

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. The agencies exclude fees “traditionally” or “customarily” paid by the seller from the IPCs.

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.
- NAR is working to get verification on this point.

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 is working to verify that this interpretation will hold. 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?

- The VA has not addressed whether it will change its requirement prohibiting VA buyers from paying the commission.
- NAR has engaged with the VA on this issue, and we remain committed to working with the VA so that veterans are not left out of the market or forced to consider alternative loan products.

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.