Consumer Federation of America

WHY COMMISSION UNCOUPLING WILL HELP FIRST-TIME HOME BUYERS

AS WELL AS ALL OTHER BUYERS AND ALL SELLERS

Stephen Brobeck

Senior Fellow

April 2024

1620 EYE STREET, NW, SUITE 200 | WASHINGTON, DC 20006 | (202) 387-6121
CONSUMERFED.ORG

INTRODUCTION

For decades, critics have complained that real estate commissions are relatively high and fixed in the United States, and that the coupling of seller and buyer agent commissions[1] has been instrumental in this industry price-fixing.[2] These critics have argued that mandatory compensation offers from sellers to buyer brokers are not negotiable and so allow Realtors to collude in setting high and uniform commission rates. In a typical home sale, the seller pays a commission to their real estate agent, who in turn splits it with the buyer's agent. Thus, the commissions are "coupled" rather than negotiated separately by buyer and seller.

For some 80 years the U.S. Department of Justice (DOJ) and the Federal Trade Commission have sought to introduce more price competition into residential real estate markets.[3] They were greatly assisted in 2019, when two class action suits were filed against major industry participants for coupled commissions. In 2023 the jury in one case found defendants guilty of price fixing.[4] These antitrust lawsuits have spurred other class actions and gave DOJ the opportunity to make a strong statement (in February 2024) against coupled commissions in any form.[5] Then on March 15, 2024, the National Association of Realtors (NAR) announced that it had settled two class action lawsuits by agreeing to pay a $418 million penalty, require buyer agency contracts, and eliminate seller offers of buyer agent compensation from multiple listing service (MLS) property listings. The proposed settlement still must be approved by the courts, and DOJ may well propose modifications.[6]

A major defense of the industry has been that shifting the cost of compensating buyer agents from sellers to buyers will disadvantage many first-time home buyers. The National Association of Realtors (NAR) and some other industry leaders argue that requiring buyers to compensate their own agents will greatly increase buyer closing costs, restricting

---

[1] Uncoupling is also referred to as decoupling or untying. Current listing agent contracts not only include compensation for both buyer and seller agents but also list them in one combined ("coupled") rate, typically 5-6 percent of the sale price.
[2] For an overview of high and uniform rates see: Panle Jia Barwick and Maisy Wong, Competition in the real estate brokerage industry: A critical review (Economic Studies at Brookings, December 2019). Stephen Brobeck, Real Estate Commission Rates in 35 Cities: Uniformity and Variability (Consumer Federation of America, April 2022). For evidence that recent so-called pro-competitive reforms have not lowered or varied buyer agent commission rates, see U.S. Department of Justice Statement of Interest of the United States (February 15, 2024) in the Nosalek v. MLS Property Information Network (PIN) case heard by the U.S. District Court for the District of Massachusetts, especially note 10 on page 17.
[3] An early history of these antitrust efforts is included in a report by the Federal Trade Commission, The Residential Real Estate and Brokerage Industry: Los Angeles Regional Office Staff Report (1983), pp. 195-222. Even today, 41 years later, the report remains, in our opinion, the most informative description and analysis of the way the residential real estate industry is organized and functions.
[4] The two cases are Moehrl v. National Association of Realtors et al. and Sitzer/Burnett v. National Association of Realtors et al. See articles reporting on these lawsuits, especially the dozens of articles written by Andrea Brambila, an Inman News deputy editor, and published by Inman.
[5] DOJ, Statement, loc. cit.
[6] Many sources including communications with plaintiff and defendant attorneys.

opportunities for renters and non-owners living with their families to own a home.[7] They add that uncoupling would disproportionately harm homebuyers of color, notably Black and Hispanic households, who often have little wealth (or access to it from their families) and have had to contend with discriminatory housing policies and practices.[8]

This white paper focuses on the potential consequences of real estate broker fee decoupling on all consumers, especially first-time home buyers. The data suggest that any additional aggregate costs would be modest and relatively short-term while being more than offset by long-term savings and improved service quality. Many experts believe that home sellers will agree to help buyers pay for buyer agent commissions if buyers request this assistance.[9] The paper also suggests that transitional costs would be dwarfed by the long-term benefits of uncoupled commissions accruing to all home buyers and sellers.[10]

INDUSTRY PRICE-FIXING IMPOSES SIGNIFICANT COSTS ON CONSUMERS

In a normal year with five million home sales, the residential real estate industry collects about $100 billion in commissions.[11] Estimates of consumer savings from a more competitive marketplace range widely but are all substantial. The lead attorney who won the class action has stated that consumers are overcharged by $60 billion (60 percent) annually.[12] In scholarly papers, two veteran real estate researchers have suggested that commissions could decline by as much as 50 percent or more if markets were price competitive.[13] A major consulting firm and researchers with the Federal Reserve Bank of

---

[7] See: Op ed by NAR President (unnamed), Buying or Selling a Home May Be More Difficult (NAR Newsroom, October 30, 2023). Betty Lin-Fisher, How Much You Pay to Buy or Sell a Home May Be About to Change (USA Today, November 7, 2023).
[8] Historically, many Black and Hispanic households have been blocked from homeownership opportunities and associated wealth-building. Today, a growing share of first-time homeowners are households of color.
[9] See, for example, the following analysis: Laurie Goodman, Ted Tozer, Alexei Alexandrov, Changing Real Estate Agent Fee Will Help All Buyers and Sellers but Will Help some More Than Others (Urban Institute, March 28, 2024).
[10] For many years CFA has strongly supported LMI and minority household homeownership yet we have also been aware of its risks as well as its many benefits. For a discussion of both, see: Laurie S. Goodman and Christopher Mayer, Homeownership and the American Dream (Journal of Economic Perspectives, Winter 2018), pp. 31-58. Christopher E. Herbert, Daniel T. McCue, and Rocio Sanchez-Moyano, Is Homeownership Still an Effective Means of Building Wealth for Low-Income and Minority Households? (Was it Ever?) (Paper published by the Joint Center for Housing Studies at Harvard University, September 2013).
[11] Over the past couple decades, annual home sales have usually ranged between four and six million with average annual sales of about five million. Several estimates of aggregate commissions -- which essentially multiply the number of home sales by the average price per sale then by a 5% commission rate – end up in the neighborhood of $100 billion.
[12] Alex Veiga, Americans Are Taxed $60 Billion in Real-Estate Commissions, Says Attorney Who Just Won a $1.8 billion Mega-verdict against National Association of Realtors (Fortune, November 2, 2023).
[13] Mark Nadel, Obstacles to Price Competition in the Residential Real Estate Brokerage Market (Berkeley Business Law Journal, 2021).Chiang-Tai Hsieh and Enrico Moretti, Can Free Entry Be Inefficient? Fixed Commissions and Social Waste in the Real Estate Industry (Journal of Political Economics, 2003).

Richmond have estimated that consumer costs could decline by 30 percent.[14]

For several years, the Consumer Federation of America (CFA) has estimated the potential consumer savings at 20-30 percent. On the sale of a $400,000 home, the reduction of a commission rate from six percent to four percent would lower the commission by $8,000. In our estimates of expected cost savings for consumers, we have tried to account for differences between the U.S. real estate marketplace and those in countries, such as Great Britain, with much lower rates. We have also tried to take into account significant information asymmetries between agents and consumers.[15] In the United States we have seen one telling example of potential cost savings, when in New York City an independent listing service emerged that required no mandatory commission offers to buyer agents. Total commissions in this New York City area, outside Manhattan and higher-income areas in Brooklyn, usually range between 3 and 4 percent[16] – well below the current national average.

Critics have also noted that relatively fixed commission rates impose other costs on consumers, especially the lack of a relationship between these rates and service quality. In today's marketplace, agents charge similar rates regardless of their experience, competence, or the time they spend on the sale. Among other effects, these equal rates plus easy entry have persuaded nearly two million Americans to obtain real estate licenses even though only 4-6 million homes are sold each year. Consequently, in the current system most agents have little experience selling property, earn relatively low incomes, and feel pressure to maintain high commission rates.[17]

---

[14] Keefe Bruyette & Woods estimate reported by Julian Mark, Real Estate Industry Trembles Over Commissions on Home Sales (Washington Post, November 11, 2023). Borys Grochulski and Zhu Wang, Real Estate Commissions and Homebuying (Federal Reserve Bank of Richmond Working Paper Series, February 28, 2024).
[15] According to one survey, commissions in England and Wales average 1.18 percent (without VAT) but there is only one agent (and an attorney) involved in the sale. Gavin Brazg, Estate Agent Fees & Commission (The Advisory, 2018).Asymmetric knowledge mainly reflects lack of consumer experience with a complex transaction. Also, consumers often prioritize sale price and timing, especially when they sell and purchase at the same time. For a discussion of these issues see: Stephen Brobeck, Comments Before the DOJ-FTC Public Workshop on Competition Issues (Consumer Federation of America, June 2018).
[16] Stephen Brobeck, Diverse Real Estate Commissions: The New York City Residential Brokerage Anomaly (Consumer Federation of America, October 2022).
[17] Three recent CFA reports by Stephen Brobeck address the issue of agent glut: A Surfeit of Real Estate Agents: Industry and Consumer Impacts (July 2023). A Surfeit of Real Estate Agents 2: Is Entry Too Easy (October 2023). A Surfeit of Real Estate Agents 3: Abundant Jobs, Inadequate Mentorship, and Few Sales (January 2024).

BUYERS AS WELL AS SELLERS BEAR THESE EXCESS COSTS

Most consumers believe that under the current system, sellers usually pay the entire buyer agent commission. After all, in listing agreements they sign, sellers usually agree to provide this compensation, and buyers (if they ask) are usually told that the seller pays this expense. If this is the case, questions could be raised about fairness. Why must one party in a home sale bear all the expense of a 5-6 percent commission? If a seller and buyer each employed an attorney to help facilitate a sale, each party would most likely compensate only their own attorney.[18]

Furthermore, not all home sellers can easily afford 5-6 percent commissions. The nearly one-quarter (23%) of home sellers with incomes below $65,000 include some who have an urgent need to sell, often because of health or financial concerns. In NAR's latest annual Profile of Home Buyers and Sellers, when asked why they sold, five percent of sellers said upkeep was difficult because of their health or financial limitations, two percent said they could not afford their mortgages and other homeownership expenses, and five percent said they wanted to sell earlier but could not because their home was worth less than its mortgage (suggesting they had little or no home equity at the time of sale).[19] Older sellers with limited financial prospects especially may well find it a hardship to pay 5-6 percent commissions along with other closing costs.

However, there is a widely held view within the industry and among experts that buyers still end up paying their agent's commission because this expense is added to the listed sale price of properties.[20] Economists agree. Professor Abdullah Yavas from the University of Wisconsin recently said: "We know from the literature that sellers pass on about half of the commission in the form of a higher price."[21] DOJ also agrees. Its recent Statement on uncoupling says: "The buyer-broker commission has a very real cost to homebuyers, who

---

[18] The threat of buyer agents steering clients away from low-commission listings helps explain why there is so little variation in rates. However, empirical research has shown that when rates offered are unusually low, steering does take place. Panle Jia Barwick, Panag Pathek, and Maisy Wong, Conflicts of Interest and Steering in Residential Brokerage (American Economic Journal: Applied Economics, July 2017). Jordan Berry, Will Fried, and John William Hatfield, Et Tu, Agent? Commission-Based Steering in Residential Real Estate (USC CLASS Research Paper no. 24-7, October 9, 2023).
[19] National Association of Realtors, 2023 Profile of Home Buyers and Sellers, pp. 96, 102.
[20] Audrey Ference, Who Pays the Real Estate Agent When You Buy or Sell a Home (Realtor.com, August 22, 2017). Elizabeth Weintraub, Who Pays the Commission to the Real Estate Agent (the balance, January 11, 2021). Tara Struyk, Who Pays the Real Estate Commission?(Investopedia, December 31, 2020).Lydia DePillis, The internet didn't shrink 6% real estate commissions but this lawsuit might (CNN Business, May 15, 2019). Cody Tromier, The Ins and Outs of Real Estate Commissions (UpNest, undated).MasterClass, How Real Estate Commissions Work (June 8, 2021). Aceable, Who Pays the Commission (2023).
[21] Matt Levin, How the Realtors' legal settlement could change the buyer-agent relationship (Marketplace, March 18, 2024).Or as University of southern California economist Kevin Fields put it, the commission is "baked into most listing prices." Alexis Keenan and Dani Romera. The hefty commissions home sellers pay to real estate agents may soon disappear (yahoo/finance, November 18, 2023).

ultimately pay through higher purchase prices."[22] We also know that a common response of many listing agents whose seller clients ask why they have to compensate both their agent and the buyer agent is, "the buyer agent commission is included in the sale price."

Thus, today buyer agent commissions are usually financed by buyer mortgages, as buyers pay for them in higher home prices. But they are done so implicitly with no real opportunity for either sellers or buyers to negotiate this compensation. The challenge then becomes how to make this expense explicit and negotiable, which would greatly increase the chances of lowering the costs to buyers overall. If buyer agent commissions were removed from the sale price, that would not increase lender risk. In fact, if buyers negotiated lower commissions, the amount they needed to get financed could be reduced, thus promoting affordability.

BUYERS NEED THE OPTION OF FINANCING BUYER AGENT COMMISSIONS

It would be perfectly sensible to permit buyers to finance their commission through their mortgage if they chose, paid out of the proceeds at closing. Such a solution would reduce the up-front closing cost that buyers need to have available in cash, which is what most critics of decoupling have focused on. Today most buyers do not have the option to explicitly include buyer agent commissions in their mortgages. Loans supported by federal agencies and the GSEs, which comprise a large majority of all loans made to first-time home buyers, either prohibit or limit this inclusion or would increase loan-to-value ratios that already average 95 percent for these buyers.[23] To date, NAR has publicly resisted considering the removal of these barriers in ways that would not increase lender risk.

However, some industry leaders have urged NAR to pursue this option, and there is evidence that NAR is doing so privately.[24]

---

[22] DOJ, Statement, loc. cit., p. 6.
[23] Bing Bai, Jun Zhu and Laurie Goodman, A Closer Look at the Data on First-Time Homebuyers (Urban Institute, May 2015).Ann Schnare, Amy Crews Cutts, Vanessa Gail Perry, Be Careful What You Ask For: The Economic Impact of Changing the Structure of Real Estate Agent Fees (May 11, 2022).
[24] NextHome CEO James Dwiggins has stressed the importance of mortgage financing. His comments on the litigation were written up by industry leader and columnist Bernice Ross in the article "Exemplary agents will see commissions grow: NextHome CEO," published by Inman on November 3, 2023. In an earlier Inman article (August 9, 2023) -- "What's next if NAR loses those bombshell lawsuits" -- Ross had proposed the idea herself. The new American Real Estate Association is already publicly calling on Fannie Mae to raise concession limits so agent commissions can be financed. Taylor Anderson and Marian McPherson, An anticipated settlement still shocks the real estate industry (Inman, March 18, 2024).

In the future, the industry will face increased pressure to provide buyers the option of financing their commissions. To discourage future litigation, industry leaders have embraced the idea of mandatory buyer agency contracts.[25] The NAR settlement would require all buyer agents to use contracts. But their use will only be helpful, if they require buyer agents to use clear and easily understood disclaimers that explain to clients that they are legally obligated to pay agents the compensation agreed upon in the contracts. Today, because of the mandatory compensation rule, this conversation practically never occurs. In fact, many buyers never sign buyer agency agreements.[26]

As long as commissions are coupled – i.e., listing agents are required to offer specified compensation to buyer agents – buyer agents often can avoid any discussion of their compensation and, if asked, respond that their commission is paid by the seller. Yet, if the litigation is settled by prohibiting these offers, buyer agents will be forced to raise the subject with buyers and, in many instances, negotiate commissions below current 2.5-3.0 percent levels. One widely-read real estate expert asks, why couldn't some commissions be as low as $500?[27]

The extent of buyer agent willingness to be flexible on compensation will have a strong effect on the number of buyers who bypass these agents and work directly with listing agents. In a more price-competitive marketplace, the listing agents, working as facilitators (i.e., dual agents or transaction brokers), would find it difficult to charge seller and buyer a 5-6 percent commission in a double-ended sale. However, these sales would be less likely to occur, and buyer brokerage would be more likely preserved, if buyers could easily finance agent compensation through mortgages that were no larger than current loans.

There remains the concern that it will take time for the laws of economics to work to strip buyer agent compensation from listed home sale prices. There are ways, though, to hasten this process. All lenders, especially the GSEs and federal regulatory agencies, could make this issue a priority. Among other measures, they could try to distinguish between loans where buyers directly compensate their agents and loans where sellers provide a credit that is added to the sale price. Mortgage lenders could be required to report if buyer commissions were financed and, if so, how. Moreover, buyer agents receiving direct compensation from clients could use this fact in negotiating sale prices with listing agents.

---

[25] Melissa Dittmann Tracey, How Buyer Agreements Boost Your Value, Fend Off Claims (Real Estate News, May 5, 2023). NAR chief legal officer Katie Johnson quoted in a Real Estate News article written by Graham Wood (November 15, 2023).
[26] We have know of no reliable estimates of this percentage yet have seen estimates as low as 30 percent.
[27] Rob Hahn, Free Markets Work: Thoughts on Agent Compensation Post Apocalypse (Notorious R.O.B., February 29, 2024). This article and Mark Nadel's (loc. cit.) represent the most perceptive pieces on how industry compensation systems could evolve.

DURING THE TRANSITION TO FINANCED COMMISSIONS, THE MARKET IS LIKELY TO ADAPT

Both the residential real estate and mortgage industries have strong incentives for homes to be sold. When forced to abandon current practices, they are likely to innovate and be more flexible about accepting new practices. In its recent Statement, DOJ stated its opposition to multiple listing services including any specific seller concessions about buyer commissions on MLS property listings. Yet, DOJ also approved individual buyer requests to sellers to provide commission-related concessions.[28] After any uncoupling, we would be surprised if agents and brokers did not seek to preserve the industry culture of "cooperative commissions" with listing agents seeking commission-related concessions from their clients. After all, most Realtors work with some clients as listing agents and with others as buyer agents, so have an interest in preserving these concessions.

Over time, this "cooperation" is likely to erode as more sellers, especially in seller markets, refuse to provide compensation for buyer agents and as many buyers negotiate for lower buyer agent commissions or decide to work with listing agents, who as dual agents or transaction brokers, would facilitate sales.[29] Moreover, since MLSs will no longer be allowed to make available information on buyer agent commissions, discounters and flat rate brokers would be empowered.[30] Even traditional Realtors would feel marketplace pressure to lower rates. That pressure lowered the typical buyer commission rate to one percent in parts of New York City.[31]

Other innovations are likely to occur.[32] We would not be surprised, for example, if groups of agents emerged to serve the market of first-time home buyers. These agents would have detailed knowledge of all government and non-profit subsidy programs and would charge lower rates in the expectation of higher sales volumes. We would also not be surprised if HUD-certified housing counseling agencies play an even more important role in assisting first-time home buyers.

---

[28] DOJ, Statement, loc. cit. This opportunity was also discussed in a Urban Institute report: Laurie Goodman, Ted Tozer, Alexei Alexandrov, More Competition in Real Estate Broker Commission Negotiations Will Lower Costs for All (November 14, 2023).
[29] The marketplace transition will likely also include buyer brokers asking listing brokers to add their commission to the sale price of the property then include that amount as a concession, thus allowing the commission to be financed. But buyer brokers must also argue, in any negotiation, that their commission has already been baked into the listed price.
[30] Discounters and flat-rate firms would no longer have to worry as much about buyer agents refusing to show their properties. In its first decade Redfin, the most prominent discounter, charged lower seller and buyer agent rates but then was compelled by traditional buyer agents to increase offered rates. Freed to a large extent from this pressure, Redfin could continue to charge lower listing agent commissions then seek to negotiate lower buyer agent compensation if needed. Timothy Lee, Redfin set out to change real restate. Then real estate changed Redfin. (Vox, August 10, 2015).
[31] Brobeck, Diverse Real Estate Commissions, loc. cit.
[32] See Hahn and Nadel, both cited earlier.

Consequently, at the same time that viable lower-commission options developed, the industry would have the opportunity to work with agencies to remove barriers to the financing of (likely lower) buyer agent commissions.[33] Regulators, Realtors, lenders, and consumer and housing advocates – who are committed to sustainable homeownership – should work together to find practical solutions to this challenge. The GSEs and federal housing agencies in particular should make this issue a priority to greatly ease the transition to a new residential real estate marketplace.

These government agencies should consider providing the following assistance.

- Allow home buyers to finance buyer agent commissions while also ensuring that buyers no longer pay these commissions in home sale prices. One industry proposal would involve the GSEs and housing agencies guaranteeing a loan amount that is 2.5 percent above any appraised value to the extent that those funds are used exclusively for the payment of any non-recurring closing costs.[34] We prefer 2.0 percent but think this proposal merits serious consideration.
- Provide greater financial assistance to HUD-certified housing counseling agencies and first-time home buyer programs. These programs are now limited in scope yet have the great benefit of providing impartial advice not influenced by the industry incentive to sell property. Government agencies should explore allowing reasonable fees charged for such programs to be included in mortgages To the degree such programs reduce lower lender risk, that could limit or eliminate their net costs.
- Commit to providing information to consumers, especially first-time home buyers, about how to deal with a changing residential real estate marketplace. State real estate regulators, which already distribute information to home buyers and sellers, can also play a useful role here.

CONCLUSION: UNCOUPLING IS LIKELY TO YIELD SIGNIFICANT NET BENEFITS TO CONSUMERS

A more competitive decoupled marketplace would create more agent options and demand more attention from consumers. Yet this attention is likely to be rewarded. The most conservative published estimate of annual consumer savings is $20-$30 billion, and there

---

[33] Federal agencies already allow for some seller concessions and lender credits that could be used to finance part or all of buyer agent commissions. For Federal Housing Authority (FDA) loans, that concession can range up to six percent. Bernice Ross, NAR's $418M settlement throws and wrench at the MLS. So now what?(Inman, March 19, 2024).
[34] Proposal communicated by Ed Zorn, legal counsel to the nation's largest MLS, to CFA in December 2023.

are reasons to believe that these savings would be widely shared and not accrue disproportionately to purchasers of expensive properties. Research has shown, for example, that there is no consistent correlation between housing prices and commission rates.[35] In fact, in New York City those in middle-income areas typically are charged lower rates than those in high-income areas.[36]

The marketplace would also be more rational and fairer. The buyer who themself finds an available property would be charged much less than one who requires an agent to search dozens of properties over many months. The seller who overprices a property, forcing their agent to work especially hard to find a buyer, would be charged more than one who accurately prices a property or underprices it in order to sell quickly. Experienced agents who know how to efficiently facilitate the sale or purchase of properties would be able to charge more than agents who recently received their license. But the latter would typically charge less so consumers involved in relatively simple sales transactions may choose to work with them. Furthermore, the extremely high ratio of agents to listed properties would likely decline, increasing average agent competence and easing pressure on agents and brokers to maintain high commission rate levels.[37]

A major challenge of the transition from a fixed-rate to a competitive market will be ensuring that buyer agent rates, now baked into list prices, be made explicit and negotiable. When buyers are permitted to include buyer agent commissions in their mortgages, the marketplace and regulatory agencies, including the GSEs, will help ensure that this occurs. In the interim, most first-time home buyers will be able to request and obtain concessions from sellers that help cover additional closing costs. And some of these buyers will not need the concessions to purchase a home. Half of first-time home purchasers have annual incomes above $90,000, nearly half currently receive gifts or loans from family or friends that help afford the purchase, nearly one-third use funds from the sale of a previously owned property, and there are a wide variety of government and private programs that help cover closing costs.[38] Today's high housing costs are driven by many factors, and if the non-competitive cost of real estate commissions can be lowered by any amount it will be

---

[35] Stephen Brobeck, The Relationship Between Home Prices and Real Estate Commission Rates (July 18, 2022). This analysis of buyer agent rates in more than 17,000 home sales in 31 cities found that there was no consistent relationship between home prices and commission rates. In ten cities, rates were so uniform that meaningful comparisons could not be made.In five cities, rates were fairly similar for all housing price categories. In eight cities, higher-priced homes tended to carry higher commission rates than did lower-priced homes. In only eight cities did higher-priced homes tend to carry lower commission rates.

[36] Brobeck, Diverse Real Estate Commissions, loc. cit.

[37] Brobeck, Surfeit (July 2023), loc. cit. The report of investment banking firm Keefe, Bruyette & Woods predicts that one million agents will quit. Debra Kamin, 4 Ways a Settlement Could Change the Housing Industry (New York Times, March 15, 2024).

[38]Na Zhao, Characteristics of Home Buyers: Special Study for Housing Economics (National Association of Home Builders, October 2, 2023). James Chen, First-Time Homebuyers: Definition and Assistance Programs (Investopedia, July 29, 2023).

incrementally helpful. In a more price-competitive marketplace where buyer agent commission rates are two percent, for example, the additional closing costs on the purchase of a $200,000 home would be $4,000, rather than the $6,000 in a typical transaction today — a cost that still gets passed on to buyers in the sales price.

An annual average of 10 million consumers have either sold or purchased homes in the past decade. Of this number, fewer than two million annually have been first-time home buyers, with a much smaller number being unable to afford higher closing costs if mortgage financing is not available.[39] All these consumers will benefit from a lower-cost and transparent marketplace where prices are more closely aligned with service quality. Yet, especially in the near future, we must prioritize the needs of first-time home buyers with limited resources to allow them the opportunity of homeownership. This report has suggested a number of ways the potential negative effects of changes in broker compensation could be mitigated.

[39] The percentage of home buyers who are first-time home buyers – those who have not owned a first home in the past three years– has ranged over the past decade between about 30 and 40 percent. NAR, Profile, loc. cit., p. 18. In the past decade, the annual number of home purchase loans originated for first-time buyers ranged from about one to two million.Kristin Wong and Logan Herman, Market Snapshot: First-Time Home Buyers (Consumer Financial Protection Bureau, March 2020).