

Explaining the Difference Between the New Way and the Old Way of Buyer Agency Compensation *(when sellers are not offering BA Commission)*

With the **NAR Settlement**, the way Commissions have been paid is going to change. We are going to start seeing new models where the Seller is only going to be charged for the Listing Side of the Transaction and the Buyer will be responsible for their side. *(This won't always be the case, but we are going to start seeing the model more often).*

So, what does that mean for the Buyer?

It just means that the Buyer and the Buyers Agent will need to do the transaction a little differently. If you think about it, the way the Seller views their **BOTTOM LINE** at closing, hasn't changed. The Sellers always had a minimum amount in mind that they wanted to walk away with at closing, after they paid the agent commissions and other closing fees.

Here are some examples of how the **OLD WAY** worked, verses how the **NEW WAY** will work, while maintaining Buyers Agency or Dual Agency Representation in a Transaction:

EXAMPLES *(Disclaimer: I'm going to use 6% & 3% as examples, because the media keeps using this number)*

The OLD WAY:

The seller lists their home for \$150,000 and they agree to pay a total of **6% commission** towards the **listing and selling side of the commission**. They want to walk away with at least \$140,000 or more after they pay the agent's commissions. They can only adjust their sales price approx \$1000 to meet that goal.

The NEW WAY:

The seller lists their home for \$150,000 and they agree to pay a total of **3% commission** towards the **listing side of the commission**. They want to walk away with at least \$140,000 or more after they pay the agent's commissions. They can adjust their sales price approx \$5000 to meet that same goal. (Buyer pays their Buyers Agency fee out of pocket).

The NEW WAY with the BUYER asking for the SELLER to pay their Obligation of Commission:

The seller lists their home for \$150,000 and they agree to pay a total of **3% commission** towards the **listing side of the commission**. They want to walk away with at least \$140,000 or more after they pay the agent's commissions.

However, the **BUYER asks the SELLER to pay for their OBLIGATION of the Buyers Agency commission of 3% at closing**.

Then, the Seller can adjust their sales price approx \$1000 to meet that goal, just like they would have done with the "OLD WAY"...

BUYERS AGENCY COMMISSION can be wrapped into the transaction, just like it always used to be in the past. If the buyer cannot pay the Buyers Agency commission "out of pocket" at closing, then they can ask for the seller to pay for their obligation of commission at closing, by writing it into their purchase agreement or in a commission addendum.

With this method, the seller is still meeting their financial goal at closing and the buyer can still be represented by an agent throughout the transaction, without bringing extra money to the closing.

With all of the ABOVE SCENARIOS, the Buyer Pays Approximately the Same Amount.