



UNDERSTANDING HOW BUYER AGENTS GET PAID:

A SIMPLE EXPLANATION

Beginning in August 17th, 2024, all agents by law, will be required to use buyer representation agreements and establish their compensation PRIOR to showing a property.

As a buyer's agent, my compensation typically comes from a commission-based model, paid out in various possible ways. See the next page for a simplified break down to give you a clear picture on how it works.

Commission Origin-Traditional Model:

When a seller lists their home, historically they agree to pay a commission to their real estate agent (the listing broker) as part of the listing agreement. This commission is usually a percentage of the sale price of the home.

Sharing the Commission: The listing agent, with the seller's agreement to allow for "cooperation and compensation", offers a portion of commission to buyer's agents as an incentive for bringing a buyer to the property.

This split is usually predetermined and historically was displayed in the MLS (Multiple Listing Service) as a "guaranteed" payment to the Buyer's Agent. But due to recent regulatory changes, the public display in the MLS is being prohibited as early as July 2024.

- *As the buyer, under this model you generally don't pay the commission directly out of pocket.* It's the seller who pays the commission out of the proceeds of the sale either directly to the buyer broker, or to their Listing broker, who pays the buyer broker.



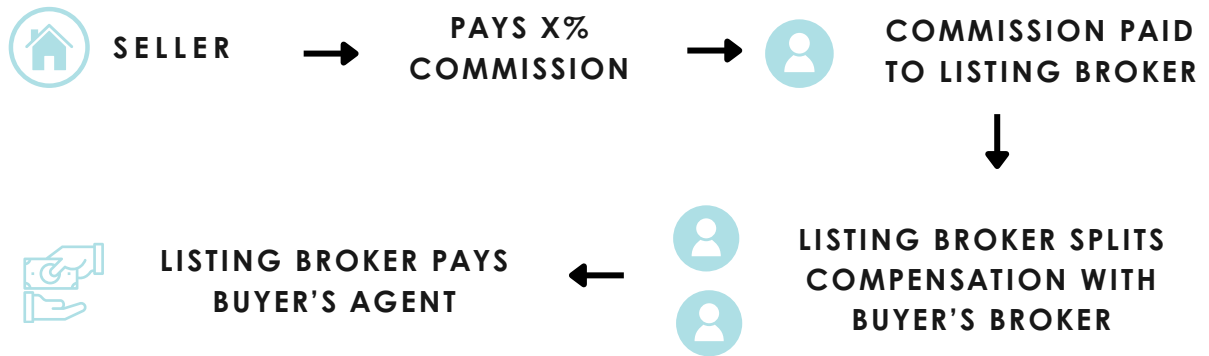
Closing Transaction: The commission is paid at closing. Once the property transaction is completed, the commission is disbursed as per the agreements to the respective brokers/agents.

Key Takeaway:

My role as your buyer's agent is to represent you and your interests in the home buying process, and this service, in a traditional setup, doesn't add a direct cost to you as a buyer. The commission structure ensures that I am compensated for my efforts and services by receiving a portion of the commission paid by the seller to the listing brokerage. This setup allows me to focus entirely on your needs and interests, helping you find and purchase the ideal home.



TRADITIONAL COMPENSATION MODEL:



Note: the buyer is not directly involved in the financial transaction between the seller and the agents.



It is important to note that with the recent changes, there will be some circumstances where a seller will opt out of offering compensation to the buyer's agent, here are a few scenarios and solutions to consider:

ALTERNATE COMPENSATION MODELS:

1

Negotiating Commission with the Seller:

If we encounter a listing that is NOT offering a commission to buyer agents, and you still want to consider the property, one approach I can take is to negotiate with the seller or the seller's agent to include my buyer's agent commission in the terms. This can be part of the overall negotiation process when making an offer on the property.

2

Adjusting the Purchase Offer:

Another strategy could be to adjust the purchase offer to indirectly cover the commission. For example, if the home is listed for \$300,000 and the typical commission would be \$9,000, we could offer \$309,000 with the condition that the seller pays a \$9,000 commission to the buyer's agent. This way, the net to the seller remains the same and your commission obligations are rolled into the overall price of the home.

3

Seller Concessions:

A seller concession is an agreement where the seller agrees to pay a portion of the closing costs on behalf of the buyer. This can include various fees associated with purchasing a home, such as loan origination fees, appraisal fees, points, etc, reducing your upfront out-of-pocket expenses, potentially making the home purchase more affordable.

4

Buyer Pays Commission Direct:

In cases where the seller refuses to pay the buyer's agent commission, and it cannot be built into the purchase price, you as the buyer may be responsible to pay the commission directly. This would be something we'd discuss and agree upon before moving forward on a property and it will be stipulated in our buyer's agency agreement.

OR ANY COMBINATION OF THE ABOVE