

NAR Settlement Financing FAQs

Last Updated: April 16, 2024

1. What are interested party contributions?

- Fannie Mae, Freddie Mac, and the FHA specify limits on how much a seller or broker can contribute to the buyer to pay for services typically paid by the buyer. These payments are called interested party contributions (IPCs).

2. Is compensation paid by a seller or listing broker to a buyer broker considered an IPC?

- No. Cooperative compensation is considered a fee that is “customarily” or “traditionally” paid by the seller, and FHA, Fannie, and Freddie Mac exclude these types of fees from the IPC calculation.

3. Does the recently announced NAR settlement change that? Is compensation paid by a seller or listing broker to a buyer broker now an IPC?

- The settlement would preserve the choices consumers have regarding real estate services and compensation. After the new rule goes into effect, listing brokers and sellers could continue to offer compensation for buyer broker services, but such offers could not be communicated via the MLS.
- Based on our interpretation of current guidance that Fannie Mae, Freddie Mac, and FHA provide on this point, we do not expect compensation paid by a seller or listing broker to a buyer broker to become an IPC.

4. So does the settlement change access to mortgages for buyers?

- No. Under the settlement, buyers still have the same options when it comes to compensating their real estate representatives. That is, the listing brokers can compensate the buyer broker, the seller can compensate the buyer broker, or the buyer can compensate their broker directly.
- Based on our interpretation of current guidance, buyers should still be able to get financing from Fannie Mae, Freddie Mac, and the FHA under these scenarios.
- NAR [wrote](#) to Fannie Mae, Freddie Mac, and the FHA seeking confirmation of our interpretation. In a letter to NAR, [FHA confirmed](#) that this interpretation does hold.
- Likewise, [Fannie Mae](#) and [Freddie Mac](#) published explicit confirmations that commissions for buyer brokers paid by the seller would not count against the buyer.
- However, none of these agencies will allow the buyer to finance a commission into the mortgage at this time.

5. What about VA loans and the prohibition on buyers paying commissions directly?

- NAR recently submitted a letter to the Department of Veterans Affairs (VA) urging them to revise its policies pertaining to fees veterans cannot pay when using their VA home loan benefit.
- NAR specifically calls on the VA to allow their buyers to compensate their representative directly, which is currently prohibited under their policies. The letter stresses the importance of professional representation for veterans in the purchasing process, and outlines the potential consequences for VA buyers in situations where compensation is not offered from a seller.
- NAR wants to ensure veterans maintain their access to the VA home loan program, which has been a significant tool in helping service members achieve the American dream of homeownership, and we remain committed to working with the department to create solutions for those who served out country.

6. Can real estate commissions be financed?

- Financing commissions is not feasible under the current structure of the residential mortgage finance system, and there is no clear short-term legislative or regulatory fix.
- Banks would treat such a loan as a personal loan that would have higher rates and they would limit access to those loans to borrowers with better credit profiles. Furthermore, that personal loan would add to the buyers' liabilities and make it harder to qualify for the mortgage they are seeking.
- Fannie Mae, Freddie Mac, and FHA do not allow commissions to be added to the balance of the mortgage. Simply put, investors will only lend against the asset they can take back and sell in a foreclosure. An investor would not be able to take back and sell the commission for a service like real estate brokerage.
- Finally, there are significant limits to adding commissions to the mortgage rate. Several rules that make up the foundation of mortgage finance would need to be changed by the regulators and Congress. Those rules took years to develop, implement, and refine, and changing them could take years, potentially a decade or more.

7. What is NAR doing to promote access to financing for home buyers?

- As noted above, IPCs do not currently affect the availability of financing and that is not expected to change.
- NAR is working with our partners in the lending community to gain greater clarity on guidance from the agencies and to maintain the steady flow of funding for closing home purchases.
- NAR also continues to advocate for policies that could benefit potential homebuyers and expand opportunities for Americans to achieve homeownership.