

VETERANS VA HOME LOANS UPDATE

Effective August 17, 2024, the the National Association of Realtors® (NAR) has reached a settlement in a class action lawsuit that resulted in changes to **Buyer Broker Fees** in real estate transactions. Here's how that could affect Veterans and service members using VA's home loan benefits.

What are the changes?

The settlement will require two big changes in how buyers and sellers are negotiating services from a buyer's agent:

1. When agents list homes on the Multiple Listing Service (MLS) platform, they will no longer be able to include the buyer's agent's compensation. The MLS is the listing program that buyers' brokers and listing brokers use to share information about properties for sale.
2. Buyers will be required to enter into written agreements with realtors® before touring a home, and the agreement must include terms about their own agent's fee.

Why does this change matter for Veterans using the VA-guaranteed home loan benefit?

Historically, Veterans could not pay buyer-broker fees when purchasing a home with a VA-guaranteed loan. In June, [VA announced an update](#) to help ensure that Veterans using the VA-guaranteed home loan benefit remain competitive buyers. Specifically, eligible Veterans, active duty service members and surviving spouses who use their VA home loan benefits can pay for certain real estate buyer-broker fees when purchasing a home as of Aug. 10, 2024. This update was intended to ensure VA's programs continue to promote access to homeownership.

What this means for homebuyers

- Homebuyers will now be required to sign a written agreement with their agent before touring a home. This contract must explain the buyer-broker fee, as negotiated by the homebuyer and the agent, and the specific services that will be provided by the agent.
- The buyer's written agreement must include the following four components regarding the buyer-broker fee:
 - A prominent disclosure of the amount or rate of compensation the real estate agent will receive and how this amount will be determined.
 - Compensation must be objective (e.g., \$0, X flat fee, X percent, X hourly rate) and not open-ended.
 - A term that prohibits the agent from receiving compensation for brokerage services from any source that is over the amount agreed to with the buyer.
 - A prominent statement that broker fees and commissions are fully negotiable by the homebuyer and agent involved and not set by law.

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- The seller may agree to offer compensation to your agent, but the offer cannot be shared on the MLS. Buyers may also ask sellers to pay the buyer's agent's compensation, even if the seller's agent did not advertise seller-paid compensation on a platform other than the MLS.
- Buyers can still accept concessions from the seller (up to 4% of the appraised value of the property), such as offers to pay closing costs. Also, because buyers' agents cannot receive compensation over the amount negotiated with their client, any seller-paid offers of compensation higher than the amount negotiated by the buyer may be negotiated as a seller concession to defray the buyer's closing costs.

What this means for home sellers

- Sellers can offer compensation to buyer brokers. However, the seller's agent must clearly disclose and document the seller's approval of the payment, or offer, that will be made to the buyer brokers.
- This compensation amount cannot be included on the MLS listing. The seller's agent may advertise the listing on other social media, flyers, and websites other than the MLS platform.
- Sellers can still offer buyer concessions (up to 4% of the appraised value of the property), such as offers to pay closing costs.

What can Veterans do?

When finding an agent to work with, make sure to ask questions about compensation and understand what services are included. It is also your right to negotiate the fees prior to signing a written contract. You should work with your agent to understand how the [VA-guaranteed home loan benefit](#) applies to your situation, with the full range of choices when both buying or selling a home.

VA remains committed to providing guidance and policies that ensure Veterans are not disadvantaged in the homebuying or selling process. VA will continue to monitor how the settlement affects the real estate market and keep Veteran buyers competitive in the housing market.