

# Big changes to how you buy and sell a home go into effect today: What you need to know

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**(CNN)** — On Saturday, a new set of rules governing how most real estate professionals do business in the US officially take effect — and the changes could potentially upend how Americans buy and sell homes.

The rules were agreed to by the National Association of Realtors, the powerful trade association that counts 1.5 million members, as part of a \$418 million settlement into antitrust claims. The rules are designed to transform the way Realtors get paid and who pays them. It's the largest change to the organization's rules in at least a generation.

In a statement, Kevin Sears, NAR's president, said that the changes "help to further empower consumers with clarity and choice when buying and selling a home."

"I am confident in our members' abilities to prepare for and embrace this evolution of our industry and help to guide consumers in the new landscape," he said.

Here's what you need to know:

## Two key changes

Historically, buyers were not expected to pay their real estate broker directly. That's because Realtor commission fees — to both the buyers' agent and the sellers' agent — were paid by a home seller.

Commissions usually total 5% or 6% of a home's selling price, so for a \$450K home, roughly the average price of a home in the US, a seller would be responsible for \$27,000 in fees. Many experts have said these commissions have been baked into a home's listing price, inflating home prices.

But beginning this week, seller's agents will no longer be allowed to advertise commission fees to buyers' agents on multiple listing services that Realtors use to list and find homes for sale and to facilitate transactions.

That means that a buyer's agent can no longer use the database to search for houses based on how much they'll get paid, a practice called "steering," which led some agents to skip over showing homes that fit their client's criteria solely because a seller was offering below-market commission rates, critics allege.

“By not having commission on the MLS anymore, it makes it harder to steer, because you can’t just do a search for 3% commissions,” said Tanya Monestier, a professor of law at the University at Buffalo School of Law. “You can still call everyone up and figure out what the lay of the land is, but this just makes it much harder.”



Prospective buyers attend an open house at a home for sale in Larchmont, New York, US, on Sunday, Jan. 22, 2023. Beginning on August 17, those interested in touring a house with a Realtor must first sign a buyer representation agreement. Tiffany Hagler-Geard/Bloomberg/Getty Images

The second change affects the relationship between prospective home buyers and their real estate agents. Buyers must now sign a legally binding representation agreement with their agent before they can begin touring homes together.



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"The idea is if buyers are aware that they can negotiate commissions and that if they, in fact, do pay them, not the seller, it might create a more complete market and possibly a menu of services in the future that would be more comparable to other developed countries," said Norm Miller, professor emeritus of real estate at the University of San Diego.

A key element to these agreements is that a buyer's agent cannot receive more compensation than what the buyer initially signed onto, even if a seller is willing to offer more.

On its website, NAR said that these two changes have "eliminated any theoretical steering, because a broker will not make more compensation by steering a buyer to a particular listing because it has a 'higher' offer of compensation."

The final approval hearing is scheduled for November 26, but a judge granted preliminary approval of NAR's settlement in April.

## Buyer beware

Some brokerages have realized that buyers may get nervous about signing anything that commits them to a legally binding relationship with an agent before they begin touring homes. So, they created shorter-term contracts that cover a week or maybe even an hour for buyers to get comfortable with an agent before committing.

But, Monestier cautioned that buyers should be careful about signing any kind of legally binding contract without giving it a thorough read.

"You're going to see all sorts of different versions of these agreements that are going to vary, state-by-state, brokerage-to-brokerage. There may end up being thousands of them out there," she said. "It concerns me that buyers and sellers may sign something blindly and then be surprised when things are not as they think."



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Leo Pareja, the CEO of eXp Realty, one of America's largest brokerages, told CNN that he drafted his company's buyers' agreements with simplicity in mind to head off potential confusion.

"It is designed to be something that a consumer could read in the driveway of a house without feeling put in an uncomfortable situation," Pareja said. "You don't need a law degree to read it."



Pareja decided to make his contracts widely available so that they could be used by other firms, as well.

“We just want consumers and agents to have the least amount of friction going forward, because that’s the last thing we need right now,” he said.

## How this may affect home affordability

Some real estate professionals have warned that the new rules could have a chilling effect on the home-buying market since more buyers may now be expected to come up with cash to pay their own agents.

But Monestier said that she believed in the long-term, the changes would help consumers.



A realtor walks through the dining room during an open house at a home in Seattle, Washington, US, on Tuesday, March 26, 2024. The National Association of Realtors agreed to settle litigation over commission rules for US real estate agents, clearing the way for possible changes in how Americans buy and sell homes.

David Ryder/Bloomberg/Getty Images

“I would say the better thing for home buyers and sellers is if commission rates were to go down over time,” she said.

It remains unclear whether the cost of buying and selling homes in the US will immediately become cheaper for most people, though.

“I suspect somebody out there will eventually say, ‘let’s compete on price.’ If it’s a big firm, that could cause a revolution,” the University of San Diego’s Miller said. “But when would that happen? I don’t know.”



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In the short-term, Miller believes mortgage rates will have a larger impact on home affordability than any particular rule change.

The rate for an average 30-year fixed mortgage recently hit 6.49%, still elevated compared to recent history but near the lowest levels in more than a year.

“That has a whole lot more effect on affordability than anything we’re talking about here,” said Miller. “If mortgage rates come down further, rule changes will just be noise in the equation, compared to that.”