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A better way to buy a house

One year after a landmark settlement upended the rules around real estate commissions, some Americans are saving big on homebuying.

By **James Rodriguez**

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Arnab Dutta, a 40-year-old living in the Bay Area, tried buying a home a couple of years ago with the help of a traditional real estate agent. It didn't go well.

Dutta's arrangement with his agent was the same one Americans have used for decades: The agent agreed to guide him through the process — showing him homes, writing offers, and wrangling stacks of paperwork — in exchange for the standard cut of the final sale price, between 2% and 3%. The commission, likely tens of thousands of dollars, wouldn't come straight out of Dutta's pocket; sellers are the ones who fork over the cash to agents on both sides of the deal after it closes. But Dutta would be indirectly paying for his agent, since the buyer is the reason the seller has any money to hand out, and the agent's threadbare advice made him feel like he wasn't getting much bang for his buck. The whole commission thing didn't sit right with him, either. He didn't see why his agent, who was supposed to represent *his* interests, should make more money if the price went up, the opposite of Dutta's ideal outcome. After he lost out on several homes, his search stalled out.

Dutta wasn't alone in his dissatisfaction with the traditional agent setup. He didn't know it at the time, but the rules that reinforced this relationship for decades were about to change. Last March, the National Association of Realtors, a powerful industry group that represents some 1.5 million agents around the country, agreed to settle a series of multibillion-dollar lawsuits that claimed this roundabout way of paying agents — and the NAR rules undergirding this system — had forced people to pay unfairly high commissions. The deal included new rules for paying agents, which many real estate experts predicted would nudge buyers and sellers to start negotiating over commission rates and bring costs down.

The results a year later have been underwhelming: There's little evidence that the settlement has put a dent in average nationwide commission rates, and those looking to preserve the old way of

doing things have devised workarounds to ensure agents still collect their typical cut. But while many people are still doing things more or less the old way, some are taking advantage of the updated rules to usher in a brave new world of homebuying. They're owners of discount brokerages charging far less than the typical commission, entrepreneurs spinning up new real estate tech, and a small but growing number of savvy consumers flexing their negotiating power to save tens of thousands of dollars on their agents' fees. They're all betting that one day they'll no longer be outliers.

When Dutta resumed the hunt late last year, he tried a different tack. He enlisted the services of TurboHome, a brokerage founded after the NAR settlement whose agents work for a flat fee of between $5,000 and $15,000. Most real estate agents are independent contractors, reliant on hefty commission checks to make up for the lack of a steady salary. But agents at TurboHome are employed by the company — trading the uneven lump sums for consistent pay. The company, which raised $3.85 million in seed funding late last year, uses software tools to speed up mundane tasks like analyzing property disclosures and finding sales of comparable homes. Its tech frees up agents to focus on the finer details of the process while also taking on more clients at a time to make up for the smaller fees they collect on each deal.

Dutta agreed to pay the flat fee of $10,000 out of pocket, which turned out to be a useful bargaining chip in his negotiations with sellers. He didn't have to ask sellers to cover his agent's fee, which allowed them to pocket the sizable chunk of the deal that they would have otherwise had to fork over to his representation. In the pricey Bay Area, where the typical home trades for north of $1 million, that meant savings of $25,000 or more. When one of Dutta's offers eventually won out, it wasn't because he proposed the largest dollar figure; his agent, Donny Suh, tells me other prospective buyers came in higher. But without having to pay out a commission for Suh, the seller stood to net the most money from Dutta's offer. He closed on the three-bedroom home in February.

The success has left Dutta with some what-ifs from his prior home search. He recalls one house for which he was outbid by just $5,000.

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The battle over commissions — who pays, how much they pay, and when the money changes hands — comes down to information.

It all starts with the multiple listing services — local databases where most homes are advertised for sale. They may sound like unsexy infrastructure, but they've played a key role in propping up the typical agent commission. There are more than 500 of these databases around the country, and the vast majority are operated by local Realtor associations that follow rules handed down by the NAR. While the national organization didn't set commissions and says they've always been negotiable, it did set up rules that helped maintain the status quo. In the presettlement days, a seller who listed their home on the MLS had to fill out a little box saying how much they'd be willing to pay the buyer's agent. Since buyers already had enough up-front costs to worry about, everyone assumed that deals would go more smoothly if the suddenly cash-flush seller just paid out both sides. This setup allowed buyers to basically ignore how much their agent was getting paid — in fact, buyers' agents used to tell clients their services were free until a *different* legal battle ended that practice in 2020. It also meant that sellers almost always stuck to the industry standard of 2.5% or 3% of the final price for each agent, either because they didn't know any different or because offering less could risk being passed over by buyers' agents, who might "steer" their clients away from properties with lower-than-average commissions.

In the lawsuits against the NAR, the sellers who sued the organization alleged that this whole system was an elaborate scheme to pull the wool over regular people's eyes and force them to pay unfairly high commissions. Given that the median home price in the US is about $419,000, a 6% commission, split between two agents, would mean shelling out more than $25,000. While the plaintiffs pushed for commissions to be "decoupled," with buyers and sellers paying their own agents separately, the $418 million settlement last year didn't go quite that far. But it did offer enough changes to throw the real estate world into flux.

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The first change is that sellers and their agents can no longer offer buyer-agent commissions through the MLS. In theory, this should get rid of that steering problem — if sellers aren't offering a commission, buyers' agents can't direct their clients away from the homes with less than the customary fee. But there's a huge loophole here: Sellers can advertise a buyer-agent commission pretty much anywhere else — on the broker's website, over the phone, on sites like Zillow or Redfin. If a buyer's agent wants to see how much they'll make off a home, it's easy for them to check. Given this workaround, many sellers are still offering to pay the standard commission, which makes sense in today's slow housing market. Given the low number of homes changing hands, people are wary of doing anything that could muck up a deal.

Buyers, on the other hand, face more paperwork as a result of the settlement. Before an agent so much as opens a door for a buyer these days, they'll have to get them to sign an agreement stating the terms of their relationship, including compensation. These forms, known as buyer-representation agreements, have historically been introduced much later in the process, if they were used at all. And they vary widely by brokerage and agent — some agreements are simple one-sheeters to tour a few homes, while others lock buyers into exclusive arrangements for months. It's the difference between seeing someone casually and getting married on the first date.

For now, at least, the combination of a slow market, general inertia, and lagging consumer awareness has kept the status quo relatively intact. A study by the real estate brokerage Redfin found that the typical buyer-agent commission was 2.36% in the fourth quarter of the year, down from 2.43% in the first quarter of 2024, when the settlement was announced, and unchanged from the third quarter, when the rules went into effect. But again, it's still pretty early, and many industry insiders expect the changes to eventually start knocking down commissions as agents are forced to compete on price.

"I think our projection still hasn't changed much, which is, over time, that will still come down," Joe Rath, the head of industry relations for Redfin, says. "That downward pressure still exists."

So how, exactly, could buyers and sellers start coming out ahead? A big step is simple consumer education. The real estate firm Clever surveyed 1,000 homeowners and prospective buyers and found that even after the new rules went into effect, 40% of respondents said they either didn't understand the implications or hadn't even heard of the lawsuits.

Old habits die hard, especially when there's so much confusion around these changes. And critics of the settlement say it's actually opened up new pitfalls for buyers. Before, the MLS at least showed you what almost every home was offering in commissions — now that kind of information has been scattered or isn't publicly available at all, which makes it harder to tell whether "steering" is happening. And some of the representation agreements floating around could end up locking buyers into exclusive relationships with incompetent agents.

"All these deceptive practices have been basically turned underground," Tanya Monestier, a law professor at the University at Buffalo, tells me.

But as consumers absorb these new rules and start to negotiate on commissions, both sides of the transaction stand to benefit. For sellers, the main advice boils down to this: Don't offer an exact commission anywhere. Not on the MLS, of course, but also not on a broker's website, via telephone, or a sign in the front yard, Stephen Brobeck, a senior fellow at the Consumer Policy Center, says. Instead, allow buyers ~~to make offers~~ on agent payment, just like they do for the home itself. One buyer might offer to pay 2.5% more than the asking price but ask for that extra 2.5% back in the form of a closing credit so they can pay their agent. Another buyer may offer the same dollar amount but ask for only 1.5% back to pay their agent's commission. Yet another, like Dutta, may not ask for any money back. At the end of the day, sellers should care about their net proceeds — the amount that goes into their pocket once all the pesky fees are settled. They can say they're open to working with buyers on their agent's commission without backing themselves into a corner by suggesting an exact percentage.

On the buyers' side, saving money comes down to asking — you can request a lower commission from your own agent or, if you can't afford to pay it out of pocket, ask for help from the seller in the form of a closing credit. "You can ask for stuff that's not advertised and still get it," Leo

Pareja, the CEO of the real estate brokerage eXp Realty, tells me. Buyers make special requests all the time, like asking for a repair or for the pool table in the basement to come with the house. A credit to cover your agent's commissions shouldn't be any different.

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Most sellers these days are still offering to pay a commission to the buyer's agent, as they did before the settlement's changes. But buyers who've negotiated a lower commission with their own agent could use that to make their offers more attractive in the eyes of a seller.

"I think what has changed is that there are these sort of savvier buyers out there, particularly in the high-cost markets, that are looking for any advantage that they can get," Ben Bear, the founder and CEO of TurboHome, says. The company mostly operates in California but has recently expanded to Texas and Washington.

Long before they start eyeing homes, buyers should also do ~~some~~ due diligence on their prospective agents. Studies have found that the vast majority of buyers still want a professional to guide them through their purchase, which makes sense — it's a massive transaction that most people will complete only a few times in their life. Some agents may be able to articulate exactly why they're worth every penny of the traditional commission. But there are a lot of agents out there vying for your business, and others may be willing to deviate from the standard commission to win more clients. One recently created portal, known as Fetch Agent, allows buyers to search for agents that match a set of parameters, like years of experience, location expertise, and even how much they charge in commission. In a world where buyer-agent commissions are no longer an afterthought but a key part of sale negotiations, it makes sense to shop around for an agent before shopping for a house.

"What we offer is the ability to transparently see what an agent would be open to when it comes to a work arrangement," Beau Correll, the founder of Fetch Agent, tells me. That kind of transparency — knowing exactly what you're getting from an agent and how much you'll be

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paying for them — is the kind of thing that could spur more agents to compete on price, which would bring down costs for consumers.

The rollout of the new rules has undoubtedly been a mess — even now, a year after the settlement was unveiled, there are many different interpretations of what is and isn't allowed. But the idea that both buyers and sellers should think about commissions — and maybe even negotiate to get a better deal — is a remarkable reversal from the old way of doing things.

"I would've liked it to go further," Brobeck tells me. "But it represents progress."

James Rodriguez is a senior reporter on Business Insider's Discourse team.