

# Understanding the Key Practice Changes to Buying and Selling Real Estate in the US in 2024 and Beyond

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## What's changing in residential real estate in 2024?

The destination is the same but the "route" is different. Meaning, there are a few new practice changes that are being implemented related to the purchase and sale of a home in the United States. Specifically:

1.

Buyer's Agents must enter into a written agreement that clearly discloses the details of the compensation that will be received prior to touring any homes.

2.

Practice changes are moving toward all compensation being paid directly by the seller and/or the buyer. This is replacing the prior practice of "sharing" or "cooperation" of compensation between the listing broker and buyer broker.

3.

Offers of compensation to a Buyer's Agent may not be made on an MLS.

## Offers of Buyer Representation Compensation

Going forward, there will be no offers of compensation to the Buyer Broker made on the MLS. We expect that the Buyer Broker will contact the Listing Agent on a per-property basis to get information on the Seller's intent to pay Buyer Representation Compensation and use whatever information is provided, if any, to advise the Buyer and submit a request for Buyer Representation Compensation as part of the official offer process as may be appropriate.

## Other Practices to Note

Agents must clearly communicate, educate and disclose at the earliest moment possible how compensation works in the real estate transaction, including that broker commissions are not set by law and are fully negotiable. Buyer Broker compensation must be objectively ascertainable (not open ended), and the Buyer Broker cannot receive any more compensation than that which is negotiated and agreed upon in writing.



## Get in Touch!

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Before Aug 17, 2024

After Aug 17, 2024

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Buyers must enter into a written agreement to work with a Buyer's Agent

Home Seller enters into an exclusive representation with the Listing Broker by executing a Listing Agreement

Home Buyer could work in an informal capacity with the Buyer Broker to tour homes and submit offers to purchase a home.

No change. Home seller continues to execute a listing agreement with the Listing Broker for exclusive representation.

Going forward, Buyer's Agents must enter into a written agreement with the Buyer that discloses the details of the compensation that will be received prior to touring any homes.

There are 3 core agreements that govern a real estate transaction

Decoupling of Compensation

In a typical transaction

1. Seller agrees to pay listing broker as part of the listing agreement
2. Utilizing the rules of "cooperation compensation" the Listing broker "cooperates" by "sharing" a portion of the seller offered commission with the buyer broker
3. For example, if the seller is offering \$1,000 in total commissions, that amount is paid to the Listing Broker. The listing broker may choose to "keep" \$600 and then "share" \$400 with the buyer broker

Going forward, we are moving away from "broker to broker" cooperation of compensation.

Keeping the same compensation numbers for ease of comparison, in this new example all compensation will be directed by the seller or buyer

1. The seller agrees to pay \$600 to the listing broker as memorialized in the listing agreement
2. The buyer agrees in writing to pay the buyer broker \$400
3. The buyer may request that the seller pay the \$400 buyer broker commission at closing. If so, the seller would receive an offer that includes a request for seller to pay \$400 to the buyer broker as compensation
4. Assuming the offer is accepted, the seller would pay \$600 to the listing broker as agreed in the listing agreement and direct that \$400 be paid to the buyer broker as part of the closing process of the transaction. If the seller rejected the offer, the buyer broker compensation would remain a point of negotiation like any other term in the contract.

In this example, the seller may still pay a total of \$1,000 like in the past, but all compensation is directed by the seller and is "decoupled" without having broker to broker "sharing" of compensation.

1.

**Listing Agreement**

This is the agreement between the Seller and the Listing Broker.

2.

**Buyer Representation Agreement**

This is the agreement between the Buyer and the Buyer Broker.

3.

**The Purchase Agreement**

This is the offer and agreement of terms between the Seller and the Buyer.