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Get Paid With the ABB Form

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In a perfect world, Realtors could easily bounce back and forth between prospective tenants and property owners looking for new renters. Both agree on the terms. The application fee is paid. The tenant is approved. Then the Realtor gets 100% of the commission.

In the real world, Realtors do not always represent both parties for multiple reasons:

- Realtors may have a tough time juggling every available rental from a property owner while also keeping track of tenants' needs.
- By focusing on one group, Realtors have a better chance of becoming experts in their farming areas. They can either choose to be the listing agent (broker) for the landlord or the showing agent (broker) for the tenant.
- Both Realtors can work together to show the best mutual matches for the landlord and the tenant. Having a solid network of fellow Realtors can also lead to increased exposure.

Once the Realtors find tenants and the landlord is satisfied with the selection, the lease is signed and the Agreement Between Brokers (ABB) Form should follow. But what exactly is this form anyway?

What's on an ABB Form?

The fee agreement on an ABB form will usually be broken down into three sections.

First Section of the ABB Form

Beforehand, the brokers should agree on the percentage that the listing broker and the tenant's broker will receive.

"In Houston, the landlord usually pays one full-month's rent to the listing broker," said **Jonathan Coleman**, MBA, broker and Realtor Relations Manager at Go4Rent. "Then the listing broker gives the tenant's broker 50% of those earnings."

"But that's not the case for the entire state of Texas," Coleman continued. "In Dallas, the earnings may be 60% and 40%. Austin and San Antonio could vary. There have been Realtors who earned a flat rate as low as \$250 and decided to branch out to other cities to expand their earnings."

Florida Realtors reports that both brokers may also agree on a flat-fee commission, commission based on a percentage of the deal (as mentioned above) and/or a combination of the two. However, there is no law requiring the broker working on behalf of the tenant to receive half of the commission by a listing broker.

Second Section of the ABB Form

In the second section of the ABB form, brokers may have the option to collect an additional month's rent or a percentage of it if the tenant renews the lease. The odds are slim for this happening though, according to Coleman.

While there are a number of reasons that a tenant may or may not renew the lease, a broker's bigger priority should be to keep an organized paper trail of past and current clients' renewal terms. If Realtors keep tabs on who is coming and who is going, they could possibly get the additional month's rent in an alternate way—by helping existing tenants find a new place to live, as well as helping prospective tenants move into the future empty rental.

Third Section of the ABB Form

If there was an initial agreement that Realtors would receive a percentage for a rent-to-own home, this should be included in the final section. Realtors would be required to keep tabs on the purchasing date between the landlord and the tenant.

While Texas and Florida Realtors are trained to handle both rental and buying agreements, from a financial perspective, Realtors encouraging rental transactions may be ideal not only for steady earnings but also for the tenant.

"For tenants who are new to the area or neighborhood, renting a single-family home or condo unit can help them get acclimated to the area," said Coleman. "Sometimes people aren't sure where they want to permanently live. That single-family rental can help them decide whether they want to be in that location for the long haul."

Which Broker Is Responsible for Taxes On Rental Earnings?

As with any earnings that total \$600 or more, the IRS will require taxes to be paid on all incoming funds. Both the listing broker and the showing broker should keep track of this form for easy access and record-keeping in April.

By using this form to keep track of all earnings to come, this will make it easier for Realtor rental arrangements all year round. This also eliminates any potential misunderstandings about who gets paid what and when. Use it often. Fill it out completely. Keep it handy when needed for reference sake.

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