



BROKER COMPENSATION ADVISORY

(C.A.R. Form BCA, 5/24)

1. **WHEN SELLERS LIST THEIR PROPERTY FOR SALE THROUGH A REAL ESTATE BROKER THEY AGREE TO PAY THE SELLER'S BROKER WHEN ESCROW CLOSES. THE SELLER MAY ALSO AUTHORIZE THE SELLER'S BROKER TO SHARE COMPENSATION WITH A BUYER'S BROKER OR MAY AGREE TO DIRECTLY PAY THE BUYER'S BROKER:**
 - A. **Listing Agreement Compensation is Negotiable:** When a seller enters into a listing agreement with a broker, the seller authorizes the broker to find a buyer for the seller's property and agrees to pay the seller's broker if a buyer is found who purchases the property. Compensation amounts are not fixed by law but are instead negotiable between the seller and the seller's broker. When negotiating compensation, the parties may discuss factors such as the broker's expertise and experience, the type of broker services to be performed, and the broker's time and expenses, among other considerations. If the seller approves, a listing agreement may authorize the seller's broker to share part of that broker's compensation with the broker who represents the buyer, and the amount the seller's broker agrees to pay the buyer's broker will be incorporated into the overall compensation the seller is obligated to pay the seller's broker.
 - B. **Offering Compensation to a Buyer's Broker is Negotiable:** Sellers and seller's brokers are not required by law or otherwise to offer compensation to buyer's brokers. The promise of payment from the seller's broker to the buyer's broker may lead to a quicker or more efficient transaction because:
 - (1) Knowing the overall cost of broker compensation at time of listing allows a seller to more easily calculate the seller's net proceeds when evaluating offers and counter offers;
 - (2) The seller's property may become more attractive to buyers who need a loan to finance the purchase price, since buyer's broker compensation would be paid from the seller's proceeds at the time of closing, rather than "out of pocket" by the buyer who may have limited funds. Many buyers have limited funds after paying a deposit, a down payment, property inspections costs, and other costs for closing. These buyers may be more likely to write an offer for the seller's property if they are able to effectively finance the buyer broker compensation into the cost of their loan rather than coming up with additional funds. By making the seller's property attractive to all buyers, regardless of their ability to directly pay a buyer's broker, the pool of prospective buyers for the seller's property will likely increase;
 - (3) Offering compensation to buyer's brokers allows the seller to inform brokers representing prospective buyers they can rely on the efficient payment of their compensation without adding to buyer's closing costs.An offer of compensation from the seller's broker to the buyer's broker is optional; a seller may instruct the seller's broker to offer no such compensation. In the listing agreement, or amendment, the seller instructs the seller's broker whether to offer any compensation to the buyer's brokers, and, if so, how much.
2. **BUYER'S BROKERS COMPENSATION ARRANGEMENTS:** In California, a buyer representation agreement is recommended and required in certain circumstances, which may limit the amount a buyer's broker may be paid to the amount in the agreement.
 - A. Buyers and their brokers benefit when the terms of their relationship and respective duties are written because expressed written terms establish mutual expectations and help avoid misunderstandings over buyer and broker duties and the amount of compensation the buyer's agent expects to be paid.
 - B. Many sellers authorize their brokers to offer compensation to buyer's brokers in the listing agreement. This may be used to offset the obligation a buyer has under a buyer representation agreement.
 - C. A buyer's broker should communicate with the buyer about how the broker will be paid for their work in representing the buyer.
 - D. In the absence of a buyer representation agreement, if the compensation offered to the buyer's broker from third parties is insufficient to meet the expectations of the buyer's broker, and the buyer's broker is unable, prior to drafting an offer on behalf of the buyer, to reach an agreement with the seller or seller's broker to be paid an amount the broker deems adequate, buyer's brokers are not obligated to represent the buyer.
3. **METHODS FOR BUYER'S BROKER TO OBTAIN COMPENSATION:**
 - A. **Buyer Pays the Compensation through a Buyer Representation Agreement:** A buyer's broker may negotiate the amount of compensation expected directly with the Buyer who may choose to simply pay their own agent.
 - B. **Seller Pays the Compensation**
 - (1) **Buyer negotiates for Seller to Pay Buyer's Obligation under a Buyer Representation Agreement:** A buyer may negotiate a term in the purchase agreement, asking the seller to pay the obligation they have already agreed to pay their own agent in a buyer representation agreement. This option should be discussed when creating a buyer representation agreement and prior to an offer being made.
 - (2) **Buyer's Agent negotiates an agreement directly with Seller:** If a seller is unrepresented or does not have an exclusive agency relationship with another agent, a buyer's agent may approach that seller to obtain a single party compensation agreement where the seller agrees to pay the buyer's broker compensation without necessarily creating an agency relationship.
 - C. **Seller's Agent Pays the Compensation to Buyer's Agent:** A seller may have authorized the seller's broker to offer compensation to the buyer's broker in the listing agreement. A buyer's agent may want to inquire with a seller's agent about whether they have such authorization. A seller's agent and buyer's agent can enter into a cooperating broker compensation agreement where the seller's broker agrees to compensate the buyer's broker.

By signing below, Seller or Buyer acknowledges that they have read, understand, and have received a Copy of this Broker Compensation Advisory. Seller or Buyer acknowledges they have been advised of their various options regarding compensation to be paid to real estate brokers and that any written agreement they have signed with a seller's or buyer's broker reflects a mutual understanding.

Seller/Buyer _____ Date _____

Seller/Buyer _____ Date _____

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