

(INSERT BROKER NAME)

**BUYER ADVISORY REGARDING REAL ESTATE BROKER COMPENSATION
IN THE SALE OF REAL PROPERTY**

Notice: The amount or rate of real estate commissions is not fixed by law. Commissions are set by each Broker individually and may be negotiated between Seller, Buyer, and Broker (real estate commissions include all compensation and fees to Broker).

It is important that you, as a buyer of real property, understand your options regarding the compensation of real estate agents in the purchase of property. This Advisory will address your options for compensation to the agent representing you (Buyer's Agent) and the agent who will represent the seller (Seller's Agent).

You will receive from your Buyer's Agent an Agency Disclosure explaining the agents' duties and options. That Agency Disclosure is required by the State of California to advise both sellers and buyers.

In response to recent and pending litigation against real estate brokers, it is important that buyers have an understanding of their broker compensation options and the choices they should consider.

1. SELLER'S AGENT'S COMPENSATION: Sellers typically have an exclusive listing agreement with a Seller's Agent and are paid by the seller upon the close of escrow. Sellers may choose to offer a Buyer's Agent compensation through the Multiple Listing Service ("MLS"), but have no legal obligation to do so.

2. BUYER'S AGENT'S COMPENSATION: Historically, Buyer's Agents were paid by a Seller's Broker's offer of "cooperating broker compensation" through the MLS. While this is still a common practice, because of recent litigation and a change in MLS rules, sellers now can decide whether to offer to pay Buyer's Agents.

Currently, there are three options for a Seller to pay a Buyer's agent when purchasing real property. The Seller's Agent may offer the Buyer's Agent through the following: 1) compensation which is acceptable to the Buyer's Agent to represent you; 2) nothing; or 3) some other amount.

When you begin working with an agent to represent you in your purchase of a real property, that agent may ask you to sign a Buyer Representation Agreement (a "Buyer Representation and Broker Compensation Agreement" or BRBC).

In the first scenario above, a BRBC is not needed since your Buyer's Agent will receive acceptable compensation for representing you through the Seller's Agent's offer of compensation offered through the MLS.

However, in the second two scenarios, or if your Buyer's Agent shows you "off market" properties (meaning that the property is currently not listed with a broker and may not be actively marketed except by the sellers themselves (a "for sale by owner" or FSBO), a BRBC may be helpful for you.

While you are not obligated to sign a BRBC with an agent, the following are some considerations as you decide whether to do so.

- If you have a BRBC with your Buyer's Agent, your agent can show you properties which are not on the market with an assurance that they will be compensated if the seller refuses to do so.
- If the Seller's Agent is offering no compensation to buyer's agents, or offering less than what your agent wishes to be paid, you can ask the seller, in your offer to purchase, to pay the amount you would owe your agent, and if seller agrees, will be credited to the amount that you owe your Buyer's Agent in the BRBC.
- If the seller refuses your request to compensate your Agent, and you do not want to have to pay your Agent's commission, or lack sufficient funds to do so, you can decline to purchase that property.
- In this latter scenario it may be possible to negotiate a compromise with the seller to make the transaction work for you.
- In any event, you are not obligated to purchase the property if you request through the purchase agreement that seller compensate your Agent and the seller refuses to pay the amount requested.

You acknowledge receipt of this Advisory, that you have reviewed and discussed the advice contained in this Advisory with the Buyer's Agent identified below.

Buyer: _____

Date: _____

Buyer: _____

Date: _____

Buyer's Agent: _____

Date: _____

DRE # _____