

# Here Are My Thoughts About the Media Coverage of the Recent NAR Settlement

It has been interesting to observe how the mainstream media has covered the recent \$418-million settlement involving the National Association of Realtors (NAR). In addition to the monetary settlement (which can be paid out over a four-year period), NAR agreed to end its rule requiring the inclusion in MLS listings of the compensation offered to brokers representing buyers.

It should be obvious by now that there is little understanding by the media and the public of why that rule exists and how it *benefits* sellers by incentivizing other brokers to show and sell their homes.

It's not a unique concept. Cruise lines and resorts, among others, offer incentives to travel agents to get them to promote their cruises and resorts, etc. Car dealers pay auto brokers who produce a buyer who otherwise wouldn't visit their showrooms. (That's how I bought my 2012 Chevy Volt back when I needed help finding that brand new model. I couldn't have found the sole dealer who had a Volt in transit to Denver without my broker's help. The dealer paid my broker, I didn't.)

Similarly, offering a commission to other members of the MLS is how listing agents maximize the exposure of their sellers' homes to the buying public. That exposure is enhanced by the fact that every consumer-facing website, like Zillow, downloads listings from the MLS.

## Expect End-of-Quarter Tesla Deals, Like I Got

On March 31st a few years ago I got \$15,000 off the price of my Tesla because of a push to increase quarterly sales. With EV sales declining, I expect that will be the case this week. Even without a last-minute sale, you can buy a Model Y (my favorite) right now for under \$37,000, because the \$7,500 federal incentive is taken off the price at the time of purchase. Colorado will give you another \$5,000 credit on your taxes. Use my referral link, <http://ts.la/james6985> to earn awards on software and connectivity.

That website won't have the end-of-quarter deals, however. For that you have to visit the **Tesla store near I-70 and Peoria** to ask about such deals on in-stock cars — and they have lots of in-stock cars there. The address is **11951 E. 33rd Avenue**. Provide my referral code verbally to get those special extras.



The public and the media have long quoted 6% as the “standard” real estate commission — as have discount brokerages offering super-low listing commissions, adding in small print, “plus co-op commission to buyer’s agent.” That misstatement is compounded now by some media claiming that 3% is the “standard” co-op commission paid by sellers to the agents representing buyers.

Worse, some media have been reporting that NAR *mandates* the supposed 6% commission, which is not at all true. Neither is it true that a 3% co-op commission was ever mandated, merely that *some* offer (as low as \$1 or zero) had to be included in every MLS listing.

A reader sent me an analysis produced for one of the Federal Reserve branches, which really got me laughing. Here's an excerpt from that analysis:

Solving Eq. (38) for  $W_t$ , we obtain

$$W_t = \frac{\theta}{1 - (1 - \theta)\beta} \left( \int_0^t V_t(u) dF(u) - x_t \right) = \frac{\theta}{1 - (1 - \theta)\beta} \left( \int_0^t [(1 + u)^{-1} - X_t] dF(u) + \int_0^t [(1 + u)^{-2} - X_t] dF(u) - x_t \right), \quad (42)$$

where the second line uses (41).

The purpose of the study was to calculate the reduction in agent earnings and the gain in social benefit if the “standard” 6%/3% system were modified. Not factored in at all was the time spent by listing or showing agents on clients who never sell or never buy.

My July 20, 2023, “Real Estate Today” column carried the headline, “*Unlike Most Professionals, Real Estate Agents Work for Free Most of the Time.*” In it I made the following observation: “As it is, the average member of the National Association of Realtors earns less than \$50,000 in gross commission income per year — before accounting for car, phone, MLS fees, Realtor dues, computer hardware & software, E&O insurance, and more.”

Business doesn't come to most agents without working at it. They do prospecting such as cold calls, publish community newsletters in their “geographic farm,” hold open houses that may generate no sale or new client, etc. Myself, instead of prospecting, I spend as much or more time writing this column, which I then *pay* to have published in 23 weekly newspapers plus the *Denver Post*. As my favorite quote at the bottom of each ad says, I

“concentrate on giving and let the getting take care of itself.”

Our free moving truck is also about giving, not getting. Every *successful* real estate agent finds ways to give to their communities.

Yes, on occasion I will get an easy payday — a buyer comes to me with a specific home to buy, I write the offer and close the transaction. Bingo! But that only makes up for the great amount of work I do serving other buyers and other sellers plus those members of the public who ask for advice or a home valuation and never grant me the opportunity to earn a pay check. I don't resent that at all — it's part of giving, knowing I'll be compensated in other ways. *Being of service makes me happy.* (Call me anytime!)

Too many people enter our profession under the same illusion that I have described above, namely that real estate is an easy path to great wealth. They watch TV shows about million-dollar listings, or they see me driving my Tesla and other agents driving their BMWs and Mercedes. But we are the exception.

The “conventional wisdom” is that real estate is a high-paying career. Keep in mind that NAR membership is optional, so agents willing to pay roughly \$500 per year in Realtor dues can be considered the ones who take the business seriously. Yet many NAR members hold second jobs or are supported by their spouses because they can't make ends meet solely from their real estate income.

The following excerpt from the 2022 survey of NAR members should explain why, given members' low *gross* earnings (i.e., before deducting expenses):

*Realtors with 16 years or more experience had a median gross income of \$80,700 — down from \$85,000 in 2021 — compared to Realtors with 2 years or less experience that had a median gross income of \$9,600 — an increase from \$8,800 in 2021. The largest*

*expense category for most Realtors was vehicle expenses, which [averaged] \$1,710.*

It's fair to say that the 80/20 rule applies as much to real estate agents as it does to other professions, although I think it's closer to 90/10. Namely, 10% of us earn 90% of the money. Golden Real Estate's broker associates and I are in that 10% because we work hard *and smart and* give back to our community.

Too often, new agents spend a year spinning their wheels, making cold calls and spending \$10,000 or more on tools of the trade only to end the year with one or no transaction, so *most of them give up*, having lost that investment and wasted a year of their professional life. It's really sad to observe.

It takes time to get established in the real estate profession. My broker associates and I long ago passed that tipping point and renew our licenses when they expire, unlike most first-year agents.

Agents who work with buyers are upset about the part of the settlement which removes buyer agent compensation from MLS listings starting in July (assuming the court approves the settlement). But a March 20 *Wall Street Journal* article describes how *buyers are getting off the fence before rules requiring them to pay their own agent take effect*. That makes sense to me. If that's true, it also makes sense that *now is a good time for potential sellers to get off the fence and list their homes for sale*.

## How Will the NAR Settlement Play out for Buyers & Sellers?

Not having co-op commissions on the MLS will require agents to talk to each other before submitting offers to find out what compensation, if any, is being offered to the buyer's agent. I discuss that and other effects of the settlement in the posting of this article at <http://RealEstateToday.substack.com>, where you can ask me questions.

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“Concentrate on giving, and the getting will take care of itself.” —Anonymous

