

BUYER & SELLER COMMISSION FEES EXPLAINED

Understanding how real estate agents are compensated is essential for anyone navigating the journey to homeownership. The process begins with the seller and their listing broker agreeing on the broker's compensation for services provided. This agreement may also specify whether the seller will offer financial concessions to the buyer, enabling the buyer to compensate their own broker upon successful closing.

Real estate compensation can be complex, so here are some key points to clarify how broker commissions work:

KEY INSIGHTS INTO BROKER COMPENSATION

1. No Standard Commissions

There are no fixed commission rates or uniform service offerings in real estate. Compensation varies based on the services provided, the preferences of the consumer, and market conditions. Different agents offer a range of services and commission structures, contributing to this diversity.

2. Negotiable Compensation

All commission rates are negotiable. Buyers and sellers have the flexibility to discuss and agree on compensation terms that work best for their situation.

- If the seller offers compensation, it typically goes to the buyer's broker for successfully bringing a buyer to the closing table.

3. Transparent Costs

Compensation details are clearly outlined in writing:

- **For Sellers:** Sellers specify in the listing agreement the fee they agree to pay their agent and may also offer financial concessions to buyers to help cover their broker's fees.
- **Concessions:** These concessions might include covering a portion of the buyer's closing costs, repair costs, or even the buyer's broker's commission, facilitating the sale by reducing the buyer's out-of-pocket expenses.

4. Buyer Representation Agreement

A written buyer representation agreement is essential for a broker to work on behalf of a buyer. This agreement allows buyers to set the fee they are willing to pay for their agent's services.

- Before making an offer, the buyer's agent must disclose any portion of their compensation that may come from seller-offered concessions.

5. Non-Financing of Commissions

Unlike some other costs, such as mortgage broker fees or appraisal charges, real estate commissions are not financed as part of the buyer's mortgage.

- If the seller has not agreed to concessions in the listing agreement, the buyer may negotiate concessions during the offer process to cover their broker's fees.

6. Payment Upon Sale

Real estate agents are paid from the proceeds of the sale, only after the transaction is successfully completed. This payment structure ensures agents are motivated to close deals efficiently and professionally.

Broker Commission Advisory

COMPENSATION & CONCESSIONS

Seller Compensation

- Sellers may agree to pay the buyer's broker's fees at closing.
- This is not mandatory and is entirely negotiable.
- Compensation terms require written approval from the seller and are typically a percentage of the sale price.
- This arrangement reduces the buyer's out-of-pocket costs, facilitating the transaction.

Seller Concessions

- Sellers can agree to cover specific costs for the buyer at closing.
- These may include allowable fees like closing costs, repair expenses, or the buyer's broker's commission.
- Seller concessions are negotiable, not mandatory, and require written approval.
- They can make a transaction more affordable and achievable for the buyer.

The Role of Commissions

Real estate commissions compensate agents for a wide range of services, including:

- Marketing your property.
- Negotiating terms and conditions.
- Ensuring compliance with legal requirements.
- Professionally managing the transaction process.
- Guiding all parties to a successful closing.

This comprehensive support is designed to make the home buying and selling experience as smooth and successful as possible.