



Consumer Federation of America

1620 Eye Street, NW, Suite 200, Washington, DC 20006

www.consumerfed.org

For Immediate Release
Tuesday, July 25, 2006

Contact:
Jack Gillis, 202-737-0766

CFA CONGRESSIONAL TESTIMONY CALLS REAL ESTATE BROKERAGE SYSTEM COCKAMAMIE

Congress Urged to Give FTC Greater Authority to Reduce Barriers to Competition

Washington, D.C. – In congressional testimony given today, Consumer Federation of America Executive Director Stephen Brobeck called the current real estate brokerage service system “cockamamie” and urged Congress to empower the Federal Trade Commission to reduce key barriers to competition in the industry.

Brobeck said that the term cockamamie, which means ridiculous and nonsensical, was particularly appropriate to apply to the residential real estate brokerage service system. In no other important consumer service industry are prices and services so opaque: Not only do traditional brokers fail to advertise commission rates and detailed services but brokers also are reluctant to provide them unless prospective customers request them. Moreover, these brokers have pushed state legislation and acted informally to make it difficult for brokers who advertise discount rates and limited services to promote or get access to homes for sale. They do so to try to preserve a system in which commission rates remain at 6% or 7%, depending on the geographic area and price of homes.

Brobeck also urged the federal government to take action to reduce barriers to competition. This is especially important because, as a CFA study released last week showed, the industry dominates the majority of state real estate commissions and boards. After commending the U.S. Department of Justice for their advocacy and the Government Accountability Office for their research, Brobeck urged Congress to empower the FTC to study, investigate, and regulate the industry more vigorously. This agency has not only good research capacity but also past experience in studying residential real estate brokerage services. Moreover, it is the agency responsible for stopping unfair and unconscionable interstate sales practices.

CFA’s testimony is available at:

http://www.consumerfed.org/pdfs/Testimony_of_Stephen_Brobeck_on_Residential_Real_Estate_Brokerage_Services072406.pdf

CFA is a non-profit association of some 300 consumer groups that, since 1968, has sought to advance the consumer interest through research, education, and advocacy. Since 1991, CFA has sought to increase competition and transparency of price and service in the residential real estate brokerage industry.