

Indiana perspective on the real estate commission lawsuits

Jennifer Parham – Indiana Association of REALTORS®

If you have plans to buy or sell a home in Indiana this spring or summer – first of all, congratulations! As a REALTOR®, there's nothing more exciting than handing a buyer the keys to their first house or helping a homeowner make the most of their decision to move. Working with a professional is critical when it comes to the life-changing choices and complex financial considerations involved in homeownership.

Many of you might have seen the headlines about a proposed settlement between the National Association of REALTORS® and the plaintiffs in several national lawsuits over real estate commissions. No Indiana associations or brokerages were involved, but as a past, present or future client, you may be wondering what the settlement means to you.

Unfortunately, the announcement provided a platform for misinformation about how REALTORS® are paid, and we want to set the record straight.

Real estate broker compensation is and has always been negotiable; these lawsuits focused on “cooperative” commissions offered on MLS marketplaces. If you've bought a home, you know it's common (not mandatory) for brokers representing sellers to pay the buyer's broker, a move that can help close a deal while helping buyers avoid another out-of-pocket cost when cash is especially tight.

These cooperative offers were attacked as an unfair practice on MLSs. After the settlement is approved, buyers, sellers and their brokers will still have the ability to negotiate compensation offers outside the MLS, like closing costs or other conditions of a purchase agreement.

But coverage of the settlement has often skipped over these specifics to focus on sensationalized claims that inflated commissions drive up home prices.

Common sense tells us the larger challenges to affordability have nothing to do with real estate compensation, considering a national and statewide housing shortage, mortgage rates that doubled from 2021 through 2023 and inflation that's driven up homebuilding costs and eaten away at homebuyers' savings.

Across Indiana we've seen a fifty percent decline in the number of homes for sale on an average day since 2018...and our median home sale price has surged from less than \$160,000 to more than \$240,000 in those five-and-a-half years.

It doesn't take an economist to see supply and demand driving price, not real estate brokers simply being paid for our work.

And in fact, Indiana REALTORS® have been working overtime fighting for new housing supply, including historic levels of state investment in residential development and infrastructure financing for new housing projects. We've continued the push for property tax relief as well, building on the constitutional tax caps that have already saved Hoosier homeowners billions of dollars.

Indiana's REALTORS® have even taken the lead in making compensation more transparent for consumers. REALTORS® endorsed a state requirement for written agreements between real estate brokers and homebuyers; when Governor Holcomb signed it into law earlier this month, Indiana gained a head start on a major change called for in the NAR settlement.

This means that after July 1st, Hoosiers who work with a real estate broker to find and purchase a home will have another document to sign – but they'll also understand clearly and in writing what to expect from their broker, the broker's legal and fiduciary responsibilities, their compensation and how it can be paid.

We're pushing another important priority in Washington DC: Ensuring that the terms of the settlement don't hold back homebuyers from pursuing Federal Housing Administration or Veterans Administration loans while being represented by an expert.

As national headlines take a backseat to local market insights, Hoosiers can always count on knowledgeable service and high ethical standards from their REALTORS®. We're proud to serve as the bridge between real people and real estate, with expertise you can't find in a set of online search results and a shared commitment to our communities as neighbors and taxpayers.

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