ECONOMICS OF BUYING A HOME

HOW REAL ESTATE BROKER COMPENSATION WORKS BENEFITS BUYERS AND SELLERS ALIKE

The current way brokerage services are paid prevents a greater cost burden that would be especially devastating for first-time and low-income home buyers.

If buyers had to pay real estate broker compensation directly, it would add thousands of dollars to an already costly transaction.

The typical American household has an average of $5,300 in the bank*.

That’s a third of the median down payment on a starter home, which is $16,100 or 7% for first-time homebuyers**.

Since most lenders don’t allow real estate broker compensation to be financed, every 1% of broker commissions that first-time buyers pay out of pocket would put their home $2,300 further out of reach.

*Bankrate inflation-adjusted data from the Federal Reserve 2019 Survey of Consumer Finances

** In 2021, median downpayment was 12% for all buyers, 7% for first-time buyers, (NAR 2020 Profile Home Buyers and Sellers report). Actual dollar amounts based on national median starter home price in Q1 of 2020 according to NAR Q1 First-Time Homebuyer Affordability Index