

LET'S TALK:

Communications with Your Buyer About the New Business Practices

The real estate industry in California and across the country is evolving to adapt to changes happening with the industry's business practice. These changes are reshaping the dynamics of home buying and selling. To help our members frame and practice potential conversations with their buyer clients about these changes, C.A.R. is providing this sample script below discussing these changes:

- **Prospective buyer:** I heard in the news that the real estate industry is going through a lot of change. Can you give me more details?
- **You:** *Of course! Earlier this year, a legal settlement involving the National Association of REALTORS® (NAR) and some large real estate brokerages imposed new requirements that change the way real estate transactions are conducted. I believe the changes provide more transparency and are intended to improve discussions between licensees and their clients regarding their representation.*
- **Prospective buyer:** What are the new requirements, and what are the potential improvements?
- **You:** *There are two main changes under the settlement that will go into effect by August 17, 2024 (or earlier depending on your MLS). The first is that buyers working with an agent now need to sign a written agreement before touring a home with an agent. This agreement will outline the agent's role, services, and fees.*

The second change is properties listed for sale in MLSs will no longer be able to include an offer of compensation to the buyer's agent. While these changes make the process of homebuying different than in the past, buyers can focus more on the services their agents provide and really see them as trusted advisors working alongside them on what very well could be the most significant purchase of their lives. More transparency and clearer communication can lead to more informed decisions and a smoother home-buying process.

- **Prospective buyer:** If the offer of compensation to my agent has been removed, who pays the buyer's broker?
 - **You:** *There are several ways for buyer's brokers to be paid, including but not limited to, the buyer paying; the buyer negotiating for the seller to pay the compensation that the buyer owes the buyer's broker as part of the offer; and the buyer's broker can contract directly with the seller if the seller is unrepresented.*
 - **Prospective buyer:** What if I don't have the funds to pay my agent?
-

- **You:** *The buyer can negotiate in the purchase agreement with sellers what concessions the sellers may be willing to make, such as providing closing credits or paying a portion or all of the buyer's obligation to compensate the buyer's agent.*

And if a seller is not willing to cover the buyer's compensation obligation, the buyer might have to consider other homes instead.

- **Prospective buyer:** Do I need to sign a buyer representation agreement if I just want to see a live virtual home tour?
- **You:** *Written agreements apply to both in-person and live virtual home tours.*
- **Prospective buyer:** Is there anything else I should consider?
- **You:** *REALTORS® are here to help you navigate the process of buying your home and are ethically obligated to work in your best interest.*

Compensation for your agent remains fully negotiable, and if your agent is a REALTOR®, they must abide by the REALTOR® Code of Ethics and have clear and transparent discussions with you about compensation. When finding an agent to work with, ask questions about compensation and discuss your representation.

You have choices. Work with your agent to understand the full range of these choices when buying or selling your home, which will help you make the best possible decision for your needs.