

4 THINGS TO KNOW ABOUT THE NEW BROKER COMPENSATION ADVISORY FORM

MAY 1, 2024

In mid-May, C.A.R. will release a new form, the Broker Compensation Advisory (C.A.R. Form BCA). This form was created to help agents have transparent discussions with their clients about broker compensation. Keep reading to learn about the BCA!

1. What is the BCA?

The BCA is a one-page form that can be used to explain to your clients how brokers get paid in a real estate transaction. It is broken down into three sections: 1) issues for a seller and their agent to consider; 2) issues for a buyer and their agent to consider; and 3) different ways in which the buyer's broker can get paid.

The form can be used with both seller and buyer clients, and will be bundled with the Residential Listing Agreement (C.A.R. Form RLA) and the Buyer Representation and Broker Compensation Agreement (C.A.R. Form BRBC). The BCA will also be available as a stand-alone form.

2. I'm a listing agent representing a seller. How can I use the BCA?

Discuss Paragraph 1 of the BCA with your client to explain that:

- When sellers list their property for sale through a listing broker, they agree to pay that listing broker when escrow closes.
- The listing broker's compensation is not set by law; it is negotiable between the seller and the listing broker. Various considerations can be factored in, such as the broker's expertise and experience.
- Offering compensation to a buyer's broker is optional, but may lead to a quicker and/or more efficient transaction.

3. I'm a buyer's agent representing a buyer. How can I use the BCA?

Discuss Paragraph 2 of the BCA with your client to explain that:

- Having a written buyer representation agreement is important, as it establishes mutual expectations and helps to avoid misunderstandings.
- You and your client will need to come to an agreement on how, and how much, the buyer's broker will be paid. Explain to your client that a seller may – but is not required to – authorize their broker to offer compensation to the buyer's broker.

4. How do I explain the various ways in which a buyer's broker can get compensated?

Discuss Paragraph 3 of the BCA with your client, which sets forth three potential ways in which a buyer's broker can get paid: 1) the buyer pays their own broker; 2) the seller pays the buyer's broker; and 3) the seller's broker pays the buyer's broker. Note that these options are not mutually exclusive.