

# What the National Association of Realtors' settlement means for consumers and real estate brokers

New rules could start saving home buyers and sellers thousands of dollars in lower commissions as soon as this summer, but experts say it will take the market some time to digest the changes.

By [Christine Romans](#) and [Rob Wile](#) March 15, 2024



A [groundbreaking \\$418 million settlement](#) announced Friday by the powerful National Association of Realtors is set to usher in the most sweeping reforms the American real estate market has seen in a century. It could dramatically drive down homebuyers' costs — and push some real estate brokers out of business.

Here's a look at how we got here and what to expect in the months ahead.

## NAR already lost a big case

For decades, the NAR has required home sale listing brokers to provide an offer of compensation to a buyer's agent up front. That usually comes out to about 6%, split between a seller's broker and a buyer's agent.

But that model has come under intensifying scrutiny from [critics who have likened it to a cartel](#). Late last year, a jury in a Kansas City federal court found the longstanding practice to be a form of collusion that artificially inflated real estate fees, [awarding a massive \\$1.78 billion judgment against NAR](#).

## **What changes now for homebuyers and sellers**

If the settlement announced Friday is approved by a federal court, [the standard 6% commission goes away](#). Sellers would no longer have to make a compensation proposal to prospective buyers and their agents. Critics have said the encouraged brokers to push their clients toward more expensive properties.

[Another new rule would see homebuyers having to sign an explicit deal with a broker before they start working with one — something experts say would lead many homebuyers to forgo using brokers entirely.](#)

The new rules would kick in within months of approval, currently expected around mid-July.

## **What about the next few months?**

Everyone involved in the market should expect “a certain amount of uncertainty for the coming months,” said Marty Green, principal at mortgage law firm Polunsky Beitel Green.

[“The industry will be in transition as everyone digests the settlements and market forces begin working,” he predicted. “We will begin to see some creative buyer’s agent arrangements that may have been harder to get traction on before.”](#)

[Home buyers and their agents will need to decide on a commission and put it in writing. Sellers, likewise, will need to work carefully with their listing agents as the new rules come into effect.](#)

## **U.S. consumers might save in the long run ...**

The changes could mean buyers will save on commissions, eventually bringing U.S. fees more in line with the much lower transaction costs seen in other residential property markets around the world.

Some commissions could even be cut in half, Jaret Seiberg, housing policy analyst for TD Cowen Washington Research Group, told clients in a note Friday.

The new rules “should lead to commissions falling 25% to 50%, which we view as benefiting online real estate brokers,” Seiberg wrote, but he warned it’s too early to declare “the end of local real estate agents given their local expertise and reputation in neighborhoods. It is why we do not see this following the travel agency model in which online eclipsed local offices.”

### **... but buyers could face more confusion**

Holden Lewis, a home and mortgage expert at NerdWallet, warned of a “potential negative trade-off”: “Buyer-seller negotiations will become more complex, and buyers with plenty of cash might navigate the process more easily than buyers who don’t have a lot of savings,” he said. Seiberg flagged a similar concern in his note, saying it could particularly affect first-time buyers with limited means to pay for an agent.

Brokers and agents have come out against the settlement, saying it will make the home-buying process more byzantine for consumers and discounts the important role agents play in helping them navigate it.

“I’m a full-service real estate agent, so when I go to list my client’s house, I align their goals with my goal, and that goal is selling for the highest amount possible,” said Roy Remick, a realtor based in Northern Virginia, who said he often pays thousands of dollars of his own for services like staging homes to aid the sale process.

“This is ultimately someone saying, ‘You guys make too much money,’ which I don’t think is right for someone to dictate,” he said.

Buyers’ agents will be left “flying blind” since they won’t know how much they’ll end up making from a given home, Remick warned. “We’ll have to make a bunch of phone calls, because now we don’t know what [the commission] is because we can’t see it in the MLS. But we’ve already got an agreement with buyer how much they’ll be able to compensate us.”