

BIG CHANGES in the Real Estate World! ***(Representation & Commission Agreements)***

As of August 17th, 2024, compensation for Buyers Agents will no longer be posted in the Multiple Listing Service (MLS). Buyers Agents will be required to have **ALL BUYERS sign a Buyers Agency Agreements** that outlines how the Buyers Brokerage/Agent will get paid, **prior to showing homes or property.**



This also means that we are going to start seeing different models of how Buyer Agents/Brokerages get compensated. One model I am sure we are going to start seeing, is where the seller is charged a percentage fee on their side of the transaction and the buyer will also get charged a percentage fee on their side of the transaction.

Example:

Seller Brokerage Fee: % (Seller pays their Side)

Buyer Brokerage Fee: % (Buyer pays their Side)

Each side is responsible for their own fees.

(I am not putting amounts in there because of anti-trust laws, but you can fill in the banks).

There still might be compensation offered to Buyers Agents from the Seller, but compensation is not guaranteed. Especially with the new N.A.R. settlement that will officially go into effect in August 17th, 2024.

What does this mean for Buyers?

This means that the buyer may be responsible for paying all or part of the Buyers Agency Representation fee.

Please note that the Buyers Agency Contract always stated if the buyer purchases a property with the use of a buyers agent, that they would compensate the Buyer Brokerage as stated in the Buyers Agency Contract. However, it's been common practice for many, many years for the seller to compensate all or part of the Buyer Agency Compensation. This will no longer always be the case.

Here is an example of how the Commission portion of the Exclusive Buyers Agency Contract reads:

Commission. In the event Buyer contracts to purchase the Desired Property, Buyer will pay Broker a Commission equal to _____ % of the purchase price. The Commission is due and payable upon closing; provided however, that if the transaction does not close because of any default on the part of the Buyer, the Commission shall become immediately due and payable. The Commission obligation shall apply to any purchase agreements executed during the term of this agreement, or during any extension of this agreement. The Commission obligation will also apply to purchase agreements executed within _____ months after the expiration or other termination of this agreement, if the property acquired was presented to Buyer during the term of this agreement.

However, the contract also states that the buyer will receive a credit for any commission that is offered to the Buyer Brokerage. Here is how that portion of the contract reads:

CREDIT: Buyer will receive a credit against any amount owed pursuant to paragraph 4 above for any commission paid to Broker by the seller or the seller's listing broker.

That being said, if a portion or ALL of the buyers agency fee is not covered by the listing brokerage/seller, the buyer would be responsible for their own buyer agency compensation fees.

However, the Buyer can ask the seller for a CONCESSION to cover their obligation for Buyer Brokerage fee in their purchase agreement or on an addendum. Sellers Concessions are negotiable when making an offer on a property. Or the Buyer can ask for the Seller to pay their OBLIGATION of the Buyers Agency Commission in their contract or on an addendum. Example of the clause: Seller to Pay the Buyers Obligation of Commission of ___% of the sale price at closing.