

NAR LEGAL UPDATE

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COMPETITION.REALTOR

Resources about MLS model, REALTORS® and competition.

The screenshot shows the top navigation bar of the National Association of REALTORS® website. The logo is on the left, followed by a search bar with the text 'Search' and a magnifying glass icon. To the right are links for 'Store', 'Contact', 'Pay Dues', and 'Sign In'. Below the navigation bar is a blue header with menu items: 'Real Estate Topics', 'Membership', 'Research & Statistics', 'Advocacy', 'Education', 'News & Events', 'About NAR', and 'More'. The main content area features a large blue banner with the title 'Competition in Real Estate' and a photograph of a smiling woman and man looking at a tablet. Below the title is a short paragraph: 'REALTORS® are mostly small business owners who work to ensure buyers and sellers have the greatest access, transparency and choice through independent, local broker marketplaces that level the playing field for all types and sizes of brokerages.' A green 'Learn More' button is positioned at the bottom left of the banner.

[Fostering Competition](#) [Consumer Access & Opportunity](#) [REALTORS® as Champions](#) [In the News](#) [FAQ](#)



COMPETITION

Local Broker Marketplaces Foster Competition

Independent, local broker marketplaces create highly competitive markets that are friendly to small businesses and new market entrants.

Multiple Listing Services (MLSs) are independent broker marketplaces that focus exclusively on residential real estate in local real estate markets. Access to inventory and free advertising as well as the practice of the listing broker paying the buyer brokers' commission incentivizes participation in these local real estate marketplaces and creates the largest, most accessible and most accurate source of housing information available to consumers. That levels the playing field among brokerages, allowing small brokerages to compete with large ones, and provides for unprecedented competition among brokers, including different service and pricing models



CONSUMER ACCESS AND OPPORTUNITY

Consumer Access & Opportunity

Local broker marketplaces ensure equity, transparency and market-driven pricing options for the benefit of home buyers and sellers.

The U.S. model of local broker cooperation has long been – and is still – viewed as the best value for consumers around the world. Local broker marketplaces provide sellers equal access to the largest possible pool of potential buyers and create the greatest number of housing options for buyers in one place without hidden or extra costs. Sellers making offers of compensation to buyer brokers also gives first-time, low/middle-income and all homebuyers a better shot at affording a home and professional representation. The free market organically establishes commission costs within local real estate markets based on service, consumer preference and what the market can bear, among other things.



REALTORS® AS CHAMPIONS

REALTORS® Champion Wealth Building & Communities

REALTORS® are everyday working Americans who champion homeownership and property rights for the communities they serve.

REALTORS® are entrepreneurs—most often small business owners—who exemplify the spirit of this country. As expert, local brokers, REALTORS® help consumers navigate what is for many the most complex and important transaction they'll ever do. Every REALTOR® is bound by a strict code of ethics based on professionalism, consumer protection and the golden rule. REALTORS® also are engaged neighbors committed to building and enhancing the communities they serve and fighting for fair housing.



**REALTOR
BROKER
SUMMIT**
APRIL 5-6, 2022
PHOENIX, ARIZONA

SHAREABLE CONTENT

ECONOMICS OF BUYING A HOME

REAL ESTATE BROKER COMMISSION STRUCTURE BENEFITS BUYERS AND SELLERS ALIKE

Seller brokers entering into cooperative commission agreements with buyer brokers prevents a greater cost burden that would be especially devastating for first-time and low-income home buyers.

IF BUYERS HAD TO PAY REAL ESTATE BROKER COMMISSIONS DIRECTLY, IT WOULD ADD **THOUSANDS OF DOLLARS** TO AN **ALREADY COSTLY TRANSACTION**

The typical American household has an average of **\$8,863** in the bank*.

That's barely more than 50% of the median down payment on a starter home, which is **\$16,100 or 7%** for first-time homebuyers**.

Since most lenders don't allow real estate broker commissions to be financed, every 1% of broker commissions that first-time buyers pay out of pocket would put their home **\$2,300** further out of reach.

THE MLS SYSTEM IN ACTION

The multiple listing service (MLS) marketplace connects buyers and sellers of real estate in the U.S. through their respective agents. The MLS gives first-time low-income and other buyers better access to the American dream of homeownership while also exposing a seller's property to the greatest number of potential buyers.

WHAT THE MLS DOES FOR YOU:

Largest database of available homes



Most up-to-date home status information



Maximized visibility of homes for sale



Verified, trusted, detailed and accurate property information



Facilitates cooperation between buyer and seller brokers



A WORLD WITHOUT THE MLS:

No centralized source of available homes



Outdated home status information



Fewer homes for buyers to choose from on real estate websites



Unverified, inaccurate and unreliable property information



Buyers/sellers would likely have to pay to list on websites



THE ESSENTIAL REAL ESTATE AGENT

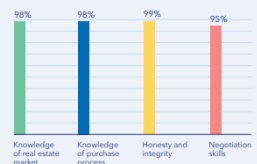
Buying a home is the largest and most complex transaction most people will make in their lifetime, with volumes of property, neighborhood, transaction, legal and regulatory details to navigate. Having an expert, local professional manage the process is more important than ever.

NAVIGATING THE BUYING PROCESS

Real estate agents wear many hats...

- Community**
 - Know local, county and state property taxes
 - Decipher public property information
 - Advise on price trends, schools and neighborhoods
- Financial**
 - Coordinate with lenders
 - Research mortgage rates and terms
 - Schedule appraisals and inspections
- Legal**
 - Manage attorney reviews
 - Navigate all required state and federal forms
 - Handle closing documents

HOME BUYERS' SATISFACTION WITH REAL ESTATE AGENTS



AN EXPERT RESOURCE

97% of home buyers consider their real estate agent to be a useful source of information.

83% of first-time home buyers say their real estate agent helped them understand the home buying process.

REAL ESTATE AGENT TO-DO LIST

- Educate clients about transaction process
- Search broadest database of available homes
- Research information about properties
- Arrange tours of homes
- Navigate home inspections
- Negotiate best possible price

YOUR ADVOCATE

Expert real estate agents save home buyers time and help take stress out of the process. In fact, **91%** of home buyers say they would engage their real estate agent again or recommend them to others.

HOW REAL ESTATE COMMISSIONS WORK

It's important for consumers looking to experience the American dream of homeownership to understand how real estate agents are paid for the services they provide. At the outset, the seller and that person's listing broker agree on the amount the listing broker will receive for the services it provides to the seller. The listing broker and seller also discuss and agree upon an amount that the listing broker will pay a broker who successfully closes the transaction with a ready, willing and able buyer. Here are seven additional things you need to know.

- Commissions are always negotiable.** Commissions can be negotiated at any point throughout the transaction, including at the outset, after the results of a home inspection and after an offer has been made. Sellers negotiate with their broker what fee they are willing to pay for their broker's services and what fee they are willing to pay a cooperating buyer broker for finding someone who wants to buy their home.
- There are different commission models to choose from.** Buyers have many different choices about which broker they want to work with in terms of everything from the commission model to a real estate agent's particular expertise to the agent's customer service approach. In the full-service approach, commissions are negotiable at any point during the home buying process. The reduced service/discounted fee model allows for flexible offerings and pricing. The flat fee approach allows buyers to negotiate a set price per service.
- Commission rates are set by the market.** The free market organically establishes commission costs within local real estate markets based on services, consumer preference and what the market can bear, among other things. National Association of REALTORS® guidelines ensure that the listing broker advise all other participants in their local broker marketplace what the amount of compensation to the buyer's broker will be for closing the sale. That amount is determined by the seller and the seller's broker. Commissions fluctuate over time, including having decreased steadily in recent years and having fallen to a new low of 4-94% in 2020.
- Commissions cannot be included as part of a mortgage.** The vast majority of mortgage lenders do not allow commissions to be added to home loans. For many, saving for a down payment is difficult enough. If buyers had to pay commissions directly on top of their closing costs, it would increase their out-of-pocket expenses in a way that would freeze out many from an already competitive market. That's especially true for first-time and low- and middle-income buyers, and communities of color that disproportionately fall in those categories.
- REALTORS® are bound by a strict code of ethics in the home buying process.** REALTORS® are bound by NAR's Code of Ethics to always further clients' best interests, including those offered. Additionally, in November 2017, NAR adopted the Code of Ethics for REALTORS®, which emphasizes (Accountability, Integrity, Honesty, and Fairness) and prohibits REALTORS® from sharing their information in a way that is not in the best interests of their clients. REALTORS® are bound by NAR's Code of Ethics to always further clients' best interests, including those offered. Additionally, in November 2017, NAR adopted the Code of Ethics for REALTORS®, which emphasizes (Accountability, Integrity, Honesty, and Fairness) and prohibits REALTORS® from sharing their information in a way that is not in the best interests of their clients.



Homebuying Process Primer

Buying a home is for many the most complex and important transaction they'll ever do. Key steps involved in the homebuying process include:

Check your credit

Your credit score plays a huge part in your ability to secure a mortgage and improving your credit score can take months of healthy spending habits and paying down debt. Check your credit with your credit card company, online, or with a major credit bureau such as Equifax or Experian. Typically, if your score is below 700, you will likely pay more for your mortgage¹.

Figure out what you can afford

You need to sit down and decide how much you can afford to spend on a down payment, monthly payments and expenses. A mortgage lending rule of thumb is that your total monthly home payment should be at or below 28% of your total monthly income before taxes.² However, lenders still have the ability to provide you more or less depending on your overall financial history.

Hire a professional

Having an expert, local professional to manage the process is more important than ever before. The internet only does so much—real estate agents help people traverse complicated, data-heavy and voluminous information, details and decisions.

Find your dream home

Through the Multiple Listing Service (MLS), Realtors® have instant exposure and access to the largest, centralized database of residential real estate listings in your area to find the perfect home for you within your budget. The MLS system makes it possible for all kinds of brokerage services to compete on a level playing field because they all have access to the same information. This gives consumers a lot of different choices about which broker they want to work with in terms of everything from the commission model to their particular expertise to their customer service approach.

Choose a lender and mortgage type

In a typical year, most buyers take out a mortgage to finance their home purchase, most commonly 30-year, fixed-rate financing using a conforming loan. However, there are other options including an adjustable-rate mortgage (ARM), where your payments often start out lower, but could increase over time. When choosing your mortgage you need to acknowledge and be aware of the risks you are taking on when making this decision.

Make an offer

Once you've found the right home and financing option, the next step is to make an offer to purchase your new home.

Home inspections

To ensure that the home is safe and won't incur large, unexpected expenses in the future, be sure to get a home inspection before closing on your new home.

Closing

Once the inspection is complete and you've come to an agreement with the seller, you will then close on the deal and sign all of the necessary paperwork. It typically takes a couple of days for your loan to be funded.

¹ https://homeownershipmatters.realtor/wp-content/uploads/2016/01/201503_cfbp_your-home-loan-toolkit-web.pdf
² https://homeownershipmatters.realtor/wp-content/uploads/2016/01/201503_cfbp_your-home-loan-toolkit-web.pdf

3 WAYS TO MAXIMIZE THE VALUE OF YOUR REAL ESTATE AGENT

1. USE THEIR EXPERT KNOWLEDGE ON THE HOME BUYING PROCESS

Real estate agents have access to the largest database of available homes in the U.S. via the multiple listing service. They are expert, local brokers helping consumers navigate what is for many the most complex and important transaction they'll ever do.

While **97%** do research about a home online, 9 in 10 people still chose to work with a real estate agent**.

97% of home buyers consider their real estate agent to be a useful source of information.**

Top 3 Services Buyers Want Most

- Help finding the right home to purchase
- Help with terms of sale and price negotiations
- Help with paperwork (contracts, forms, etc.)

2. CHOOSE THE SERVICE, COMMISSION MODEL AND REAL ESTATE AGENT THAT BEST FIT YOUR NEEDS

Full-Service Model
Commissions are negotiable at any point during the home buying process

- Flat Fee Model
- Negotiate a set price per service

Reduced Service/ Discounted Fee Models
Flexible offerings and pricing

DID YOU KNOW?

91% of homebuyers would recommend their agent, but if you're part of the remaining 9%, there are more than **1.4 million REALTORS®** in the U.S. to choose from.

3. LET THEM DO ALL THE HARD WORK AND TAKE THE STRESS OUT OF YOUR HOME SEARCH

88% of Americans purchase their home through a real estate agent or broker.

Regardless of how you find a property, real estate agents are there to show and research every home that fits your needs.

Real estate agents also navigate:

- Community knowledge** such as local property taxes and advising on schools and neighborhoods.
- Financial aspects** like coordinating with lenders and researching mortgage rates.
- Legal matters** like helping buyers manage required state and federal forms and closing documents.

**NAR 2020 Profile of Home Buyers and Sellers Report
 **2019 NAR Home Buyers/Sellers Survey

REALTORS® are members of the National Association of REALTORS®



Data according to National Association of REALTORS® 2019 and 2020 Profile of Home Buyers and Sellers Reports

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 APRIL 5-6, 2022
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NEWS

In the News

Following are stories that bring to life how REALTORS® advocate for consumers, how local broker marketplaces advance equity and access, and how small businesses are beneficiaries of these local real estate marketplaces.

Growth of technology makes it even more important to use a REALTOR® +

Closing the Racial Homeownership Gap Must Be Part of Our Long-Term COVID Response +

Expertise when Buying, Selling Home Matters Even More in Internet Age +

NAR Board approved major MLS rule changes to take effect in January +



KEY QUESTIONS

Key Questions Answered

Here are answers to some of the most common questions about competition and real estate.

Is there a “set commission” real estate agents charge consumers? +

Why not require buyers to pay commissions directly to their broker instead of the historic practice of listing brokers paying the buyer broker? +

How does the U.S. model compare to other, international broker marketplaces? +

Why are MLSs needed when you can find listings for homes in so many places online? +

What is NAR’s role relative to independent, local MLS broker marketplaces? +

Why should real estate professionals make the money they do in commissions when so much information is available online? +

How does NAR promote access to homeownership? +

How is NAR promoting equity in homeownership? +

How do real estate professionals advance the economy? +

What is happening with NAR and the Department of Justice? +

How has NAR moved forward on what it agreed to with the DOJ? +

What’s happening with class action lawsuits challenging how local broker marketplaces work? +

What’s going on with lawsuits NAR is facing that challenge the Clear Cooperation Policy? +

What is NAR’s thoughts on a certain industry participant who is regularly attacking NAR? +



HOT TOPICS IN BROKER RISK REDUCTION

Real Estate Topics > Legal

Hot Topics in Broker Risk Reduction

Katie Johnson, General Counsel & Chief Member Experience Officer,
November, 2021



Download Hot Topics in Broker Risk Reduction for November, 2021  pdf 176.44 kb

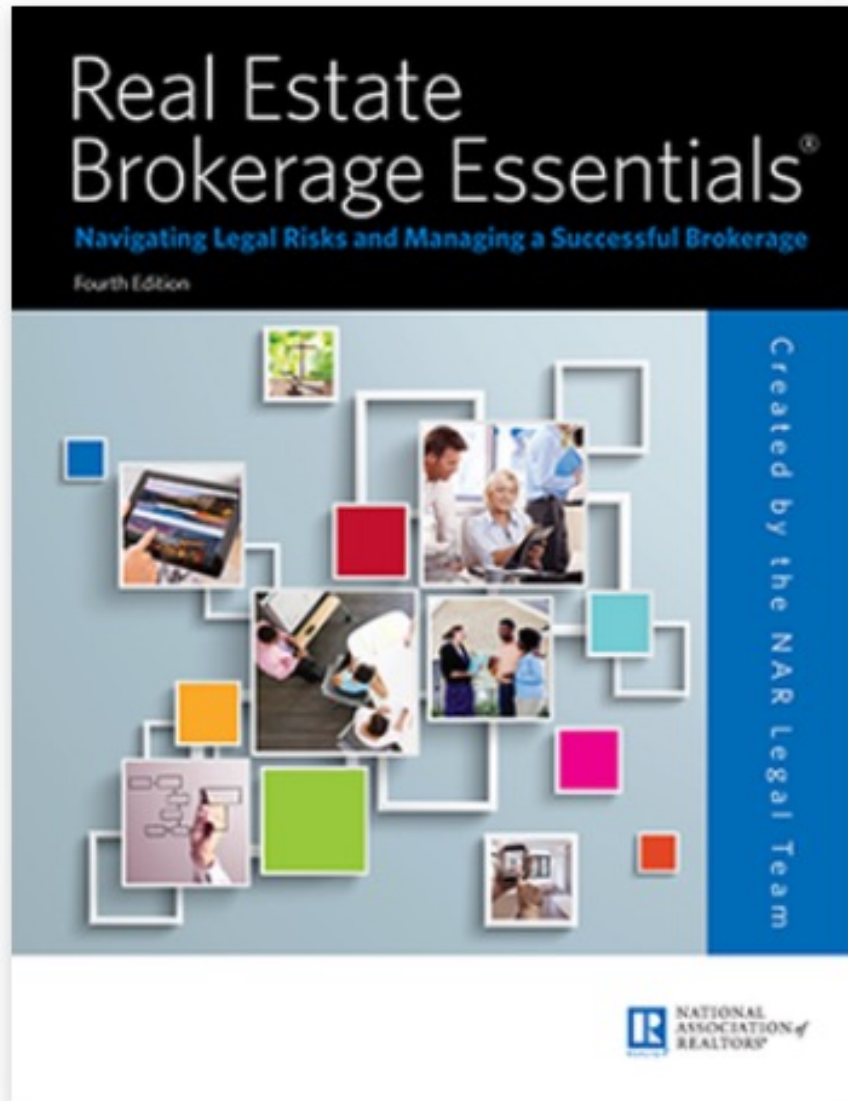
Competition in Real Estate

- a. REALTORS® help foster competition through their participation in local broker marketplaces. These marketplaces help create highly competitive real estate markets that are friendly to small businesses and new market entrants. REALTORS® work together in for the benefit of consumers, and to help ensure

- ✓ Ransomware
- ✓ Multiple Offers
- ✓ Copyright Infringement
- ✓ Fair Housing
- ✓ ADA Website Accessibility
- ✓ Texting and Calling
- ✓ And more!



Real Estate Brokerage Essentials



Real Estate Brokerage Essentials®: Navigating Legal Risks and Managing a Successful Brokerage, Fourth Edition is the most comprehensive business tool for brokers to run their offices efficiently and minimize their risk for legal liability. This is a must have for all Brokers!

Available in the REALTOR® Store!



THANK YOU

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