



Guide to Broker Compensation IN REAL ESTATE TRANSACTIONS

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Many people hire a real estate professional to represent them through the complicated process of buying or selling a home. This guide will help you understand how real estate brokers get paid.



IS THERE A STANDARD COMPENSATION FOR REAL ESTATE BROKERS?

- No. The amount of compensation you agree to pay your broker is negotiable. There are no rules or policies that set the amount brokers charge.
- There are many different compensation models brokers may use, including commission, flat fee, hourly fee, and fees for specific tasks.
- Consumers can shop for various compensation models, prices and services when choosing their broker, both on the listing side and the buyer's side.

WHAT IS COOPERATIVE COMPENSATION?

- When a homeseller hires a listing broker, the listing broker will typically include the property on a multiple listing service (MLS). An MLS is a database of homes for sale in an area.
- Brokers that represent buyers can search the MLS for homes that meet the buyers' criteria.
- This cooperation between the listing broker and buyer's brokers helps to market the seller's property to as wide an audience as possible.
- With approval of their client, the listing broker has the option to share a portion of the listing broker's commission with the buyer's broker in exchange for bringing a buyer who ultimately buys the home.

IS COOPERATIVE COMPENSATION REQUIRED?

- No. Listing brokers are not required to share their commission with the buyer's broker.
- The seller and listing broker work together to decide if cooperative compensation will be offered and how much that compensation will be.

WHY WOULD THE LISTING BROKER CONSIDER PAYING THE BUYER'S BROKER?

- The cooperative compensation arrangement is seen by many as an efficient method for brokers to be paid in a way that benefits both buyers and sellers.
- Most mortgage lenders don't allow commissions to be directly added to home loans, and many buyers do not have the financial ability to pay real estate compensation out-of-pocket on top of the down payment and other closing costs.
- When the listing broker pays the buyer's broker, more homebuyers can afford a home.
- Sellers benefit because their property will be more attractive to a wider pool of potential buyers, often resulting in the seller's home being sold for a higher price.

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WHAT IS A BUYER REPRESENTATION AGREEMENT?

- A buyer representation agreement is a contract between an agent and buyer that describes the duties and services to be provided by the agent, and the compensation that the buyer will owe the agent for those services.

WHY WOULD I SIGN A BUYER REPRESENTATION AGREEMENT?

- Buyer representation agreements will be required for agents representing buyers in Oregon beginning January 1, 2025 and by most Multiple Listing Services beginning in July or August 2024.
- Buyer representation agreements ensure full transparency and mutual agreement between the buyer and the agent regarding the services provided and the broker's compensation.

IF I SIGN A BUYER REPRESENTATION AGREEMENT, HOW AM I SUPPOSED TO PAY MY AGENT?

- Buyers are obligated to pay their agent the compensation agreed to in the buyer representation agreement. However, there are multiple tools to assist buyers in making this payment.
- The listing agent may be offering cooperative compensation (see above) to the buyer's agent. Any cooperative compensation offsets what the buyer owes under the buyer representation agreement. In the current real estate market, most properties include an offer of cooperative compensation.
- If no cooperative compensation is offered on the listing, or if the cooperative compensation offered is less than the amount the buyer owes their agent under the buyer representation agreement, the buyer can request in the sale agreement for the seller pay all or a portion of the buyer's agent's fees.



Talk to your REALTOR® about how to make your move as smooth as possible. Your REALTOR® has the knowledge and skills to help you make informed decisions.

