Pay a Third Party Out of an Agent's Commission

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A home warranty, a contractor, a commission advance, a credit back to the buyer — money the agent owes someone else, taken after the split so the brokerage's share never moves.

Introduction

Plenty of what an agent owes on a closing has nothing to do with your brokerage. They agreed to cover a home warranty, they're crediting the buyer toward closing costs, a contractor is being paid out of their proceeds, they took an advance earlier in the year. All of it comes out of the agent's money, and escrow can pay it directly at closing if the CDA says so.

The mechanism is a **deduction**, applied under the agent, with an external payee. It sits after the split: the gross is divided first, the brokerage takes its share, and then the deduction comes out of what's left for the agent. The office's number is untouched, and the payee gets their own line on the disbursement.

When to Use This

- An agent agreed to pay for a home warranty out of their commission.
- A contractor or vendor is being paid at closing from the agent's proceeds.
- The agent is crediting the buyer toward closing costs.
- You advanced an agent money and are recovering it on this deal.
- You tried an Agent Fee and it came off the wrong side, or reduced the brokerage's number.

Why This Isn't an Agent Fee

Agent Fees and Agent Deductions sit next to each other on the same screen, and both come out of the agent's share, so it's easy to assume they're interchangeable. They aren't, and the difference is who the money goes to.

An Agent Fee is what the agent pays *your brokerage* — office admin, E&O, the things that are part of their arrangement with you. A deduction is what the agent pays *someone else*, and it can name that someone else as an external payee so escrow cuts them a check directly. Put a contractor's invoice through as an Agent Fee and it reads as brokerage income you never received.

1. Create the Deduction Type

Types are created once and reused, and only a master admin can create them — so you can't invent one mid-entry. Set them up under Admin / Settings → Deductions, named for what they are: *Home Warranty*, *Contractor's Fees*, *Buyer Credit*, *Commission Advance*.

Deductions come out of the brokerage's share or an agent's share of a commission and get paid to someone else — an in-house teammate or an outside company.

See Deductions

2. Apply It Under the Agent With an External Payee

On the transaction, work to the fees and deductions step and enter it against the agent whose money it's coming out of.

To enter the deduction:

1. Click [Enter deductions for this agent] in the agent's section.
2. Select the deduction type from the list.
3. Choose [external].
4. Enter the amount and the name to pay it to.
5. Save.

It comes out of the agent's share after the split, leaving the brokerage's portion exactly as it was.

3. Check the Payable Line

Payables is the part of the CDA that says who gets paid what — one line per party, written in the names your closing agent should make the checks out to.

See Payables

> External deductions show on the CDA by design — the document's whole job is to tell escrow who gets paid what, and a payee that isn't listed doesn't get paid.

4. Watch the Size of the Deduction

A deduction can't take more than the share it comes from. If the agent's portion of this deal doesn't cover the amount, the entry won't save — which usually means the recovery needs splitting across more than one closing rather than forcing it onto this one.