LET'S TALK COMMISSIONS!

WHAT ARE COMMISSIONS?

The agreed-upon amount you, as the seller, pay for the services of your realtor and/or the buyer's realtor. Commissions are paid at the closing table out of the proceeds from the sale. With the recent changes from the NAR settlement, the talk about commissions has become confusing for the consumer. Let's discuss what these changes mean for you, and help set the record straight.

WHAT IS THE PROPOSED CHANGE IN COMMISSIONS?

Historically, buyer's agent commissions have been set in the contract with the listing agent and have been advertised in the multiple listing service (MLS). It has been a requirement to pay the buyer's agent in the MLS a minimum of $1.00. With the recent changes, the commission will no longer be advertised in the MLS, and the seller can agree to forgo paying a buyer's agent commission. This decision will go into effect by August of 2024.

UNDERSTANDING THE VALUE OF A BUYER'S AGENT

When considering whether or not you would like to offer to pay a buyer's agent, consider the value they bring to the table, from start to finish, when selling your home:

- They confirm buyers are approved and legitimate.
- They help facilitate buyers looking at houses within their means and that fit their goals. This helps ensure that the right buyers are looking at your home.
- They arrange targeted house tours and can show the homes, as buyers cannot do this themselves.
- They help buyers write competitive offers with favorable terms - especially in multiple offer situations.
- They help navigate the inspection contingency. Many buyers are new to home ownership and the inspection period can be very stressful and overwhelming. Buyer brokers help them sort through all the findings and understand the home and process. Education is key when purchasing a home.
- They stay in contact with the lender to confirm timelines are on track.
- They generally help oversee and move the transaction forward on the buying side.
- They offer reasonable solutions to the buyer for any bumps in the road that may occur.
- They have liability insurance which may help protect buyers and sellers from certain exposure.

WHY SHOULD THE SELLER PAY THE BUYER'S AGENT?

Buyers are coming up with a minimum of 3% of the sales price for a down payment, most likely much more to have a reasonable monthly payment. Additionally, there are another 2-3% in fees for closing costs and lending points. Home prices are high and rates are at an all-time high. Putting the buyer's agent commission on buyers could severely limit buying power. Ultimately, this will mean fewer buyers looking at your home due to affordability and therefore, less competition.

WHAT'S THE BIG TAKEAWAY TO CONSIDER?

Historically, commissions have come from the proceeds of a successful closing. If you as the seller are paying them, you are doing so because the buyer brought the money to the table. It's all about how money is allocated, not "whose" money it is. Without an able and willing buyer, there are no funds to discuss in the first place.