# How We Buy and Sell is About to Change

## Not to sound dramatic, but the real estate industry is undergoing a shift

*Sitzer/Burnett v. The National Association of Realtors (NAR) et al.* is a recent class action lawsuit. The plaintiff alleges that the NAR and related parties overinflate the commission rates paid by home sellers. They claim that the **participation rule** and **cooperative compensation** limit healthy competition and consumer choice.

I'm not here to say whether these claims are right or wrong. What matters is how NAR's proposed settlement will affect you. At the time of writing, the settlement has yet to be accepted. Regardless of the final agreement, let's explore how it will change the home-buying process.

### What is it like now?

When buying a home, you don't pay the realtor representing you as a buyer (in most cases). Instead, buyer agents are paid through **cooperative compensation**. The listing agent, the one representing the seller, receives a set commission from the seller's closing costs. The commission is negotiable and is around 5% of the home's sales price and is split between the two agents.

Cooperative compensation is enforced through the **participation rule**. Seller agents often list properties on Realtor-affiliated multiple listing services (MLS), so buyer agents can find them. These MLSs are more accurate, up-to-date, and advanced than the MLSs available to consumers on the web. The rule says that if a listing agent uses an MLS to connect with a buying agent, then they have to participate in cooperative compensation.

### What does that industry jargon mean for you?

When you move, you buy a new house and sell your old one. Your listing agent is paid through the closing costs of your home's sale. The buyer's agent is also compensated that way. When buying, you will likely not have to pay your buying agent directly.

## Key takeaways

- Previously, buying agents and listing agents were paid through cooperative compensation.
- NAR's settlement will most likely change how you compensate your buying agent.
- Regardless of what happens, you will always need a good realtor!




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*"I'm never too busy for you or your referrals"*

## What will happen if the settlement is enacted?

Cooperative compensation and the participation rule will no longer be mandatory. Sellers will be able to negotiate the commission they pay to the buyer's agent.

Listing agents might offer the buyer's agent zero compensation, so they'll have to create new forms of payment. Buyers might have to pay their buying agents directly. This settlement will also require agents representing buyers to enter into written agreements with their buyers, which might give you the opportunity to negotiate their compensation.

Will this policy change support healthy competition and lower the costs of purchasing a home? Maybe. Maybe not. We'll have to wait and see. Even if the changes are not as significant as predicted, seller's may still have to compensate the buyers' agent. However, doing so will most likely look different. We know that the percentage of buyer agency compensation will not be published on future MLS Listings.

## Bottom line: You will always need a good realtor.

Sometimes, good is not cheap, but it is always worth the price. Going forward, I advise being wary of buying agents who are willing to undercut their compensation. If they are willing to sacrifice their compensation before they even have your business, how strongly will they negotiate on your behalf?

I always try to represent everyone I work with as honestly as possible to provide the best on their behalf. I also try to be as transparent as possible with all my clients. If you've worked with me, you've seen those principles in action.

My appreciation goes out to all my clients—past and future—who trust me with buying and selling their homes. My cell is always turned on, so please call or text anytime you want to chat!

*"Stuart is genuine and a great listener when it comes to being a trusted advisor when it comes to selecting the right home for your family. He has helped me find the best home for my family, and I recommend Stuart to any tenant, landlord, seller, or buyer. He is a true professional. Thank you, Stuart."*

~ Etjon Xhaderaj, rented a home in Reston, VA.


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Realtor compensation is just one small piece of the home purchase puzzle. Would you like to understand how the rest of the numbers work in a real estate purchase? My team at Embrace Home Loans are experts in educating future home buyers on all aspects of a real estate purchase. Starting the conversation one or more years before you think you are ready is the perfect time to make sure you are setting the right goals and daily practices to achieve home ownership.