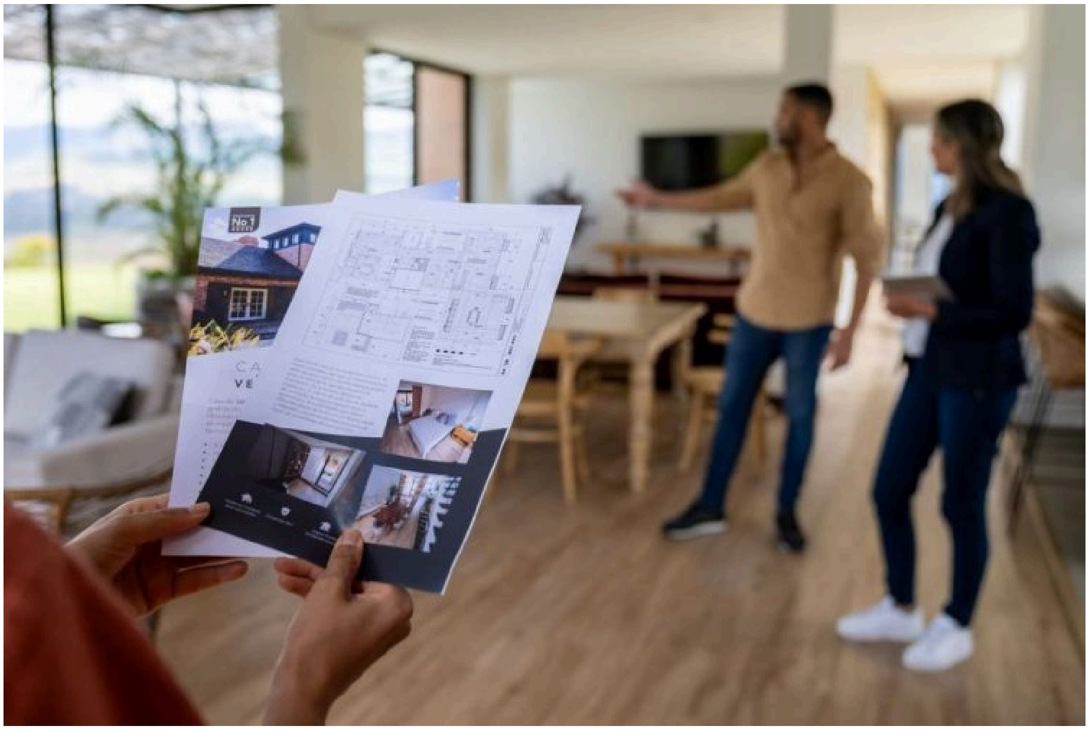
ANALYSIS: FULL 'DECOUPLING' WOULD CUT COMMISSIONS IN HALF

Boston College economics professor Gi Heung Kim tells RISMedia he was "surprised" at the theoretical impact of fully disconnecting buyer and seller commission payments.

By Desirae Sin October 2, 2025 Reading Time: 6 mins read



The U.S. real estate market is one of the largest in the world, and it remains a profitable industry for brokers. But broker incentives can lead to concerns over steering buyers and high rates, something that has been highlighted by academics, law enforcement and consumers.

In 2024, the Department of Justice (DOJ) called for "decoupling" in real estate commissions through its intervention in one of the earliest commission lawsuits, known as Nosalek v. MLS Property Information Network (PIN). The case involved the Massachusetts-based MLS agreeing to changes that would include $0 commission offers to buyer agents and inform consumers that commissions are negotiable.

In September, **the case finally settled**—which stops listing brokers from putting offers of buyer compensation on the service, aligning with the separate National Association of Realtors®' (NAR) deal—after significant pressure from the DOJ.

But this does not actually accomplish the DOJ's stated goal. Decoupling has been a point of contention for a long time, as sellers traditionally offer a portion of their broker's commission to the buyer's broker. Decoupling would mean that buyers and sellers paid their respective agents or brokers, rather than the seller or seller's agent compensating the buyer broker.

Gi Heung Kim—an assistant professor of economics at Boston College—published a **working paper** detailing the impact broker incentives have had on the market earlier this year.

"The debate over decoupling broker incentives has focused on whether it will effectively lower commissions and whether it could harm certain groups of buyers and sellers in the process," the report states.

Notably, Kim's paper was cited by the Federal Reserve in its **recent analysis of real estate commissions** post-settlement, which offered a mixed assessment of the NAR settlement policy changes as it examined commissions more broadly. It was also used as a reference in filings by recent homebuyers in the **Batton class-action lawsuit**, who allege NAR rules inflate commission and housing costs for buyers.

Speaking to RISMedia via email, Kim said that the results of the analysis suggested decoupling could have a very large impact.

"I was not surprised that decoupling would reduce total commissions, but I was struck by the magnitude of the effect. The analysis suggests a potential 50% decline in consumer commission payments, which is an effect much larger than I initially expected," he said.

About 90% of buyers and sellers in the U.S. use brokers. But **home prices have slowed down** in growth this past summer, falling behind inflation and possibly impacting commission rates.

"In theory, sellers can negotiate on commissions. In practice, sellers are often pressured to meet the 'going' rate for buyer's brokers to ensure timely sales. The rate for buyer's brokers becomes the reference point for the seller's broker rate, as both brokers typically expect equal payment. Consequently, brokers are often reluctant to negotiate their rates," Kim's report states.

Although his analysis used data from before the settlement, Kim tells RISMedia that he doesn't believe the new policies are enough to shift these practices and drive down commissions, pointing to other recent studies showing that commissions did not fall after the settlement.

"There are just so many workarounds for brokers to ask for compensation from sellers," he said.

By the numbers

Using data from home sales in Riverside, California, from 2009 to 2015, Kim found that "sellers offering less than 2.5% commissions to buyers' brokers experience worse sales outcomes across all specifications. In the most saturated specification, the effect of a low commission is a four percentage point (pp) decrease in sales probability, equivalent to an 11% decrease."

He also found that based on his economic analysis, two aspects change under decoupling. First, the seller's broker cannot offer a commission to the buyer's broker, thus preventing steering. Second, because the seller's broker no longer needs to offer a portion to the buyer's broker, their own profit increases.

"In the presence of buyer brokers' steering motives, decoupling necessarily lowers sellers' payments by more than half. However, the magnitude of the decrease depends on the strength of buyer brokers' steering motives," Kim wrote in the report.

Yet, to predict the equilibrium effects and how buyer brokers will set their commissions and the impact on house prices, Kim splits the problem into supply and demand.

On the demand side, he examines how buyers choose their broker and how they jointly decide on a house to purchase.

"For buyers, decoupling offers two main benefits. First, it reduces conflicts of interest. Under the current practice, brokers may steer buyers toward homes with higher commissions or encourage up-selling," Kim tells RISMedia. "Second, with lower market-wide commissions, sellers will pass fewer costs into transaction prices, potentially reducing purchase prices for buyers."

As for the supply side of the equation, Kim considers the homesellers and their brokers.

"Sellers also stand to benefit through lower total commission payments. The main adjustment burden falls on brokers, at least in the short run," he said.

All parties try to maximize their own benefits. Sellers want the lowest possible commission rate with the highest probability of a sale. Buyers consider a home's appeal and are influenced by their brokers.

"It is clear that consumers benefit under decoupling, but the distinction between 'buyer' and 'seller' surplus becomes blurred. In the long-run, this implies that part of the 'buyer' surplus gains may be captured into house prices and transferred to 'sellers,'" the report states.

Decoupling and eliminating broker incentives could have further equilibrium effects, according to Kim.

Equilibrium effects refer to impacts beyond the initial buyer-seller relationship. Kim considers the fact that the buyer may eventually become a seller later on, and the initial seller could have been buying another property as well.

"In housing markets, buyers become sellers and sellers become buyers," Kim states in the report. "As more transactions occur, more sellers will exit the market (decrease in market supply or low inventory) and those sellers will then become buyers (increase in market demand), further pushing up prices."

Based on his findings, Kim suggests that the results of his research are indicative of a short-run effect. In the short-term, he argues that the competitive nature among sellers will apply to the first few "generations" of sellers, as they would view lower commissions as a negative and compete to lower prices.

But the market would gradually reach an equilibrium, one with higher house prices as more transactions occur. Kim agrees that consumers benefit from decoupling but that benefit may be negated further down the line as those buyers eventually become sellers. He argues that in the long run, whatever gains the buyer may get from decoupling could potentially be captured by sellers through house prices.

In practice

One of the studies Kim references is the report, "**Measuring the Impact of the NAR Settlement**," from researchers David Zhang and Jeff Duarte at Rice University. The study analyzed two major class-action lawsuits in 2019—Moehrl v. NAR and Burnett v. NAR—and found that the settlements had only a modest to low impact on real estate commissions.

Despite these results from Rice University's study, Kim believes broker practices should change and claims that he's not alone in this opinion.

"This has been an old problem/debate since 2007 when the (Federal Trade Commission) took a closer look at the brokerage industry," he said. "U.S. home sellers pay two to three times more in commissions than other countries, and lowered commission could not only increase (the) number of houses traded (but also) lower house prices through passthroughs."

Kim concludes with the notion that decoupling could benefit market efficiency and improve surplus, at least on the consumer side. He also speculates that although brokers may suffer in the short-term after decoupling—as opposed to maintaining high commissions—it could instill a stronger market with long-term longevity and make home prices more attractive to buyers.

"Increased competition may ultimately strengthen the industry by rewarding higher-quality agents and discouraging low-quality practices in the long run," Kim said.

*For the full report, **click here**.*

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