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Beyond the Headlines: Understanding How Proposed Changes in Real Estate Commissions Will Actually Impact You as a Buyer or Seller



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You've probably heard the news that there are changes coming in terms of how real estate commissions are paid.

This might sound exciting and like a potential game-changer for you as a home seller or buyer, with headlines proclaiming things like:

- "Real estate commissions are being slashed!"
- "Selling your house will now be less expensive!"
- "No more paying 6% to real estate agents!"

But you're *also* probably not sure exactly what it all means, how it will work, or how you'll benefit from the changes.

Unfortunately, even if you ask the most informed agents on the planet, you probably aren't going to get many answers. It isn't because agents don't *want* to answer your questions; it's because *they* don't even know exactly how the changes are going to work.

The settlement happened seemingly overnight. There was no advance warning or discussion with agents. They found out by reading a bunch of headlines you probably saw at the same time they did.

On top of that, most of the headlines are misleading, because *nobody* knows exactly how things are going to play out. Any claims that the media makes that commissions will be cut in half, or any specific number of dollars will be saved by

consumers, remains to be seen. The changes *might* reduce commissions. On the other hand, they could *increase* them. As with many things the government or court system touches, there's always the possibility that it could create more issues than it solves.

But, for the time being, as much as you might want or expect your local agent to be able to give you specifics, please understand that they can't. For starters, it's a *proposed* settlement, not yet accepted by the courts, and if it's approved, the changes won't start until July.

Here's What Matters to Buyers and Sellers in a Nutshell

Unless you're in the business, you probably have no desire to read through all of the court documents or proposed settlement. You just want to know what changes will possibly impact you. So here's an excerpt from a National Association of REALTORS® press release (<https://www.nar.realtor/newsroom/nar-reaches-agreement-to-resolve-nationwide-claims-brought-by-home-sellers>), highlighting the changes that will most likely affect you:

"In addition to the financial payment, NAR has agreed to put in place **a new MLS rule prohibiting offers of broker compensation on the MLS**. This would mean that offers of broker compensation could not be communicated via the MLS, **but they could continue to be an option consumers can pursue off-MLS through negotiation** and consultation with real estate professionals. Offers of compensation help make professional representation more accessible, decrease costs for home buyers to secure these services, increase fair housing opportunities, and increase the potential buyer pool for sellers. They are also consistent with the real estate laws in the many states that expressly authorize them.

Further, NAR has agreed to enact a new rule that would **require MLS participants working with buyers to enter into written agreements with their buyers**. NAR continues, as it has done for years, to encourage its members to use buyer brokerage agreements that help consumers understand

exactly what services and value will be provided, and for how much. These changes will go into effect in mid-July 2024.”

Again, unless you're in the business, that may not even be all that clear of an explanation. So to put it in simpler terms:

- Sellers and their agents won't be allowed to offer a commission to buyers' agents within their listing.
- However, that doesn't mean that a seller isn't *allowed* to pay buyers' agents a commission. It just can't be published in the listing.
- And buyers will now be required to sign a written agreement with an agent in order to work with them, which will likely require them to agree to a certain amount of compensation. That doesn't necessarily mean the compensation has to be paid out of the buyers' pocket; it could be an agreed upon amount that will be negotiated into the purchase price paid for through the proceeds of the sale.

Basically, it allows sellers to choose to not offer or agree to pay a commission to buyers' agents when they list their house for sale, and allows buyers to choose to not work with a buyers' agent when they buy, in hopes of saving money. But before you do that, there are some things you should keep in mind.

Here Are Some Things to Keep in Mind if You're Selling a House...

- It *doesn't* mean that you *can't* offer a commission to buyers' agents.
- Although you can't publish how much you're willing to offer or agree to on your listing, in most cases, it will still benefit sellers to offer and be willing to offer commissions to buyers' agents in order to get the most exposure for their home, and ultimately the best offers possible.
- There's a good chance that buyer agent commissions will likely still be paid through the proceeds of the sale, as they have been for many years.
- If you're selling to a buyer who *doesn't* have an agent representing them, they'll likely expect you to drop your price accordingly since you're not paying another agent. In other words, if your house was worth \$300,000, and buyers perceive

that a buyers' agent commission *would have been* 3% – even though it rarely was in reality... but that's what the public and media have often perceived it to be – then the buyer will want a \$9,000 reduction on your price below what they already want to negotiate as the fair market value.

- It could cause more risk and lawsuits that may directly involve you and your property. Dual agency, which is when an agent represents both the buyer and the seller, is one of the leading causes of lawsuits in the industry. This new way of doing business could create a lot more situations where consumers don't have their own independent representation, which could lead to either the buyer or seller feeling like their interests weren't entirely represented.

Here Are Some Things to Keep in Mind if You're *Buying* a House...

- The way buyers' agents have been paid is a result of originally trying to *protect* buyers decades ago. Years ago buyers didn't have an agent dedicated to representing their interests, and were often unaware that the seller's agent didn't actually represent their interests as well. So rules and laws were passed to change that, and listing agents were compelled to offer buyers agents a percentage of the commission if they represented a buyer on a house they were listing. This gave buyers more choice in who represented them, and the ability to compensate their agent without having to pay out of pocket. So, for many buyers, this isn't that great of a change for you unless you cherish the idea of representing yourself and figuring out how to do everything that needs to get done, or just trusting that the seller's agent will be able to truly represent your best interests as well as the seller.
- You will now have to choose a buyer's agent and sign an agreement with them. This has always been an option, and it could be argued that it should always have been required, but most buyers' agents didn't want to seem too pushy or aggressive, so they never asked for one. Now you'll need to sign a contract to work with them.
- Don't expect agents to be willing or able to work for a much lower commission than they've been working for in the past. According to **recent data** (<https://www.nar.realtor/agent-income>) from the National Association of REALTORS®, the average agent earns between \$44,951 and \$58,528. And they work long and hard to even earn that much. There is rarely a day off, let alone a

vacation, and they easily work more than 40 hours per week. Will you be able to find an agent who will work for lower rates? Perhaps. But as is the case in any industry, sometimes going with the lowest cost option ends up costing you more in the end.

- While you may expect sellers to drop their price because they don't have to pay a buyers' agent, don't be surprised if they dig in their heels and expect to get as much or more than similar houses have recently sold for. They will still be basing the market value of their house off of data that had buyer agent commissions factored in.
- If you go it alone, go in knowing that finding the right house, understanding market values, negotiating the best deals, *and* handling everything involved throughout the process from contract to closing isn't as easy as it may sound. There is more to buying a house than just finding it online, making an offer, and then going to a closing. You will have to do the work your agent would have done, and know what needs to be done in the first place. The sellers' agent won't be doing the work of the non-existent buyers' agent.

While it's impossible to predict exactly how everything will play out, those are a few things to keep in mind whether you're buying or selling.

The best thing to do if you're curious or concerned about the coming changes is to reach out to your local agent and ask them for their perspective, insights, advice, and to keep you in the loop as the changes get finalized.

The Takeaway:

While the headlines about changing real estate commission structures might sound exciting and like a potential game-changer for you as a home seller or buyer, they are misleading, because *nobody* knows exactly how things are going to play out. While it's true that commissions may shift, the details remain uncertain.

If the proposed settlement is accepted by the courts, sellers won't be able to advertise agent commissions, however they will still be allowed to offer them, just not within their listing. In many cases this will still benefit the seller to do so in order to get the most exposure for their house, and sell it for the most money possible.

Buyers will be given the option to not work with a buyers agent, however that could come with some unexpected downsides and difficulties, and may not produce the savings they anticipate. Fortunately, you will still be able to hire your own representation, and have an agent looking out for your interests and helping you through the process.

