

SELLER TALKING POINTS

WHY OFFERS OF COMPENSATION FOR BUYERS AGENTS ARE GOOD FOR SELLERS

Whether to offer compensation to a buyer's broker, and the amount of compensation you may decide to offer, is purely your choice. There is no legal or other obligation to offer such compensation. However, so that you can make an informed decision, and to help you understand why we recommend that you make such an offer, we wanted to share why we believe there are significant benefits to doing so.

Stated simply, the most significant benefit of offering compensation to a buyer's broker is to help make your property attractive to the widest possible pool of potential buyers. We believe there likely will be a reduced number of potential buyers who are interested in looking at a property that does not offer buyer agent compensation for several reasons.

First, some buyers may not have the cash to pay their own real estate agent out of pocket. Often buyers need their cash for the down payment and other expenses. Generally, buyers cannot finance a brokerage commission through a mortgage. So, buyers without the necessary cash will not have the option of borrowing the money to pay for their own agent. Those buyers may be unwilling to consider your property if it's important for them to have an agent representing them.

Second, VA loan buyers are another group of buyers that would be negatively impacted if you choose not to make an offer of compensation to the buyer's agent. U.S. military members are entitled to get a VA loan as a benefit for their service to our country, but if they do so, they are legally prohibited from paying for a commission. If there is no offer of compensation from the seller to the buyer's agent, VA loan buyers will have to go without professional assistance if a property is not offering compensation or focus on properties that make such offers. The VA loan process can be complicated and VA buyers need professional assistance in most instances.

Third, in our experience, the seller benefits from the buyer having an agent because the sales and closing process goes much better. Without an agent representing the buyer, the buyer may not be able to navigate the complexities of making an offer, negotiating the sales price and other terms, understanding how to address issues that may arise in a home inspection, obtaining financing, paying real estate transfer taxes (in those states where it is split between seller and buyer), and so on. As a result, the closing process can take longer, and other complications can arise that are less likely to occur if the buyer is represented by a professional real estate agent. Delays in the process can cost you in several ways – greater carrying costs, disruption of the process if you need the closing funds for a new home you are purchasing, or delays or losses incurred if a home needs to be relisted.

My recommendation is that it is a smart financial decision to make your property attractive to the largest number of potential buyers possible. Experience has shown that this is the best way to create demand, and potentially competitive bidding for your home – with the goal of generating the highest demand, fastest sale, and potentially the best price for your home.

WILL OFFERING COMPENSATION TO BUYERS AGENTS MAKE MY HOME MORE ATTRACTIVE TO BUYERS?

We think so. Buyers often have significant costs they must pay during the home buying process, such as homeowner's insurance, pro-rated property taxes, movers, contractors, down payment, costs charged by lenders and title companies, home inspection and appraisal costs, and attorney's fees. Your home will be competing against some (likely many) of homes that will pay the buyer broker's compensation, which could make those houses more attractive to a buyer because it will mean less money out-of-pocket for the buyer at closing. Consider how much longer it might take to find a qualified buyer or how much less you might get in the sale of your home if buyers found it less attractive.

BUYERS AGENTS OFFER A MORE PROFESSIONAL TRANSACTION EXPERIENCE FOR ALL

Another significant benefit of offering compensation to the buyer's agent is that it generally increases the chances that the buyer is represented by a licensed professional who will manage their side of the transaction. Explaining the home buying process, setting expectations, arranging a pre-approval with a lender, showing homes, negotiating on the purchase, coordinating inspections, helping to coordinate title insurance, and closing services, and managing the myriad of details needed to close a home efficiently and seamlessly. An unrepresented buyer may not be able to work through these issues. [if your market does not use attorneys for the buyer in closing the transaction then advise the seller that the buyer will then have neither legal nor real estate professionals on their side to facilitate a successful closing.]

So, you get a signed purchase agreement...great. Then something happens that the buyer is not prepared to deal with. The sale either falls through or takes much longer to close. Our goal is to make sure that your transaction goes from contract to close and manage the process throughout. A buyer's agent also facilitates completion of the transaction because they are there to advise the buyer how to work through these issues.



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SELLER Q&A

Q: Am I required to make an offer of compensation to the buyer's agent?

A: No. Buyer compensation is not required by law, local MLS requirement, or company policy. All agent compensation is fully negotiable.

Q: Will buyer agents refuse to show my home to buyers if I do not offer compensation?

A: No, but the buyers themselves could decide that the additional costs associated with your home make it less attractive or even unaffordable and therefore choose to look at other properties where there is an offer of compensation.

Q: Is buyer agency compensation illegal?

A: No. It is perfectly legal for sellers to offer to compensate buyer's agents. The point is it is completely your choice and there are sound reasons for doing so.

Q: I saw a story about a legal case where real estate companies were sued for illegally requiring buyer agency compensation.

A: While it is complicated, and I cannot provide legal advice, that suit dealt with some MLS rules that required sellers to make an offer of compensation to a buyer's agent to list the property on the MLS. You are not required to offer compensation to a buyer's agent to list your home. You can choose to do so or not. As I have said, there are benefits to you, as a seller, to doing so, but it is not required.

Q: Is it possible that I will be asked to compensate the buyer's agent when they submit a purchase offer to buy my home?

A: That is possible. If no offer of compensation is made with the listing, the buyer might ask that you agree to pay his or her agent as part of their offer on your house. The thing you must consider is whether certain potential buyers might not reach out to you because they find a different home more attractive because it offers to pay buyer compensation from the outset.



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