

U.S. Justice Department Challenges Real Estate Settlement



The U.S. Justice Department has urged a federal judge in Boston to dismiss a proposed consumer settlement, asserting that it fails to adequately shield home buyers and sellers from practices within the real estate industry that allegedly inflate broker fees.

Disputed Settlement Terms

In a recent filing, the Justice Department contested the terms of the agreement between a consortium of home sellers and MLS Property Information Network (MLS PIN), a regional database featuring thousands of homes for sale in New England. The proposed settlement, which includes a \$3 million payment, was criticized for effecting only superficial changes that would perpetuate persistently high broker fees.

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Industry Scrutiny and Legal Challenges

The Justice Department's intervention underscores a broader legal battle over industry practices, particularly the controversial "buyer broker" rule. This rule mandates sellers to offer a broker commission to list their homes, with commissions often reaching 5% to 6% of a home's sale price. Recent lawsuits, including one in Missouri where a federal jury awarded \$1.8 billion in damages to home sellers, have highlighted concerns about inflated commissions and potential anticompetitive behavior by brokers.

MLS PIN Settlement Amendment

The settlement under review seeks to modify the buyer-broker compensation rule on the MLS PIN platform, allowing sellers to offer zero-dollar commissions. However, the Justice Department argues that this alteration is insufficient as it still involves sellers and listing brokers in setting compensation for buyers' brokers, perpetuating the issue.

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Justice Department's Proposal

The Justice Department proposes prohibiting offers of buyer-broker compensation altogether, rather than merely adjusting the amount offered. The crux of the matter, according to the government's legal team, lies in whether sellers should have any role in setting buyer-broker compensation.

Legal Implications and Pending Approval

While the Justice Department's stance carries weight, the ultimate decision rests with the Boston judge overseeing the case. The proposed settlement must obtain court approval before implementation.

The case, titled *Jennifer Nosalek et al v. MLS Property Information Network et al*, is currently before the U.S. District Court for the District of Massachusetts, with case number 1:20-cv-12244-PBS.

Don't be a silent ninja! Let us know your thoughts in the comment section below.

