

 <p>LBP RESOURCES AND DEVELOPMENT CORPORATION 24TH Floor LBP Plaza 1598 M.H Del Pilar cor. Dr. J. Quintos St. Malate Manila</p>	<p>BROKERING SERVICES MANUAL</p> <p>Chapter 3: Broker's Commission (For Land Bank Transactions)</p>	Class Code: D
		Reference Code: OM-BS-3.0 Revision Number: 00 Date: Effective Nov. 20, 2018 Page 1 of 6

A. General Guidelines

1. The broker's commission of LBRDC shall be based on the Land Bank or brokering client agency's final selling price/approved lease rate.
2. For transactions with referrals, the broker's commission received by LBRDC shall be shared with the referrer based on the approved sharing rates. Sharing of broker's commission with the referrer is discussed in Chapter 4, Referrer's Fee.

B. Specific Guidelines

1. Specific guidelines shall be issued to comply with the policies and guidelines of a brokering client agency or corporation on the percentage of the broker's commission and the release thereof.
2. Below are guidelines specific to LBP Department or Lending Center:
 - 2.1. As embodied in the approved LBP Guidelines and Policies on Accreditation of Real Estate Brokers (REB), the broker's commission to be granted to LBRDC shall be based on the Bank's final selling price/approved lease rate and shall be subject to the following commission scheme:

2.1.1. In case of sale:

Gross Price	Commission
Up to ₱10 million	5%
Balance of selling price in excess of P10 million	3%

2.1.2. In case of lease:

2.1.2.1. Broker's commission of LBRDC shall be an amount equivalent to one (1) month lease rental per approved Contract of Lease with a term of not less than one (1) year.

2.1.2.2. No commission shall be paid for lease with a term of less than one (1) year.

2.1.3. In case of lease with option to purchase:

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- 2.1.3.1. If the lessee changes his option from lease to lease with option to purchase where commission was paid based on the lease contract, the subsequent commission to be paid would be net of any fee already received. Computation shall still be based on Item 2.1.1.
- 2.2. Broker's commission to be paid shall be net of all applicable taxes. Payment of commission shall be made only after the execution of the appropriate contracts (Deed of Conditional Sale, Deed of Absolute Sale, Lease Contract, or Lease Contract with Option to Purchase).
- 2.3. Payment of broker's commission shall be in accordance with the LBP's policy on the disposal of ROPA, to wit:
- 2.3.1. In case of cash sale, full commission shall be paid within ten (10) banking days after full payment and execution of the sale documents.
- 2.3.2. In case of installment sale, 100% commission shall be paid within ten (10) banking days after execution of the Contract to sell/ Deed of Conditional Sale and issuance of postdated checks or Letter of Guarantee, whichever is applicable, provided at least 15% of the selling price has been paid.
- 2.3.3. In case of lease, one (1) month commission per year of lease may be given. Payment of the one (1) month commission for the 1st year of lease shall be made after execution of the Contract of Lease and payment of equivalent three (3) months rental (one month advance and two months deposit). The balance of the commission shall be paid at the start of each year of lease at one (1) month commission.
- 2.3.4. In case the lessee changes his option from lease to lease with option to purchase after paying the regular lease, the commission to be paid would be per Item 2.3.1 or 2.3.2 as the case may be.
3. In case of new brokering clients other than Land Bank, the specific guidelines on the percentage of commission as well as the detailed procedures on the release thereof shall be updated/revised accordingly.

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C. Detailed Procedures

1. Request for Release of Broker's Commission

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| Business Development Specialist/ Referror | 1.1 | Upon posting by the buyer/lessee of the minimum deposit or security deposit/advance rental payments required by the client agency or corporation, submits to LBRDC the forms and copy of Official Receipt of payments made. |
| Business Development Specialist | 1.2 | Checks/reviews the submitted documents to ascertain correctness and completeness of requirements |
| | 1.3 | If documents are complete, submits the offer to the client agency or corporation for processing and approval

If documents are lacking, informs (thru call or letter) the referror/s of the deficiencies |
| Client agency or corporation | 1.4 | Processes and approves the sale or lease |
| | 1.5 | Informs LBRDC and Referror on the approval of the sale or lease |
| Referror | 1.6 | Facilitates the execution and signing of appropriate contracts (Deed of Sale/Absolute Sale/Conditional Sale, Lease Contract or Lease with option to purchase). |
| | 1.7 | Submits contracts and other documents to LBRDC |
| Business Development Specialist | 1.8 | Upon receipt of contracts and other documents, computes the broker's commission based on the approved/negotiated price and the approved fee or percentage. Below are sample computations. |

Sample 1: Negotiated price is less than ₱10 million

Negotiated price	1,150,000.00
Payment as of (date)	230,000.00
	(20%)
Broker's Commission (5% of negotiated price)	57,500.00

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Tax Base (BC net of 12% VAT)	51,339.29
Broker's Commission	57,500.00
Less: 14% Expanded Withholding Tax	7,700.85
5% Final VAT Withheld	<u>2,566.96</u>
Net Broker's Commission	<u>₱ 47,232.15</u>

Sample 2: Negotiated price is more than ₱10 million

Negotiated price	16,000,000.00
Payment as of (date)	1,600,000.00
	(10%)
Broker's Commission:	980,000.00
5% of negotiated price of ₱10,000,000.00	800,000.00
3% in excess of P10M (₱6,000,000.00)	180,000.00
Tax Base (BC net of 12% VAT)	875,000.00
Broker's Commission	980,000.00
Less: 14% Expanded Withholding Tax	131,250.00
5% Final VAT Withheld	<u>43,750.00</u>
Net Broker's Commission	<u>₱ 805,000.00</u>

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|---------------------------------|------|---|
| Business Development Specialist | 1.9 | Prepares letter to the client agency or corporation requesting for the release of the broker's commission (Pro-forma letter is attached as Annex 1) |
| | 1.10 | Submits to Department Head for review/initials |
| Department Head | 1.11 | Reviews the computation and the content of the letter. |
| | 1.12 | Initials the letter and endorses to the President & CEO for approval and signature. |
| President & CEO | 1.13 | Approves and signs the document |
| Business Development Specialist | 1.14 | Photocopies the letter and furnishes the Cashier a copy for monitoring of payments made by the client agency or corporation. |

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1.15 Facilitates transmittal of the letter

D. Process Flow

The process flow for the payment of broker's commission is presented in Exhibit 3.1.



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