

NAR Announcement Day Talking Points

- Today NAR announced a proposed settlement agreement that would end litigation of claims brought on behalf of home sellers related to broker commissions.
- Throughout its history, NAR has evolved to adapt to the ever-changing real estate landscape. This settlement represents a pivotal moment for the association and the real estate industry, and I have full confidence in NAR's ability to evolve once more to do what is needed to lead its members for years to come.
- There was no perfect option for resolving this litigation. This settlement will bring changes for all of us, but this resolution also means we can continue to do our jobs.
- Since the litigation began, NAR has worked consistently to reach a resolution with the plaintiffs. In the months since the *Sitzer-Burnett* verdict, our leaders redoubled those efforts.
- You can imagine that reducing the significant strain on our members and provide a path forward for the industry has always been a focus.
- Two critical achievements of this resolution are the release of most NAR members and many industry stakeholders from liability in these matters and the fact that cooperative compensation remains a choice for consumers when buying or selling a home.
- The settlement, which is subject to court approval, makes clear that NAR continues to deny any wrongdoing in connection with the Multiple Listing Service (MLS) cooperative compensation model rule (MLS Model Rule).
- A few key details of the settlement agreement are as follows:
 - The agreement would resolve claims against NAR, over one million NAR members, all state/territorial and local REALTOR® associations, all association-owned MLSs, and all brokerages with an NAR member as principal that had a residential transaction volume in 2022 of \$2 billion or below.
 - For nearly all brokerage entities that had a residential transaction volume in 2022 that exceeded \$2 billion, and for MLSs not wholly owned by REALTOR® associations, NAR also secured in the agreement a mechanism to obtain releases efficiently if they choose to use it.
 - NAR fought to include all members in the release and was able to ensure more than one million members are included. Despite NAR's efforts, agents affiliated with HomeServices of America and its related companies — the last corporate defendant still litigating the *Sitzer-Burnett* case — are not released under the settlement, nor are employees of the remaining corporate defendants named in the cases covered by this settlement.
 - Under the terms of the agreement, NAR would pay \$418 million over approximately four years.
 - In addition to the financial payment, NAR has agreed to put in place a new MLS rule prohibiting offers of broker compensation on the MLS.
 - Offers of compensation could continue to be an option consumers can pursue off-MLS through negotiation and consultation with real estate professionals. And sellers can offer buyer concessions on an MLS (for example—concessions for buyer closing costs) via the MLS provided that such concessions are not conditioned on the use of, or payment to, a buyer broker.
 - This change is expected to go into effect in July of this year.

- Further, NAR has agreed to enact a new rule that would require MLS participants working with buyers to enter into written agreements with their buyers.
 - Using buyer brokerage agreements will mandate what we have long encouraged our members to do — enter into written agreements that help consumers understand exactly what services and value will be provided, and for how much.
 - This change is also expected to go into effect in July of this year.
- The decision to settle was not made lightly.
- Throughout the settlement process, our leaders engaged with a diverse range of members and stakeholder groups and considered their perspectives and interests while fighting to protect all industry players as best they could.
- NAR explored settling throughout the litigation and also carefully considered the other legal options available to us. These included:
 - **Appealing:** A win on appeal would only have addressed the verdict in the *Sitzer-Burnett* case (not any of the copycat cases) and may only have resulted in a new jury trial, leaving members and consumers with continued uncertainty.
 - **Chapter 11 reorganization:** In theory, Chapter 11 would have enabled NAR to eliminate its own liabilities while pursuing an appeal of the *Sitzer-Burnett* verdict. But we believe that would have left members with continued uncertainty and potential liability risk. Chapter 11 would also have paused the litigation against NAR but not the other defendants in the cooperative compensation cases.
- Ultimately, NAR leadership believe this was the best outcome we could achieve in the circumstances.
- The large settlements that other corporate defendants have already reached were important factors going into what NAR could achieve in this settlement.
- Nothing about this settlement changes NAR’s commitment to lead our industry forward and support our members.
- As mentioned, the settlement is subject to court approval. That is a process that we expect will take several months or longer, and in large class action settlements like this one, objections and opt outs are common. NAR will advocate for court approval throughout this process.