

FREQUENTLY ASKED QUESTIONS ABOUT THE NAR SETTLEMENT AND ITS IMPACT

WHAT IS THE NAR SETTLEMENT?

Earlier this year, the National Association of REALTORS® (NAR) agreed to settle a series of lawsuits related to broker commissions and cooperative compensation. NAR continues to deny any wrongdoing and maintains its policies benefit buyers and sellers. The settlement allows the real estate industry to move forward in a way that benefits both consumers and the industry, with greater transparency and buyer protections preserved.

HOW ARE AGENTS COMPENSATED?

Most real estate agents are paid a commission based on the sale price of a property. The commission in the past has been paid by the seller to their listing agent and broker as part of the closing process. The seller's agent and broker typically share a portion of their commission with the agent and broker who brings them the buyer.

AS PART OF THE NAR SETTLEMENT, THERE ARE TWO MAIN CHANGES:

offers of compensation are no longer included on Multiple Listing Services (MLSs)—local marketplaces used by both buyer brokers and listing brokers to share information about home inventory; and

buyers working with an agent must sign a written agreement before touring a home (e.g., visiting an open house or a live virtual tour).

Compensation has always been negotiable and will continue to be negotiated between agents and the clients they represent. You will continue to discuss the services and value your agent provides, compensation and terms of your agreement.

HOW DOES THIS IMPACT HOME BUYERS?

Buyers working with an agent will now sign a written agreement before touring a home (e.g., visiting an open house or a live virtual tour). The written buyer's agreement will reflect the terms buyers negotiate with their agents, including the services and value the agent will provide, and for how much.

Sellers may still agree to offer compensation to the buyer's agent, and buyers can still request that the seller provide funds to pay their agent as a term in their written offer on the property or accept seller concessions, such as offers to pay closing costs.

HOW DOES THIS IMPACT HOME SELLERS?

Sellers continue to have the choice of offering compensation to buyer brokers.

A seller's agent must disclose and obtain approval for any offer of payment that a listing broker will make to another broker acting for buyers. If a seller chooses to approve an offer of compensation, the agent cannot include it on an MLS and must instead use off-MLS platforms such as social media, flyers and their websites—must be offers of compensation on their listings only. Sellers can still offer buyer concessions, such as concessions for buyer closing costs.

HOW DOES THIS AFFECT THE HOME BUYING AND SELLING PROCESS?

The fundamental nature of homebuying and selling remains the same. What changes is how agents communicate with buyers and sellers, and how costs are structured in the transaction, both of which increase transparency for the benefit of homebuyers and sellers.

You can continue to rely on REALTORS® to help guide you through what is typically the most significant, complex financial transaction one will make in life.

HOW WILL THESE CHANGES AFFECT BUYERS' AND SELLERS' COSTS?

As NAR has maintained throughout the litigation, nothing in NAR's current policies has inflated costs for buyers or sellers. This settlement would preserve the choices consumers have regarding real estate services and compensation. With the new rule in effect,

listing brokers and sellers could continue to offer compensation for buyer broker services, but such offers cannot be communicated via an MLS.

The settlement expressly provides that sellers may communicate seller concessions—such as buyer closing costs—provided that such concessions are not conditioned on the use of or payment to a buyer broker. When considering offering or requesting concessions, sellers and buyers should consult their respective agents.

WILL THESE CHANGES REDUCE HOME PRICES?

No. Home prices are not inflated because of compensation. Supply and demand, and the lack of inventory, drive home prices.

WHY SHOULD I WORK WITH A REALTOR®?

REALTORS® are trusted experts who adhere to a strict Code of Ethics and high professional standards. REALTORS®:

- help reduce stress throughout the complicated, high-stakes transaction period;
- make navigating the home buying and selling process, including the legal and financial aspects, easy to understand; and
- use our extensive experience to manage difficult negotiations, write the best offer possible, set the right price for a listing, and help our clients avoid common mistakes—all to ultimately help successfully close a transaction, saving them money and time.

As advisors, REALTORS® represent your best interest and work to achieve your real estate goals.