

## ADVERTISEMENT

## Buyers Deserve Representation, But Here's Why They Shouldn't Have to Pay for It

It should be clear by now that "not much has changed" regarding sellers compensating the buyer's broker in most real estate transactions.

### REAL ESTATE TODAY



By JIM SMITH  
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What has changed is that buyer agents must use means other than the MLS (e.g., calling the listing agent) to find out what compensation is offered for each listing.

First, let me outline the costs and services associated with real estate transactions, starting with all transactions, whether or not the buyer is taking out a mortgage loan.

Although the purchase contract can move some of these expenses to the seller's side, that is rare, because it will make the purchase offer less attractive, and could cause the buyer to lose out to another buyer:

#### For All Home Purchases:

- ◆ Recording the deed with the county
- ◆ Tax certificate
- ◆ State document fee
- ◆ Half of the closing services fee
- ◆ Appraisal (if ordered)
- ◆ HOA fees (if applicable, per contract)
- ◆ Water & sewer adjustments

#### Additional Costs with a Mortgage:

- ◆ Mortgage title policy & endorsements
- ◆ Mortgage closing fee
- ◆ Recording the deed of trust with county
- ◆ Tax service (if charged by lender)
- ◆ First year's homeowners insurance premium
- ◆ 2 to 3 months' insurance reserve (escrow)

- ◆ 1 to 2 months' property tax reserve
- ◆ Loan origination and discount fee
- ◆ Survey (if required by lender)
- ◆ Credit report
- ◆ Interest on loan (based on closing date)
- ◆ Mortgage insurance (if over 80% LTV)
- ◆ Flood insurance, if required

How much do these closing costs add up to for the buyer? In the cash scenario, they are not that much, and just over 20% of closings are for cash nowadays. For closings that involve mortgage financing, however, those costs can really add up. My buyer who closed on a \$630,000 purchase two months ago paid \$7,144 in closing costs, which computes to 11.3%. If she had to pay my commission that would have been 14.1%. The seller's closing costs on the same transaction came to \$2,834, which computes to 4.5% of the purchase price. Paying my commission raised the seller's cost to 7.3%, still far lower than the 11.3% paid by the buyer without paying me anything for my services representing her.

From a purely cash standpoint, it should be remembered that the seller is the only one walking away with cash from the transaction. In the above case, not counting the deduction for property taxes and mortgage payoff, the seller netted \$591,444.74, or about 94% of the purchase price, even after paying both agents' compensation.

Buyers' agents perform a variety of important services, which someone has to pay for, but the seller is the only party coming away with money, and the buyer is already stretched by those other expenses detailed at left.

The services provided by a buyer's agent are important and significant, but the plaintiffs in the

class action suit a year ago asserted that compensating the buyer's agent should be added to the buyer's other significant closing costs. The 2024 survey of buyers and sellers by the National Association of Realtors (NAR) asked what services buyers most appreciated from their agents:

- ◆ Helped them understand the process (61%)
- ◆ Pointed out unnoticed features/faults with the property (58%)
- ◆ Negotiated better contract terms (46%)
- ◆ Provided a list of good service providers, such as inspectors (46%)
- ◆ Improved buyers' knowledge of search areas (45%)
- ◆ Negotiated a better purchase price (33%)
- ◆ Shortened their home search (23%)
- ◆ Expanded their search area (21%)

I contend that it is appropriate that sellers compensate the buyer's agent, and that this is common in other industries besides real estate. Look at Amazon. When you purchase a product through that website, Amazon is your agent for the vendor, which pays Amazon 8% to 45% as a "referral fee." When you purchase something through an app on your iPhone, you pay the same price as on the vendor's website, but Apple keeps 30% of the purchase price as a commission. So does Google Play. If Amazon or a smartphone app were to charge you a fee in addition to the list price... well, it simply wouldn't work.

Likewise, virtually every new home builder offers a 3 percent commission, typically, to the agents who represent buyers. To offer less puts them at a competitive disadvantage. Colluding to offer less would be an antitrust violation. Why should it be different in the resale market?

## As Society Deals With Affordability, Expect a Greater Focus on Manufactured Homes

Two weeks ago, this column was about Colorado's new law requiring jurisdictions to facilitate the construction of accessory dwelling units (ADUs) on parcels zoned single-family. Toward the end of that column I promoted two companies, Verdant Living and Boxabl, which sell ADUs which are factory-built and assembled onsite.

This week's topic was inspired by the following statement contained in an email last week from Boxabl:

"Did you know that car factories, like Ford, can output one car per minute? Why hasn't anyone done that in the housing industry?"

"It's shocking to hear that homelessness in the U.S. reached an all-time high last year. At Boxabl, we're committed to making a difference. We're working hard to solve the problems that have stopped factory-built housing from gaining market share."

"Before Boxabl, the concept of building houses in a factory seemed

impractical. However, with our patented shipping technology, merging housing with assembly line mass production could be a game changer."

In earlier columns I have written about modular and manufactured homes by other companies, including my Oct. 12, 2023, column featuring Dvele whose website ([www.Dvele.com](http://www.Dvele.com)) boasts that it has already delivered nearly 300 "modules" of "precision engineered sustainable homes."

Dvele defines the problem thus: "We're facing multiple crises in housing, availability and affordability, energy, security, health issues, and a changing weather system. With Dvele, we sit at the intersection with our mass produced, high performance, health centric homes. And they're improving the future for everyone."

Dvele claims that by manufacturing homes in a factory and assembling them onsite, they reduce construction time by 80% — an important factor is solving our housing shortage.

On May 18, 2023, I wrote about another company, Liv-Connected, ([www.Liv-Connected.com](http://www.Liv-Connected.com)), which specializes in small homes that are "ready to ship and install within 12 weeks." These are small homes, although they offer versions up to 2,500 square feet, including a 2-story model. Homes can be delivered on standard flat-bed trailers and can be installed onsite in as little as a day, once site preparation (foundation, etc.) is complete. Like Boxabl,

they also sell a model that is on wheels, built to RV standards.

With prices as low as \$165,000 for a 500-square-foot home, Liv-Connected's single-family Conex model has been selected by Hawaii and Texas for disaster response initiatives, according to the company's website.

**Reminder:** This column appears in 25 other newspapers, where the pages are larger and I am able to include more content. You can find the missing content online at <http://RealEstateToday.substack.com>.



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