

FIRSTCLOSING

Answers for the first time homebuyer

Q: I have heard that Realtor's have many different functions. What exactly does that mean?

A.: There are several types of agency relationships, various ways that you as a buyer will relate to your real estate agent. The traditional agency relationship or brokerage is the seller's agent or seller's broker. Although this is what has been traditional in the past, Buyer's now have more choices. Buyer's can now be represented. For years agents owed their fiduciary duty to the seller. They totally represented the seller, and attempted to get the seller the highest price possible with the most favorable terms. They were obligated to offer no insight into the Sellers motives. You had no idea of what made the sellers tick. The agent was totally obligated to the sellers. Agents totally represented the sellers. However, they could not misrepresent or knowingly mislead the buyers. Buyers are always entitled to be treated honestly and fairly. Buyers, however, had no representation. There were no choices. Buyers assumed that just because they had spent hours with an agent, had be chattered around viewing houses, and sharing their financial history with the agent that they were being represented. They felt that the agents had their best interest in consideration and were their consultant. After all, how could the agent be working for the seller, when in many cases he or she had not even met the seller? If, the buyer had not permitted the agent to sell them the house, no sell would take place. This would lead one to believe that the agent must be working in the best interest of the buyer. Wrong! It sounds logical, however, it is not. For years buyers have not been aware that everything that they have told the agent regarding their intentions for a prospective house must be share with the seller. For example, if you saw a house that was listed for \$150,000, and you made an offer for \$140,000 but told the agent that you would be willing to pay as much as \$147,000 the agent was legally and financially obligated to divulge this information to the seller. Surprised? Most people are.

Many real estate agents felt a conflict of duty representing the seller, especially when they shared a rapport with the buyer and had developed a friendship. Think of it, it's difficult to ride in a car with a person for hour after hour for weeks at a time without developing some sort of bond. Sellers realized this. They were bothered by this closeness. The seller paying the commission was not as much an issue as was the question of the agent's loyalty. Recently buyers have been given the choice of representation. The buyer may elect to have a Buyer's agent also known as Buyer's brokerage.

A Buyer's agent or brokerage will entitle the buyer to receive representation. The agent will owe his or her fiduciary duties to you, no the seller. This means that if the agent is aware of any circumstances such as lost of job, divorce, sickness, foreclosure, or any mishap occurring in the seller's life that may make him or her disparate for a quick sale it must be divulged to you. This information will give you more leverage. If you are aware of any circumstances then you will make your offer to purchase the property accordingly. If you were interested in a \$90,000 house and found out that the sellers were divorcing you would realize that maybe you could offer \$75,000. Although you are willing and financially able to pay the full asking price of \$90,000, you like everyone else is looking for a bargain. Why not offer \$15,000 less? I can think of



Roslyn Lash

15,000 reasons why you should!

There are several ways that an agent can be compensated. A Seller's agent owes his or her fiduciary duties to the seller and can only be paid by the seller. A Buyer's agent owes his or her fiduciary duties to the buyer, and can be compensated by either party. If a buyer approaches an agent and desires this agent to be a Buyer's agent, the buyer can request to only see houses that sellers have agreed to pay the agent's commission. In this case the agent will work in the best interest of the buyer, but the seller is actually paying the commission. Why would a seller pay the commission for a buyers' agent? Because the seller wants exposure. The seller wants the house shown. The seller wants the house sold!

A buyer can also choose to compensate the agent. In many cases, the agent will only show houses that the seller has agreed to pay the commission. If, however, the buyer finds a houses that he or she likes and the seller has not agreed to pay then the buyer must sign a written statement agreeing to reimburse the agent. The typical commission ranges from 5% to 7%, however it is possible for it to be higher. This fee is negotiable. The type of brokerage that you select should be decided immediately after your initial introduction to the agent.

There are cases in which an agent may act as a dual agent. In this situation the agent is representing both the buyer and the seller. The agent is obligated to advise each party. The agent must receive written approval from everyone being represented. This situation should if possible be avoided. This situation could be potentially non advantageous. After all, who can serve two masters? The real estate profession is a very ethical profession. We have had many hours on the importance of good ethics, and are constantly have training to reinforce this important issue. As with any profession, there are unethical people. Those who are out to take advantage of any unsuspecting client. That is why you must take it upon yourself to be as consumer savvy as possible.

There is also a relatively new type of brokerage known as Discount Brokerage. This type of brokerage is an arrangement between the agent and the buyer. The buyer is compensated for doing most of the work that the agent normally performs. The buyer is given assess to the MLS information. For example, the agent will give the buyer a listing of the available houses in the area that are within the Buyer's price range. The buyer is responsible for beating the pavement. The buyer must contact the listing agent to verify the status of the property. It is important to verify the state of the property. It is always possible that the house has been taken off of the market, or that it is under contract. Once it has been determined that the house is available, you must schedule appointments, view the houses, present the offer, negotiate the price of the property, schedule for inspections, contact the lender, locate an attorney, conduct the final walk through, and make sure that all that should be done, is actually completed. You will usually receive up to 50% of the agent's commission. If you need assistance, your commission will be decreased. For each action that the agent must perform a small portion of your commission is taken. It usually is not a significant amount, but the more activities that are performed the less your commission. You must check with the agent in advance to find out the fees. Also, ask the agent for references. This is a newer form of brokerage, and you need to know how much time is going to be involved, and approximately how much commission you will receive. Buyers who are well versed in the concepts of real estate, and who has some knowledge of the market trends of their community should use this form of agency.

Roslyn S. Lash is a licensed real estate agent with nearly 10 years of experience. If you have any questions or comments, please email her at realtyselct@yahoo.com or call 336 655.5701 and your questions will be addressed in an upcoming issue.