS for the Northeast Wisconsin Area, which includes the cities of Green Bay, Appleton, Oshkosh, and Fond du Lac, Wisconsin, and the surrounding counties, that is used by more than 1,500 real estate professionals.
- Monmouth County Association of Realtors, Inc. (“MCAR”) is a corporation based in Tinton Falls, New Jersey, that functions as an association of realtors. MCAR operates an MLS for Monmouth County, Ocean County and the surrounding areas of New Jersey that is used by several thousand real estate professionals.

II. Industry Background

A Multiple Listing Service, or “MLS,” is a cooperative venture by which real estate brokers serving a common local market area submit their listings to a central service, which in turn distributes the information, for the purpose of fostering cooperation among brokers and agents in real estate transactions. The MLS facilitates transactions by putting together a home seller, who contracts with a broker who is a member of the MLS, with prospective buyers, who may be working with other brokers who are also members of the MLS. Membership in the MLS is largely limited to member brokers who generally must possess a license to engage in real estate brokerage services and meet other criteria set by MLS rules.

Analysis to Aid Public Comment

Prior to the late 1990s, the listings on an MLS were typically directly accessible only to real estate brokers who were members of a local MLS. The MLS listings typically were made available through books or dedicated computer terminals, and generally could only be accessed by the general public by physically visiting a broker's office or by receiving a fax or hand delivery of selected listings from a broker.

Information from an MLS is now typically available to the general public not only through the offices of real estate brokers who are MLS members, but also through three principal categories of internet web sites. First, information concerning many MLS listings is available through Realtor.com, a national web site run by the National Association of Realtors ("NAR"). Realtor.com contains listing information from many local MLS systems around the country and is the largest and most-used internet real estate web site. Second, information concerning MLS listings is often made available through a local MLS-affiliated web site. Third, information concerning MLS listings is often made available on the internet sites of various real estate brokers, who choose to provide these web sites as a way of promoting their brokerage services. Most of these various web sites receive information from an MLS pursuant to a procedure often known as Internet Data Exchange ("IDX"), which is typically governed by MLS policies. The IDX policies allow operators of approved web sites to display MLS active listing information to the public.

Today the internet plays a crucial role in real estate sales. According to a 2005 survey by the National Association of Realtors ("NAR"), 77 percent of home buyers used the internet to assist in their home search, with 57 percent reporting frequent internet searches. Twenty-four percent of respondents first learned about the home they selected from the internet, the second most common means behind learning about a home from a real

Analysis to Aid Public Comment

estate agent (50 percent).¹ In all, 69 percent of home buyers found the internet to be a “very useful” source of information, and a total of 96 percent found the internet to be either “very useful” or “somewhat useful.”² Moreover, the NAR Survey makes clear that the overwhelming majority of web sites used nationally in searching for homes contain listing information that is provided by local MLS systems.³

A. Types of Real Estate Brokerage Professionals

A typical real estate transaction involves two real estate brokers. These are commonly known as a “listing broker” and a “selling broker.” The listing broker is hired by the seller of the property to locate an appropriate buyer. The seller and the listing broker agree upon compensation, which is determined by written agreement negotiated between the seller and the listing broker. In a common traditional listing agreement, the listing broker receives compensation in the form of a commission, which is typically a percentage of the sales price of the property, payable if and when the property is sold. In such a traditional listing agreement, the listing broker agrees to provide a package of real estate brokerage services, including promoting the listing through the MLS and on the internet, providing advice to the seller regarding pricing and presentation, fielding all calls and requests to show the property, supplying a lock-box so that potential buyers can see the house with their agents, running open houses to show the house to potential buyers, negotiating with buyers or their agents on offers,

¹ *E.g.*, PAUL C. BISHOP, THOMAS BEERS AND SHONDA D. HIGHTOWER, THE 2005 NATIONAL ASSOCIATION OF REALTORS PROFILE OF HOME BUYERS AND SELLERS (hereinafter, “NAR Study”) at 3-3, 3-4.

² *Id.* See *Home Buyer & Seller Survey Shows Rising Use of Internet, Reliance on Agents* (Jan. 17, 2006), available at <http://www.realtor.org/PublicAffairsWeb.nsf/Pages/HmBuyerSellerSurvey06?OpenDocument>.

³ NAR Study at 3-19.

Analysis to Aid Public Comment

assisting with home inspections and other arrangements once a contract for sale is executed, and attending the closing of the transaction.

The other broker involved in a typical transaction is commonly known as the selling broker. In a typical transaction, a prospective buyer will seek out a selling broker to identify properties that may be available. This selling broker will discuss the properties that may be of interest to the buyer, accompany the buyer to see various properties, try to arrange a transaction between buyer and seller, assist the buyer in negotiating the contract, and help in further steps necessary to close the transaction. In a traditional transaction, the listing broker offers the selling broker a fixed commission, to be paid from the listing broker's commission when and if the property is sold. Real estate brokers typically do not specialize as only listing brokers or selling brokers, but often function in either role depending on the particular transaction.

B. Types of Real Estate Listings

The relationship between the listing broker and the seller of the property is established by agreement. The two most common types of agreements governing listings are Exclusive Right to Sell Listings and Exclusive Agency Listings. An Exclusive Right to Sell Listing is the traditional listing agreement, under which the property owner appoints a real estate broker as his or her exclusive agent for a designated period of time, to sell the property on the owner's stated terms, and agrees to pay the listing broker a commission if and when the property is sold, whether the buyer of the property is secured by the listing broker, the owner or another broker.

An Exclusive Agency Listing is a listing agreement under which the listing broker acts as an exclusive agent of the property owner or principal in the sale of a property, but under which the property owner or principal reserves a right to sell the property

Analysis to Aid Public Comment

without assistance of the listing broker, in which case the listing broker is paid a reduced or no commission when the property is sold.

Some real estate brokers have attempted to offer services to home sellers on something other than the traditional full-service basis. Many of these brokers, often for a flat fee, will offer sellers access to the MLS's information-sharing function, as well as a promise that the listing will appear on the most popular real estate web sites. Under such arrangements, the listing broker does not offer additional real estate brokerage services as part of the flat fee package, but allows sellers to purchase additional services if sellers so desire. These non-traditional arrangements often are structured using Exclusive Agency Listing contracts.

There is a third type of real estate listing that does not involve a real estate broker, which is a "For Sale By Owner" or "FSBO" listing. With a FSBO listing, a home owner will attempt to sell a house without the involvement of any real estate broker and without paying any compensation to such a broker, by advertising the availability of the home through traditional advertising mechanisms (such as a newspaper) or FSBO-specific web sites.

There are two critical distinctions between an Exclusive Agency Listing and a FSBO for the purpose of this analysis. First, the Exclusive Agency Listing employs a listing broker for access to the MLS and web sites open to the public; a FSBO listing does not. Second, an Exclusive Agency Listing sets terms of compensation to be paid to a selling broker, while a FSBO listing often does not.

III. The Conduct Addressed by the Proposed Consent Orders

Each of the proposed consent orders is accompanied by a complaint setting forth the conduct by the respondent that is the reason for the proposed consent order. In general, the conduct at issue in these matters is largely the same as the conduct addressed

Analysis to Aid Public Comment

by the Commission in its recent consent order involving the Austin Board of Realtors (“ABOR”).⁴

The complaints accompanying the proposed consent orders allege that respondents have violated Section 5 of the FTC Act by adopting rules or policies that limit the publication and marketing on the internet of certain sellers’ properties, but not others, based solely on the terms of their respective listing contracts. The rules or policies challenged in the complaints state that information about properties will not be made available on popular real estate web sites unless the listing contracts are Exclusive Right to Sell Listings. When implemented, these “Web Site Policies” prevented properties with non-traditional listing contracts from being displayed on a broad range of public web sites.

The respondents adopted the challenged rules or policies at various times between 2001 and 2005. Each respondent, prior to the Commission’s acceptance of the consent orders and proposed complaints for public comment, rescinded or modified its rules to discontinue the challenged practices. The members of each respective MLS affected by these rules have been notified of the recent changes.

The complaints allege that the respondents violated Section 5 of the FTC Act by unlawfully restraining competition among real estate brokers in their respective service areas by adopting the Web Site Policies.

⁴ *In the Matter of Austin Bd. of Realtors*, Docket No. C-4167 (Final Approval, Aug. 29, 2006). The ABOR consent order was published with an accompanying Analysis To Aid Public Comment at 71 Fed. Reg. 41023 (July 19, 2006).

Analysis to Aid Public Comment

A. The Respondents Have Market Power

Each of the respondents serves the great majority of the residential real estate brokers in its respective service area. These professionals compete with one another to provide residential real estate brokerage services to consumers.

Each of the respondents also is the sole or dominant MLS serving its respective service area. Membership in each of the respondents' MLS systems is necessary for a broker to provide effective residential real estate brokerage services to sellers and buyers of real property in the respective service area.⁵ Each respondent, through the MLS that it operates, controls key inputs needed for a listing broker to provide effective real estate brokerage services, including: (1) a means to publicize to all brokers the residential real estate listings in the service area; and (2) a means to distribute listing information to web sites for the general public. By virtue of industry-wide participation and control over a key input, each of the respondents has market power in the provision of residential real estate brokerage services to sellers and buyers of real property in its respective service area.

B. Respondents' Conduct

At various times between 2001 and 2005, each of the respondents adopted a rule that prevented information on listings other than traditional Exclusive Right to Sell Listings from being included in the information available from its respective MLS to be used and published by publicly-accessible web sites.⁶ The

⁵ As noted, the MLS provides valuable services for a broker assisting a seller as a listing broker, by offering a means of publicizing the property to other brokers and the public. For a broker assisting a buyer, it also offers unique and valuable services, including detailed information that is not shown on public web sites, which can help with house showings and otherwise facilitate home selections.

⁶ For example, MCAR's rule stated: "Listing information downloaded and/or otherwise displayed pursuant to IDX shall be limited to properties listed

Analysis to Aid Public Comment

effect of these rules, when implemented, was to prevent such information from being available to be displayed on a broad range of web sites, including the NAR-operated “Realtor.com” web site; the web sites operated by several of the respondents; and member web sites.

Non-traditional forms of listing contracts, including Exclusive Agency Listings, are often used by listing brokers to offer lower-cost real estate services to consumers. The Web Site Policies of each of the respondents were joint action by a group of competitors to withhold distribution of listing information to publicly accessible web sites from competitors who did not contract with their brokerage service customers in a way that the group wished. This conduct was a new variation of a type of conduct that the Commission condemned 20 years ago. In the 1980s and 1990s, several local MLS boards banned Exclusive Agency Listings from the MLS entirely. The Commission investigated and issued complaints against these exclusionary practices, obtaining several consent orders.⁷

on an exclusive right to sell basis. (Office exclusive and exclusive agency listings will not be forwarded to IDX sites.)” (MCAR Rules and Regulations (2004)). The NNEREN rule used somewhat different wording: “Exclusive Agency listings will not be included in NNEREN datafeeds to any web site accessed by the general public such as nneren.com, REALTOR.com, third party feeds, IDX, etc.” (NNEREN Rules and Regulations (Feb. 2005)).

⁷ See, e.g., *In the Matter of Port Washington Real Estate Bd., Inc.*, 120 F.T.C. 882 (1995); *In the Matter of United Real Estate Brokers of Rockland, Ltd.*, 116 F.T.C. 972 (1993); *In the Matter of Am. Indus. Real Estate Assoc.*, 116 F.T.C. 704 (1993); *In the Matter of Puget Sound Multiple Listing Assoc.*, 113 F.T.C. 733 (1990); *In the Matter of Bellingham-Whatcom County Multiple Listing Bureau*, 113 F.T.C. 724 (1990); *In the Matter of Metro MLS, Inc.*, 113 F.T.C. 305 (1990); *In the Matter of Multiple Listing Serv. of the Greater Michigan City Area, Inc.*, 106 F.T.C. 95 (1985); *In the Matter of Orange County Bd. of Realtors, Inc.*, 106 F.T.C. 88 (1985).

Analysis to Aid Public Comment

C. Competitive Effects of the Web Site Policies

The Web Site Policies have the effect of discouraging members of the respective respondents' MLS systems from offering or accepting Exclusive Agency Listings. Thus, the Web Site Policies substantially impede the provision of unbundled brokerage services, and make it more difficult for home sellers to market their homes. The Web Site Policies have caused some home sellers to switch away from Exclusive Agency Listings to other forms of listing agreements.⁸

When home sellers switch to full service listing agreements from Exclusive Agency Listings that often offer lower-cost real estate services to consumers, the sellers may purchase services that they would not otherwise buy. This, in turn, may increase the commission costs to consumers of real estate brokerage services. By preventing Exclusive Agency Listings from being transmitted to public-access real estate web sites, the Web Site Policies have adverse effects on home sellers and home buyers. In particular, the Web Site Policies deny home sellers choices for marketing their homes and deny home buyers the chance to use the internet to easily see all of the houses listed by real estate brokers in the area, making their search less efficient.

D. There is No Competitive Efficiency Associated with the Web Site Policies

The respondents' rules at issue here advance no legitimate procompetitive purpose. If, as a theoretical matter, buyers and sellers could avail themselves of an MLS system and carry out real estate transactions without compensating any of its broker

⁸ WAAR does not appear to have implemented the Web Site Policies, as Exclusive Agency Listings have been included in IDX feeds before, during and after its policy was in effect. However, its adoption and publication of the policy alone has inhibited the use of such listings in the Williamsburg area by at least one local real estate broker, who chose not to use Exclusive Agency Listings because he did not wish to violate the local rule.

Analysis to Aid Public Comment

members, an MLS might be concerned that those buyers and sellers were free-riding on the investment that brokers have made in the MLS and adopt rules to address that free-riding. But this theoretical concern does not justify the rules or policies adopted by the various respondents here. Exclusive Agency Listings do not enable home buyers or sellers to bypass the use of the brokerage services that the MLS was created to promote, because a listing broker is always involved in an Exclusive Agency Listing, and the MLS rules of each of the respondents already provide protections to ensure that a selling broker – a broker who finds a buyer for the property – is compensated for the brokerage service he or she provides.

It is possible, of course, that a buyer of an Exclusive Agency Listing may make the purchase without using a selling broker, but this is true for traditional Exclusive Right to Sell Listings as well. Under the existing MLS rules of each of the respondents that apply to any form of the listing agreement, the listing broker must ensure that the home seller pays compensation to the cooperating selling broker (if there is one), and the listing broker may be liable himself for a lost commission if the home seller fails to pay a selling broker who was the procuring cause of a completed property sale. The possibility of sellers or buyers using the MLS but bypassing brokerage services is already addressed effectively by the respondents' existing rules that do not distinguish between forms of listing contracts, and does not justify the Web Site Policies.

IV. The Proposed Consent Orders

Despite the recent cessation by each of the respondents of the challenged practices, it is appropriate for the Commission to require the prospective relief in the proposed consent orders. Such relief ensures that the respondents cannot revert to the old rules or policies, or engage in future variations of the challenged conduct. The conduct at issue in the current cases is itself a variation of practices that have been the subject of past

Analysis to Aid Public Comment

Commission orders; as noted above, in the 1980s and 1990s, the Commission condemned the practices of several local MLS boards that had banned Exclusive Agency Listings entirely, and several consent orders were imposed.

The proposed orders are designed to ensure that each MLS does not misuse its market power, while preserving the procompetitive incentives of members to contribute to the MLS systems operated by the respondents. The proposed orders prohibit respondents from adopting or enforcing any rules or policies that deny or limit the ability of their respective MLS participants to enter into Exclusive Agency Listings, or any other lawful listing agreements, with sellers of properties. The proposed orders include examples of such practices, but the conduct they enjoin is not limited to those five enumerated examples. In addition, the proposed orders state that, within thirty days after each order becomes final, each respondent shall have conformed its rules to the substantive provisions of the order. Each respondent is further required to notify its participants of the applicable order through its usual business communications and its website. The proposed orders require notification to the Commission of changes in the respondent entities' structures, and periodic filings of written reports concerning compliance with the terms of the orders.

The proposed orders apply to each of the named respondents and entities it owns or controls, including its respective MLS and any affiliated web site it operates. The orders do not prohibit participants in the respondents' MLS systems, or other independent persons or entities that receive listing information from a respondent, from making independent decisions concerning the use or display of such listing information on participant or third-party web sites, consistent with any contractual obligations to respondent(s).

The proposed orders will expire in 10 years.

Complaint

IN THE MATTER OF

**WILLIAMSBURG AREA ASSOCIATION OF
REALTORS, INC.**CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATIONS OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-4177; File No. 061 0268**Complaint, November 22, 2006 – Decision, November 22, 2006*

This consent order addresses charges that the Williamsburg Area Association of Realtors, Inc., which operates a real estate multiple listing service, adopted a rule that limits the publication of certain listing agreements on popular real estate websites, in a manner that limits the ability of real estate brokers to use Exclusive Agency Listings to offer unbundled brokerage services at a lower price than the full-service package. Specifically, information about properties would not be made available on the websites unless the listing contracts were Exclusive Right to Sell Listings. The order prohibits the respondent from adopting or enforcing any rules or policies that deny or limit the ability of its multiple listing service participants to enter into Exclusive Agency Listings, or any other lawful listing agreements, with sellers of properties. In addition, the order requires the respondent to conform its rules to the substantive provisions of the order within 30 days and to notify its participants of the order through its usual business communications and its website. The respondent is also required to notify the Commission of changes in its structure and to file periodic written reports concerning compliance with the terms of the order.

Participants

For the Commission: *Peggy Bayer Femenella, Joel Christie, Alan Loughnan, Jonathan Platt, Jan Tran, and Theodore Zang.*

For the Respondent: *Sheldon Franck, Geddy, Harris, Franck & Hickman, LLP.*