

## STUDENT MANUAL



# Accredited Buyer's Representative (ABR®)

OFFICIAL DESIGNATION COURSE



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Center for REALTOR® Development

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## Introduction

### **WELCOME**

Are you ready to take the next step in your career and join the ranks of the best in buyer representation? By completing this course, you will begin building your skills and knowledge and communicating professional excellence to buyers.

For many years, real estate was practiced in a way that allowed agency relationships to be extended only to sellers. Any REALTOR® who brought a buyer to the table was actually working as a sub-agent to the seller. This all began changing in the 1980s, when buyer agency started gaining momentum in residential transactions. Today, agency laws still vary from state to state, but by taking the Accredited Buyer's Representative (ABR®) course, you are preparing to professionally represent buyer-clients in real estate transactions and provide the quality of service and degree of fidelity to buyers that sellers have customarily enjoyed.

Today is an opportunity to create your own success and improve your service and professionalism. This course is the first step in earning a valuable market distinction as an Accredited Buyer's Representative (ABR®) and a member of the Real Estate Buyer's Agent Council (REBAC). With almost 35,000 members, REBAC is the world's largest organization of professionals who specialize in representing buyers in residential real estate transactions.

**When you complete your Accredited Buyer's Representative designation course, you'll:**

- ▶ Understand and demonstrate your value to today's buyer.
- ▶ Acquire the skills and resources to succeed as a buyer's representative in a dynamic real estate market.
- ▶ Help buyers find the right property at the right terms and price in both buyer's and seller's markets.

## **WHAT YOU WILL LEARN**

### **MODULE 1:**

#### **THE VALUE AND ROLE OF THE BUYER REPRESENTATIVE**

- ▶ Recognize how a buyer-broker relationship is legally formed.
- ▶ Understand your duties and responsibilities as a buyer's representative.

### **MODULE 2:**

#### **THE BUYER COUNSELING SESSION**

- ▶ Conduct a successful counseling session that educates the buyer, builds trust, and leads to a signed buyer representation agreement.
- ▶ Articulate your value proposition to the buyers - what you do - how you do it and why it is important to them.

### **MODULE 3:**

#### **THE BUYER REPRESENTATION AGREEMENT**

- ▶ Be able to explain the benefits of buyer representation agreements and why the buyer benefits by signing.
- ▶ Have scripts and strategies for explaining compensation - how we get paid and who pays us - to your buyer clients.

### **MODULE 4:**

#### **SEARCH SHOWING SELECTION PROCESS**

- ▶ Identify ways to manage a buyer's expectations by using active listening strategies and creating a Home Buyer's Checklist.
- ▶ Show properties in a manner that presents clients with the best opportunity to view properties and purchase a desired property.
- ▶ Follow federal, state, and local fair housing laws when selecting and showing properties.

## MODULE 5: OFFERS AND NEGOTIATIONS

- ▶ Assist your client in formulating an informed and competitive offer based on objective valuation tools.
- ▶ Guide your client through the process of presenting an offer and negotiating with the seller to get the best possible outcome.

## MODULE 6: FROM CONTRACT TO CLOSING

- ▶ Explain the immediacy of contingencies to clients and outline the mortgage application process.
- ▶ Guide your client through the home inspection and appraisal process.
- ▶ Ensure that your client knows the different types of required insurance and understands the closing process.

## MODULE 7: PUTTING IT ALL TOGETHER

- ▶ Understand and apply strategies for success as a buyer's representative.
- ▶ Apply troubleshooting scripts to respond to buyer concerns.
- ▶ Utilize the pro tips and tools to ensure success as a buyer's representative.

## ACTIVITIES AND CLASS PROCEDURES

This course incorporates a variety of activities designed to involve students, such as role plays, exercises, and discussions. Students are strongly encouraged to ask questions and engage in class discussions and group exercises. The range of experience levels offers a rich opportunity for learning from your peers. Your active involvement enriches the learning experience for yourself and others.

## KNOWLEDGE BASE FOR THE COURSE

Presentation of the course assumes that participants have a foundation of knowledge of certain real estate principles and laws.

### REALTORS® CODE OF ETHICS

From time to time, course content refers to articles and standards of practice of the REALTORS® Code of Ethics. It is assumed that students know how to apply these principles in day-to-day business conduct.

### AGENCY REPRESENTATION

As the course is presented, issues involving client representation—sellers and buyers—will be discussed. As with application of the Code of Ethics, real estate professionals may encounter circumstances that appear to blur the lines of client responsibility. The course will examine how to remain true to agency representation principles, as defined by your state's real estate laws, in sensitive situations.

## BECOME AN ABR® DESIGNEE

Becoming an Accredited Buyer's Representative (ABR®) designee is a multiple-step process requiring elements of active membership, continuing education, and real-world experience. To obtain and use the ABR® designation, you must complete all four (4) requirements:

1. Successful completion of the 2-day Accredited Buyer's Representative (ABR®) designation course, including an 80% passing grade on the exam when completing an online course (only in states that require this for CE). After you complete this course you will have 3 years to complete the other ABR® designation requirements.
2. Successful completion of one of the ABR® elective courses. This course may be taken prior to completing the Accredited Buyer's Representative (ABR®) designation course.
3. Five (5) completed transactions in which you acted solely as a buyer's representative (no dual agency). Any transactions closed prior to taking the Accredited Buyer's Representative (ABR®) designation course or closed within 3 years after completing the Accredited Buyer's Representative (ABR®) designation course are eligible for credit.
4. Maintain active and good membership status in the Real Estate Buyer's Agent Council (REBAC) and the National Association of REALTORS®. *Exception:* International members of REBAC do not have to be members of NAR.

**If you are an international REALTOR® member applying for this designation, please keep the following in mind:**

- ▶ The ABR® designation, initials, or logo may not be used until all designation requirements have been completed, and written notification has been received that the designation has been officially awarded. Misuse will cause the summary termination of membership.
- ▶ All annual International REALTOR® Membership dues and fees must be paid to remain an ABR® designee in good standing.
- ▶ If the primary place of real estate business is not located in the United States or its territories, membership with an association outside of the U.S. that is a party to a Bilateral Cooperation Agreement with NAR (“Cooperating Association”) must be maintained.
- ▶ The Code of Ethics of NAR, or of the Cooperating Association, must be upheld.
- ▶ Any misuse of the ABR® designation, violations of the bylaws or Code of Ethics, or the commission of criminal or other unlawful activity, may result in the termination of ABR® designee status.

**MAINTAIN ACTIVE MEMBERSHIP IN BOTH NAR AND REBAC.**

Participants who successfully complete the ABR® designation course will receive a free year of membership in the Real Estate Buyer’s Agent Council (REBAC). Second year dues will be \$110, prorated on when you completed the course. Third year dues and every year thereafter will be \$110.

Please visit [ABR.realtor](http://ABR.realtor) to stay up to date on all things ABR®.

## REBAC MEMBER BENEFITS

Through REBAC, real estate professionals can hone their skills in representing the needs of home buyers in real estate transactions and earn the coveted Accredited Buyer's Representative (ABR®) designation. Research has proven that real estate education helps agents grow their business. In addition to providing comprehensive training in buyer representation, REBAC helps its members maintain their superior skills and develop their business opportunities through a variety of member benefits listed below.

### ABR® NETWORKING AND REFERRALS

- ▶ **ABR® Facebook Networking Group**  
Join ABR® designees across the U.S. and Canada in sharing industry tips and trading referrals.
- ▶ **Online Referral Database**  
Use the Find an ABR® directory on ABR.realtor, which lists almost 35,000 ABR® designees to refer well-qualified ABR®s in other areas.

### MARKETING MATERIALS

- ▶ **Postcards/Flyers**  
Customizable through the REBAC Print Shop.
- ▶ **ABR® Brochures**  
Showcase the benefits of using a buyer's representative.
- ▶ **Facebook Profile Frame and Cover Photos**  
Spruce up your business page and show your clients that you are an ABR® with branded profile picture frames and cover photos.
- ▶ **Closing Leave Behinds**  
Make a lasting impression with your buyer-clients with a custom gift that congratulates them on their new home purchase.



## TOOLS FOR WORKING WITH BUYERS

- ▶ **Consumer Videos**  
Explain buyer representation and the benefits of using an ABR® designated agent with these consumer-oriented shareable videos.
- ▶ **One-Sheets**  
Free, printable handouts on topics to address in a buyer-counseling session or while working with buyer-clients.
- ▶ **Home Buyer's Toolkit**  
A 10-step quick-reference guide is available for your use.
- ▶ **Home Buyer's Seminar Guide**  
Step-by-step guide on how to host your own home buyer seminar.

## PUBLICATIONS

- ▶ **Today's Buyer's Rep**  
REBAC's monthly membership newsletter featuring timely issues, events, and member benefit updates.
- ▶ **TBR Hotsheet**  
Weekly scan of online stories and resources delivered by email.

## OTHER RESOURCES

- ▶ **Buyer Representation Sessions**  
Education sessions and networking opportunities at the annual National REALTORS® Conference and Expo.

## A NOTE ABOUT TERMINOLOGY

This course tries to define unfamiliar terms. The program aims to use objective language throughout. A glossary of terms used in this course and additional resources for working with buyer-clients can be found in the Resources section at the end of this manual.

## PROTECT THE REALTOR® TRADEMARK

It is important to use the REALTOR® name and logo appropriately in your dealings with clients and customers and according to the rules outlined by NAR. The following guidelines provide a brief overview—check the Membership Marks Manual at <https://www.nar.realtor/membership-marks-manual> for complete details.

- ▶ The term REALTOR® has one, and only one, meaning:
  - REALTOR® is a federally registered collective membership mark which identifies a real estate professional as a member of the NATIONAL ASSOCIATION OF REALTORS® and subscribes to its strict Code of Ethics.
  - The single most important rule governing the MARK is that it may only be used to convey this meaning and never used to convey another meaning.
- ▶ Members are licensed by NAR to use one or more of the MARKS in connection with, or in reference to, themselves and their real estate businesses.
- ▶ A non-member is never permitted to use the term REALTOR® or REALTOR-ASSOCIATE® adjacent to their name on a business card or anywhere else, even if employed by or affiliated with a firm that is permitted to use the term REALTOR®.
- ▶ MARKS may be used by a member on merchandise, news releases, but not in institutional advertising.
- ▶ The same rules apply to the use of MARKS on the internet.



The ABR® designation course is a great resource for building the skills and knowledge you need to be successful as a buyer’s representative. This course will help you find the winning combination for your marketplace, your business, and your personal style.

## LEARNING OBJECTIVES

After learning the material in Module 1, you should be able to:

- ▶ Recognize how a buyer-broker relationship is legally formed.
- ▶ Understand your duties and responsibilities as a buyer’s representative.

## KNOWING YOUR VALUE, YOUR BUYER

To become a successful buyer’s representative, you must first identify your worth. Today’s home buyers have access to more information than ever before, so they must see clear value in using a real estate professional. It’s your responsibility to demonstrate your value during all phases of the home-buying process.

We begin by looking more closely at who you are to your client and what your client needs from you.

YOU ARE THE BUYER'S ADVOCATE

Buying a home is a complex process involving a major financial commitment. For most people, it is the largest single purchase they will make in their lifetime.

Beyond the financial commitment, homeownership is an important milestone in a buyer's life. It is an expression of lifestyle, and the place that shapes their family life for years to come. With so much at stake, buyers want a trusted guide who can help them make good decisions and minimize risks. As the buyer's advocate, you owe the client fidelity and expert fiduciary duty in all transactions. Clients appreciate knowing your commitment to them.

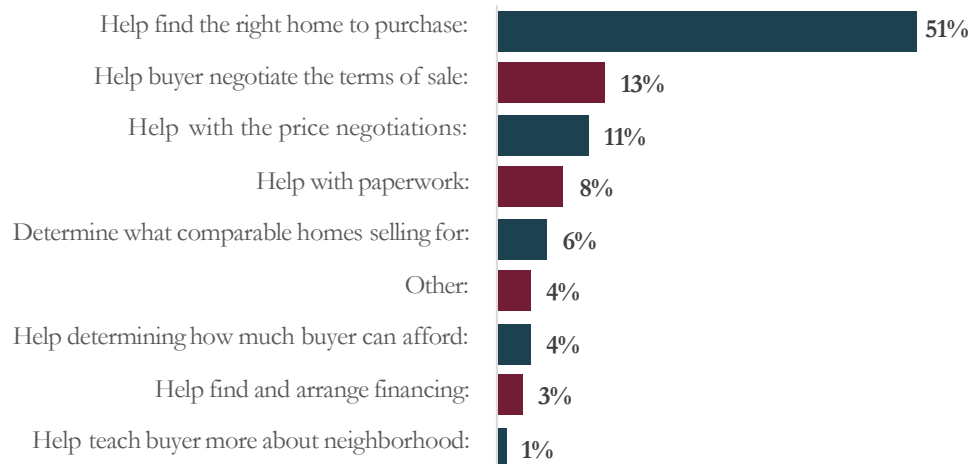
As a buyer's representative, you are on the buyer's side, which means finding them the right property at the best price and terms, guiding them through the home-buying process, protecting their interests, and safeguarding confidential information. You are serving the buyer.

KNOW WHAT BUYERS VALUE

As an experienced real estate professional, you know that getting the process right is crucial, but there is more to putting a transaction together than following the letter of the law. Buyers' representatives find success by matching their services to buyers' motivations, concerns, and needs. If you are in the buyer representation business, you provide services, information, knowledge, and guidance for compensation.

Knowing how best to serve the buyer is also knowing what the buyer wants from you. The services that buyers feel benefit them the most from their broker include help understanding the process, help finding and evaluating homes, and negotiating the terms of sale.

Figure 1.1 What Buyers Want Most from Real Estate Agents<sup>1</sup>



<sup>1</sup> 2021 National Association of REALTORS® Home Buyers and Generational Trends, p. 69

Of course, real estate is also fundamentally about relationships. In addition to providing great services, buyers also want to work with someone they can trust. Buyers across all age groups name the same three factors as most important when choosing an broker:

- ▶ Honesty
- ▶ Experience
- ▶ Reputation

Remember, these three factors are directly developed and controlled by you.

## KNOW HOW BUYERS SEARCH FOR HOMES TODAY

Do you ever feel like you’re competing with the latest website or app? An overwhelming amount of information is now available to consumers.<sup>2</sup> In fact, research tells us that nearly every buyer today uses the internet to search for homes: close to 100% of those ages 22 to 55. If home buyers have all this information available, why do they need us?

Actually, the abundance of information makes your guidance and experience more important than ever. Sorting out what is timely, valid, and valuable challenges even the savviest consumers. NAR research shows that, on average, buyers spend about 3 weeks looking at properties online before contacting a real estate agent.<sup>3</sup>

But when they are ready to get serious about buying a home, buyers seek out expert guidance to help them find the right home and navigate the process. You are the expert they are seeking.

**Figure 1.2** Information Sources Used in Home Search

	AGE OF HOME BUYER						
	All Buyers	24 to 32	33 to 42	43 to 57	58 to 67	68 to 76	77 to 97
Real estate agent	86%	87%	83%	84%	87%	88%	86%
Mobile or tablet search device	73	84	86	77	70	49	54
Online video site	40	26	30	45	51	40	41
Yard sign	39	41	42	36	35	39	39
Open house	28	31	30	29	25	27	36
Print newspaper advertisement	12	9	11	12	8	21	14
Home builder	9	8	8	9	8	11	17
Home book or magazine	7	4	7	7	8	7	8
Billboard	2	2	3	2	1	3	2
Television	2	1	3	2	1	1	6
Relocation company	2	1	2	2	1	*	3

The internet has not replaced you; in fact, the number of buyers who purchased their homes through real estate agents grew from 69% in 2001 to 86% by 2023.

<sup>2</sup> 2021 National Association of REALTORS® Home Buyer and Seller Generational Trends, p. 57

<sup>3</sup> 2021 National Association of REALTORS® Home Buyer and Seller Generational Trends, p. 52

## KNOW HOW BUYERS FIND AGENTS

So how do buyers go about finding agents? As in most businesses, personal relationships matter. In fact, relationships may matter even more in the real estate industry, where every offer, every negotiation, and every closing centers around interpersonal relationships. Most home buyers find their agent through word of mouth—through personal referrals.

**Figure 1.3** How Buyer Found Real Estate Agent by Age<sup>4</sup>

	All Buyers	24 to 32	33 to 42	43 to 57	58 to 67	68 to 76	77 to 97
Referred by (or is) a friend, neighbor or relative	38%	50%	44%	36%	32%	34%	35%
Used agent previously to buy or sell a home	12	7	12	12	12	12	17
Inquired about specific property viewed online	10	9	7	13	11	11	6
Website (without a specific reference)	9	9	8	9	12	9	9
Saw contact information on For Sale/Open House sign	9	4	5	10	11	11	13
Referred by another real estate agent/broker	6	7	5	5	8	4	5
Personal contact by agent (telephone, e-mail, etc.)	5	5	6	4	3	5	6
Visited an open house and met agent	3	2	2	4	2	3	2
Walked into or called office and agent was on duty	2	1	1	3	3	4	2
Referred through employer or relocation company	1	1	4	1	1	*	2
Mobile or tablet application	1	1	2	1	1	1	*
Saw the agent's social media page without a connection	1	1	1	1	1	2	*
Crowdsourcing through social media/knew the person through social media							
Advertising specialty (calendar, magnet, etc.)	*	1	*	*	1	*	*
Direct mail (newsletter, flyer, postcard, etc.)	*	*	*	*	*	*	*
Newspaper, Yellow Pages or home book ad	*	*	*	*	*	1	*
Other	*	*	*	*	*	*	1
	2	2	2	2	2	2	1

Source: 2023 National Association of REALTORS® Home Buyer and Seller Generational Trends

For buyers under age 40, referrals are even more important: 50% of buyers ages 24–32 and 44% of buyers ages 33–42 found an agent through personal referrals.<sup>5</sup>

This means that not only do your interactions and relationships with every client matter, your interactions and relationships with other agents, and the people in the communities you serve matter as well. Who you are as a person determines your success in individual transactions as well as your success in getting future clients. In real estate, *you are your business*.

<sup>4</sup> 2023 National Association of REALTORS® Home Buyer and Seller Generational Trends, p. 68.

<sup>5</sup> Ibid.



## HOW THE BUYER–BROKER RELATIONSHIP IS FORMED

The buyer-broker relationship doesn't just happen; there's a process involved in which the relationship forms over time. Strong relationships are often built on strong first impressions, which is something you control—but it doesn't end there. Once you establish a good first impression, you must start building trust for a productive and ethical working relationship. This means discussing the legal aspects of the buyer-broker relationship. Next, we will look more closely at this process.

### Common mistakes real estate professionals make concerning the buyer contract discussion:

- ▶ Acting like a buyer's representative without clarifying the relationship.
- ▶ Avoiding discussing a representation agreement because they don't want to pressure a buyer into signing anything.
- ▶ Relying on their state's default agency position.
- ▶ Assuming buyers know you are “on their side.”
- ▶ Delaying signing a buyer representation agreement until the buyer is ready to make an offer.

These actions have many consequences, which are never beneficial for the broker. Performing client-level duties without full disclosure and, preferably, a signed agreement, opens the door for conflicts, misunderstandings, lost income, disloyal buyers, and potentially serious legal consequences.

Discussing the legal aspect of the buyer-broker relationship is crucial: you need to know the laws and policies that govern this relationship. Your relationship with a buyer-client and how you work together is determined by:

- ▶ **State Law:**  
State real estate laws regulate the relationships between brokers and clients. Some states assume that a real estate professional is the agent of the consumer with whom he or she is working unless the agent specifically states otherwise. Some states allow a non-agency transaction facilitator approach: the real estate professional helps a buyer and seller reach an agreement but does not represent either party as a client.
- ▶ **REALTORS® Code Of Ethics:**  
References to applicable Code of Ethics articles and standards of practice are noted throughout the course. You can learn more about the Code of Ethics at <https://www.nar.realtor/about-nar/governing-documents/code-of-ethics/2021-code-of-ethics-standards-of-practice>.

► **Office Policy:**

Within the parameters of state laws, your broker's business policies can specify the type of agency relationships the company offers.

## RESPECTING EXCLUSIVE AGREEMENTS

Although we will discuss the entire buyer consultation shortly, it is important to quickly determine whether the buyer is in an exclusive agreement with another brokerage firm prior to moving forward.

Ultimately, it's your ethical responsibility to make a reasonable effort in determining if the buyer has already signed an exclusive agreement with another agent or brokerage. Clarifying this at the beginning will spare you and the buyer potential problems down the line.

## AGENCY DISCLOSURE AND CONFIDENTIAL INFORMATION

Once you are sure the buyer hasn't signed an exclusive agreement elsewhere, you should make an agency disclosure consistent with state laws early in your interactions. Many states require the disclosure to provide a written explanation of all legal forms of brokerage relationships available to consumers, even if the brokerage does not offer all those options.

States may have different standards for the timing of disclosure, but to be most effective, the disclosure must take place before any substantive discussions about real estate needs and financial capabilities or before exchanges of confidential information.

In states that presume buyer agency (you are automatically the agent of the person with whom you are working), the explanation differs from that in states where the buyers must sign a representation agreement. Why is this discussion of agency so important? Brokers must caution prospects against sharing confidential information. It's important that you as the buyer representative are always current on your state's laws.

Far from being a legal formality or obligation, successful brokers view the disclosure process as another opportunity to strengthen their position with the buyer-client. Ultimately, disclosures solidify the fact that you as the buyer-broker have a fiduciary duty to look out for the best interests of your client. Expressing loyalty and trust builds strong and productive relationships. A disclosure agreement provides evidence of this.

## TYPES OF REPRESENTATION AGREEMENTS

As we've discussed already, the legalizing of a buyer-broker agreement varies by state law. You should know the specific laws applicable in your state, but you should also be aware of the various types of agreements. They fall into two general categories: express and implied.

### Express Agreements

An agency relationship may be in the form of an express agreement with both parties consenting to the agreement. Although agency agreements are usually written with the terms of the agreement spelled out, an express agreement can be made orally or by specific action. For example:

- ▶ Written
- ▶ Buyer representation agreement
- ▶ Listing agreement
- ▶ Right-to-lease agreement
- ▶ Property management agreement
- ▶ Oral or action
- ▶ Spoken, handshake agreement to represent a buyer
- ▶ Cooperating broker's acceptance of a listing broker's offer of subagency in a sale or leasing transaction

### Implied Agreements

According to the law in many states, when the licensee acts or speaks like an agent and the consumer relies on those statements and actions, the licensee and the consumer have formed an agency relationship. In these states, agency relationships can result even unintentionally, accidentally, or inadvertently regardless of the conduct of the parties, or their intent, description, or understanding of the relationship.

#### **Key facts to remember about implied agreements include:**

- ▶ An implied agency relationship may be created without the agent's knowledge as a result of the agent's actions and statements, thus causing the duties and obligations of agency to arise without the agent's consent.
- ▶ The conduct of the parties can create an agency relationship even if they have signed an acknowledgment denying the existence of such a relationship.

- ▶ The matter of implied agency is state specific. Please check your individual state licensing.
- ▶ Implied agency relationships may occur when a seller's broker works too closely with a buyer-customer and does not make the proper disclosures.

## COHESIVE BROKERAGE CULTURE

### CHECKLIST: ARE YOU IN SYNC WITH YOUR BROKERAGE?

If your state laws have implied agreements, or if the approach in your brokerage office is unwritten because, “everybody knows that,” asking the right questions may inspire development of written policies., which may benefit you and your colleagues.

#### **Ask your broker or office manager:**

- D What types of agency relationships do we offer and not offer?
- D Do we have a statement of agency policy?
- D What is the rationale for the company's agency policy?
- D What disclosures are required, when, and to whom?
- D Do we have standard disclosure forms?
- D Do we require exclusive buyer representation agreements?
- D What is the maximum number of buyer-clients an broker can work with at one time?
- D Is dual agency okay? Under what circumstances is it not?
- D Do we offer designated agency?
- D How are dual or designated agency implemented?
- D How should the real estate professional interact with the client or customer in each type of relationship?
- D What procedures are in place to ensure client confidentiality?
- D What procedures are in place regarding client data security?
- D How should the broker deal with contemporaneous offers?

## WHAT ARE YOUR DUTIES AND RESPONSIBILITIES?

The terms *client* and *customer* or *duties* and *responsibilities* may seem interchangeable, but there are important distinctions. Because the relationship between *client* and broker is legally binding even in an implied relationship, the broker has a duty to place the client’s interests before those of any other parties.

However, an broker’s duties to the client do not mean that the facts of a transaction or a property may be concealed from or misrepresented to a *customer*. REALTORS® have an ethical responsibility to treat customers honestly.

Real estate professionals work *for* clients and *with* customers. Remember, because so much of an broker’s business is spread through word of mouth, it’s in your best interest to treat everyone you come in contact with during the course of business fairly and respectfully.

*REALTORS® work for clients and with customers.*

**Handy ways to remember the difference are the words “old car” and “hard.”**

### **Duties to Clients**

**O**bedience

**L**oyalty

**D**isclosure

**C**onfidentiality

**A**ccounting

**R**easonable care and diligence

### **Responsibilities to Customers**

**H**onesty

**A**ccounting

**R**easonable skill and care

**D**isclosure of material defects

## DUTIES TO CLIENTS

Consider that as a buyer’s representative, what you are selling is your services—not homes—even though the outcome of your relationship is a new home for your buyer-client. How you go about fulfilling your duties is your value proposition.

Let’s recap client duties and how they relate to the REALTORS® Code of Ethics and to communicating your value to your buyers.

### Obedience

Follow all your client's lawful instructions. Do not make decisions for the client or exceed your authority.

▶ **Code of Ethics Article 1:**

When representing a buyer, seller, landlord, tenant, or other client as an agent, REALTORS® pledge themselves to protect and promote the interests of their client. This obligation to the client is primary, but it does not relieve REALTORS® of their obligation to treat all parties honestly. When serving a buyer, seller, landlord, tenant or other party in a non-agency capacity, REALTORS® remain obligated to treat all parties honestly. (Amended 1/01)

### Loyalty

Give your clients your undivided loyalty. The client's interests come first—before customers, service providers, or anyone else, including you.

▶ **Code of Ethics Article 1 (See Above)**

### Disclosure

Disclose affirmatively, fully, and honestly all information concerning the transaction and property that might affect the client's decisions.

▶ **Code of Ethics Article 2:**

REALTORS® shall avoid exaggeration, misrepresentation, or concealment of pertinent facts relating to the property or the transaction. REALTORS® shall not, however, be obligated to discover latent defects in the property, to advise on matters outside the scope of their real estate license, or to disclose facts which are confidential under the scope of agency or non-agency relationships as defined by state law. (Amended 1/00)

### Confidentiality

Do not reveal confidential information learned about clients or told to you by clients within the agency relationship.

▶ **Code of Ethics Article 1, Standard of Practice 1-9 (adopted 1/93, amended 1/01):**

The obligation of REALTORS® to preserve confidential information (as defined by state law) provided by their clients in the course of any agency relationship or non-agency relationship recognized by law continues after termination of agency relationships or any non-agency relationships recognized by law.



### ► **Maintain Confidentiality**

- Do not knowingly (during or following the termination of a client relationship) reveal confidential information about clients.
- Do not use confidential information to the disadvantage of clients or advantage of others, including yourself.
- Exceptions include: with the client's consent after full disclosure, compliance with a court order, prevention of a crime, or defense against an accusation of wrongful conduct.
- Be cautious when giving listing brokers feedback after a showing. Too much information could be harmful to your buyer. The negotiating process could actually start here.

### Accounting

Safeguard money and property held on behalf of the client. Maintain records and provide a prompt accounting, when requested, of money and property received and paid out.

#### ► **Code of Ethics Article 8:**

REALTORS® shall keep in a special account in an appropriate financial institution, separated from their own funds, monies coming into their possession in trust for other persons, such as escrows, trust funds, clients' monies, and other like items.

### Reasonable Care and Diligence:

Protect the client from foreseeable risks or harm. Recommend expert advice or assistance when the client's needs exceed the agent's expertise.

#### ► **Code of Ethics Article 1 (See Above)**

#### ► **Code of Ethics Article 13:**

REALTORS® shall not engage in activities that constitute the unauthorized practice of law and shall recommend that legal counsel be obtained when the transaction requires it.

## What Is Reasonable Care and Diligence?

- ▶ **Include approved protective clauses in the purchase offer:**
  - Explain the options for contingencies and protective clauses to include in the offer.
  - Advise the client on seller acceptance of or resistance to contingencies and protective clauses based on market conditions.
  - Advise the client that some protective clauses may require attorney review.
- ▶ **Prepare a comparative market analysis (CMA):**
  - Explain elements of the CMA to help the client make an informed purchase offer. (An in-depth discussion of the CMA takes place in Module 4.)
  - Ask clients to initial and date any CMAs you provide.
- ▶ **Provide home warranty information:**
  - Inform buyers that a home warranty is an option and explain warranty coverage and benefits.
  - Inform the buyer that the warranty may be a negotiable item and may be paid by the seller.
- ▶ **Provide information about issues affecting value or resale:**
  - Note aspects of the property that may impact value, such as lot size, dimensions, square footage, and shape.
- ▶ **Advise on additional charges and costs of ownership:**
  - Verify costs and charges (in writing), such as property taxes, impact fees, assessments, HOAs, local income taxes, and other cost factors that could impact a buyer's decision.
- ▶ **Obtain a property disclosure from the seller:**
  - Include a request for seller's disclosure as an offer condition.
  - Review the seller's disclosure with the buyer.
- ▶ **Have the buyer check on important issue:**
  - In accordance with state law, provide information on checking the sex-offender registry and crime statistics for the neighborhood.
  - Suggest that the buyer learn more about the neighborhood prior to making an offer.

▶ **Recommend inspections:**

- Present a list of the types of required and optional inspections such as environmental, radon, heating and cooling, roofing, well water, plumbing, septic systems, mold, insect or rodent, and structural.
- Advocate that needed repairs discovered during inspections be corrected at seller's expense.
- Remind clients that they are responsible for damage to the home done by an inspector.

▶ **Provide lists of other professionals:**

- Provide a list of options for a home inspector, title company, insurance company, pest inspector, appraiser, mortgage lender, and other services. Encourage clients to fully investigate their options.
- State that the selection of other professionals is the buyer's choice.

▶ **Provide sources of information for factors that could impact future value and salability:**

- Zoning and additional restrictions: uses allowed and disallowed in the property from zoning or homeowner association restrictions.
- Quality of title: research easements and restrictions that affect the quality of the title. A review and approval of easements and restrictions could be a contingency.
- Schools: provide information sources for school performance ratings. Even buyers without school-age children should consider how this data could affect resale value.
- Future development: if you are aware of future construction approved for the area, advise the client on how to research the plans.

▶ **Inform your client of possible negative influences:**

- Clients should be informed of negative aspects like nearby landfills, toxic waste sites, manufacturing plants, sports stadiums or other large venues, and agricultural operations that may result in odors, noise, nighttime illumination, traffic and parking problems, or other issues.

▶ **Inform your client about the sources of information:**

- Inform your client of the sources of information, especially if the information came from the seller or seller's representative and was not verified. Do not rely on verbal information from the seller or the seller's representative.

### Service Advantages of Representation

Providing a comparison of the services that a buyer gains by agreeing to work exclusively with you as agent can concretely illustrate your value. The Determining the Level of Service Desired checklist in this module provides an example.

## RESPONSIBILITIES TO CUSTOMERS

An agent's responsibilities to customers—Honesty, Accounting, Reasonable Skill and Disclosures—can be remembered as HARD, as in it can be HARD to work with customers because they want to be treated like clients. As you know, the Standards of Practice and Code of Ethics guides REALTORS® through every step of the process. A few specific examples are discussed next.

### Honesty

Do not make statements or take actions that can result in fraud or misrepresentation. Ensure all laws and regulations pertaining to the transaction are obeyed.

▶ **Code of Ethics Article 1:**

When representing a buyer, seller, landlord, tenant, or other client as an agent, REALTORS® pledge themselves to protect and promote the interests of their client. This obligation to the client is primary, but it does not relieve REALTORS® of their obligation to treat all parties honestly. When serving a buyer, seller, landlord, tenant or other party in a non-agency capacity, REALTORS® remain obligated to treat all parties honestly. (Amended 1/01)

### Accounting

Record money or property received and paid out and, upon request, provide an accounting. Safeguard money and property held on behalf of the customer.

▶ **Code of Ethics Article 8:**

REALTORS® shall keep in a special account in an appropriate financial institution, separated from their own funds, monies coming into their possession in trust for other persons, such as escrows, trust funds, clients' monies, and other like items.

### Reasonable Skill

Provide standards of practice and competence that are reasonably expected. Do not try to provide specialized professional services for a type of property or service outside your field of competence.

▶ **Code of Ethics Article 11:**

The services which REALTORS® provide to their clients and customers shall conform to the standards of practice and competence which are reasonably expected in the specific real estate disciplines in which they engage; specifically, residential real estate brokerage, real property management, commercial and industrial real estate brokerage, land brokerage, real estate appraisal, real estate counseling, real estate syndication, real estate auction, and international real estate.

### Disclosure of Material Facts:

Disclose material facts about properties. Disclose agency relationships and explain the difference between a customer and client relationship in a timely fashion so that customers can protect their own interests.

▶ **Code of Ethics Article 2: (See Above)**

## REALTORS® CODE OF ETHICS: ARTICLE 2

REALTORS® shall avoid exaggeration, misrepresentation, or concealment of pertinent facts relating to the property or the transaction. REALTORS® shall not, however, be obligated to discover latent defects in the property, to advise on matters outside the scope of their real estate license, or to disclose facts which are confidential under the scope of agency or non-agency relationships as defined by state law. (Amended 1/00)

**Figure 1.4** Determining the Level of Service Desired

Needs Assessment			
Buyer Not Represented		Buyer Is Represented	
D	Maintain Loyalty to the seller's needs.	D	Pay full attention to the buyer's needs.
D	Tell seller all that you learn about buyers.	D	Tell buyer all that you learn about sellers.
D	Focus on the seller-client's property.	D	Focus on expanding the range of choices to satisfy buyer's needs.
Property Selection			
Buyer Not Represented		Buyer Is Represented	
D	Get the best offer for the seller-client.	D	Find the best property for the buyer-client.
D	Limit properties to listed properties only.	D	Promote the buyer's search.
D	View new listings after buyer-client.	D	First opportunity to view new listings.
D	Show properties listed within buyer's affordability range.	D	All properties are available and viewable, and the sale price is negotiable.
Viewing Properties			
Buyer Not Represented		Buyer Is Represented	
D	Just the material facts.	D	Okay to give advice with facts.
D	Protect the seller. Cannot help the buyer compare competing properties.	D	Educate the buyer. Okay to compare competing properties.
Negotiating the Purchase and Sales Agreement			
Buyer Not Represented		Buyer Is Represented	
D	Disclose only material facts.	D	Give advice accompanied by facts.
D	Negotiate on behalf of seller-clients.	D	Negotiate on behalf buyer-clients.
D	Strengthen the seller-client's negotiating position.	D	Strengthen the buyer-client's negotiating position.
D	Share all information about the buyer.	D	Share all information about seller.
D	Volunteer a CMA for the buyer only if it supports the seller-client's listing price.	D	Provide price counseling for a buyer-client.
D	Negotiate approved sales contract protective clauses to safeguard seller-client.	D	Negotiate approved sales contract to safeguard buyer-clients.
D	Suggest buyer financing alternatives that benefit the seller-client's interests.	D	Suggest financing alternatives that may be in buyer-client's best interests.
D	Continue services to seller-client during negotiations.	D	Continue services to buyer-client during negotiations.
Follow-Up			
Buyer Not Represented		Buyer Is Represented	
D	Attempt to solve problems to the seller-client's satisfaction.	D	Attempt to solve problems to the buyer-client's satisfaction.

# Customer or Client? **What's the Difference?**

**If you are a  
CUSTOMER  
a broker will:**

- Maintain loyalty to the seller's needs
- Tell the seller all that they know about you
- Keep information about the seller confidential
- Focus on the seller's property

VS

**If you are a  
CLIENT  
a broker will:**

- Pay full attention to your needs
- Tell you all that they know about the seller
- Keep information about you confidential
- Focus on choices that satisfy your needs

Provide just the material facts	Provide material facts and professional advice
Only provide price information that supports the seller's listing price	Provide price counseling based on comparable properties and their professional insights
Protect the seller	Protect and guide you
Negotiate on behalf of the seller	Negotiate on your behalf
Attempt to solve problems to the seller's advantage and satisfaction	Attempt to solve problems to your advantage and satisfaction
<p><i>This chart is for general illustration purposes only. Agency laws vary by state, and specific terms of individual representation contracts will vary from one broker to another.</i></p> <p><i>Not every state requires a signed Buyer's Representation Agreement to establish representation (also called an agency relationship). In some cases, an agency relationship can be formed if both parties simply behave as if one exists.</i></p>	
<p>The Accredited Buyer's Representative (ABR®) designation is awarded by the Real Estate Buyer's Agent Council (REBAC), a subsidiary of the National Association of REALTORS® (NAR).</p>	
<p>To learn more about REBAC and access various home buyer resources, please visit <a href="http://REBAC.net">REBAC.net</a></p>	



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## KEY POINT REVIEW

- ▶ The relationship between client and broker is legally binding and carries specific duties.
- ▶ Representation agreements can be express or implied; their specific terms vary by state.
- ▶ REALTORS® must know and abide by the Code of Ethics and Standards of Practice.

## A DAY IN THE LIFE OF A BUYER'S REPRESENTATIVE...

Corinne has been a REALTOR® for 6 years and recently earned her ABR® designation. This morning she received an email from a new prospect asking if she would meet with them to discuss her services. As first-time home buyers, the couple is trying to decide if they should have the representation of a REALTOR® during this process. Friends had referred Corinne after purchasing a home with her guidance earlier this year. Corinne responds to the email right away and schedules an appointment to meet in a few days.

1. **What are the two categories of representation agreements that might result from this meeting?**

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2. **REALTORS® with an ABR® designation understand their duty to buyer-clients. The term “old car” is used to remember these duties. What are the six duties this term refers to?**

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Buying a home may be the largest and most complex financial transaction you ever undertake. If you're ready to buy, wouldn't you rather work with the most qualified real estate professional you can find?

**An Accredited Buyer's Representative (ABR®) stands out in the crowd.**

If your agent holds the ABR® designation, you know they offer more, in terms of knowledge and experience.

The ABR® designation is only awarded after an agent completes specialized training in understanding buyer's perspectives and protecting their clients' interests.

Before earning the ABR® designation, buyer's reps must also prove that they have already helped other buyers complete their purchases. Also, ABR® designees have access to exclusive resources that help them maintain their edge and stay current on the latest issues and trends in buyer representation.

**Not all buyer's reps are equal.**

Only agents who have earned the ABR® designation have made an extra effort to raise the bar, with additional training and experience. If you work with an ABR®, you can feel confident that you'll receive the highest level of buyer representation services.

**You can expect your ABR® to:**

- Understand your specific needs and wants, and locate appropriate properties.
- Assist you in determining how much you can afford.
- Preview and accompany you in viewing properties.
- Advise you in formulating your offer.
- Help you develop your negotiating strategy.
- Assist you in identifying vendors for other services you may need (inspectors, attorneys, lenders, etc.).
- Keep track of every detail throughout the transaction, to closing and beyond.

The Accredited Buyer's Representative (ABR®) designation is awarded by the Real Estate Buyer's Agent Council (REBAC), a subsidiary of the National Association of REALTORS®(NAR).

To learn more about REBAC and access various home buyer resources, please visit [REBAC.net](http://REBAC.net).





## MODULE

# 2

## The Buyer Counseling Session

### LEARNING OBJECTIVES

After learning the material in Module 2, you should be able to:

- ▶ Conduct a successful counseling session that educates the buyer, builds trust, and leads to a signed buyer representation agreement.
- ▶ Articulate your value proposition to the buyers - what you do - how you do it and why it is important to them.

The buyer counseling session is a critical step for both buyers and brokers. Buyers can acquire a trusted advocate to guide them through the complex home-buying process. For brokers, getting it right could be the difference between gaining a new client or losing one.

### GOALS OF COUNSELING SESSION

When you meet a buyer-prospect for the first time, how can you convert that contact into a successful transaction? Achieving a positive outcome requires real estate professionals to demonstrate two skill sets:

- ▶ People skills, which foster interpersonal relationships
- ▶ Client-representation skills in accordance with state agency laws, the REALTORS® Code of Ethics, and your broker's business policies

These two skill sets come together in the buyer counseling session. This is your opportunity to show how buyer representation provides the professional services that buyers value. Remember, most buyers purchase their home through an agent and seek a real estate professional's help in finding the right home.<sup>6</sup> If a prospect is meeting with you, they are seeking representation—make the most of this opportunity.

### FIRST MEETINGS

The first meeting sets the tone for the buyer–broker relationship. It gives you an opportunity to start learning more about the buyer, find out about their situation and how far along they are in the process, and clarify their home-buying goals. It's helpful to create a list of questions to foster this dialogue.

This is also an important opportunity to present your value proposition: how you are uniquely qualified to help them reach their home-buying goals. This is a critical opportunity to make a good impression.

First impressions matter so much because they happen quickly and tend to be lasting. As a REALTOR®, you know the importance of a home's first impression on buyers. You have probably heard that “Buyers decide in the first 8 seconds of seeing a home if they're interested in buying it.”<sup>7</sup> And likewise, if people like you right away, they will want to do business with you. To help potential clients form a positive impression during your first meeting, you must be prepared, be professional, and be yourself.

It is also important to determine if the prospective buyer has entered into an exclusive buyer representation agreement with another brokerage.

### REALTORS® CODE OF ETHICS: STANDARD OF PRACTICE 16-9

REALTORS®, prior to entering into a representation agreement, have an affirmative obligation to make reasonable efforts to determine whether the prospect is subject to a current, valid exclusive agreement to provide the same type of real estate service. (Amended 1/04)

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<sup>6</sup> 2021 National Association of REALTORS® Home Buyer and Seller Generational Trends, p. 63.

<sup>7</sup> “Barbara Corcoran Quotes.” BrainyQuote.com. BrainyMedia Inc, 2021. 24 April 2021.  
[https://www.brainyquote.com/quotes/barbara\\_corcoran\\_424966](https://www.brainyquote.com/quotes/barbara_corcoran_424966)

### UTILIZING TECHNOLOGY

Although meeting the buyers face-to-face is great, keep in mind that your first ‘meeting’ can be virtual. Zoom has become the new normal for most businesses and real estate is no exception. Doing your first meeting via Zoom is convenient for both you and your client. It gives you a chance to build rapport and find out what they’re all about prior to the first showing appointment. There are many agents, especially in the states where using a Buyer Representation agreement is mandatory, who get the agreement done during this call as well.

### ADVANTAGES

- ▶ Saves time—when you meet for the first time it can be to look at homes.
- ▶ Less pressure on them - they feel more comfortable
- ▶ Sets the tone - for a professional working relationship

### SETTING UP ON-LINE SESSIONS

- ▶ Set up a Zoom account and familiarize yourself with the features and functions of the platform. If you are more comfortable with using platforms, such as Zoho, Capterra, Owl Labs, Microsoft Teams, that is also an option, but many consumers are utilizing Zoom in their business and are comfortable with it.
- ▶ Set up the meeting - invite the buyer by sending them a link on how to join.
- ▶ Prepare an agenda and materials that can be shown on the screen to the buyers during the meeting utilizing screen sharing.
- ▶ You can record the conversation and send the buyer a copy of it for their reference. Note that in many states you cannot record without knowledge of and approval of the buyers. Know your state laws and follow them.
- ▶ You now have your counseling session started - remember - it doesn’t end here. Your counseling continues throughout the entire buying process but you’re off to a good start.

## THE BUYER COUNSELING PROCESS

You can't create loyalty by just meeting a buyer at the house and hope they will only work with you. Buyers need to meet with you for you to have a clear understanding of their real estate needs and for you to educate them about what they need to know to be an informed, educated buyer. The difference between a successful transaction that brings you future business and an unsold buyer is often the groundwork that is laid – or not laid – at the onset of your relationship.

This is your opportunity to show how buyer representation provides the professional services that buyers value. Remember, most buyers purchase their home through an broker and seek a real estate professional's help in finding the right home. If a prospect is meeting with you, they are seeking representation—make the most of this opportunity.

### **A REALTOR® should do a buyer counseling session for several reasons:**

- ▶ It helps you understand the buyer's goals, motivations, budget, timeline, and criteria for their home search.
- ▶ It allows you to explain your role, services, fees, and fiduciary or statutory duties to the buyer, and to obtain a written buyer representation agreement.
- ▶ It enables you to provide valuable information and guidance to the buyer, such as market conditions, financing options, home inspection, negotiation strategies, and closing procedures.
- ▶ It builds trust, rapport, and loyalty between you and the buyer, and increases the chances of a successful and satisfying transaction
- ▶ A plan of action for the next steps, such as setting up a home search, scheduling showings, etc.
- ▶ Give you the opportunity to determine if they are already in an exclusive agreement with another brokerage company



## WHO ARE YOUR BUYERS?

Typically, your buyers will be in two categories, sphere of influence and first contact, or strangers.

### ▶ **Sphere of Influence**

- They know you and they like you
- Opportunity to learn about your services
- Approach them professionally - don't take shortcuts
- Don't need to spend time rapport building

### ▶ **First Contact (New Clients)**

- Don't know you
- Need to build rapport
- More important to communicate your unique selling proposition

## BUYER REPRESENTATIVE SAFETY

Proactively devise - and follow - a personal safety plan.. When it comes to working with new clients, trust your instincts. It's best practice to have a personal safety plan in place that you use every day with every client. Your brokerage may already have such a plan, including protocols for meeting with potential clients for the first time. Avoid tricky or unsafe situations by reviewing the REALTOR® Safety Tips from NAR.

The following suggestions are from *Safe Selling: A Practical Guide for Preventing Crime Without Sacrificing the Sale* from the New York Association of REALTORS®. To view the full guide visit <https://bit.ly/46F0GR3>.

### THE INITIAL CALL

#### Using Active Listening to Uncover “Red Flags”

Active listening is one of the most effective sales tools you can have in your toolbox because it quickly and effectively allows you to establish trust and to uncover a buyer's wants and needs. Active listening is also a valuable safety tool and can be used to uncover “red flags” that indicate that a prospect may have an ulterior motive.

**Let's take a look at an excerpt from an initial phone conversation:**

▶ **Prospect:**

I saw this house online and I'd like to see it.

■ **Agent:**

OK, what about the house appealed to you?

▶ **Prospect:**

I just liked it.

*The prospect's answer should serve as a red flag. If someone liked a house enough to take the time to see it, there should be at least one specific thing that was attractive to him/her.*

▶ **Agent:**

OK, I'd like to make sure I can answer any questions you may have during the showing. Is there anything about the house or neighborhood that's important for you to know?

■ **Prospect:**

Not really.

*Once again, the prospect's inability to specifically answer reasonable questions should act as a red flag.*

▶ **Agent:**

I know you found the house online. How did you locate me?

■ **Prospect:**

Online, the same site as the house.

▶ **Agent:**

Great, it's nice to know that I'm getting some attention, sometimes it's difficult to evaluate what sites are getting my name out there. What site did you find me on?

■ **Prospect:**

BigDataRealEstate.com.

*In this part of the conversation, there are no red flags until the agent compares it with information only he/she would know; for instance, whether or not he/she pays BigDataRealEstate.com to promote him/her alongside properties in that zip code.*

*If they don't, then that's an obvious red flag.*

▶ **Agent:**

I understand that BigDataRealEstate.com also recommends mortgage providers, have you already been pre-qualified?

■ **Prospect:**

Yes

▶ **Agent:**

Great, who have you been working with? (You may even tell them it's because as a matter of policy you need to have the pre-approval paperwork)

■ **Prospect:**

I can't remember.

*Obviously, not being able to remember the name of the company or individual that pre-qualified him/her would be a red flag.*

Notice that each question built on some aspect of the prospect's answer to the previous question, sending the clear signal that you are listening to what the prospect has been saying, which is the first step in building trust. Practicing so you can be fluid in these conversations, not mechanical is important; thereby not giving the conversation the feel of an interrogation. The primary reason for this is that the vast majority of prospects are legitimate, and you don't want to scare those off.

**Active listening and being fluid depending on the answer can be seen in the following:**

▶ **Prospect:**

I found this house online and I'd like to see it.

■ **Agent:**

OK, what about the house appealed to you?

▶ **Prospect:**

I've seen other houses in the neighborhood and wasn't thrilled, but I liked the looks of this house.

■ **Agent:**

Sounds like you've been putting some time into this. Have you seen those houses with other agents?

*As you can see, the agent adjusted her line of questioning based on the prospect's response and followed up with a question that was relevant but would still obtain important information for a legitimate sale as well as possibly uncovering red flags.*

The above conversation was kept short for time consideration. However, in a real situation, if the prospect was a threat, he would often be more talkative and inquisitive, because he would be trying to increase your comfort level and obtain information he could use, thereby making you an easier target.

### Using Property and Neighborhood information

Information about the property and neighborhood can be used to uncover red flags and deter a predator. For example:

▶ **Agent (to prospect):**

I really like that property. The house has a great feel to it, lots of windows, great visibility. I've also met some of the neighbors and it seems like a close knit, friendly neighborhood.

*It should go without mentioning that you should never lie to a prospect. So, if you are a listing agent, take the time to meet the neighbors when you get the listing; not only is it a good sales practice, but it allows you to learn valuable information that can be used both as a sales tool and as a deterrent and "red flag" investigative tool.*

Referring to the above example of the agent's statement to the prospect, the information the agent relayed would likely make the property more attractive and one might expect to hear a positive response such as the prospect's tone of voice going up. However, if the prospect was a threat, the agent has essentially told them that it will be harder to get them isolated where he or she cannot be seen or heard because of the windows and visibility of the home and that there is a decent chance that someone will be "dropping in" because of the tight knit nature of the neighborhood. If, in listening to the response of the prospect, one

detects a drop in the tone of voice or some other change that would indicate a drop in enthusiasm, that could be a red flag that would indicate the agent should bring someone with.

### The Training Play

During the initial call or follow-up, you will find the “Training Play” a useful tool in assessing the prospect.

The Training Play is simple: during the call you mention that the office has asked you to help train a new agent and he will be joining the both of you on the appointment.

The prospect’s reaction to that news may provide you with valuable information. You may even describe the new agent.

▶ **Agent:**

“You’ll really like Eric. He’s a great guy, he used to be a pro football player and he’s always telling stories”. If you choose not to bring someone with you on the appointment, you can simply mention that the other agent had something come up or he’s on his way.

## RISKS AND PRECAUTIONS

Meeting a stranger in a private place such as an empty house can be a potentially dangerous situation. About one-third of REALTORS® report being in a situation in which they felt unsafe. Here are a few everyday risks buyer representatives might encounter and precautions they can take.

### Meeting a Prospect for the First Time

▶ **Risks:**

Meeting a stranger.

■ **Precautions:**

First meetings should always take place in your office or a busy public place—even when pressured to do otherwise. Require completion of a Prospect Identification Form. Ask for and photocopy ID or take a photo of the person (with permission). Introduce the prospect to a colleague.

Be aware that buyers who are excited to jump into house shopping as soon as possible may be resistant to taking this initial step, so it’s important to prepare for potential objections. Explain that precautions protect everyone.

### Showing a Property Alone

▶ **Risks:**

Touring a vacant property with a stranger.

■ **Precautions:**

Try to walk slightly behind the prospect. Do not go into confined spaces like cellars and attics. Use the buddy system with a colleague. Schedule a call-in time—if you don't call in, the office knows to contact police. Use an app to preprogram a phone call as an excuse to leave an uncomfortable situation. Scream and run to a neighboring house if you feel threatened.

### Open Houses

▶ **Risks:**

Waiting in an empty house that anyone can enter.

■ **Precautions:**

Note in open house publicity that ID is required. Jot down license plate numbers as potential buyers arrive. Introduce yourself to neighbors. Keep groups of people together. Use the buddy system. Schedule call-in times—if you don't call in, the office knows to contact police. Stow away your valuables. Open drapes and turn on all lights. Plan an escape route. Let local law enforcement know you are holding an open house.

### Flashy Personal Marketing

▶ **Risks:**

Inviting the attention of criminals.

■ **Precautions:**

Protect personal information on websites and in social media accounts. Never publish your home phone number or address, or provide any information about your family. Avoid provocative photos in marketing—wear business attire and modest jewelry.

### Driving Prospects Around to Look at Houses

▶ **Risks:**

Driving strangers in your car.

■ **Precautions:**

Drive in separate cars. Park only in busy, heavily-trafficked areas. Ensure your car is not blocked in so that you can exit quickly.

### Entering a Vacant or Foreclosed Property

▶ **Risks:**

Encountering squatters, former owners, animals, and hazardous conditions.

■ **Precautions:**

Inspect for signs of break-in or occupancy. Never confront squatters, occupants, or animals. Visit during daylight hours only. Use the buddy system: a partner can wait in the car and keep in touch by phone. Let coworkers or someone know where you are going and have a predetermined check-in time.

Today, many apps provide additional safety measures: they are affordable and simple to use. Some allow you to access information on a new client before the first meeting. Knowledge in situations like this is power—and safety. Other apps send police to your exact location at the touch of a button. Another popular app includes a feature with an automatic way to alert contacts in the case of an unexpected or potentially dangerous situation. Find details on these safety products at <https://www.nar.realtor/safety/resources-for-personal-protection>.

Overall, the best guide to follow is your intuition. If a situation does not feel right, or if a person makes you feel uncomfortable, leave the situation right away. At worst, you may be overly cautious and could be losing a potential client; at best, you could be avoiding danger.

Be proactive—have a safety plan in place for all scenarios and make use of safety measures available through your brokerage.

For additional resources for staying safe on the job, go to NAR’s REALTOR® Safety webpage at <https://www.nar.realtor/safety/planning-your-safety-strategy>. Two videos on personal safety for real estate professionals are especially valuable:

▶ **Safety Best Practices for Real Estate Professionals**

<https://www.nar.realtor/window-to-the-law/safety-best-practices-for-real-estate-professionals>

▶ **Personal Safety Tips for Real Estate Professionals**

<https://www.nar.realtor/videos/personal-safety-tips-for-real-estate-professionals>



## **BUYER COUNSELING SESSION**

**A buyer counseling session should include the following elements:**

- ▶ A warm welcome and introduction of the you and your credentials.
- ▶ A review of the agenda and objectives of the session.
- ▶ A discovery of the buyer's needs and wants, such as location, size, style, features, amenities, etc.
- ▶ A discussion of the buyer's financial situation and pre-approval status.
- ▶ A presentation of your services and value proposition, including testimonials and references.
- ▶ A explanation of the home buying process and timeline, from searching to closing.
- ▶ A review of the buyer representation agreement and its terms and benefits.
- ▶ A confirmation of the buyer's commitment and expectations.

## **BE PREPARED TO ANSWER SIMPLE OBJECTIONS**

**Think about how you would respond to the following comments:**

- ▶ "I don't need to meet with you first. I already know the house I want to see. Just meet me there."
- ▶ "Why do I need to talk to a lender? I know what I can afford."
- ▶ "I don't need to talk to a lender – I'm a cash buyer"

## KNOW YOUR UNIQUE VALUE PROPOSITION

Your unique value proposition is your market distinction expressed as the services you offer to buyers. Four elements form the foundation of your buyer representative value proposition:

- ▶ **Education:**  
Specialized training, like the ABR® designation, in the business of representing home buyers.
- ▶ **Expertise:**  
Knowledge of the market and process plus skills such as negotiation and communication.
- ▶ **Experience:**  
What you have learned on the job.
- ▶ **Essence**  
What you stand for.

Your value proposition also depends on the type of buyer you want to represent (first-time home buyer, military, international, luxury, investor, etc.). Defining your ideal buyer and their needs, concerns, and fears, and then finding a way to develop a value specific to that buyer, is key.

Keep in mind that not all buyers in the same category want the same home or even the same service, which is why it's important to get to know the needs and wants of each particular buyer. An initial interview to find out the buyer's priorities will help tailor your value proposition to appeal to each buyer and will demonstrate how you can best meet their needs.

Successful buyer representatives welcome the opportunity to share their unique value proposition with potential home buyers. They know that their services present the best opportunity for home buyers to find the right home at the right price. Knowing your own value is the best way to get value for your clients.

Revisit and reassess your value proposition periodically to make sure that what you are offering is still what makes you unique. Self-assessments and competitive analyses are not something done just once. They are integral to an evolving and growing business, constantly considering your clients' needs and wants, and to helping you assess how best to gain an advantage in your local market.

## FINE TUNING YOUR VALUE PROPOSITION

As we go through the course, you can come back to this page and make notes to fine-tune your value proposition. When something comes up that you do, want to do, or know you should do, put it here and come back and create your personalized list.

### Expertise

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### Experience

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### Essence

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### Other

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## WHAT DOES IT SOUND LIKE?

This is a sample script for articulating your unique value proposition to the buyers. There are numerous handouts and tools that can be used to reinforce your value. We will be introducing those tools as we go through what a buyer consulting session might sound like.

- ▶ *“Our session today won’t take long, probably just \*20 minutes\* or so, but it is very important. We’ll be going over what is important to you in your new home, answer your questions about buying, go over the home buying process, get to know each other a bit and determine if I am the right agent for you.*

*My job is to find you the right home, at the right price and terms and get your transaction to the closing table. Let’s start with what you are looking for.”*

- **Use the Buyer Consultation Worksheet on page 46 and/or the Buyer Qualification Worksheet on page 193**

- **Use the Homebuyers’ Checklist on page 50**

- ▶ *“You mentioned you were looking at approximately \$300 to \$350,000. Have you talked with a lender to determine your buying power?”*

*“Let’s do that now then. A lender with which I frequently work will be happy to do a pre-qualification for you so you are not looking in a price range that is more than you want to commit to.”*

*“Let’s get the legal stuff out of the way first. I will be working for you. Here are the disclosures that the state requires us to give you. We can go over the buyer rep agreement in just a few minutes, but it’s important for you to know that I am your agent and as such, I put your interests ahead of everyone else’s – my own as well as any sellers whose homes you may be interested in. The only exception to that would be if I was acting as a dual agent and I will disclose and explain that if the situation arises.”*

- **Put the buyer in touch with your lender—or verify info from their pre-approval letter**

- **Complete the required agency disclosure forms**

- ▶ *“Obviously, purchasing a home is a complex procedure and my job is to help you navigate through all of it. As I mentioned, my job is to help you find the right property – at the right price – negotiate the best terms for you and get your transaction to the closing table.*

*Let's look at an overview of the process and the expenses you will encounter and how I can help you accomplish your goals.*

- **Go through the Buyer Counseling Packet on page 55**

- **Reference the What, How, Why table on page 54**

- **Walk them through the purchase process on page 56**

- **Proactively cover the typical questions on page 57**

- **List possible expenses on page 58**

- ▶ *“As you can see, there is a lot of time and work involved before we ever get to the closing table. Because of that, you want an agent who will devote their time to you to find you the right home, at the right price.”*

*“You are much better off with one agent working 100% for you than a variety of agents working a little bit for you. You want us focusing on your needs and putting you at the forefront of their searches.”*

*“I'd like to take a few minutes and go over my commitment to you - the commitment I give all my buyers”*

- **Use the Pledge of Performance on page 59**

- ▶ *“While we're waiting for \*lender\* to call back, let's go over some of the guidelines – cautions and best tips, if you will, that I like to share with my buyers.”*

- **Use the Homebuying Guidelines on page 61**

- ▶ *“Everything we do depends on whether it is a buyer or sellers' market. Currently we are in a sellers' market in our area. Let me share with you some information from our MLS that shows us what is currently happening in \*Blissville\*.”*

- **Use your MLS analytics**

- ▶ *“Right now, as the data shows, we are in a sellers’ market here in “Blissville”. We’re going to take a look at the home you first asked about and now that I have more info on what you’re looking for I have a couple others to show you.*

*“The lender has said to keep the purchase under \$300,000. May I suggest we start looking at little under that – maybe in the \$275 - \$280,000 range. That way if you find something you really like and end up in a bidding war – which is what most of the buyers are in almost every time in this market – you have the ability to go up. Here’s what we have in that range (show them) – what do you think? Let’s start there?”*

### LEARN ABOUT THE BUYER: NEEDS ASSESSMENT

With so much property information online, buyers can get a head start—or perceive that they can—on property selection. Have you had buyers arriving at your office with a list of properties they want to see? So, why not just skip the needs assessment process and start lining up homes to view?

Buyers are often excited by the prospect of a new home and search for homes according to the features they want, paying little attention to the features they actually need. Part of learning about your buyer is helping them learn about themselves. Your expertise can help buyers focus on home features that fit their lifestyle and needs.

Other times, buyers may not actually know what they want or even need. This presents an opportunity for the agent to help guide them along. For example, a buyer might not know how large of a home they should look for. You can ask about their current living situation, and if they feel comfortable with that home size or would like something bigger or smaller.

Also understanding the reason why someone is deciding to buy a home is important. You should identify what personal need they are trying to satisfy in order to accurately guide them. Do they need a quiet office space to work at home? Do they have or anticipate having children? Do they need a dedicated space for a hobby, such as painting or woodworking? Do they like to garden?

You can accomplish many of these goals through a needs assessment or buyer counseling worksheet (see sample on the next page) or Intake Sheet, is a great tool for gathering information. It helps ensure that you are in tune with the buyer’s stated needs and wants in their property search.

## BUYER CONSULTATION WORKSHEET

Buyer: \_\_\_\_\_ Date: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Lead Source: \_\_\_\_\_

First Time Buyer    Repeat Buyer    Second Home    Investor

Are You Currently Working with Another REALTOR®?  Yes    No

Are You Still in Contact with this REALTOR®?    Yes    No

Name and Brokerage Company (if applicable): \_\_\_\_\_

Have You Already Seen Homes in This Market?    Yes    No If

so, who showed you and what areas did you view? Anything you liked?

\_\_\_\_\_

### CURRENT LIVING SITUATION:

Owns a Home   Needs to Sell    Yes    No

Address (if home owner): \_\_\_\_\_

Rents   Lease Terms: \_\_\_\_\_

Staying with Friends/Family

### FINANCING:

Cash    Conventional    FHA    VA    Other:

Proof of Financing?    Preapproval Letter   Lender: \_\_\_\_\_

Desired Move-in/Purchase Date: \_\_\_\_\_

### ADDITIONAL NOTES:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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**BUYER'S NEEDS AND WANTS:**

Location(s): \_\_\_\_\_

Price Range: \_\_\_\_\_

Bedrooms: \_\_\_\_\_ Baths: \_\_\_\_\_ Garage: \_\_\_\_\_ Backyard: \_\_\_\_\_

Style:  Detached Home  Townhouse  Condo  Mobile Home

Desired Age of the Home: \_\_\_\_\_ Desired Lot Size: \_\_\_\_\_

Desired Condition: \_\_\_\_\_

Sale Type:  Owner  Foreclosure  Short Sale

**Describe Your Ideal Home:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**What Are the Top Priorities From Your List in Order Of Importance?**

- |          |           |
|----------|-----------|
| 1. _____ | 7. _____  |
| 2. _____ | 8. _____  |
| 3. _____ | 9. _____  |
| 4. _____ | 10. _____ |
| 5. _____ | 11. _____ |
| 6. _____ | 12. _____ |

**Additional Notes:**

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**FOR SECOND HOMES:**

**Use Frequency:** \_\_\_\_\_

**Possible Rental:**  Short Term  Long Term

**Property Management Needed?**  Yes  No

**Additional Notes:**

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**FOR INVESTORS:**

**Investment Priorities:**  Cash Flow  Appreciation  Fix and Flip

**Investment Goals:** \_\_\_\_\_

**Hold Time Frame:** \_\_\_\_\_

**Target Cap Rate:** \_\_\_\_\_

**Total Budget:** \_\_\_\_\_

**Possible Rental:**  Short Term  Long Term

**Property Management Needed?**  Yes  No

**Additional Notes:**

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**COMMUNICATION:**

**Preferred Method:**  Call  Text  Email  Other: \_\_\_\_\_

**Frequency:** \_\_\_\_\_

SERVICE EXPECTATIONS:

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REMINDERS:

- ▶ For sale by owners
- ▶ Open houses
- ▶ New construction
- ▶ Online searches

FINAL NOTES:

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## THE HOMEBUYERS' CHECKLIST

The Home Buyer Checklist is another tool to help the buyer and you get clarity on what they are looking for. It's important to note that just because they have an item in the 'Have to Have' or "Not Needed" category doesn't mean the property they buy will match that. It's important to listen carefully as you are showing property because buyers often change their priorities after they start the search phase.

FEATURE	BUYER'S WANTS	HAVE TO HAVE IT	WOULD LIKE	NOT NEEDED
Style of Home				
Age of Home				
Neighborhood				
Bedrooms #				
Bathrooms #				
Kitchen				
Living Spaces				
Designated Office				
Storage				
Basement				
Garage/Parking				
Heating				
Air Conditioning				
Floor Plan/Room Sizes				
Outdoor Space				
Additional Amenities				

Address #1

Address #3

Asking price

Asking price

Overall impression

Overall impression

Address #2

Address #4

Asking price

Asking price

Overall impression

Overall impression

## ESTABLISHING PRICE PARAMETERS

Buyers often ignore needs in favor of wants and often don't consider how much they can realistically afford. Establishing price parameters during the buyer consultation is an essential step that guides property selection and helps moderate the buyer's expectations.

It is best to let a lender qualify buyers by means of a mortgage preapproval. Preapproval not only helps establish price parameters, it strengthens the buyer's negotiating position and facilitates closing the transaction. Potential credit problems that could derail the closing come to light. In fact, some real estate professionals ask buyers to meet with lenders and obtain a mortgage preapproval prior to the buyer counseling session. Others use the counseling process to discuss financing and provide a list of lenders that the buyer can contact.

A preapproval also saves both you and your client a lot of time and energy. If you know early on what your client can afford or will qualify for in terms of financing, you can eliminate homes out of that price range. After all, there's little sense in looking at homes that your client cannot purchase.

If the preapproval was done by a lender you are not familiar with, you should call the lender and ask what their protocol was when they did the preapproval.

- ▶ Did they verify the buyers' credit?
- ▶ Did they verify their employment?
- ▶ If they are self-employed, did they verify their taxable income?

There is a difference between a preapproval and a prequalification and, unfortunately, there have been lenders who have only done a prequalification but called it a preapproval. See Figure 2.1 for more details.

**Figure 2.1** Pre-Qualification vs. Preapproval

Pre-Qualification	Preapproval
▶ Estimated income and savings, often self-reported	▶ Exact income, verified with documentation, such as pay stubs and W2s
▶ Estimated savings and assets, often self-reported	▶ Exact savings and assets, verified with documentations such as bank records
▶ Informal inquiry into credit rating, though some lenders may run a quick check	▶ Formal inquiry into credit rating with credit reports from credit bureaus
▶ Employment not typically verified	▶ Employment verified
▶ Typically completed within a day, if not sooner	▶ Typically takes days and sometimes multiple weeks
▶ Estimated loan eligibility amount provided at conclusion	▶ Exact loan eligibility amount provided at conclusion

## EDUCATE THE BUYER

In addition to learning about the buyer, it's also important during the counseling session to begin educating the buyer. This serves two purposes: 1) you display the knowledge and expertise the buyer is seeking, and 2) an educated buyer has more realistic expectations. This makes guiding them through the home-buying process easier.

### FEATURE—BENEFIT—VALUE

Most brokers sell what they and their companies do as 'features' – describing some element of your marketing program or something you do for your clients that simply describes some characteristic of a product or service. Features are relative neutral, both in their content and in their effect on the buyer.

▶ **Example:**

*"We search the MLS for new listings every day"*

Feature selling is generally ineffective since most customers or clients usually can't figure out why a particular feature or function is meaningful to them.

### **BENEFIT SELLING**

When you take it to the next level and ‘sell a benefit’ you are describing a feature but tie it into some way that improves the customers situation.

Example: “Because the market is so volatile we search the MLS every morning for new listings to get you in to see them as soon as possible. Since properties are selling so quickly we need to get there before everyone else does”.

People buy because they have needs. You have to relate your service specifically to those needs. Statements that show how the buyer’s needs are met by the services you provide are the benefits.

### **VALUE SELLING**

Compete on value – not on price. Focus on explaining and expressing how what you do benefits your buyer. If they see value, the price becomes less and less important. When you show them that you have the answers to their questions, the solutions to their problems and can find them the right home at the right price and get the transaction to the closing the value is there. If they perceive they will get a lot of benefit for the price – their perception of value is very high – and you control that.

### **WHAT WE DO IS IMPORTANT— EDUCATE BUYERS ON YOUR ROLE**

To get commitment from the buyer we need to show them what we do for them. Some believe they have all the necessary information to be educated home buyers when we know that is usually not the case. Understanding what we do in each of these areas and then being able to translate that into how it is a benefit to the buyer is critical to attracting their business.

**Figure 2.2** How to Demonstrate Value (What, How, Why)

What We Do	How We Do It	How We Do It (The value—the 'why')
<b>Find suitable property</b>	Use MLS pre-list Contact sellers not ready Contact other offices Contact previous clients	Not all properties you see on the internet are available and all available properties are not on the internet.
<b>Show property</b>	Point out features/ benefits. Remind you of your wants and needs Help you compare properties	Sellers 'stage' their homes for a reason. We need to look at things that don't change – and how difficult it may be to change others.
<b>Analyze the market</b>	Utilize MLS analytical data Trained on how to analyze the data Do CMA for you	You want to buy a house – not just make an offer. Strategies are very different if it's a buyers or sellers' market. I help you get the property for the best price and terms whatever the market.
<b>Write the offer</b>	Go through the contract to structure your offer to your benefit	We need to be the 'chosen one'. A poorly written contract can be totally rejected. Must be sure it meets your needs while also satisfying the seller to the extent they choose your offer.
<b>Negotiate on your behalf</b>	Trained in negotiating to get you the best price, terms and conditions for the current market	We don't want to leave anything on the table. Working with a trained negotiating expert assures you will know all your options and the pros and cons of all your decisions.
<b>Follow-through to closing</b>	Monitor due-diligence dates. Work with home inspector and assist with any issues. Work with other agent and appraiser if needed. Coordinate activities with all parties to get your transaction to closing.	Offer acceptance is only the beginning. Getting to the closing with all the players moving the right direction is my responsibility. It's the quarterback's job to get the ball in the endzone and I will be your quarterback.



## BUYER COUNSELING PACKET

Whether your buyer counseling information is electronic or in print, it is important that you give the buyers something they can reference regarding the entire process. This can be done as a pre-listing packet emailed or delivered to them prior to the meeting or given to them at the time of the meeting.

### Consider including these items in the buyer's packet:

- ▶ A welcome letter that describes your office and highlights your personal skills and experience.
- ▶ Your Pledge of Performance.
- ▶ Information on the preapproval process.
- ▶ Overview of buying process
- ▶ Lists of service providers - home inspectors, lenders, attorneys
- ▶ *How you will assist with:*
  - Open houses - you'll take them or give them your cards to give to agent
  - For-sale-by-owner properties - explain how you will assist them
  - For-sale signs on new listings - they should call you
  - New construction - you will accompany them and why
- ▶ A copy of the Home Buyer's Checklist.
- ▶ A copy of Home Buying Guidelines
- ▶ A sample of the sales contract - filled in and highlighted
- ▶ Samples of commonly used disclosure forms they will receive
- ▶ A list of common real estate terms they will encounter. This list is typically MLS specific terminology along with some of the terminology in Module 7

## THE PURCHASE PROCESS

The purchase process has many different steps. It is not simply a matter of finding a house, writing an offer, taking money to closing and moving in, There are many important steps that must be followed to ensure we have a successful transaction.

*“These are the major steps in the purchase process - there are plenty more!. It is my job to orchestrate the successful execution of each of these steps to assist you in getting the right home, at the right price and terms and get you to the closing table.”*

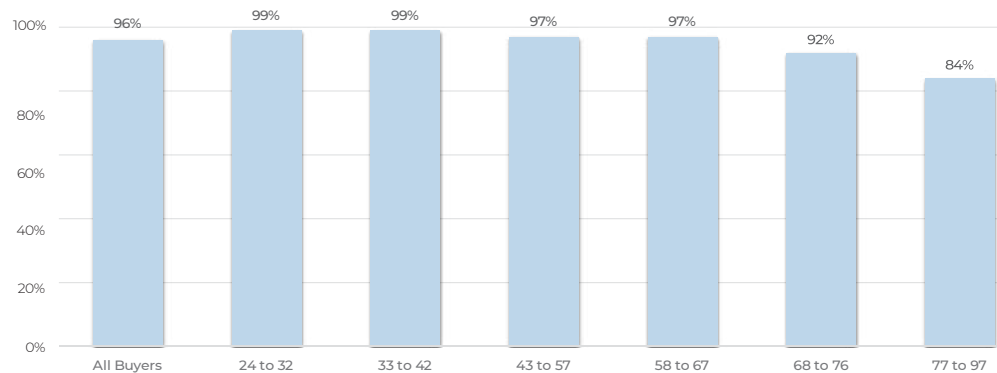
- ▶ Determine your wants and needs
- ▶ Assist you in getting pre-approved for your mortgage
- ▶ The search begins!
- ▶ Re-analyze your wants and needs – if necessary
- ▶ The search continues!
- ▶ Proactively search for new listings as they come on the market
- ▶ Assist you in determining your offer price – do a market analysis
- ▶ Write an offer that has the highest odds of being accepted
- ▶ Negotiate for the best price and terms
- ▶ Coordinate the home inspection
- ▶ Resolve any home inspection issues
- ▶ Coordinate survey, termite, well & septic and other inspections
- ▶ Resolve appraisal issues – if any
- ▶ Coordinate other parties and handle issues to get to a successful closing.

## ANSWER AND ANTICIPATE THEIR QUESTIONS

What do the buyers find when they search the internet? Some good information and some not so good. A survey of dozens of websites when the question “What questions should I ask my Buyer Broker?” was posed, gives the buyers the following list. It would make sense to approach these proactively rather than wait for them to ask.

- ▶ Tell me about your career in real estate
- ▶ How many homes have you sold in this area?
- ▶ How familiar are you with this area and price range?
- ▶ What is your strategy to help us find the right home?
- ▶ How many other clients are you representing?
- ▶ Can you provide references?
- ▶ What separates you from your competition?
- ▶ How much do you charge?
- ▶ Can you tell me about your negotiation style and experience?
- ▶ What is your approach to winning a bidding war?

**Figure 2.3** Use of Internet to Search for Homes



2021 NAR Homebuyer and Seller Report, page 71. <https://www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers>

## THE COMPLETE COST OF HOMEOWNERSHIP

As discussed earlier, part of the qualifying process is to ensure that your buyers are aware of the costs of homeownership. Although the lender will provide a good-faith estimate of the actual purchase costs, a discussion of the big-picture costs of homeownership is also helpful to educate the buyer. Help your buyer account for the costs of ownership that go beyond the “sticker price,” such as taxes and insurance, possible homeowner association fees, and maintenance costs.

**Helping to educate your buyer about the full cost of homeownership has many benefits:**

- ▶ Helps buyers make informed decisions
- ▶ Reinforces the value of buyer representation
- ▶ Strengthens your relationship with your buyer-client
- ▶ Wins buyer-clients' respect and loyalty

## LIST OF POSSIBLE EXPENSES

The buyers will receive a list of expenses in the Loan Estimate from their lender when they do a mortgage application but that happens after they've signed a contract. We should prepare them for the typical expenses they will incur so they can be prepared. This list may consist of the following, although you will need to customize it for your marketplace:

- ▶ Earnest money
- ▶ Origination fee
- ▶ Application fee
- ▶ Inspections
- ▶ Insurance
- ▶ Escrow/title fee
- ▶ Survey
- ▶ Attorney

## PLEDGE OF PERFORMANCE

If you do decide that you want to work with a potential buyer, a smart way of highlighting your services and reinforcing your value proposition is to present them with a written pledge of your services and commitment to their best interests. A copy of the REALTOR® Pledge is shown in the Resources section of this document.

### **Because I am committed to preparing you to be an educated buyer, I will:**

- ▶ Give you the most vital information on available homes
- ▶ Keep you aware of changes in the real estate market
- ▶ Arrange a tour of areas, schools and key points of interest
- ▶ Provide neighborhood information on municipal services, schools, churches, etc.
- ▶ Check applicable zoning and building restrictions
- ▶ Disclose all known facts about properties I show you
- ▶ Collect pertinent data on values, taxes, utility costs, etc.
- ▶ Point out strengths and weaknesses of all properties you choose to view
- ▶ Explain forms, contracts, escrow, and settlement procedures
- ▶ Discuss loan qualification and processing

### **Because I am committed to helping you save time, I will:**

- ▶ Provide ready access to all MLS listed properties
- ▶ Assist you as needed on all unlisted properties
- ▶ Help you select for viewing only those homes that fit your needs
- ▶ Show you homes only in the price range most suited to your finances
- ▶ Provide you a list of qualified attorneys, home inspectors or other service providers
- ▶ Arrange for necessary property inspections

**Because I am committed to helping you find the best value, I will:**

- ▶ Prepare studies of property values in chosen areas
- ▶ Perform a market analysis on chosen properties
- ▶ See that you get a complete estimate of all costs involved
- ▶ Advise on offers on properties
- ▶ Write and present your sales contract to the seller
- ▶ Negotiate on your behalf

**Because I am committed to you, I will do all of this, plus:**

- ▶ Keep your personal information confidential at all times
- ▶ Stay in touch with you from the day you start your search until the day you move in
- ▶ Coordinate all aspects of the sale and closing
- ▶ Be compensated only when you have a successfully closed transaction

**Contact Information**

**Office Phone:** \_\_\_\_\_ **Mobile:** \_\_\_\_\_  
**Fax:** \_\_\_\_\_ **Website:** \_\_\_\_\_  
**Email:** \_\_\_\_\_  
**Agent Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

## HOME BUYING GUIDELINES

**There are no perfect homes. Be ready to make compromises and concessions. Know what's most important to you and 'give' on those things that aren't.**

- ▶ If you have to re-sell soon, don't buy an unusual house.
- ▶ Brand new homes may be lower in maintenance costs, but can be higher in out of pocket expenses.
- ▶ Location – location – location – some things don't change.
- ▶ Supply and demand is a critical issue. Be ready to move quickly when you find what you want.
- ▶ Pay attention to floor plans not decorating.
- ▶ Imagine the property vacant. Everything will be gone when you move in.
- ▶ Vacant homes appear larger than they are. It may be a good idea to measure to be sure your furniture will fit.
- ▶ Pay close attention to the kitchen and baths – can be pricy to change.
- ▶ Be an educated buyer. Learn as much as you can about the market before you buy.
- ▶ Buy the best you can afford in the best neighborhood you can afford. You are almost always better off with the least expensive home in the area rather than the most expensive.
- ▶ Pay attention to the original listing date of the properties you look at; sellers tend to be more flexible the longer the home is on the market.
- ▶ Be honest and open with your REALTOR®; they work for you and can best help you if they have a good understanding of your needs.
- ▶ You'll know the right home for you when you see it and it will have very little to do with logic – don't ask us how that works – it just does!

## MANAGING BUYER EXPECTATIONS

Managing the buyers' expectations in any type of market must start at the initial meeting. We should educate them on what they can reasonably expect as well as explain the negotiating process. We should go over their wants and needs list and determine their deal killers and have them set their range of acceptability and the parameters they set for themselves.

If we are in a sellers' market, we need to prepare them for the fact that their 'win' will not be on price. Their 'win' is being the successful bidder among all those who tried to buy the property. We should prepare them for the typical concessions buyers are giving sellers and work with the lenders to be sure the buyers still qualify if they are getting creative in their offers.

If they have not talked with a lender this is the time to explain that it will be almost impossible to get their offer accepted by a seller if they do not submit a preapproval letter with any offer they make.

## THE LOCAL REAL ESTATE MARKET

Attention-grabbing headlines can create an unrealistic picture of the market and a gap between buyer perceptions and market realities. That gap can be costly to you and the buyer in terms of lost time and opportunities. Real estate professionals know the local market and can align buyers' expectations with reality.

- ▶ What is the median sales price in your area?
- ▶ Are property values going up, down or staying stable?
- ▶ What is the median market time?
- ▶ What is the absorption rate (months' supply)
- ▶ Is there a shortage of listings - abundance - or balanced supply?
- ▶ What percent of list price are sellers in your area receiving?
- ▶ You will want to use your MLS's analytical tools to determine what is happening in your marketplace. Each MLS has different systems and you should become familiar with your system and how it helps you explain the local market to your buyers.
- ▶ You can also utilize RPR to educate your buyers about market conditions, show them how to use pricing strategies to help formulate competitive offers, help them consider other details that can affect an offer such as days on market, financing concerns, appraisals, inspections and deposits. For details and to see how RPR can help you communicate market conditions, you can go to [www.narrpr.com](http://www.narrpr.com).



## WHAT TYPE OF MARKET?

### Buyers' Market

- ▶ Buyers are in control and, if anything, we may need to help buyers understand that insulting the sellers with extremely low offers does not work.
- ▶ **Seller Concessions Could Include:**
  - Permitting the buyer to move in quickly.
  - Helping with financing.
  - Renting to the buyers with an option to buy.
  - Paying some of the buyer's closing costs and other fees.
  - Paying for improvements such as exterior painting, installing a new furnace, or repairing defects discovered during inspections.

### Sellers' Market

Although we will cover how to make the buyers' offer stronger in a sellers' market in Module 4, we should be explaining how the market affects their offers during the showing of the property.

- ▶ If the buyer cannot go higher than \$300,000 we should not be showing property listed at \$325,000
- ▶ Depending on what's happening in your market, you might consider explaining why they should look at properties listed at \$280,000 so they have room to negotiate up.
- ▶ They need to be aggressive with offers – they may not get another chance at it.

## THE A-A-I BUYER CONSULTATION SESSION

A handy reference for navigating the overall initial counseling session is the A-A-I Model: Ask–Answer–Inform.

Use the following “A-A-I” Model to ask for information, answer questions, and inform buyers about the process. This clarifies what services the buyer hopes to receive.

Ask the buyer questions:	Answer buyer's questions:	Inform buyer about process:
<ul style="list-style-type: none"> <li>▶ Working with other agents?</li> <li>▶ Buyer's motivations?</li> <li>▶ Currently renters or owners?</li> <li>▶ Home to sell before buying?</li> <li>▶ Interview other buyer representatives?</li> <li>▶ Search efforts to date?</li> <li>▶ Length of search so far?</li> <li>▶ Which websites have been the most helpful?</li> <li>▶ Properties seen and liked?</li> <li>▶ What kept you from buying?</li> <li>▶ Property needs, wants, locations, price parameters?</li> <li>▶ Time frame, critical dates?</li> <li>▶ Down payment and financing plans?</li> <li>▶ Budget for mortgage payments?</li> <li>▶ Potential financing issues, credit problems?</li> <li>▶ Mortgage preapproval?</li> <li>▶ Eligibility for VA financing or other mortgage programs?</li> <li>▶ Concerns about the process or market?</li> </ul>	<ul style="list-style-type: none"> <li>▶ How will we communicate?</li> <li>▶ How you will help find the right property?</li> <li>▶ Sources you use to find properties?</li> <li>▶ How will you identify “new on the market” properties?</li> <li>▶ Will you help me find out about a property's condition?</li> <li>▶ How you are compensated?</li> <li>▶ Do you represent the sellers?</li> <li>▶ What if I find a home on my own?</li> <li>▶ How can I be sure you'll get me the best deal?</li> <li>▶ If your commission depends on the price of the property?</li> <li>▶ What are the steps in the purchase process?</li> <li>▶ Will you help me compare prices?</li> <li>▶ Market conditions—buyers' or sellers' market?</li> <li>▶ Can you provide a list of lenders, repair contractors, other services?</li> <li>▶ Can you help me estimate how much I can afford?</li> </ul>	<ul style="list-style-type: none"> <li>▶ Agency disclosure</li> <li>▶ What to do if another agent approaches the buyer</li> <li>▶ Caution not to share confidential information before agreeing to work together</li> <li>▶ Market conditions and realities</li> <li>▶ Realistic expectations for property search</li> <li>▶ Advantages of buyer representation</li> <li>▶ Your credentials, experience, specialties, and services</li> <li>▶ Your performance guarantee, if offered</li> <li>▶ Strategy for finding the right property</li> <li>▶ Importance of punctuality for showing appointments</li> <li>▶ Property viewing protocol</li> <li>▶ Community information sources</li> </ul>

\*Courtesy of Lynn Madison

## DO YOU WANT TO REPRESENT THIS BUYER?

Most of our focus has been on how you can best present your value proposition to the buyer with the goal of acquiring them as a new client. However, the counseling session is also an opportunity for you to assess the buyer. Can you work well with this buyer?

### WARNING SIGNS TO LOOK OUT FOR

You may want to think twice about the following types of buyers.

#### Unmotivated

- ▶ May not be able to buy now, but they want to get a “feel for the market and to see what’s out there.”
- ▶ Say that they “don’t want to rush things” and never seem ready to make a real offer.
- ▶ Are reluctant to sign a buyer representation agreement.

#### Potentially Unqualified

- ▶ Will not seek a mortgage approval until you find them the home that meets their specific needs.
- ▶ State that they have credit problems.
- ▶ Lack adequate financial resources for the down payment, closing costs, and mortgage payments.

#### Unrealistic

- ▶ Demand properties far below current market value.
- ▶ Want the “perfect property” that does not exist in their desired location.

#### Inconsiderate

- ▶ Are habitually late, miss appointments, or treat you unprofessionally.
- ▶ Will not follow advice given in their best interests.

### Questionable Loyalty

- ▶ Have family members or friends who are real estate agents and will not sign a buyer representation agreement with you.
- ▶ Are working with several buyer's representatives.
- ▶ Persist in negotiating directly with the seller or seller's broker.
- ▶ Are dishonest with you.

### Ask You to Perform Unlawful Acts

- ▶ Mischaracterize the use or occupancy of a property in order to qualify for more favorable financing.
- ▶ Make demands that violate fair housing laws, knowingly or unknowingly.
- ▶ Tell you not to look too closely at W2 or 1099 tax statements.
- ▶ Damage or steal a seller's property during a showing and expect you to look the other way.
- ▶ Want access to see homes without you.

## ENDING CLIENT RELATIONSHIPS

Of course, even the most intuitive agent ends up with a problematic client. Sometimes you simply must terminate the relationship. There are ways to do this without burning bridges. You could say:

- ▶ *"It looks like you need more time to think through your decision. Let's put things on hold for a while."*
- ▶ *"I am sorry that our time searching did not yield your desired results."*

## KEY POINT REVIEW

- ▶ The buyer broker and the buyer should be a team, working together to assist the buyer in finding the right home, at the right price and terms and getting the transaction to closing.
- ▶ The buyer consultations session not only gives the buyer representative the opportunity to find out what the buyer is looking for, it is also the opportunity to articulate your value proposition to create loyalty and ensure the buyer knows what we do and lays the groundwork for signing the buyer representation agreement.
- ▶ The buyer representative should be aware of the safety issues involved in showing properties to buyers they are meeting for the first time and take proper precautions to ensure their safety.

## A DAY IN THE LIFE OF A BUYER'S REPRESENTATIVE...

A buyer who saw Corinne's website has contacted her about buying a home in Corinne's service area. When they spoke on the phone, the buyer indicated he has just started looking, other than looking on the Internet, Corinne is his first call.

1. **What are Corinne's next steps? How would you set up the first appointment?**

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2. **What should take place during this buyer's counseling session?**

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3. **What specific things should Mark cover to show the buyer his unique value proposition?**

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## LEARNING OBJECTIVES

After learning the material in Module 3, you should be able to:

- ▶ Be able to explain the benefits of buyer representation agreements and why the buyer benefits by signing.
- ▶ Be prepared to explain compensation - how we get paid and who pays us - to your buyer clients.

### FOUR CONTRACTS YOU NEED TO KNOW

It is helpful to review the four types of contracts typically used in real estate transactions. Understanding who the parties are to each agreement, and that only the parties can modify their agreements, helps to clarify the process as well as the discussion of compensation. Remember from the discussion on express and implied contracts that the formation of the buyer-client relationship varies by state, so you must understand your state's laws regarding this important matter.

Let's look more broadly at the types of contracts often used in real estate transactions, what this means in terms of your bottom line, and how to navigate the process.

It is helpful to review the four types of contracts typically used in real estate transactions. Understanding who the parties are to each agreement, and that only the parties can modify their agreements, helps to clarify the process as well as the discussion of compensation.

**1. Listing Agreement**

The listing contract is between the seller and the listing broker. It creates the relationship between the parties, establishes the duties of each, and establishes the terms under which the broker will earn commission. It also authorizes the listing broker to cooperate with and compensate cooperating brokers. At the time of listing, the broker must disclose to the seller how much compensation will be offered to cooperation brokers.

**2. Buyer Representation Agreement**

The buyer representation agreement is between the buyer and the selling broker. It establishes the duties of each and establishes the terms under which the broker will earn commission. This is the agreement that you want to have in place by the conclusion of the buyer counseling session, so let's take a closer look at what it entails.

**3. Offer of Compensation**

The offer of compensation is between the listing broker and cooperating brokers and is generally established through a multiple listing service. The listing broker determines the terms and conditions of the offer to compensate, and the contract is formed when accepted by the cooperating broker. Acceptance occurs only through performance as the procuring cause of the sale.

**4. Sales Contract/Purchase Agreement**

The sales contract (also, sometimes referred to as the purchase agreement) is between the buyer and the seller. It establishes their promises and obligations to each other. The brokers and agents are not parties to the sales contract.



## IS A WRITTEN BUYER REPRESENTATION AGREEMENT REQUIRED?

As discussed in Module 1, some states require an express, written buyer representation agreement, while some states require only an implied agreement.

**You need to know the laws of your state.** Note that brokers who work with buyers as clients without a written representation agreement are still obligated to comply with state laws and the REALTORS® Code of Ethics. Ultimately, the quality of service that a real estate professional provides creates and sustains buyer loyalty and productive relationships for everyone.

Depending on your state laws, you may need to get the agreement signed on this first appointment or possibly it can wait.

It's important to note that in all discussions of compensation in this manual the reference to agent, or buyer representative, does not imply that the agent can be paid directly. Due to the various state definitions of broker (broker in charge, managing broker, etc.), we are using the terms agent or buyer representative to mean the licensee with whom the buyer is working - you, and brokerage for the firm for whom the agent works. Ultimately, all compensation must flow through the brokerage company the agent is affiliated with.

## THE BUYER REPRESENTATION AGREEMENT

Not every buyer-broker agreement looks exactly the same, but it typically contains some common provisions, as outlined here:

▶ **Exclusivity**

Will you be the sole representative of the buyer-client? Although this will vary according to state law and company policy, exclusivity protects the right of the buyer's representative to be compensated when the buyer finds a property. Generally, an exclusive agreement is better than a non-exclusive or open agreement.

▶ **Area**

If area is addressed in the agreement, it should be defined as a range that is broad enough to encompass all the properties within the buyer-client's parameters. Area should cover the market area of the buyer representative rather than a specific town or subdivision.

▶ **Duration**

How long will the buyer be your client? The primary factor that determines duration is the buyer's time frame. Other factors may include your marketplace, desired property type, buyer's needs, and your broker's business policies. The agreement should not expire while the purchase is being finalized and closed.

▶ **Compensation After Expiration**

If the buyer purchases a home you showed them within a certain period after the agreement expires, you are still entitled to a commission.

▶ **Services**

The description of services should detail the range of services and tasks you are agreeing to perform as well as what is expected of the buyer-client. As a buyer's representative, specifying what you will not do, otherwise known as limiting scope, is just as important as spelling out what you will do. For example, will you include FSBOs in the property search?

▶ **Consent to Show Properties to Other Buyers**

State regulations may affect this, but generally such a provision, if applicable, allows both you and other agents in your company to show the same property to other buyers.

▶ **Potential for a Disclosed Dual Agency Situation**

This affects those in disclosed dual agency states and in companies that allow disclosed dual agency. If the possibility exists, it should be included in the buyer representation agreement. As noted earlier, however, the buyer should not be asked to provide upfront blanket permission for dual agency.

▶ **Nondiscrimination**

Discrimination is unacceptable under any circumstance. All federal, state, and local statutes and regulations must be observed. Remember that under federal fair housing laws it is unlawful to provide information about the race, color, religion, sex, disability, national origin, or familial status of individuals in a neighborhood or building.

▶ **Assignment by Buyer**

Obligates the buyer to pay a commission to the brokerage company if another party purchases the property with the intent of assigning the contract to the buyer prior to closing or selling the property to the buyer after closing.

▶ **Cancellation**

Under what circumstances and how can the buyer or the broker cancel the agreement?

▶ **Compensation**

The buyer representation agreement should set forth the circumstances under which you will get paid, how much, and by whom. There are different modes of compensation available to buyer's representatives, and your office policy will likely delineate the options. We will cover compensations in depth next.

See the sample buyer agency agreement in the Resources section of this document. Keep in mind that legal documents and their requirements vary by state.

### WINDOW TO THE LAW

See the sample buyer agency agreement in the Resources section of this document. Keep in mind that legal documents and their requirements vary by state.

**For additional information, please visit the below links:**

- ▶ [Window to the Law:  
The Benefits of Using a Buyer Representation Agreement](#)
- ▶ [Competition.realtor](#)
- ▶ [RealEstateCommissionFacts.com](#)

## COMPENSATION ISSUES

It's important to note that in all discussions of compensation in this manual the reference to agent, or buyer representative, does not imply that the agent can be paid directly. Due to the various state definitions of broker (broker in charge, managing broker, etc.), we are using the terms agent or buyer representative to mean the firm for whom the agent works. Ultimately, all compensation must flow through the brokerage company the agent is affiliated with. This will be reflected in the language used in agreements regarding compensation, as shown in the following examples:

*If, during the term of this agreement or the protection period, Buyer enters into an agreement to acquire real estate and such agreement results in a closed transaction, Buyer agrees to pay Broker a fee of \_\_\_\_% of the purchase price. The Broker will make every effort to collect the fee from the seller or the listing Broker.*

*If Broker is not being offered compensation as a cooperating Broker sufficient to satisfy Buyer's obligations, Agent will so inform Buyer prior to showing the property.*

## ANTITRUST WARNING

In order to discuss compensation concepts, we must talk about commissions generally. It's important to note that the following discussion deals with concepts and principles, NOT specific numbers or percentages. Commission percentages, if discussed in class, are presented only as examples.

## WHAT ARE THE DIFFERENT COMPENSATION OPTIONS?

### ▶ **Percentage of Sale Price**

The most common approach is a commission split with the listing broker based on a percentage of the sale price.

- However, your clients are ultimately responsible for your fees.
- They should be informed that if the seller's broker does not pay your fee, they are obligated to do so.

### ▶ **Flat Fee**

Rather than charging a percentage of the sales price as commission, the buyer representative agrees to work for the buyer on a flat fee basis.

- In most cases, the buyer representative will not take any compensation from the listing broker or the seller; instead the buyer will compensate the broker directly.

### ▶ **Hourly Rate**

The buyer may compensate the representative through an hourly fee, similar to the way attorneys are compensated. The pay-per-hour arrangement may guarantee compensation for a minimum number of hours.

### ▶ **Retainer**

A buyer representative could charge the buyer a retainer fee. State law would dictate how the retainer fee is handled relative to where it needs to be held.

## WHAT ARE THE ETHICAL STANDARDS RELATED TO COMPENSATION?

As a real estate professional, it is essential to understand and abide by ethical standards that may impact compensation. These clarify your obligations to buyer-clients and your duties to other REALTORS®. For your guidance, the complete Code of Ethics and Standards of Practice can be found at <https://www.nar.realtor/about-nar/governing-documents/code-of-ethics/2021-code-of-ethics-standards-of-practice>.

### REALTORS® Code of Ethics

- ▶ **Article 16, Standard of Practice 16-1**  
Article 16 is not intended to prohibit aggressive or innovative business practices which are otherwise ethical and does not prohibit disagreements with other REALTORS® involving commission, fees, compensation or other forms of payment or expenses. (Adopted 1/93, Amended 1/95)
- ▶ **Standard of Practice 3-1**  
REALTORS®, acting as exclusive agents or brokers of sellers/ landlords, establish the terms and conditions of offers to cooperate. Unless expressly indicated in offers to cooperate, cooperating brokers may not assume that the offer of cooperation includes an offer of compensation. Terms of compensation, if any, shall be ascertained by cooperating brokers before beginning efforts to accept the offer of cooperation. (Amended 1/99)
- ▶ **Standard of Practice 1-5**  
REALTORS® may represent the seller/landlord and buyer/tenant in the same transaction only after full disclosure to and with informed consent of both parties. (Amended 1/99)
- ▶ **Standard of Practice 16-16**  
REALTORS®, acting as subagents or buyer/tenant representatives or brokers, shall not use the terms of an offer to purchase/lease to attempt to modify the listing broker's offer of compensation to subagents or buyer/tenant representatives or brokers nor make the submission of an executed offer to purchase/lease contingent on the listing broker's agreement to modify the offer of compensation. (Amended 1/04)



## MLS RULES AND CODE FOR 2022

The following changes were made to the MLS rules which will become effective in the first quarter of 2022.

### MLS Policy Statement 8.8:

#### Display of Listing Broker's Offer of Compensation

MLSs must include the listing broker's offer of compensation for each active listing displayed on its consumer-facing website(s) and in MLS data feeds provided to participants and subscribers and must permit MLS participants or subscribers to share such information through IDX and VOW displays or through any other form or format provided to clients and consumers. The information about the offer of compensation must be accompanied by a disclaimer stating that the offer is made only to participants of the MLS where the listing is filed.

### MLS Policy Statement 8.5: Non-filtering of Listings

MLS participants and subscribers must not, and MLSs must not enable the ability to, filter out or restrict MLS listings that are searchable by and displayed to consumers based on the level of compensation offered to the cooperating broker or the name of a brokerage or agent.

### Standard of Practice 12-1:

Now reads: REALTORS® must not represent that their brokerage services to a client or customer are free or available at no cost to their clients, unless the REALTOR® will receive no financial compensation from any source for those services.

For complete list of changes please go to: <https://www.nar.realtor/about-nar/policies/summary-of-2022-mls-changes>.



## CODE OF ETHICS—COMPENSATION

In addition to updating SOP 12-1, the Code of Ethics currently gives us direction on the disclosure of compensation to clients.

### Standard of Practice 1-12

When entering into listing contracts, REALTORS® must advise sellers/landlords of:

1. the REALTOR®'s company policies regarding cooperation and the amount(s) of any compensation that will be offered to subagents, buyer/tenant agents, and/or brokers acting in legally recognized non-agency capacities;
2. the fact that buyer/tenant agents or brokers, even if compensated by listing brokers, or by sellers/landlords may represent the interests of buyers/tenants; and
3. any potential for listing brokers to act as disclosed dual agents, e.g. buyer/tenant agents.

### Standard of Practice 1-13

When entering into buyer/tenant agreements, REALTORS® must advise potential clients of:

1. the REALTOR®'s company policies regarding cooperation
2. the amount of compensation to be paid by the client
3. the potential for additional or offsetting compensation from other brokers, from the seller or landlord, or from other parties
4. any potential for the buyer/tenant representative to act as a disclosed dual agent, e.g. listing broker, subagent, landlord's agent, etc.

## DISCLOSURE OF COMPENSATION

### Disclosure to Sellers

As a buyer rep we will need to know how this is going to be handled with listing agents and sellers since it will affect us and our buyers.

There are two sides to our total compensation – each side has a different set of responsibilities that contribute to the amount being charged and received.

The listing broker puts the offer of compensation that their seller has agreed to in the MLS and prepare the seller for the buyer's options depending on their decision. Part of that offer of compensation is for the buyer brokerage that brings a ready, willing and able buyer for a successful transaction.

## DISCLOSURE OF COMPENSATION TO BUYERS WITH A BUYER REPRESENTATION AGREEMENT

The buyer and the broker (brokerage) will establish the compensation between themselves which gives the buyer broker the ability to establish compensation based on their value to the buyers, not because that's what the listing broker or seller thinks they should receive.

The compensation in a typical Buyer Representation agreement will read something like this:

**If, during the term of this agreement or the protection period, Buyer enters into an agreement to acquire real estate and such agreement results in a closed transaction, Buyer agrees to pay Brokerage a fee of \_\_% or \$\_\_\_\_\_ of the purchase price. The Brokerage will make every effort to collect the fee from the listing brokerage.**

**If Brokerage is not being offered compensation as a cooperating brokerage sufficient to satisfy Buyer's obligations, Broker will so inform Buyer prior to showing the property.**

If they question your value or say they can find houses themselves...

When showing property if the compensation being offered by the listing brokerage is sufficient to cover what the buyer is committed to paying their brokerage nothing more needs to be done by the buyer broker other than disclosure to the buyer that everything is matching.

If the offer of compensation does not cover what the buyer and the brokerage have agreed on, one option is for the buyer broker to contact the listing broker and ask if the seller will pay the difference. If the answer is 'no', the buyer can use the sales contract to ask the seller to cover the compensation.

It is the buyer's decision as to whether the 'ask' is made prior to showing or if the buyer wants to choose another option. There are choices on how this can be done. If there is an optional paragraph in your contract that covers compensation, you would use that.

If there is an offer of compensation and your buyer wants to pay you themselves, you will need to reject the offer being made. This needs to be done by the managing broker and should say something like “regardless of compensation being offered by seller or listing brokerage, XYZ Realty (buyer brokerage) is rejecting any offer of compensation on this transaction”.

### DISCLOSURE TO BUYERS WITHOUT A BUYER REPRESENTATION AGREEMENT

At the time of showing, the buyer representative should disclose how compensation is paid at the closing. The buyer rep must show all properties that fit buyer’s needs regardless of compensation being offered.

Your options are to:

- ▶ Show the property and if the buyer wants to purchase it, receive the compensation offered.
- ▶ Tell the buyer you don’t work for ‘that amount’ and they are free to look at the property with another agent.
- ▶ Have the buyer sign a buyer rep agreement and proceed as above

Negotiate compensationThe National Association of REALTORS® has numerous tools to assist in the explanation of compensation on their site at [www.competition.realtor](http://www.competition.realtor).



## ADDITIONAL COMPENSATION ISSUES

### WHAT IF THE OFFER OF COMPENSATION IS MORE THAN WHAT'S REQUIRED?

Sometimes compensation for the buyer's services might exceed what's typically required, such as if the seller or listing office is offering a bonus on the property. In such cases:

- ▶ A buyer's representative must disclose any bonus or additional percentage of commission that would be received. It is a breach of your contract with the buyers if you receive more than what is specified in your contract, not to mention it is probably a license law violation.
- ▶ The commission issue could be addressed by showing a range in the representation agreement.

### HOW DOES COMPENSATION WORK FOR LISTINGS NOT IN THE MLS?

Compensation for homes not in the MLS of which you are a member is not the same as for homes listed in your MLS. Buyer representatives need to know what these differences are to ensure proper compensation. Here are a few practical steps you should take:

1. You must get something in writing from the Listing Managing Broker offering compensation.
2. You should have the written offer of compensation prior to showing the property.
3. Use buyer representation agreements.

### HOW DOES COMPENSATION WORK FOR FSBOs?

Similar to listings that are in a different MLS, with For Sale By Owner's (FSBO) there is no offer of compensation made. Here are some practical ways to address compensation with FSBOs.

1. Ask the seller to pay a commission for bringing a qualified buyer.
2. Increase the price by the amount of your compensation and ask the seller to credit the buyer at closing so that the buyer can pay.

3. The buyer could include compensation language in the purchase contract.

Note that in most states you will also need a 'notice of no agency' or other statement given to seller to establish that you are not the agent of the seller in this transaction. If you use a listing agreement to get paid by the seller in almost every situation you would then be a dual agent and would need permission from both parties and full disclosure per your state requirements. See sample Disclosure of No-Agency and Agreement to Compensate in Module 7.

## HOW DOES COMPENSATION WORK WITH VA BUYERS?

The U.S. Veteran's Administration (VA) does not allow a buyer to directly compensate a buyer's representative when VA financing is involved. If you are working with a VA buyer, your compensation can only be a commission split with the listing broker. The compensation percentage stated in the buyer's agreement cannot exceed the commission split offered by the listing broker.

For more information regarding the role of real estate professionals when assisting veterans seeking VA loans, visit <https://www.benefits.va.gov/homeloans/realtors.asp>.

## WHEN BUYERS WON'T SIGN

Buyers may be reluctant to sign a representation agreement because they think it limits their options and imposes obligations. If your state does not require a buyer representation agreement, it is recommended that you:

- ▶ Have criteria for which buyers you will represent and those you will not as mentioned previously.
- ▶ Check your company policy on requirements for using a buyer rep agreement.
- ▶ If the buyer won't sign and neither the state nor your brokerage require an agreement be signed, you have some options.



**How can you ease concerns but still make progress in using a buyer representation agreement? Here are some strategies:**

▶ **Short-Term Agreement**

If a buyer is uncomfortable with a long-term agreement, offer a shorter term; for example, an agent-for-a-day agreement. The agreement can be extended if the buyer wants to continue.

▶ **Nonexclusive Agreement**

If the buyer doesn't want to be tied to just one broker, it's okay to offer a nonexclusive agreement. However, the buyer should be aware of the drawbacks of such an arrangement. Clarify exactly what this means for you and your buyer-client.

Some non-exclusive agreements, for example, commit the buyer to paying commission if they buy a home the agent showed—but not if they buy something another agent showed. This can be confusing for buyers to keep track of and can cause confusion or even conflicts in the buying process.

▶ **Trial Basis**

Offer to take the buyers out once to view a few properties and get acquainted with each other and the process. This is a common practice that can put buyers at ease. Be clear that an agreement will be required if you decide to work together.

▶ **Target a Specific Location**

The terms of the buyer representation agreement could specify a particular location or neighborhood; the buyer is not bound by the agreement if they find a home outside of the specified area. The buyer should be aware, however, that such an agreement limits the services you can provide.

▶ **Permit the Buyer to Cancel**

The agreement could include a cancellation clause if the buyer is dissatisfied with your services.

▶ **Offer a Guarantee**

Offer a performance guarantee that spells out what you will do and how you understand your duties. It may look something like a Pledge of Performance. Such a pledge can help to assist in getting the agreement signed—or getting loyalty in states where agreements are not required.

Note that all these strategies should align with the policies of your specific brokerage. Check those policies as you develop strategies that work best for you.

## KEY POINT REVIEW

- ▶ A buyer's representation agreement lays the foundation for buyer loyalty and compensation.
- ▶ Outside pressure is causing our business to be more transparent and change how we discuss compensation with the buyer.
- ▶ The buyers have choices on how they facilitate the compensation to their brokerage company.

## A DAY IN THE LIFE OF A BUYER'S REPRESENTATIVE...

Yesterday, Corinne received a call from a former prospect who is considering a move after her recent divorce. At this time, the woman's current home is not listed for sale, and she is considering both home purchase and rental options. Although they have a good rapport, the client seems reluctant to sign a buyer's representation agreement during their initial meeting.

1. **What strategies could Corinne use to help this prospect become more comfortable about signing a representation agreement?**

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2. **How does the REALTORS® Code of Ethics impact compensation issues in this transaction?**

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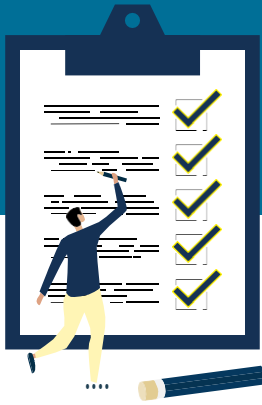
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# 5 Reasons to Sign a Buyer Representation Agreement



If you've started looking for a home—and a real estate professional to assist you—your buyer's representative may ask you to sign a Buyer Representation Agreement. What is this form?

**A Buyer Representation Agreement is a legal document that formalizes your working relationship with a particular buyer's representative,** detailing which services you are entitled to receive and what your buyer's rep expects from you in return.

While the document uses formal language, homebuyers should view it as an essential and helpful tool for clarifying expectations, developing mutual loyalty, and most importantly, elevating the services you will receive.

Why should you sign a Buyer Representation Agreement?

## 1. RECEIVE A HIGHER LEVEL OF SERVICE

**If you've formalized an agency relationship with a buyer's rep, you can expect to be treated like a client instead of a customer.** What's the difference? Clients are entitled to superior services, in comparison to customers.

While the details vary from state to state, and from one buyer's agent to another, you can generally assume that being a client means that you've formed a fiduciary, or agency, relationship with your buyer's rep.

## 2. GET MORE WITHOUT PAYING MORE

**Oftentimes, the listing broker has already agreed to pay the buyer's broker compensation.** If they haven't, you can ask your buyer's rep to avoid showing you any such homes. Or you can still view the home, knowing that you'll need to factor your broker's commission into any offer you may write.

## 3. AVOID MISUNDERSTANDINGS

**A Buyer Representation Agreement clarifies expectations,** helping you understand what you should and should not expect from your buyer's rep, and what they will expect from you, which usually centers on loyalty.

## 4. AGENCY RELATIONSHIPS ARE BASED ON MUTUAL CONSENT

**While most representation agreements specify a time period, they can be terminated early if both parties consent.** Most buyer's reps are willing to end the agreement early if the working relationship isn't going well. Some buyer's reps also offer representation agreements for as little as one day, for the purpose of giving both parties a brief trial period to explore working together.

## 5. STRENGTH AS A TEAM

When you and your buyer's rep work together within a formalized agency relationship, you have created a team dedicated to helping you achieve the best possible home-buying experience.

The Accredited Buyer's Representative (ABR®) designation is awarded by the Real Estate Buyer's Agent Council (REBAC), a subsidiary of the National Association of REALTORS®(NAR).

To learn more about REBAC and access various home buyer resources, please visit [REBAC.net](http://REBAC.net).



## CODE COMPREHENSION

### ARTICLE 16

## Commissions are Negotiable



### QUESTION:

There is a home in the MLS that I think my buyer client would love, but the commission being offered by the listing broker is lower than I want to be paid. It's so low that it won't cover the time or effort I put in to representing the buyer throughout the transaction. I want to do the right thing. **What can I do?**

### ANSWER:

Since you believe that your buyer client would love the house, you have an ethical duty to show the listing to your client. But you have a few options to address the fact that the compensation being offered is inadequate. First of all, buyers and sellers can negotiate the commission paid to their brokers and agents at any time. When representing a buyer, you should consider using a buyer agency agreement that sets forth the services you will provide and establishes what compensation your client will be responsible for paying. Often, the buyer agency agreement explains that you will first seek to be compensated in the amount set forth in the listing, but that if that amount is inadequate, you will expect the client to make up the difference between \_\_\_\_\_ and the compensation provided by the listing broker. It is entirely up to you how you will fill in the blank. The buyer agency agreement is between you and your client, so you and your buyer can negotiate the terms of that agreement at any time.

Additionally, with one exception, you could ask the listing broker to negotiate the offer of commission. The one exception is that you may not submit an offer to purchase that is contingent upon an increase in the commission paid to you by the listing broker. An offer of that nature is thought to be inconsistent with your fiduciary duty to the client. This request can be made at any time during the transaction, even after showing the property or submitting an offer to purchase on behalf of the client.

You could also have a conversation with your buyer client about the commission being too low to cover your time and costs incurred in connection with representing that client. If your client so wishes, he or she could make the decision to condition the offer to purchase the property on an agreement by the seller to pay an additional specified amount. The buyer and the seller are the parties to any contract to purchase the listed property. They can negotiate the terms of that contract as they see fit. Just make sure that your client completely understands the pros and cons of submitting an offer with that type of contingency, and make sure not to pressure your client in any manner that is inconsistent with your fiduciary duty to that client.



## CODE COMPREHENSION

### ARTICLE 16

## Commissions are Negotiable



### QUESTION:

Wait, doesn't Standard of Practice 16-16 prohibit me from negotiating my commission after showing, during the purchase offer phase, or after we have an accepted offer?

### ANSWER:

Absolutely not! Except for the fact that you cannot make an offer to purchase contingent upon an increase in compensation paid to you by the listing broker, you can negotiate your commission with the listing broker at any time during the transaction. Standard of Practice 16-16 is designed to protect sellers and listing brokers from having purchase offers "held hostage" by cooperating brokers demanding a higher commission to be paid by the listing broker.

This Standard of Practice *never* prohibits negotiations between the listing broker and a cooperating broker at any time during the transaction. In fact, Standard of Practice 3-3 expressly authorizes the listing broker and cooperating broker to come to an agreement to change cooperative compensation, and that can happen before a property is shown, after showing, or even after an offer is accepted.

### STANDARD OF PRACTICE 16-16 PROVIDES AS FOLLOWS:

“ REALTORS®, acting as subagents or buyer/tenant representatives or brokers, shall not use the terms of an offer to purchase/lease to attempt to modify the listing broker's offer of compensation to subagents or buyer/tenant representatives or brokers nor make the submission of an executed offer to purchase/lease contingent on the listing broker's agreement to modify the offer of compensation. ”





## LEARNING OBJECTIVES

After learning the material in Module 4, you should be able to:

- ▶ Identify ways to manage a buyer's expectations by using active listening strategies and creating a Home Buyer's Checklist.
- ▶ Show properties in a manner that presents clients with the best opportunity to view properties and purchase a desired property.
- ▶ Follow federal, state, and local fair housing laws when selecting and showing properties.

## SEARCHING FOR PROPERTIES

You now have the buyer's representative contract in hand and your clients are eager to begin the process. As we all know, searching for properties can feel overwhelming. Buyers are not only looking at multiple properties in a short time frame, but also searching for the perfect match. Sometimes it is love at first sight, but typically finding the right home takes time, which is when a buyer representative's skills and expertise are critical. Let's review some ways to make the search process more efficient and effective.

## MANAGING EXPECTATIONS

Part of your job as a buyer's representative is to take as much stress as possible out of the house-hunting process. One of the best ways to alleviate stress is to listen carefully to your client's wants and then manage their expectations by making sure they understand the buying process and are fully educated about price trends, market realities, and the services you can provide for them. Here are some ways you can manage expectations:

### Provide an Overview of a Typical Transaction

This is especially relevant if your clients are first-time home buyers but will be beneficial for all clients as it defines expectations of the process. You can adjust how detailed this overview is based on your client. Among other items, it might include how you will communicate throughout the process, a timeline, the negotiation process, inspection, appraisal, and potential roadblocks after signing a contract.

### Focus Client Priorities

Many first-time homebuyers may envision getting everything they want, which can be time-consuming and frustrating for both buyer and broker. The abundance of home-buying programs on television can provide a false sense of belief that this is possible. Encourage your client to create a list of priorities they are looking for in a home based on the Needs Assessment Worksheet they completed (discussed in Module 2). Then help them understand that they need to focus on their higher priorities while being willing to accept tradeoffs on lower priorities. This way, you help them balance their hopes with the realities of home buying. You can use the Property Comparison Worksheet on page 97 to guide your clients through this process.



## ACTIVELY LISTEN TO YOUR CLIENT

As buyer representatives, we have a deep understanding of the market and the home-buying process. These are of course assets and why we are so valuable to our clients. But these assets can sometimes lead to a bad habit: we might talk to our clients more than we listen to them.

Active listening ensures that we are fully concentrating on, understanding of, responding to, and remembering all of what our clients say. As we all know, a buyer's priorities might change over time, but if we have stopped listening to our client, we won't recognize that fact. Here are some active-listening tips to keep you focused on your client's priorities:

### 1. **Pay Attention:**

You should take an active interest in what your client says. Listen to their wants and needs, but also their concerns and the plans they have for the future. Pay attention to their body language and emotional cues. Is their posture or expression saying something that their words are not? Take notes: by writing down the key points of the conversation, you are not only indicating the importance of what the client is saying but you are also creating a reference tool that you can use throughout the relationship. Think of it this way: the more you learn about your client, the more effective you will be at finding the home they really want.

### 2. **Withhold Judgment:**

Remember that your job is to guide your client through the process, not dictate the process for your client. Your personal tastes and personal priorities for a home should not impact those of your client. Your job is to find the right home for your client.

### 3. **Reflect:**

Part of active listening involves getting confirmation that you understand what your client is saying. If something is unclear, ask your client to elaborate. You can paraphrase in order to clarify what is said and use the process of reflection as illustrated below.

#### ■ **Client:**

We're looking for a three-bedroom home because we are planning on having kids soon. We really would like a two-car garage and at least two bathrooms, but we might be flexible on those.

#### ■ **Agent:**

So what I hear you saying is that three bedrooms is a definite need since you want children. The garage and two bathrooms are more of a want. It would be great if we could get the whole package, but the highest priority is the number of bedrooms. Am I hearing you correctly?

Using reflection serves two important functions: 1) It helps to ensure that you and your client are always on the same page. 2) It lets your client know that they are being heard, which helps them feel reassured and builds trust.

**4. Clarify:**

Don't feel like you always have to "get it" right away with your client. Do not be afraid to ask questions and clarify something that might be confusing to you. Asking questions also shows that you are interested and that you are making sure you get it right.

**5. Check in:**

It's always a good idea to check in with your clients after some time has passed to make sure you are still on the same page. Extended searches can lead to frustration, concerns, evolving priorities—all things you might not know if you don't take the time to actively check in and find out how your client is thinking and feeling.

## PROPERTY COMPARISON WORKSHEET

	hoMe #1	Score	hoMe #2	Score	hoMe #3	Score
<b>Pricing/Cost</b>						
Asking Price						
Price/Sq. Ft						
Property Taxes						
Monthly Mortgage						
Est Insurance						
HOA Fees						
Monthly Utilities						
Total Monthly Cost						
<b>General Features</b>						
Year Built						
Square Footage						
House Style						
Lot Size						
# of rooms						
# of bedrooms						
# of bathrooms						
Basement						
Garage						
Attic						
<b>Condition of Rooms</b>						
Kitchen						
Bathroom						
Living Room						
Dining Room						
Bedrooms						
Family Room						
Basement						
<b>Utilities</b>						
Heat						
Electrical Work						
Gas						
Plumbing						
Water Pressure						
Insulation						
<b>Additional Features</b>						
Central AC						
Fireplaces						
Cable/Internet						

	hoMe #1	Score	hoMe #2	Score	hoMe #3	Score
Windows						
<b>Exterior</b>						
Siding						
Roof						
Gutters						
Fencing						
Landscaping						
Sprinkler System						
Alarm/Surveillance System						
Pool						
Trees						
Traffic/Noise						
Neighborhood						
HOA Restrictions						

## ADDITIONAL PROPERTY SEARCH CONSIDERATIONS

### UTILIZE ALL OF YOUR ASSETS AND RESOURCES

As a buyer representative, you have access to tools and resources that individual buyers do not. It is up to you to make sure you are utilizing all the resources available to you.

You have access to the entire market, including FSBOs, REOs, and even off-market properties. You also have access to the very latest listings, so you can get your clients the first look. The only limits to your property search should be those determined by the buyer-client.

### FINDING PROPERTIES

Buyer's representatives can look at a multitude of resources for the right properties for their clients. Where do you look?

- ▶ MLS
- ▶ Websites/social media
- ▶ Networking
- ▶ Phone, email, and mail
- ▶ New construction
- ▶ Distressed properties
- ▶ Advertise buyer's interests
- ▶ Auctions
- ▶ FSBOs
- ▶ Drive around

### Searching FSBO Opportunities

Despite the difficulties of selling on their own, 8% of home sellers choose the For Sale by Owner (FSBO) route.<sup>8</sup> Most do so to avoid paying the listing broker's commission. Although FSBO sellers report difficulties attracting buyers as well as getting the price right, 46% did nothing to actively market their homes as of 2018. In addition, FSBO houses sold for more than \$75,000 less than agent-assisted homes. Can you see how these factors might create an opportunity for you as a buyer's representative?

If your buyer-client is interested in a FSBO property, the first hurdle is making productive contact with the seller. Here's how you can do it:

During your first contact, take a few minutes to build rapport with the seller and ask if they are open to working with a buyer's representative. If they say yes, inform the seller that you are a real estate agent with [insert company name], and that you have a qualified buyer—not a casual browser—who is interested in the home. Assure the seller that you are not looking to list the home.

The seller may be eager or hesitant to talk to you. Take your cues from their tone. If appropriate, you can follow-up with the seller to learn the asking price and arrange a viewing.

Ask if seller is willing to offer compensation for you bringing a ready, willing and able buyer to successfully close a transaction.

However, if your buyer is compensating you, such as through a flat fee, don't make compensation an issue with the seller; if the seller asks if you expect a commission, you can state that the buyer will compensate you.

### Realtors Property Resource®

NAR also has a tool to help you find properties. REALTORS® can tap into a unique decision-making tool to help buyers make informed choices and narrow the property search. Realtors Property Resource® (RPR®) is a member benefit, which means it is already included in the dues you pay to the National Association of REALTORS®.

What can RPR® do for you? Consider this: you receive a text message from a client who says, "I saw there was a home for sale at 123 Maple Street. Can I see that one?" You respond by using your computer or phone to search the home's address, which you use to download the RPR® Property Report, Mini Property Report, or Neighborhood Report. Each of these contains a wealth of public information such as sales and financing history, square footage, lot size, and more. In other words, you can present the buyer with facts about the property on-the-spot, and if they are interested, you can call the seller immediately to

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<sup>8</sup> NAR Quick Real Estate Statistics, November 11, 2020

schedule a viewing. RPR® aggregates recent and current sales to calculate an estimated value for the property—this can indicate if it is over or underpriced compared to similar properties.

The RPR® reports can be viewed online and can be downloaded. You can generate a full-color report that includes your contact information and brand within minutes to email or present in person to your client.

### The Realtors Valuation Model® (RVM®)

Another tool available to you is the Realtors Valuation Model® (RVM®), which can aggregate valuation data from MLS listings. If your MLS shares its data with RPR®, your reports will then also include values calculated by the RVM® from real-time, real-world data. If you have ever compared price estimates from some of the online valuation sites like Zillow® or Trulia, you know that the estimates can vary greatly, coming in substantially over or under real-world property values.

RVM® is more accurate, giving you and your client an edge. Find out if your MLS shares data, register, and take the RPR® application for a test drive at [www.narrpr.com](http://www.narrpr.com). You will also find information on continuing-education credit training classes online and in classrooms, as well as free tutorials.

### Sharing Information Responsibly

The ability to gather and share data through electronic channels carries both a legal and ethical obligation to share information responsibly. Therefore, it is very important that you know who you are sharing information with and why. When providing RPR® reports to clients and customers, REALTORS® should emphasize the importance of treating the information respectfully and keeping it secure, so it doesn't fall into the hands of someone with bad intentions.

## SHOWING PROPERTIES

### SHOWING PROPERTY PROTOCOL

Once you understand the types of properties your client is seeking, the next step may seem simple: show it to them. But showing properties isn't quite as easy as that. Informed real estate professionals take time to dot the i's and cross the t's. The guidelines that follow will help you prepare your client for all phases of the showing process: before, during, and after.

#### Before the Showing

- ▶ Provide the buyer-client with a copy of the Home Buyer's Checklist they completed when you met previously. This will serve as a reference tool for both of you as you view properties. (A sample of this checklist is provided earlier in this module.)
- ▶ Provide an advance list of the homes to give the buyer-client an opportunity to preview the exterior and the location.
- ▶ Review the sample sales contract from the buyer's packet so that buyer-clients can be prepared when they're ready to make an offer.
- ▶ If scheduling several hours of showings, make arrangements for rest stops and snacks.
- ▶ Set expectations for appropriate behavior—remind buyer-clients that they are a guest in the seller's home.
- ▶ Adhere to any COVID-19 protocols that are in place.
- ▶ Share the dangers of using the price per square foot to figure home values.
- ▶ Stress the importance and necessity of punctuality.
- ▶ Be sure to have pertinent information about the home easily accessible so you will be able to answer questions that are sure to come up.
- ▶ Recommend setting aside time after showings to consider pros and cons or write an offer.

### During the Showing

- ▶ Arrive on time and adhere to any COVID-19 protocols.
- ▶ Announce your entry so you don't catch the homeowner by surprise.
- ▶ Wear slip-on shoes (and boots in bad weather)—sellers may request that you remove shoes. Shoe covers are also a considerate choice.
- ▶ Don't take anything that belongs to the owner or damage the property—for instance, do not loosen carpet to look at flooring.
- ▶ Leave the property as you found it (lights, heating, cooling, window treatments, doors locked) and be sure to follow any specific showing instructions.
- ▶ As you view the home, refer to the Home Buyer's Checklist—remind buyers that no house is ever perfect and to focus on the property's potential and to make lists of things that can and cannot be changed.
- ▶ Be sure to look at the home's surroundings—is this a location where they want to live?
- ▶ Don't smoke, eat, use the bathroom, sit on the furniture, or use the sleeping facilities in the home.
- ▶ To help clients remember properties, use an informal name that recalls distinctive features—the picket fence house, the pink kitchen house, etc.

### After the Showing

- ▶ Review the Home Buyer's Checklist to evaluate and compare properties.
- ▶ Compare cost of ownership—utilities, taxes, upkeep, insurance—to the client's budget.
- ▶ Choose second-look properties as a preliminary to making an offer.
- ▶ Ask how the property meets their needs and 'what do you think of this one?'
- ▶ Do this after each property showing. Have them 'rank' the ones they like.



### Be Mindful of Technology Use and Surveillance

With the use of cameras and remote surveillance devices today, it's important that you have a discussion about the use of technology.

Taking photos before and during showings can help clients remember the details of a property, but they should get seller permission through the listing broker before taking any interior pictures. Additionally, remind clients to never post those photos on social media; the photos could be used to target the home or family.

Caution buyer-clients not to post, text, or tweet comments that can easily find their way back to the seller and harm the buyer's leverage when it is time for negotiation. When viewing a property, avoid showing strong reactions or making comments—good or bad—as electronic monitoring devices, like hidden web cams, can be anywhere. Negative comments might insult a seller, while exceedingly positive comments might hurt a buyer-client's bargaining position.

It is also important to know your state laws with regard to the use of cameras. Many states do not allow the recording or photographing of the interior of properties without permission of the owner/seller. Many states also have regulations on whether the homeowners can video or audio record potential buyers while viewing their home.

You can learn more about video and audio surveillance issues by viewing the “Window to the Law” series on the NAR website: <https://www.nar.realtor/videos/window-to-the-law>.

Finally, the COVID-19 pandemic replaced in-home tours with virtual tours. While it is yet to be seen if this trend will continue in some capacity, the images and photos found on virtual tours deserve the same respect, and buyers should be reminded not to post these images without permission.

### UNAUTHORIZED ACCESS

Unauthorized access to listings means accessing or using a property that is listed for sale or rent without the permission of the owner or the listing broker. Unauthorized access can also expose the person who accesses the property to legal risks, such as trespassing, property damage, or personal injury. Therefore, it is important to respect the seller's instructions and the listing broker's terms when accessing a property.

► **Standard of Practice 3-9**

REALTORS® shall not provide access to listed property on terms other than those established by the owner or the listing broker. (Adopted 1/10)

**Some examples of unauthorized access are:**

- ▶ Providing a lockbox key or access code to any third party that is not the person to whom the key or access code is issued
- ▶ Providing access to property to an unaccompanied client
- ▶ Providing access to the property without a confirmed appointment
- ▶ Providing access to vacant property with no appointment or authority at all
- ▶ Accessing property outside the confirmed appointment window (get new permission if appointment window is missed)
- ▶ Providing access to others, i.e., inspector or appraiser without buyer broker's presence, unless this is authorized by the owner and/or the listing broker
- ▶ Gaining access by using a "substitute" agent without specific authority to send a substitute either on the seller's side or the buyer's side

It may be tempting to allow buyer-clients to look at properties without your supervision. It is a serious lack of judgment to give buyers access codes or lock combinations to enter properties on their own. Such an action violates the REALTORS® Code of Ethics and possibly MLS rules; in some states, it violates license law.

## CREATE YOUR OWN SHOWING PROTOCOL

1. How do you prepare buyers for looking at homes?

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2. What are your best tips?

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3. Generate the top five points you think are most important to share with clients for each phase of the showing process.

### Before the Showing

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### During the Showing

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### After the Showing

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5. 

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### Federal or State: Which Law Prevails?

What if, for example, the local law does not prohibit discrimination based on handicap, but the federal law does? The federal fair housing law always prevails. Federal statutes should be considered as the minimum laws. However, you must also comply with local and state laws at all times. As a rule of thumb, comply with the law that provides the greatest protection against discrimination.

### Statement of Fair Housing Policy and the Buyer Representative Agreement

The buyer representation agreement should include language indicating the company's commitment to equal housing opportunity and a statement that the broker may not lawfully disclose information regarding race or other protected classes. For example:

*It is the policy of [firm name] to abide by all local, state, and federal fair housing laws and not discriminate against any individual or group of individuals. The broker may not lawfully disclose the racial, ethnic, or religious composition of a neighborhood, community, or building, nor whether persons with disabilities are housed in any home or facility, except that the broker may identify housing facilities meeting needs of a disabled buyer.*

## REALTORS® CODE OF ETHICS

### ► Article 10

REALTORS® shall not be parties to any plan or agreement to discriminate against a person or persons on the basis of race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity. (Amended 1/14)

In addition, the REALTORS® Code of Ethics demonstrates our respect for clients, peers, and the public with the adoption of Standard of Practice 10-5 in 2020 which states “REALTORS® must not use harassing speech, hate speech, epithets, or slurs based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity.” (Adopted 11/20)

## LGBTQ+ REAL ESTATE ALLIANCE UNVEILS COMPREHENSIVE REPORT IDENTIFYING HOW DISCRIMINATION IMPACTS HOMEOWNERSHIP <sup>9</sup>

### **70% Of Alliance Members Believe President Biden's Policies Will Have Positive Impact On LGBTQ+ Homeownership Rates**

The LGBTQ+ Real Estate Alliance has unveiled its first major report, “How Discrimination Affects the LGBTQ+ Community on the Journey to Homeownership and Beyond.” The 46-page paper utilizes research, data provided by Freddie Mac, a member survey, and personal interviews to shed light on how challenges early in life impact financial security. An in-depth look at bullying and discrimination in high school, college, and in the workplace, along with family acceptance, paint a picture of influences that shape LGBTQ+ lives and subsequent homeownership opportunities.

“We know that discrimination plays a role in LGBTQ+ homeownership rates and this report goes in-depth into how it does so,” said John Thorpe, president of the LGBTQ+ Real Estate Alliance. “So many in our community feel an added burden in their high school and college years, including a lack of family support, that can lead to reduced academic success, which in turn can impact earning potential and even lead to homelessness. We also look at how discrimination in the workforce and in the home-buying process creates challenges. We hope the report provides those working in the real estate industry and beyond with a greater understanding of how discrimination is keeping so many in the LGBTQ+ community from reaching their full potential and ultimately becoming homeowners.”

For example, nearly 63% of LGBTQ+ Real Estate Alliance members who responded to a survey shared that bullying, discrimination, and/or fear of discrimination in high school had a least some impact on their academic performance. Additionally, 40% of Alliance members reported that these same concerns in high school and/or college impacted their earning potential early in their career. Other important findings from the report include:

- ▶ Only 24% of LGBTQ+ youth can “definitely” be themselves in their household.
- ▶ Only 20.5% of surveyed LGBTQ+ Real Estate Alliance members who “came out” before age 21 shared that their parents were extremely supportive.
- ▶ 13.4% of LGBTQ+ high school students who experienced frequent verbal harassment do not plan to attend college.

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<sup>9</sup> LGBTQ+ Real Estate Alliance. *LGBTQ+ Real Estate Alliance Unveils Comprehensive Report Identifying How Discrimination Impacts Homeownership*. <https://realestatealliance.org/education/>

- ▶ 65.1% of LGBTQ+ undergraduate students report experiencing harassing behavior since enrolling in college.
- ▶ 47% of LGBTQ+ employees report that being “out” at work could damage their career.
- ▶ 32% of people of color within the LGBTQ+ community faced discrimination in the work hiring process compared to 20% of all LGBTQ+ people.
- ▶ The LGBTQ+ homeownership rate of 49.8% is far below the U.S. average of 65.8%
- ▶ Surveyed LGBTQ+ Real Estate Alliance members reported a variety of ways housing discrimination occurred:
  - 13.8% report they signed legal forms (i.e., mortgage, purchase agreement, title, etc.) that did not adequately represent their life experience.
  - 10.6% experienced a real estate professional discriminating against them in the renting/home-buying process.
- ▶ 89.3% of surveyed Alliance members said that they find it at least somewhat important to live in an LGBTQ+ friendly community.
- ▶ 54.2% of surveyed Alliance members report feeling concerned about facing discrimination if they eventually need to live in a senior housing facility. This number jumps to 71.8% for those ages 55–64.

Surveyed Alliance members believe the Biden administration will also be a positive force, as 69.6% of respondents think that President Joe Biden’s policies will positively impact LGBTQ+ homeownership rates.

And in other positive developments, the report also finds that societal acceptance of the LGBTQ+ community is apparently allowing more people to be their authentic selves: 15.9% of Gen Z report they are part of the community, followed by 9.1% of Millennials. Only 2% of Baby Boomers identify as LGBTQ+.

The report utilized research from such prominent outlets at the National Association of REALTORS®, the Human Rights Campaign, GLAAD, Gallup, Freddie Mac, UCLA’s Williams Institute, Glassdoor, SAGE, and the University of Chicago. Nearly 100 members of the LGBTQ+ Alliance participated in the survey. Alliance members Gene Brake, Shenice Brown, Caitlin Jones, Christopher Matos-Rogers, and Jason Scott provide commentary throughout the report.

The full report can be view at <https://realestatealliance.org/education/>.

### About The LGBTQ+ Real Estate Alliance

The LGBTQ+ Real Estate Alliance is a 501(c)6 nonprofit dedicated to empowering the LGBTQ+ community on the path to homeownership as we also advocate on behalf of the community on housing issues. The Alliance, founded in June 2020, is an all-inclusive organization that works to improve the professional lives of its members through a public-facing Alliance Referral Community. The Alliance began accepting members in October 2020 and has more than 50 chapters in the U.S., Canada and Puerto Rico. For more information visit [realestatealliance.org](https://realestatealliance.org).

### FAIRHAVEN: A FAIR HOUSING SIMULATION

In November 2020, NAR launched Fairhaven, a new fair housing simulation training for REALTORS® that uses the power of storytelling to help members identify, prevent, and address discriminatory practices in real estate. Inspired by real stories, this innovative online experience has agents work against the clock to sell homes in the fictional town of Fairhaven, while confronting discrimination in the homebuying process. Learners will also walk in the shoes of a homebuyer facing discrimination. The training provides customized feedback that learners can apply to daily business interactions.

This innovative training platform is available to all 1.4 million NAR members at no additional cost. Be an advocate for fair housing and the future of our industry. Commit to combating discrimination in real estate.

Get started by visiting [fairhaven.realtor](https://fairhaven.realtor) and exploring the fictional town of Fairhaven while assessing how well you are adhering to fair housing principles.

To learn more about fair housing and Fairhaven you can also view the “Window to the Law” series on NAR’s website: <https://www.nar.realtor/videos/window-to-the-law/nars-fair-housing-action-plan>.





# Fair Housing & Your Home Search

The law covers most types of housing. Landlords, property managers, builders, and real estate agents have different compliance guidelines.

**The law prohibits housing discrimination based on seven protected classes:**

- Race
- Color
- Sex
- Religion
- National origin
- Familial status
- Disability

Agents cannot engage in any discriminatory behavior based on one of these protected classes. For example, a buyer's rep cannot steer you toward or away from a particular area, relying on race-based assumptions about where you want to live.

### How does this affect your home search?

Many homebuyers want and expect their buyer's rep to help them make good choices. Buyers know that real estate agents are intimately familiar with various neighborhoods.

It's only logical that you'd be interested in your agent's professional advice.

However, Fair Housing laws make some topics off-limits. For example, your buyer's rep isn't allowed to answer questions like:

- Who lives here?
- Is the neighborhood safe?
- How are the schools?

Instead of sharing personal opinions,

buyer's reps are instructed to suggest helpful resources so clients can do their research and draw their own conclusions.

For example, what makes you feel safe in a neighborhood? Some people will look at local crime rates, whereas others will use various subjective factors-factors that might overlap with one of the protected classes.

Under Fair Housing, it is unlawful for an agent to engage in any conduct that is discriminatory towards any of the seven protected classes.

Your buyer's rep can suggest the best websites and other helpful resources. But you get to form your own opinion about whether a home or a neighborhood is desirable.

### **a** It's a buyer's choice.

A real estate professional should show

you any home in any neighborhood that fits your needs, your preferences, and your budget.

**Your agent should never make assumptions** about where you want to live or express their personal opinions.

On the other hand, you are allowed to rule out specific neighborhoods or properties based on any factor that is important to you.

Do your research and communicate your neighborhood preferences to your buyer's rep.

Ultimately, Fair Housing laws are designed to help all buyers achieve the dream of homeownership on their own terms.



The Accredited Buyer's Representative (ABR®) designation is awarded by the Real Estate Buyer's Agent Council (REBAC), a subsidiary of the National Association of REALTORS® (NAR).

RI.BAC.

## FOUR AREAS THAT POSE DANGER OF DISCRIMINATION

Even with the best of intentions, we can sometimes inadvertently be discriminating against others. Buyer-clients look to us for information. Seemingly harmless inquiries about the safety of the neighborhood or if there are families with young children might lead us to say something that could be viewed as discriminatory. There are five areas that especially pose risk of discrimination in real estate transactions: screening, steering, advertising, and predatory lending.

1. *Screening* of potential buyers must be done using objective criteria, such as financial situation or credit history. These objective criteria must be applied to all buyers consistently, not selectively, to comply with fair housing laws.
2. *Steering* is the practice of influencing a buyer's choice of communities based upon one of the protected characteristics under the Fair Housing Act, which are race, color, religion, gender, disability, familial status, or national origin.<sup>10</sup>

For example, responding to inquiries regarding schools can result in an assumption of area demographics and be viewed as steering. Instead, provide third-party objective data and not your perception or opinion.

3. *Any advertising* we do must also comply with federal and state fair housing laws. All advertisements must not be favoring or disfavoring any particular demographic.
4. *Predatory lending* is the practice of deceiving buyers that could result in the loss of home equity, damaged credit, or that is in violation of federal consumer protections. We can do our clients a great service by watching out for such practices.
5. *Differential treatment* refers to the practice of treating individuals or groups differently based on characteristics such as race, color, religion, sex, disability, familial status, or national origin. This practice is considered discriminatory and is illegal under the Fair Housing Act in the United States.

To learn more about differential treatment and view real world examples, watch the series “Long Island Divided: Testing the Divide” at <https://projects.newsday.com/long-island/real-estate-investigation-videos/>.

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<sup>10</sup> *Steer Clear of “Steering”* July 10, 2020. NAR Fair Housing Corner.

### Questions A Realtor® Should Not Answer Directly: <sup>11</sup>

- ▶ What kind of people live in the neighborhood?
- ▶ Is this a good place to raise a family?
- ▶ Is this a safe neighborhood?
- ▶ How are the schools here?
- ▶ Can you show me a neighborhood with a large “X” population?

REALTORS® need to be the source of the source. We can and should give buyers resources to do their own research.

When presented with questions like these, it is best to suggest that buyers check information available to the public through a local Chamber of Commerce, school administrators, websites, and the Census Bureau.

### Fair Housing Buyer-Broker Scenarios: How Will You Respond?

- ▶ **What is the racial composition of this neighborhood?**
- ▶ **I am Asian. Do you serve any areas that I would feel at home in?**
- ▶ **What kind of people live in this neighborhood?**
  - Never estimate or give an opinion on the racial, religious, or ethnic composition of the neighborhood. Focus on providing objective data from third-party sources and make sure you provide this information to all clients. It is important to note, however, that providing websites or resources to obtain demographic information regarding protected classes is not allowed. Refer home buyers to sources of information such as the websites of the local municipal offices so they can research the questions themselves. If you mention people you know or have worked with in the area, do not describe them in a way that includes a protected class. For example, you could say, “Many of the folks who live here work at the businesses downtown because it is an easy commute.”

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<sup>11</sup> Five Questions Your Real Estate Agent Legally Cannot Answer, January 7, 2020. *Forbes*. <https://www.forbes.com/sites/heathersenison/2020/01/07/five-questions-your-real-estate-agent-legally-cannot-answer/?sh=cb9030c17550>

▶ **How are the schools in this area? Are they good? Are the schools integrated?**

■ Provide the buyer only with reliable and authoritative information, such as student-teacher ratios, expenditures per pupil, percentage of students who go on to college, the number of National Merit scholars, and so on. Refer the buyer to sources of information, such as the school website or the school district's main office. Maintain the same type of information for each school and never favor one school over another. Never attempt to influence a housing choice with either complimentary or negative general comments about the school or give an estimate or opinion of the racial, religious, or ethnic composition of the student body. You could say, "Our office does not maintain statistics regarding the racial makeup of the student body of schools in our market area. To get the best answers to your questions, you should contact either the school or the school district's main office. Also, you might want to check with some of your potential new neighbors and ask how they feel about the schools their children attend."

▶ **Do you think this property is in a safe area?**

■ You can discuss how ideas of what is "safe" vary greatly by person. What is "safe" to one person could be relatively dangerous to another. Never mention or volunteer information related to the racial, religious, or ethnic makeup of the area. Provide resources to your client to check criminality in the area.

## PROCURING CAUSE ISSUES

Unfortunately, even when we as agents do all that we can to serve the best interests of our clients, disputes around commissions can and do arise. Being diligent about cultivating a loyal two-way relationship goes a long way in avoiding these disputes. But these same steps also work to our advantage when a dispute does arise by helping to procure cause.

The principle of procuring cause refers to an unbroken chain of events that results in a successful transaction. In other words, the actions of a REALTOR® result in the purchase of a property. This might include anything from scheduling a viewing to negotiating the purchase price. When disputes arise, real estate agents tend to equate procuring cause with “all the work I did for this buyer.” The pivotal question is, however, whose actions “caused” the buyer to decide to purchase the property?

This can be tricky to determine based on the various agents and resources available to any potential buyer. Can you see how neither the act of showing a property or even a signed representation agreement with the buyer is sufficient proof of procuring cause?

For REALTORS®, procuring-cause commission disputes are decided by the Professional Standards Committee at the local association. Seven key decision points that the committees examine—and a checklist of preventive actions the broker can initiate—are as follows:

### Seven Key Decision Points in Procuring-Cause Disputes

#### 1. When and how was the original introduction of the buyer made?

##### ■ Preventive Actions:

Ask potential buyers if they are working with or have looked at properties with other agents. This can prevent conflicts and disputes before they have a chance to emerge.

#### 2. Did the original introduction start an uninterrupted chain of events leading to the sale?

##### ■ Preventive Actions:

Maintain careful records of property showings, communications, and interactions with buyer-prospects and clients.

**3. Did the broker who made the original introduction maintain contact with the buyer-client throughout the process? Or did the broker abandon the buyer-client?**

■ **Preventive Actions:**

Stay in contact with buyers and keep them up-to-date on your actions between meetings and showings. Ask buyers how often and by what method (text, email, phone call) they would like to be contacted.

**4. Did the cooperating broker initiate a separate series of events, not dependent on the original broker's efforts, which led to a successful transaction?**

■ **Preventive Actions:**

An exclusive buyer representation agreement might prevent this situation.

**5. Was the introduction of another broker an intrusion into the transaction, or did it cause estrangement or abandonment in the original buyer-broker relationship?**

■ **Preventive Actions:**

You can't control the conduct of other brokers, and sadly, some use unethical ploys to lure other broker's buyer-clients. Again, the steps to prepare your buyers throughout the process will help prevent such situations.

**6. Was the second broker aware of the prior introduction of the buyer to the property?**

■ **Preventive Actions:**

Make sure your buyer-clients know what to say and do if approached by another broker.

**7. Did the broker do anything to cause the buyer to look elsewhere for assistance? Did the broker's actions estrange the buyer?**

■ **Preventive Actions:**

Active-listening check-ins are helpful in this regard. Every search process is different and clients' needs, wants, and motivations may evolve. Check-ins help prevent small problems from becoming big ones.

## KEY POINT REVIEW

- ▶ The protocol for showing properties addresses issues before, during, and after the showing.
- ▶ REALTORS® must familiarize themselves with local, state, and federal fair housing guidelines.
- ▶ The four areas that pose danger of discrimination are screening, steering, advertising, and predatory lending.

## A DAY IN THE LIFE OF A BUYER’S REPRESENTATIVE...

Corinne recently signed a buyer’s representative contract with Jude and Alyssa. They are eager to move out of their starter home and into their “forever home.” They have a long list of wants and needs, including the desire for a home built in the last 10 years. Corinne is concerned that they will not be able to find what they want in the community they are interested in as homes in that area tend to be older. Jude and Alyssa also asked Corinne’s opinion on local schools, and they are curious about the racial make-up of a particular neighborhood.

1. **What are some steps Corinne can take to manage the expectations that Jude and Alyssa have about their “forever home?”**

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2. **How can the Home Buyer’s Checklist benefit both Corinne and the buyers?**

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3. **How should Corinne respond to Jude and Alyssa’s inquiries on the schools and community?**

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## LEARNING OBJECTIVES

After learning the material in Module 5, you should be able to:

- ▶ Assist your client in formulating an informed and competitive offer based on objective valuation tools.
- ▶ Guide your client through the process of presenting an offer and negotiating with the seller to get the best possible outcome.

## PREPARING THE BUYER

Your buyers have decided on a property, and it is time to negotiate price and terms. As you help clients formulate an offer, you will need to discuss the give-and-take of the offer and negotiating process. Educating first-time buyers is particularly important because they may be intimidated by the paperwork as well as the unknown realities of the process.

The sample contract you included in the buyer's packet should be reviewed. This might ease client stress by familiarizing them with the terminology and paperwork. Remember, educated clients are less stressed and more knowledgeable, which leads to a better working relationship and sound decision making.

Keep in mind that emotions play a big part during this process. Buyers may feel anxious, unsure, frustrated, elated, and every other possible emotion. It is part of your job to help clients manage these emotions by keeping them informed. An

informed client is a rational client and better is prepared to confidently navigate the negotiation process. Reassure them that the emotions they are experiencing are normal, and that is why you worked together to put a plan in place to guide them through the process.

*“Whether it’s a first-time homebuyer filled with anticipation and excitement or an aging couple putting their home on the market as they prepare to move into a retirement community, brokers will engage with clients that span the spectrum of emotional needs.”<sup>12</sup>*

The following notes and tips about the general process will help your client be prepared for making and negotiating an offer.

## **BUYER INFORMATION AND DISCLOSURE CHECKLIST**

Using a checklist to ensure you are covering all the issues with your buyers can be beneficial from a risk management standpoint. You can use the below checklist as a template—it will need to be customized for your marketplace.

- ▶ **Agency disclosures made**
  - D Agency disclosure form signed
  - D Dual Agency – form signed
  - D Discussed Compensation
  - D \_\_\_\_\_
- ▶ **Disclosure of stigmatized properties**
  - D \_\_\_\_\_
  - D \_\_\_\_\_
- ▶ **Property disclosures given**
  - D Seller disclosure
  - D Radon disclosure
  - D Lead paint disclosure (if required)
  - D Other: \_\_\_\_\_
- ▶ **Additional Disclosures**
  - D Square footage in the MLS is not always accurate
  - D Recommended buyer obtain insurance during mortgage contingency
  - D Recommended attorney – list given (if applicable)
  - D Recommended home inspection – list given

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<sup>12</sup> Navigating Clients’ Needs in Emotional Transactions, March 1, 2019, REALTOR® Magazine

- D Recommended home warranty
- D Possible tax issues—increase; senior exemption; non-owner occupied; new.
- D Sex offender registration information given - website, police department
- D Google address of property prior to contract
- D No change to credit between contract and closing

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Buyer

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Agent

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Buyer

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Date

## OVERVIEW OF OFFER AND NEGOTIATION PROCESS

Planning and following through with a strategy avoids “negotiations fever.” Negotiating the price and terms is not a game. Prolonged back-and-forth negotiations risk frustrating the seller or losing out to another offer.

Making offers on several properties at the same time, just to see which one will elicit the first and best response, is very risky because the buyer can be on the hook for every accepted offer.

In a hot sellers’ market with multiple offers likely, buyers should try to present their best offer first because there may not be another opportunity.

If the seller makes a counteroffer, which should be in writing, the buyer may accept or reject it, or make a counteroffer. If sellers reject an offer, they cannot change their minds later and hold the buyer to the terms of the original offer; the same is true if a buyer rejects a seller’s counteroffer.

An offer may be revoked up to the time it is accepted or the buyer is notified of acceptance. Revoking an accepted offer, however, is a serious step that can result in loss of earnest money or a lawsuit brought by the seller for recovery of damages.

## BINDING CONTRACTS

In order for a real estate contract to be legally binding, it must be accepted and signed by all parties and delivered. An offer is a contractual commitment between the buyer and seller. Once signed, both parties are legally obligated to contract terms. Verbal promises and handshakes are typically not enforceable. Everything should be in writing.

## PREPARE A MARKET ANALYSIS

Preparing a winning offer starts with a detailed Comparative Market Analysis (CMA), similar to the one prepared for sellers. Be sure to check your market analysis results against online value estimators like Zillow®. Your clients probably check values online, and you need to be prepared to respond to concerns about differences in estimated values.

If you have access to the Realtors Property Resource® (RPR®) and the Realtors Valuation Model® (RVM®) discussed in Module 3, the Property Report provides an estimated value based on real-time MLS data and assembles a comprehensive profile of the neighborhood and property. The Property Analysis for Investors tools on the Details tab lets you choose a strategy—buy and hold, resell, or rent—and adjust the variables for investment goals, financing, and property conditions. Export the results to an Excel® worksheet. Using these tools should supply you with an abundance of market and property information that you can use to create your market analysis. Here is some information you can access through RPR® and RVM®:

### Update Market Information

- ▶ **Price of Similar Properties**  
Look at list and sales prices on similar properties in the same area.
- ▶ **Price Trends**  
Current percentages of list compared to sales price.
- ▶ **Supply and Demand**  
In a high-demand, low-supply market, your buyer's offer may be competing with others.
- ▶ **Absorption Rate**  
Number of month's supply of inventory.
- ▶ **Average Time on Market**  
Cumulative market time is critical.

If you are acting as a disclosed dual agent in a transaction and prepared a CMA for the seller, you should do the same for the buyer. Not doing a CMA for the buyer puts them at a disadvantage. Check your state laws in relation to dual agency.

## FORMULATING AN OFFER

Now that the market analysis is complete and your buyer is ready to move forward, the next step in the process begins. Once you have collected and evaluated information about market conditions, the property of interest, the buyer's financial strength, and the seller's situation, it is time to formulate an offer. Remind your client that the offer represents a legal contract and must be taken seriously. It does not, however, guarantee the purchase of the property.

## ASSESSING YOUR CLIENT'S ADVANTAGES AND DISADVANTAGES

In putting together an offer, you want to weigh advantages and disadvantages. Discussing pros and cons helps you and your client articulate your position and rationale. You want to make sure you are aligned in the offer that you make. Use the following buyer-client's negotiating position checklist as a guide to making these crucial assessments.

### Create Your Game Plan

- ▶ Is the market with you or against you?
- ▶ Are there competing offers?
- ▶ Are the parties motivated?
- ▶ What is your relationship with the other broker?

## CHECKLIST: EVALUATE THE BUYER-CLIENT'S NEGOTIATING POSITION

### The Market

#### Questions

Is it a buyers' or sellers' market? \_\_\_\_\_

Is it a high or low point of a seasonal market? \_\_\_\_\_

How high are the interest rates? \_\_\_\_\_

What are the general economic conditions? \_\_\_\_\_

#### Checklist

- Buyers' market with many affordable properties available
- Low point of seasonal cycle
- Weakening economy/high unemployment
- High interest rates (lower number of buyers)
- Sellers' market with few affordable properties available
- High point of seasonal cycle
- Strong economy
- Low interest rates—many buyers

### The Property

#### Questions

How does the property compare to similar ones in the area? \_\_\_\_\_

How long has it been on the market? \_\_\_\_\_

Have there been other offers that fell through? \_\_\_\_\_

Are there offers pending? \_\_\_\_\_

Does the property need repair or remodeling? \_\_\_\_\_

#### Checklist

- Many similar properties in the area and on the market
- New home construction weakens seller's position on existing homes
- On market for a long time
- Property needs repairs or remodeling
- Distressed sale—REO, foreclosure, short sale
- Few similar properties in the area and on the market
- Unique property
- Lack of new construction increases competition for existing homes
- Pending offers
- Rapid property value appreciation

## The Buyer's Finances

### Questions

Is the buyer eligible for FHA, VA, or financing assistance? \_\_\_\_\_

Must the seller provide financing or share closing costs? \_\_\_\_\_

Can the buyer's credit history be improved? \_\_\_\_\_

Must the buyer sell their current home before closing on the new one? \_\_\_\_\_

### Checklist

- D Large down payment
- D High income in relation to mortgage payment
- D Favorable credit history
- D No current home to sell
- D Preapproved for financing
- D Low debt load
- D Low cash reserves
- D Low income
- D History of credit problems
- D Borderline position for financing
- D Will need seller financing or cost-sharing
- D High debt load

## The Seller

### Questions

What are the seller's motivations and objectives? \_\_\_\_\_

Why is the property being sold? \_\_\_\_\_

What is the seller's experience with real estate transactions? \_\_\_\_\_

How important are the contingencies? \_\_\_\_\_

### Checklist

- D Personal rapport with seller
- D Agreement on terms and occupancy dates
- D Highly-motivated seller
- D Few contingencies
- D Personality clash with seller or seller's representative
- D Many contingencies
- D Seller in no hurry to sell, can wait for right offer
- D Low equity in property

## IS IT A BUYERS' OR SELLERS' MARKET?

A critical factor to understanding your client's negotiating position is knowing whether it is a buyers' market, a sellers' market, or somewhere in between.

This crucial assessment will not only inform your initial offer but also your counteroffer and the negotiation of contingencies, which are discussed in the next section. Below are some strategies for the different kinds of markets:

### Strategies for a Buyers' Market

- ▶ Keep up-to-date on price adjustments.
- ▶ Request contingencies, allowances, or extras, such as a home warranty.
- ▶ Ask the seller to help with closing costs.
- ▶ Shorten the time for the seller's acceptance.
- ▶ Request credit or repairs if inspection reveals needed repairs
- ▶ All cash or an underwritten mortgage approval is a benefit in all markets.

### **Seller concessions could include:**

- ▶ Permitting the buyer to move in quickly.
- ▶ Helping with financing.
- ▶ Renting to the buyers with an option to buy.
- ▶ Paying some of the buyer's closing costs and other fees.
- ▶ Paying for improvements such as exterior painting, installing a new furnace, or repairing defects discovered during inspections.



### Strategies for a Sellers' Market

Although these suggestions will not work for all buyers in all marketplaces, some ideas on increasing the odds in a sellers' market include:

- ▶ Obtain an underwritten mortgage approval before making an offer.
- ▶ Waive mortgage contingency
- ▶ Purchase property 'as-is'
- ▶ Offer the list price or more.
- ▶ Put down a larger amount in earnest money.
- ▶ Make the first offer the best offer as there may not be a counteroffer or another opportunity.
- ▶ Buyer can pay some of seller's costs of sale

### Examples could be:

- ▶ Buyer pays for survey, transfer taxes, sellers title charges can pro-rate taxes a lower rate (90%, 80%, etc.)
- ▶ Buyer can do home inspection prior to contract (with seller's permission) and waive home inspection. It is not recommended that a buyer totally waive their home inspection
- ▶ Buyer can remove the requirement that the seller leave the property in "broom clean condition, with all personal property and refuse removed prior to closing."
- ▶ Allow seller to set closing date
- ▶ Buy with 'reverse contingency' – seller accepts offer contingent on them finding a new property within a specific time frame

### What Can Buyers or We Do?

- ▶ Allow seller to set closing date
- ▶ Let seller stay after closing if they need time
- ▶ Buyer can allow seller to have a reverse contingency
  - Seller sells 'contingent on finding a suitable replacement property within \_\_\_\_\_ days'
- ▶ Be careful of comments made when viewing property – sellers may be listening

## CONTINGENCIES

Contingencies are provisions that a party adds to a negotiation that need to be fulfilled for the transaction to go through. Common contingencies that are written into standard contracts include a satisfactory home inspection report, appraisal, approval of financing, and sale of a current home. Contingencies may be added based on the property or circumstances of the seller or buyer. They can also be influenced by market trends, such as if it is a buyers' or sellers' market and the personal motivations and interests of the parties involved. Note that brokers should avoid unauthorized practice of law by adding complex contingencies to a contract. Whenever in doubt, solicit the advice of professional legal counsel.

### Commonplace Buyer Contingencies Include:

- ▶ Attorney review.
- ▶ Inspections; full house, mold, radon, pest infestation, etc.
- ▶ Mortgage financing approval within a specified interest rate range.
- ▶ Sale of a current home.
- ▶ Receipt and approval of homeowner association documents.
- ▶ Title review.
- ▶ Early occupancy (with payment of rent) or furniture move in.
- ▶ Appraised value not lower than offered amount.
- ▶ Home warranty.
- ▶ Personal property included in the sale (e.g., appliances, window treatments).
- ▶ Subject to determination of affordable homeowners' insurance.
- ▶ Subject to determination of flood plain issues.
- ▶ Verification that all improvements were made with proper permits issued and all certificates of occupancy were issued.

### Seller Concessions Could Include:

- ▶ Permitting the buyer to move in quickly.
- ▶ Helping with financing.
- ▶ Renting to the buyers with an option to buy.
- ▶ Paying some of the buyer's closing costs.
- ▶ Paying for improvements such as exterior painting, installing a new furnace, or repairing defects discovered during inspections.

It is important to review with your client all disclosures a buyer is entitled to receive, as well as all seller contingencies. You also need to counsel your client on any contingencies they might want to add. Your overall negotiating position and initial offer will influence how and what you counsel your client to do. Sometimes too many contingencies can turn off sellers, potentially weakening the buyer's position.

Finally, be aware of the personal property in the home. Inclusion of all personal property (and possibly fixtures to avoid confusion) that the buyer wants to remain with the property has to be explicitly noted. The sales contract supersedes whatever is being offered in the MLS, and the seller has the right to take personal property if it is not included in the contract. Often the loan officers ask to have the personal property removed from the contract and put on a separate addendum. Legal counsel should be consulted prior to creating an additional document that is not disclosed to the lender.

## PRESENTING AND NEGOTIATING AN OFFER: KNOW THE RULES

After you have discussed everything with your client, it is time to submit their offer. In hot markets, it is very likely that you will then have to further negotiate price and contingencies with the seller. This section covers your obligations as the buyer representative, as well as the possible scenarios you may encounter once an offer has been submitted.

### YOUR RESPONSIBILITIES IN PRESENTING OFFERS

Your duties to a client require a timely submission of the client's offer and timely responses to counteroffers. The REALTORS® Code of Ethics states that all offers and counteroffers must be presented to the client up to closing, or until the seller states, in writing, that they no longer want to entertain offers.

### REALTORS® MLS POLICY STATEMENT 7.73

Cooperating participants or their representatives have the right to participate in the presentation of any offer.

#### Presenting in Person

In some states or marketplaces, it may be customary for the buyer representative to accompany the listing broker when the offer is presented to the seller. If you will be present when the offer is presented you will want to:

- ▶ Create a friendly atmosphere.
- ▶ Be sensitive to the emotions and needs of everyone present.
- ▶ Avoid negative comments about the seller's property.
- ▶ Explain the offer to the seller.
- ▶ Ask if they have any questions.
- ▶ Leave the seller to discuss the offer with their broker.

## REALTORS® CODE OF ETHICS

### Standard of Practice 1-6 (Submitting Offers)

REALTORS® shall submit offers and counteroffers objectively and as quickly as possible. (Adopted 1/93, Amended 1/95)

#### **Other buyer representative responsibilities include the following:**

- ▶ Is there a time limit for presentation in your contract? Does it invalidate the contract after that time?
- ▶ Notify the listing broker you have transmitted the offer. Do not simply attach a PDF to an email without also texting or calling the broker to make them aware of your buyer's offer.
- ▶ If you are getting no response from the listing broker, contact your managing broker so they can contact the listing managing broker to facilitate the presentation.
- ▶ The listing brokerage cannot hold offers waiting for more, but the seller can.

### Standard of Practice 1-7 (Submitting Offers)

When acting as listing brokers, REALTORS® shall continue to submit to the seller/landlord all offers and counteroffers until closing or execution of a lease unless the seller/landlord has waived this obligation in writing. Upon the written request of a cooperating broker who submits an offer to the listing broker, the listing broker shall provide, as soon as practical, a written affirmation to the cooperating broker stating that the offer has been submitted to the seller/landlord, or a written notification that the seller/landlord has waived the obligation to have the offer presented. REALTORS® shall not be obligated to continue to market the property after an offer has been accepted by the seller/landlord. REALTORS® shall recommend that sellers/landlords obtain the advice of legal counsel prior to acceptance of a subsequent offer except where the acceptance is contingent on the termination of the pre-existing sales contract or lease. (Amended 1/20)

### Standard of Practice 1-8 (Submitting Offers)

REALTORS®, acting as agents or brokers of buyers/tenants, shall submit to buyers/tenants all offers and counteroffers until acceptance but have no obligation to continue to show properties to their clients after an offer has been accepted unless otherwise agreed in writing. REALTORS®, acting as agents or brokers of buyers/tenants, shall recommend that buyers/tenants obtain the advice of legal counsel if there is a question as to whether a pre-existing contract has been terminated. (Adopted 1/93, Amended 1/99)

### Back-Up Offers

A back-up offer is a written offer containing a contingency making it subject to the release of a prior contract. Upon acceptance, the offer becomes a contract in “back-up position.” An accepted back-up contract does not give the seller the right to cancel the first contract, but it makes it critical for the first buyer to meet all obligations and contingencies because a seller with a buyer in back-up position may be quick to cancel. If your client is considering a back-up offer, make sure to explain these potential disadvantages:

- ▶ Acceptance of this offer means you are under contract.
- ▶ The buyer cannot buy another house while in a back-up contract without getting released from the first one or buying second one contingent on release of existing contract

### Affirmation of Presentation of Offers and Counter Offers

Both Standards of Practice 1-7 and 1-8 have requirements for the REALTORS® to affirm that they have presented offers and counter offers to their respective clients.

- ▶ **Standard of Practice 1-7: Affirmation by Listing Broker**

Upon written request of cooperating broker who submits an offer to the listing broker, the listing broker shall provide written affirmation as soon as practical stating that the offer has been submitted to the seller or a written notification that seller has waived obligation to see offers.

- ▶ **Standard of practice 1-8: Affirmation by Buyer Broker**

Upon the written request of the listing broker, the buyer's broker shall provide, as soon as practical, a written affirmation to the listing broker stating that the counter-offer has been submitted to the buyers/tenants, or a written notification that the buyers/tenants have waived the obligation to have the counter-offer presented.

### Confidentiality of Offers

- ▶ **Standard of Practice 1-13**

When entering into buyer/tenant agreements, REALTORS® must advise potential clients of:

1. the REALTOR®'s company policies regarding cooperation
2. the amount of compensation to be paid by the client
3. the potential for additional or offsetting compensation from other brokers, from the seller or landlord, or from other parties
4. any potential for the buyer/tenant representative to act as a disclosed dual agent, e.g. listing broker, subagent, landlord's agent, etc.

Note that this is one area where your state law may differ from the Code. You are advised to verify whether your state does requires you to keep contents of a contract you are negotiating confidential.

If your client requires confidentiality, you should ask the seller to sign a confidentiality agreement before you present the offer. If the seller refuses to sign, your client must consider whether to proceed with the offer.

### Multiple-Offers

#### ► **Standard of Practice 1-15**

REALTORS®, in response to inquiries from buyers or cooperating brokers shall, with the sellers' approval, disclose the existence of offers on the property. Where disclosure is authorized, REALTORS® shall also disclose, if asked whether offers were obtained by the listing licensee, another licensee in the listing firm, or by a cooperating broker. (Adopted 1/03, Amended 1/09)

Multiple offers weaken a buyer's leverage. Sellers are neither obligated to consider offers in the order they are received, nor accept the highest bid if a lower bid presents more attractive terms. It does not have to be a seller's market for a property to receive multiple offers.

Multiple offers complicate the situation because buyers must consider not only their own interests and capabilities along with the property's condition, but also the unknown factor of other buyers' interests and capabilities.

When a multiple-offer situation arises, consider the following factors as you help your buyer-client formulate an attractive offer:

- What is your responsibility to your client, and how do you best meet it?
- Always ask who has the other offers – lets you know if there really are other offers and if the listing broker has one of their own.

Review the ways to make your buyers offer stronger in a sellers' market that we discussed previously. There are ways to increase the odds of getting your buyer's offer accepted other than simply offering more money, which often causes the property to not appraise, causing problems or contract failure.

If a multiple-offer situation arises, counsel your client not to panic or withdraw from negotiations; they may be the highest bidders and will never know it if they pull out. Although the situation may be nerve-wracking and the outcome disappointing, it is worth the time and effort to go through at least one round of negotiations before withdrawing. Counsel buyers to have a price in mind, remain objective, and stay in the negotiations until that price is reached.

Continue to be mindful of your legal and ethical duties as a REALTOR® when clients tell you they want to send a “love letter” to the seller to indicate their interest in the property and give them leverage against other offers. This attempt by the buyer can trigger fair housing concerns as a letter might innocently reveal personal information and lead to implicit bias. If one is sent, avoid disclosing personal information about the buyer.

### What Can Buyers Do?

- ▶ Suggestions in Seller's Market Section

### What Can We Do?

- ▶ Be cautious about the kind of feedback we give when showing property.
- ▶ Build rapport with listing broker
- ▶ Find out what the seller wants and try to accommodate them
- ▶ Turn in everything with the offer – approval letter, etc.
- ▶ Share authorized buyer information
- ▶ Prepare lender for listing broker's call – or have lender make the call

You can learn more about how to handle multiple offers by viewing the “Window to the Law” series on the NAR website: <https://www.nar.realtor/videos/window-to-the-law>.

### Dual or Variable Rate Disclosures

#### ▶ **Standard of Practice 3-4**

REALTORS®, acting as listing brokers, have an affirmative obligation to disclose the existence of dual or variable rate commission arrangements (i.e., listings where one amount of commission is payable if the listing broker's firm is the procuring cause of sale/lease, and a different amount of commission is payable if the sale/lease results through the efforts of the seller/ landlord or a cooperating broker). The listing broker shall, as soon as practical, disclose the existence of such arrangements to potential cooperating brokers and shall, in response to inquiries from cooperating brokers, disclose the differential that would result in a cooperative transaction or in a sale/lease that results through the efforts of the seller/ landlord. If the cooperating broker is a buyer/tenant representative, the buyer/tenant representative must disclose such information to their client before the client makes an offer to purchase or lease. (Amended 1/02)

Dual or variable rate commissions are often misunderstood, but it is important to understand what they are and why listing brokers are required to disclose them. “Dual or variable rate” simply means the seller pays one amount if the listing broker's firm procures the buyer and a different amount if a cooperating broker procures the buyer.



A dual or variable rate commission can impact the seller's bottom line, because the net proceeds on identical offers will vary depending on who procures the buyer. Therefore, dual or variable rate commissions must be disclosed to cooperating brokers. Buyer's representatives must disclose such information to their client before making an offer. When a dual or variable rate commission has been appropriately disclosed in the MLS, the buyer representative's may inquire further as to the variance or differential and disclose such information to their client before they make an offer to purchase. It is almost always disclosed in the MLS as variable, not as dual, but the net effect to the buyer would be the same—they may not be on a level playing field with another buyer in a multiple-offer situation.

### Using an Escalation Clause

An escalation clause can be a useful strategy to raise your offer price, especially when you anticipate multiple offers. The clause works like this: your initial offer on a property might be for \$325,000, but the contract states that if the seller receives another offer higher than this, then your client is willing to increase their offer in increments of \$2,500 above the competing offer with or without a 'not to exceed' or maximum price. Here are some tips for adding an escalation clause to your offer.

- 1. Determine your highest acceptable price.**

Once your client determines their maximum price, they need to stick to it. Having this price in mind beforehand will prevent overpaying in the heat of the moment.

- 2. Ask to see competing offers.**

In a normal bidding process, competing offers are not shared with the buyer. However, with the use of an escalation clause, there is an obvious opportunity for sellers to game the system, claiming competing offers that do not actually exist. The escalation contract would require the seller to show a copy of the competing offer before invoking the escalation clause.

- 3. Price escalation will typically not compensate for otherwise weaker terms.**

If other parts of your offer are weak or burdensome (e.g., low down payment, multiple contingencies, long closing time, etc.), the small premium in price escalation will likely not be enough to win against comparable price offers with better terms.

Although it may seem that an escalator is a great way to compete on price without paying too much more than competitors, it is by no means a guarantee of winning in the bidding process. Here are some drawbacks that smart representatives are aware of.

- ▶ **Banks and foreclosure lenders don't accept escalation clauses**  
This means that you cannot employ an escalator for any bank-owned properties.
- ▶ **Sellers could view it as "playing games."**  
Some sellers believe it is best for buyers to simply submit their best offer right away.
- ▶ **It still must appraise.**  
A rashly-constructed escalation clause may actually push the price over its appraisal. If the home won't appraise at that price, it's not good for either party.

At the end of the day, there are no guarantees in any bidding process. It is important to assess each offer scenario based on the market, property, and needs and wants of your client.

### Appraisal Gap Coverage

When the offer price on the property reaches an amount where the appraised value may not meet the contract price, then the sellers often ask the buyers to agree to a 'gap appraisal clause'. The buyer is agreeing to pay the difference between the appraised value and the purchase price. Buyer's should be advised of the pros and cons, and brokers should not be drafting the contract language.

Example: In the event the appraised value comes in below purchase price, Buyer agrees to pay up to \$5,000 (\$2,000 whatever) over appraised value not to exceed purchase price.

## Disclosure of Accepted Offers

### ► **Standard of Practice 3-6**

REALTORS® shall disclose the existence of accepted offers, including offers with unresolved contingencies, to any broker seeking cooperation. (Adopted 5/86, Amended 1/04)

The disclosure obligation of the listing broker differs with regard to offers and accepted offers, and you, as the buyer representative, need to understand the distinction. Listing brokers, however, are not required to disclose the existence of a back-up offer to a buyer representative who has a contract on their property.

## Counteroffers

Sometimes a buyer's first offer is accepted by the seller, but more often it is not. In these instances, you and your client need to have a strategy in place when the seller counteroffers. Does the counteroffer align with your advantages and disadvantages? Is it close to aligning with your client's priorities? Before responding to a counteroffer, it's wise to reassess objectives. For example:

- Did the seller make a reasonable counteroffer?
- Have circumstances changed to alter the closing date?
- At what point and why would your client walk away from this negotiation?
- How important is it to include items such as the ceiling fan, appliances, window treatments, and other contingencies in the sales contract?

Identify points of agreement and differences between your client and the seller. Focus the negotiations on areas of disagreement and concentrate on resolving those issues. Although most concessions occur at the closing phases of negotiations, patience and staying focused on objectives achieves the best outcome.

Prolonged, incremental negotiating is not without risk. Caution your clients that the longer negotiations continue, the greater the risk that a seller may accept a competing offer—just to conclude the deal.

## REO AND SHORT SALE OFFERS

### OFFERS ON REO PROPERTIES

Real Estate Owned properties (REOs) are foreclosed properties that are now owned by the lender. Sometimes these properties can be bought below the market rate because lenders are simply trying to recoup money on their balance sheets without regard for local real estate market trends. The purchase and sale of REOs is different than conventional home purchases, and smart buyer representatives need to know how the process works should their client be interested in such properties. It is not unusual for REO foreclosures to receive multiple offers, and you need to be prepared if this situation arises.

#### Making the Offer

- ▶ The list price may not reflect the value of the home. Your offer should consider comparable sales to compete with other possible offers. Explore the home's financial history and inquire about other offers received.
- ▶ The offer is made to the bank or lender, usually through a representative of an asset management company.
- ▶ The buyer must present a signed contract with earnest money.
- ▶ The buyer must provide a proof of funds or preapproval for financing.

#### What to Expect

- ▶ Pressure for a quick closing date.
- ▶ Property sold in as-is, where-is condition.
- ▶ Asset managers are usually not licensed real estate agents.
- ▶ No seller disclosures or concessions, such as price reductions for repairs.
- ▶ No contingency for sale or close of a current home.
- ▶ In the time it takes for the bank to respond with a signed contract, there may be other offers that must be presented to the seller, unless the bank has stated that they will not entertain any more offers.
- ▶ Acceptance is handled through a counter addendum which is sent by the bank.
- ▶ Counter addendum issues include altering inspection periods, modifying seller warranties, changing financing provisions, imposing penalties for failure to close, and environmental disclaimers, among many others.

- ▶ All deals are subject to review by senior management. The property is not under contract until the lender signs the counter addendum. No notice to the MLS is required until the property is under contract.
- ▶ The offer-response process takes much longer than a typical home sale.
- ▶ In some cases, electronic signatures are not allowed.

### Protect Your Client

- ▶ Don't write on the counter addendum documents—markups will invalidate it.
- ▶ Check the counter addendum for alterations from the agreed terms.
- ▶ Encourage your buyer to schedule a thorough home inspection.
- ▶ Schedule a final walk-through to assure the property condition has not changed.
- ▶ Take photos for the buyer at the time of sales contract as a precaution, in the event the property is not in the same condition at time of closing.
- ▶ Meet all deadlines for inspections and closing.
- ▶ Purchase comprehensive title insurance.
- ▶ Close on time—penalties may be assessed for delays and extensions, regardless of which party caused the delay.

### OFFERS FOR SHORT SALES

With short sales, two things are typically at play: 1) a homeowner is in financial distress and cannot keep up with mortgage payments, and 2) the value of the home has declined such that it's worth less than the current mortgage balance. A short sale occurs when a lender allows the sale of the home for less than the mortgage payoff. As with REOs, the short sale process is different than it is for conventional home purchases. Here is how it works and how to protect your client.

#### Making the Offer

- ▶ Properties in short sale may be priced under market value to attract buyers, but the home may sell for more. Do your homework and check comparable sales and the home's financial history. Keep in mind there may be multiple offers on the property.
- ▶ The offer is made to the seller, who signs the contract, but the lender must approve the sale.

- ▶ Provide a proof of funds and/or preapproval for financing with the contract.
- ▶ Some banks ask for other documentation—provide all the documentation the bank requires.
- ▶ The contract should have a reasonable chance of closing. Offer a fair price—a low-ball offer risks a lender turn down. Provide a fair amount of earnest money, and carry out the home inspection and mortgage application in a timely manner.

### What to Expect

- ▶ Although initial response may be timely, it may take a very long time (30–180 days) to receive approval from the lender.
- ▶ Buyer must be flexible on their closing date.
- ▶ Pressure for a quick close after the lender approves the short sale.
- ▶ The property is usually sold in as-is condition; do not expect the seller or the lender to make repairs.
- ▶ A seller's acceptance of a contract is contingent on bank approval; the seller's acceptance does not guarantee the lender's approval of the transaction.
- ▶ Even a full price offer does not guarantee acceptance from the short sale lender.

### Protect Your Client

- ▶ If the buyer does not want earnest money deposited before the lender approves the contract, it should be noted on the contract. This could weaken the offer.
- ▶ Try to determine the lender's policy on subsequent offers and try to include a “no subsequent offers” clause in the contract.
- ▶ Check for liens on the property—multiple liens complicate the process.
- ▶ Stipulate in the contract the time frame for submission of the short sale package by the seller, (i.e., how long the buyer will wait before withdrawing).
- ▶ For international buyers, cultural differences could make negotiation harder. Closing could also be delayed if funds come from overseas, or if the buyer needs to set up an appointment at a U.S. embassy/consulate to execute documents in front of a notary.

## PRACTITIONER PERSPECTIVE: OFFERS AND NEGOTIATIONS



**Lynn Madison**

ABR®, AHWD®, GRI, PSA, SFR, SRS, SRES®, RENE  
Schaumburg, IL

- ▶ **What is your process for educating buyers on making an offer and negotiating the price? Are there any extra steps you take to educate first-time buyers?**

It's critical that they understand what is happening in the market—not what the media is saying or what their friends and relatives “think” is happening—but the statistics and facts. Supply and demand is the key, and using our MLS statistics we can show the buyers what is happening and prepare them for what to expect in any kind of market.

- ▶ **What are the top three things that can affect a buyer's negotiation position?**

First, it's supply and demand—it's what drives the market. The buyers are not “driving the bus” if it is a sellers' market, and they need to know that. We need to re-focus them on the definition of “win” in a sellers market—they get the house—not necessarily at the lowest price—the win is getting it!

Second is their financing—I know there's all kinds of talk about discrimination if sellers won't take FHA or VA, and that's just not true. The sellers have the right to take the offer that will be the best for them financially, and sometimes all of the buyers who are making their offers contingent on any type of financing can't compete with a cash buyer.

Third would be the other contingencies and personal property. Buyers need to stop asking for things that make no sense when they know they are going to be competing against other buyers. We have heard of buyers buying puppies and vacations for sellers, and yet we have other buyers asking for the sellers TV sets, pool tables, and patio furniture—it makes no sense!

► **How do you prepare your buyer when you anticipate multiple offers on a property they are interested in? How does this situation change the offer process for both you and the buyer?**

We have to prepare them from the very beginning—not when we get ready to write the offer. It starts with a frank conversation with their lender so we know how high we can take them. If the lender says, “do not take them a penny over \$300,000”—then why are we showing them \$325,000 properties in a sellers’ market? We should be showing them \$280,000 properties so they have the room to go higher in a multiple offer—otherwise they will consistently loose out.

This, along with making sure they are aware of all the things we talked about above, should prepare any reasonable person for negotiating in a multiple-offer environment.

We need to prepare as well and that starts with knowing as much about the seller’s needs as possible, and writing our offers so they give the seller their “win.” Do they need a longer closing time—a shorter one? Do our homework!

► **Have you ever implemented an escalation clause? What are some benefits of using this clause? What are some disadvantages of using it?**

Absolutely—and they work—but not always. One of the biggest problems is often the listing broker’s don’t know how to explain things to their sellers. We can’t fix that. We need to prepare our buyers for what will happen, and that they will be given a short period of time to respond—savvy listing brokers know that they cannot say “goodbye” to a buyer who has offered top dollar waiting for our buyer to go “\$1,000 over that,” so they will always give a deadline for acceptance.

One of the disadvantages is the “*will not exceed \$XXX*” clause. Many, if not most, marketplaces have created addendums or forms to use to escalate the buyers offers and there is usually an option as to whether the buyer will give away their highest price. Giving the highest price often ends up with the seller countering at that price—and saying it has nothing to do with any other offers—in other words, it’s not an escalation, it’s just a counter.

Escalation clauses are not for every buyer. I had a buyer who, even when we told him we would get a copy of the other contract he had to beat said “they could have made that up.” First, there are very few brokers who would be willing to commit fraud for this process, but even if they did—if the buyer gets the house at a price and terms he is willing to pay then, again, he won! He doesn’t have to buy it at the price the seller counters with—if it’s too high—he walks.



▶ **What advice would you give to your fellow REALTORS® when it comes to making an offer and assisting your buyer with negotiations?**

- Know your market—and know how to explain it to your buyers.
- Have everything turned in with the contract—earnest money, proof of funds.
- Work as a team with the lender—and attorney if used in your market—so you are all working in the best interest of the buyers.
- Know the rules—be a student of the Code of Ethics and use that knowledge to benefit your clients.
- Albert Einstein said it..  
*“You have to learn the rules of the game. And then you have to play better than anyone else.”*

## KEY POINT REVIEW

- ▶ Preparing the buyer to make an offer involves educating them on the process while also understanding their emotions.
- ▶ REALTORS® should analyze and interpret the data and present a clear market analysis on the property prior to making an offer.
- ▶ REALTORS® should assess a client’s advantages and disadvantages in terms of the market, property, finances, and seller’s position prior to developing an offer.
- ▶ There are many offer scenarios: multiple offers, escalation clause, variable rate disclosures, REO and short sales, and counteroffers.

## A DAY IN THE LIFE OF A BUYER'S REPRESENTATIVE...

Corinne has been working with her client, Dida, for the past 6 weeks and they have finally found a condominium that meets Dida's needs. It is currently a seller's market and properties are going quickly. Dida can put down a minimum down payment. She is working on getting a preapproval for a mortgage. Corinne is in the process of preparing a market analysis that she and her client can use to determine the best offer on the property.

1. **What are some things Corinne already knows about Dida's negotiating position in terms of the market and Dida's finances? What else does she need to learn?**

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2. **What are some things Corinne needs to understand about the property as she assesses Dida's negotiating position?**

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3. **How does a seller's market affect the offer?**

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## MODULE

# 6

## From Contract to Closing

### LEARNING OBJECTIVES

After learning the material in Module 6, you should be able to:

- ▶ Explain the immediacy of contingencies to clients and outline the mortgage application process.
- ▶ Guide your client through the home inspection and appraisal process.
- ▶ Ensure that your client knows the different types of required insurance and understands the closing process.

The buyer and seller have agreed on terms, signed a sales contract, and the earnest money is sitting in an escrow account. While it might seem like you have completed the transaction, there is more work to be done. Now is the time to enhance your value proposition even further as you guide your buyer through the mortgage, inspection, appraisal, and closing processes.

Real estate professionals know all too well that if there is no closing, there is no compensation. Even with the finish line in sight, buyers can encounter pitfalls that delay or derail the closing. Let's take a look at what the buyer's representative can do to help clients complete those final steps and receive the keys to their new home.

## CONTRACT CONTINGENCIES

You and the buyer should review the contingencies associated with the final contract. As you will recall, we discussed the various types of contingencies the buyer and seller might impose in Module 4. Three common contingencies buyers must address include:

- ▶ Home inspection
- ▶ Appraisal
- ▶ Financing

You will want to establish a timeline for completing the buyer's contingencies and making sure the seller is completing their part of the tasks. Most contracts have parameters in place for addressing contingencies (for example, 10–21 days); however, it is possible for buyers and sellers to negotiate and shorten or lengthen the time. Keep the lines of communication open between yourself, the buyer, and the seller's representative to make sure everyone is working in a timely manner to resolve any issues or setbacks.

Sometimes there is a lot to account for, and buyers can get overwhelmed. For example, additional information, such as condo docs, might be requested and must be delivered according to the contract. Or, if there is an attorney review contingency, the attorney must be chosen, and the contract must be reviewed in a timely manner. Inform clients that the consequences of not complying with the terms of the contract could result in a loss of the property and their earnest money.

### Contingencies that may be in the contract

- ▶ Delivery of earnest money
- ▶ Mortgage application
- ▶ Verifying affordable homeowner and flood insurance
- ▶ Home inspection
- ▶ Intent to proceed to lender
- ▶ Mortgage commitment date

## MORTGAGE PROCESS

Unless the transaction is an all-cash deal, the buyers need to obtain financing. Let's review some of the major aspects of the mortgage process.

### MORTGAGE APPLICATION

As we discussed earlier in the course, the buyer should have already taken first steps for a successful mortgage approval by checking their credit rating and improving or repairing credit issues and debt load. After a period of credit difficulties, it may be best to wait 12 months to apply for a mortgage because barriers often diminish after a year. Counsel your client in this regard as early in the process as you can. The fewer credit rating issues there are, the smoother the mortgage application process will be.

Also make sure to inform your client that sales contracts often stipulate a time frame for a mortgage application. Failure to comply could give the seller the opportunity to terminate the contract if a back-up contract has been accepted.

### MORTGAGE APPLICATION FOLLOW-UP

After completing the initial mortgage application process, the lender will likely make several requests for additional documentation and information. A prompt response from the buyer keeps the process moving along.

You can help your buyers by providing them with an advance list of documents that lenders in your area typically request so they can begin compiling the information. Advise them that all individuals whose names appear on the loan documents will be required to provide documentation. Lender requirements differ, but most require:

- ▶ Social Security numbers and birth dates.
- ▶ Photo identification.
- ▶ Pay statements showing year-to-date earnings.
- ▶ W-2 or 1099 tax forms for the past 2 years.
- ▶ Employer's name, address, and telephone number (current and for the past 2 years).
- ▶ Account statements for checking, savings, and other accounts.
- ▶ Statement of current assets (IRA accounts, investment accounts, employee retirement accounts, brokerage accounts).

- ▶ Gift letter if using gift funds for down payment.
- ▶ Outstanding loan balances and monthly payments along with lender information, such as auto loans, student loans, and credit cards.
- ▶ Current and previous addresses over the past 2 years.
- ▶ Current mortgage balance and payments or the name and address of the landlord and monthly rent payment.
- ▶ Copy of the sales contract.

## ADDITIONAL DOCUMENTATION FOR SOME SITUATIONS

### ▶ **Military and Veterans**

Veterans Affairs (VA) loan applications require a copy of the borrower's DD214 Form (Statement of Service) and a certificate of eligibility.

Active-duty military may also need a power of attorney and an alive and well statement.

### ▶ **Self-Employed**

Borrowers who are self-employed or compensated by commission should provide federal tax forms for the past 2 years along with a current year-to-date profit and loss statement. Employment and business locations of self-employed borrowers must be independently verifiable. Tip income must also be verified.

### ▶ **Divorce**

Borrowers who are separated or divorced must provide a copy of the divorce decree or separation agreement. Alimony and child support payments count as income; buyers must provide proof of payment for the past year.

### ▶ **Financial Subsidies**

Social security, pension, disability, or any form of public assistance benefits qualify as income. The borrower must provide a copy of an award certificate or a copy of a check from the issuing agency.

### ▶ **Past Financial Distress**

Depending on the type of bankruptcy declared and the lender, a client who has filed for bankruptcy will have to wait a year or more before applying for a loan. If the borrower has experienced a bankruptcy or foreclosure judgment within the past 7 years, information about the proceedings must be provided. For bankruptcies, documentation should include a copy of the bankruptcy discharge, a schedule of both debts and assets, and an attorney's letter explaining the outcome of the proceedings.

## THE KNOW BEFORE YOU OWE (TRID) RULE

TRID consists of guidelines that dictate what information mortgage lenders need to provide to borrowers and when they must provide it. It also dictates the fees that lenders can charge, and how these fees can change over the life of the mortgage. The TRID rule was established to harmonize the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA). In the final rule, the Consumer Financial Protection Bureau (CFPB) largely addressed NAR's major concerns regarding the proposed 3-day waiting period to close transactions and dropped many provisions including the "all in" annual percentage rate (APR) that would have been for all parties. However, concerns of possible closing delays and how the mortgage transaction interacts with the real estate transaction remained. On July 7, 2017, the CFPB released the final rule amending the "Know Before You Owe" mortgage disclosure rule and clarified the ability to share the Closing Disclosure (CD) with third parties—a victory for real estate professionals nationwide.

To learn more about TRID, review the NAR website: <https://www.nar.realtor/trid-tila-respa-integrated-disclosure#section-166125>.

## LOAN ESTIMATE COMPARISON

Buyers should assess multiple lenders and select those that fit their requirements in terms of interest rate, closing costs, and term (15-year, 30-year, adjustable, etc.) Buyers can request a loan estimate from each so they can do an "apples to apples" comparison, and then select a lender by giving them "Intent to Proceed."

Typically, a lender must provide a loan estimate within 3 business days of receiving an application. You can remind buyers that a loan estimate does not indicate agreement to obtain a mortgage with that lender. A sample of a loan estimate is provided at the end of this discussion.

### **Buyer should compare critical items on the loan estimate, including:**

- ▶ Is the rate locked? Did they want it to be?
- ▶ Is the loan amount what they were expecting?
- ▶ Is the rate fixed or adjustable? What were they expecting?
- ▶ Are there any discount points with the rate?
- ▶ Is the loan type what they were expecting? Conventional, FHA, VA?
- ▶ Does the loan have a prepayment penalty?
- ▶ Is the estimated total monthly payment acceptable?

- ▶ How do origination charges to loan estimates compare to those of other lenders?
- ▶ Is the homeowner's insurance premium accurate?
- ▶ Are the estimated property taxes accurate?
- ▶ Is the estimated cash to close as expected, and do they have sufficient funds to pay as required?
- ▶ Is there an expiration date for the loan estimate?

### NO CHANGE IN BUYER'S FINANCIAL POSITION

Finally, even if your clients' finances are in order, warn them not to make any changes in their financial picture between contract and closing. Lenders recheck credit and employment shortly before closing, and a loan commitment could be rescinded if there is a change.

#### **This includes:**

- ▶ Changing jobs, becoming self-employed, or resigning from your job.
- ▶ Purchasing a vehicle.
- ▶ Using charge cards excessively or letting your payments fall behind.
- ▶ Closing credit card accounts or applying for a new credit card.
- ▶ Spending money you have set aside for closing.
- ▶ Buying furniture on credit—even if you do not start paying until after closing.
- ▶ Originating any inquiries into your credit.
- ▶ Making large deposits to or withdrawals from your bank accounts without first checking with your loan officer.
- ▶ Changing bank accounts.
- ▶ Co-signing for a loan.



Figure 6.1  
Sample Loan Estimate <sup>13</sup>

**FICUS BANK**  
4321 Random Boulevard • Somecity, ST 12340 Save this Loan Estimate to compare with your Closing Disclosure.

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**Loan Estimate**

<p><b>DATE ISSUED</b> 2/15/2013  <b>APPLICANTS</b> Michael Jones and Mary Stone                  123 Anywhere Street                  Anytown, ST 12345  <b>PROPERTY</b> 456 Somewhere Avenue                  Anytown, ST 12345  <b>SALE PRICE</b> \$180,000</p>	<p><b>LOAN TERM</b> 30 years  <b>PURPOSE</b> Purchase  <b>PRODUCT</b> Fixed Rate  <b>LOAN TYPE</b> <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____  <b>LOAN ID #</b> 123456789  <b>RATE LOCK</b> <input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, until 4/16/2013 at 5:00 p.m. EDT</p> <p><i>Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT</i></p>
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Loan Terms	Can this amount increase after closing?	
<b>Loan Amount</b>	\$162,000	<b>NO</b>
<b>Interest Rate</b>	3.875%	<b>NO</b>
<b>Monthly Principal &amp; Interest</b> <small>See Projected Payments below for your Estimated Total Monthly Payment</small>	\$761.78	<b>NO</b>
<b>Prepayment Penalty</b>	<b>Does the loan have these features?</b>	
	<b>YES</b> • As high as \$3,240 if you pay off the loan during the first 2 years	
<b>Balloon Payment</b>	<b>NO</b>	

---

Projected Payments	Years 1-7	Years 8-30
<b>Payment Calculation</b>		
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow <small>Amount can increase overtime</small>	+ 206	+ 206
<b>Estimated Total Monthly Payment</b>	<b>\$1,050</b>	<b>\$968</b>

---

<b>Estimated Taxes, Insurance &amp; Assessments</b> <small>Amount can increase over time</small>	\$206 a month	<p><b>This estimate includes</b></p> <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <small>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</small>	<b>In escrow?</b> YES YES
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Costs at Closing		
<b>Estimated Closing Costs</b>	\$8,054	<small>Includes \$5,672 in Loan Costs + \$2,382 in Other Costs – \$0 in Lender Credits. See page 2 for details.</small>
<b>Estimated Cash to Close</b>	\$16,054	<small>Includes Closing Costs. See Calculating Cash to Close on page 2 for details.</small>

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Visit [www.consumerfinance.gov/mortgage-estimate](http://www.consumerfinance.gov/mortgage-estimate) for general information and tools.

1 LOAN ESTIMATE PAGE 1 OF 3 • LOAN ID # 123456789

[themortgagereports.com/17354/mortgage-good-faith-estimate-guide](http://themortgagereports.com/17354/mortgage-good-faith-estimate-guide)

## HOME INSPECTIONS

Home inspections should be scheduled as soon as possible after signing. The sales contract will likely stipulate a date by which inspections must be completed. If the inspection turns up major problems, it takes time for the seller to make repairs or renegotiate terms. The buyer should be present at the home inspection, which usually lasts 2–3 hours. Depending on the custom in your marketplace, the buyer rep is usually at the home inspection with the inspector and the buyer or at least there at the beginning and the end. Typically the sellers and the seller's representative are not at the home inspection.

Depending on the property, buyers might hire a general home inspector and also hire a specialty inspector such as a structural engineer, pest inspector, landscape expert, septic system inspector, or a toxic substance inspector.

Buyers should be cautioned to read the language in the sales contract relative to what is covered during the home inspection, as well as who is authorized to conduct the home inspection.

- ▶ Does the contract call for a licensed home inspector, or can anyone do it?
- ▶ Is there a dollar amount specified that states if the deficiencies are less than “X” amount the seller will remedy?
- ▶ You should counsel clients on what is expected after the home inspections are done. Many contracts state:

*Buyer agrees that minor repairs and routine maintenance do not constitute defects and are not a part of this contingency. The fact that a functioning major component may be at the end of its useful life shall not render such component defective for purposes of this paragraph.*

*A system or item shall be deemed to be in operating condition if it performs the function for which it is intended, regardless of age, and does not constitute a threat to health or safety.*

### **Consider potential consequences if your client requests a lot of repairs:**

- ▶ Will this give the seller the ability to cancel the contract?
- ▶ Were there multiple offers when the buyer purchased—meaning there could be a back-up offer that might affect the seller's decision on making repairs?
- ▶ Is this a buyer's or seller's market?

## WHEN THE HOME APPRAISAL DERAILS THE PROCESS

Most loans are subject to the property appraising for purchase price. There are some contracts that require the property appraise in a cash transaction as well. When properties appraise below the sale price, it is a big headache for buyers, sellers, and real estate agents. The transaction comes to a halt unless the issues can be resolved.<sup>14</sup>

Market conditions can affect the percentage of properties that appraise for less than sales price. In a sellers' market when prices are increasing, it may be more likely that the comps may not support the most recent sales price.

The first step to resolve an issue with the appraisal is to help your client understand the contract, including any appraisal and financing contingencies, so they can evaluate their options before deciding what to do next.

One option may be to walk away. If an appraisal contingency allows, the buyer may elect to cancel the contract and receive a refund of their earnest money.

A second option is to request the seller reduce the sales price to the appraised value.

If neither of those are viable options for the buyer and they elect to go forward, the options available must be handled through the lender. It is the lender's appraisal and they must have the discussion with the appraiser. It is the agent's responsibility to prepare the information the lender will use.

## FNMA GUIDELINES ON CHANGES TO APPRAISED VALUE

### Changes to the Appraised Value

- ▶ The lender is responsible for confirming that appraisal reports are complete and that any changes to the reports are made by the appraiser that originally completed the report.
- ▶ If the lender has concerns with any aspect of the appraisal that result in questions about the reliability of the opinion of market value, the lender must attempt to resolve its concerns with the appraiser that originally prepared the report.
- ▶ Any request for a change in the opinion of market value must be based on material and substantive issues and must not be made solely on the basis that the opinion of market value as indicated in the appraisal report does not support the proposed loan amount.

<sup>14</sup> "A Wild Market Means More Home Appraisals are Coming in Low. Here's What to do if a Bad Appraisal Threatens Your Deal," August 12, 2020, Money. <https://money.com/coronavirus-low-home-appraisal/>

## PROCESS FOR DISPUTED APPRAISALS

Must be submitted in writing to the lender

- ▶ Must be done by buyer or buyer's broker
- ▶ Must have buyer's permission
- ▶ Brokers – work together!

Review the appraisal – are there errors?

- ▶ Comps used were 9 and 12 months old
- ▶ Comps were from another school
- ▶ No adjustment was made for location – busy street, backing to commercial
- ▶ Challenge any 'outliers' that were used

Give the appraiser a reason to change his opinion

- ▶ Submit new information
- ▶ Submit new comps—if available
  - Properties that were pending and are now closed – long shot!
  - Properties that were not used by appraiser
  - Properties that should not have been used by appraiser

## FANNIE MAE APPRAISAL WAIVERS

A FNMA appraisal alternative is an offer to waive the appraiser-conducted appraisal for eligible transactions. The waiver is issued through Desktop Underwriter® (DU®) using Fannie Mae's database of more than 61 million appraisal reports (as of March 2023) in combination with proprietary analytics from Collateral Underwriter® (CU®) to determine the minimum level of property valuation required for loans delivered to Fannie Mae.

The specifics about Fannie's new valuation approach are fairly straightforward. Here are the valuation options in Fannie's new framework:

- ▶ **Valuation Acceptance (Appraisal Waivers):**

This option will be considered on principal and secondary residence purchase transactions with a Loan to Value (LTV) of 80% or less, primary and secondary residence limited cash-out refinances with an LTV of 90% or less, investment properties with an LTV of 75% or less, and principal residence cash-out refinances of 70% or less, among other criteria.

- ▶ **Valuation Acceptance & Property Data:**  
Under this option, Fannie will offer an appraisal waiver subject to “property data collection by a third party who conducts interior and exterior data collection on the subject property.”
- ▶ **Hybrid Appraisal:**  
This solution would only come into play where Value Acceptance + Property Data “was initially started, but changes in loan characteristics result in the transaction not being eligible for that option.” In other words, the “property data” would be forwarded to a licensed appraiser, who would perform the valuation analysis based on the information provided by the third-party data collector.
- ▶ **Desktop Appraisal.**  
Appraiser does not physically inspect the property - uses data from various sources including FNMA database.
- ▶ **Traditional Appraisal.**  
Appraiser collects property data and completes the market analysis required for the appraisal.

For more information please see Fannie Mae’s website:

<https://singlefamily.fanniemae.com/originating-underwriting/appraisal-waivers>

## VA TIDEWATER PROCESS

Before finalizing the appraisal, VA appraisers can notify the lender that the home’s value is likely to come in below the purchase price with the information the appraiser currently has. At that point the lender has two days to provide the appraiser with additional comparable sales that support the purchase price.

Lenders typically ask the agents involved to provide the comps since the lenders do not have access to the MLS, nor do they know the guidelines for comp choice, etc. The new information must be submitted within 48 hours.

The appraiser will take the additional comps into consideration and issue the final appraisal. If the appraisal is still lower than the purchase price, the steps of challenging the appraisal are fundamentally the same as for other loans.

## TYPES OF INSURANCE

There are multiple types of insurance that are required when buying a home that home buyers, especially first-time buyers, may not be aware of. It is a good idea to review the various types of insurance that your clients will need.

### PROPERTY INSURANCE

Buyers should begin the process of verifying affordable homeowners' insurance at the same time they apply for a mortgage. Homeowners' insurance is required for the deal to close. Stress to clients that, if they haven't already, they should verify affordable insurance coverage during their due-diligence period in the contract .. Their insurance agent will check the C.L.U.E. Report to see the history of the claims filed by previous owners on the property The lender will not permit the closing to proceed if the buyer is unable to obtain or afford adequate property insurance, or if a high premium is needed and the buyer no longer qualifies.

It may come as a surprise to buyers to learn that the loss claims made by previous owners are used to calculate premium rates and even used to deny coverage in some instances. The insurers look at the history of the property; for example, is it in an area susceptible to destructive weather events? As a contingency, the buyers can request the sellers to provide an insurance claims history report on the property detailing the past 5-year history of property claims. The sale can be contingent on a home inspection ensuring that problems identified in the report have been repaired.

Insurers also look at a potential policyholder's credit score when deciding whether to offer coverage and determining premium rates. Insurers feel that someone who has a low credit score, indicative of poor credit management, will be less likely to do needed upkeep. For more information on the C.L.U.E report and it's impact on insurance premiums go to <https://risk.lexisnexis.com/products/clue-property>

### FLOOD INSURANCE

During the inspection or due diligence period, the buyer should determine if the property is in a mapped flood plain and investigate the cost and availability of flood insurance, which will likely be required if the buyer is obtaining financing.

For information and updates, go to the official site of the National Flood Insurance Program at [www.floodsmart.gov](http://www.floodsmart.gov) or NAR's NFIP Toolkit at <https://www.nar.realtor/national-flood-insurance-program>.

## TITLE INSURANCE

Title insurance is a type of coverage that is often misunderstood. Who is covered for what loss? Imagine this scenario: a few weeks after moving into a new home, a man knocks on the door. He informs you that the sale was fraudulent and that he is the rightful owner. Title insurance protects the policyholder—the lender or borrower—from losses resulting from defects in the title. Lender title policies protect the lender and owner title policies protect the homeowner.

### Lender's Title Policy

The lender's policy insures the validity and enforceability of the mortgage document. This guarantee makes it possible to sell the mortgage in the secondary market. The value of the policy equals the amount of the mortgage. The lender will probably use a designated company to write the lender's title policy.

### Owner's Title Policy

Title insurance protects the buyer's ownership right to the home, from both fraudulent claims and mistakes (such as an inaccurate description of the property) made in earlier sales. It is a one-time cost based on the price of the property. Title insurance is particularly important for buyers who purchase homes in countries where property records can be murky or nonexistent. Title insurance is a good idea even for new construction. Even though the home is new, the land is not. There may be claims on the land or liens placed during construction.

The buyers may wish to include provision of an owner's title policy in the sales contract, to be paid by the seller, although this can vary depending on your state and local customs. Title insurance is an extremely competitive business, so home buyers can—and should—shop around for the best rates.

## CLOSING PROCESS

The final part of the home-buying transaction is, of course, the closing. This is the final opportunity to reinforce your value proposition to your client. With the deal nearly closed, it is also an opportunity to look ahead to future business. Ending on a positive note is the best way to secure strong recommendations to grow your business.

## PRE-CLOSING WALK-THROUGH

Most sales contracts entitle the buyer to a walk-through inspection of the property just prior to closing. It is important that the buyer do this personally. As the buyer's representative, you can accompany your client, but you should not do the walk-through instead of your client.

### **The purpose of a pre-closing walk-through is to:**

- ▶ Check that the condition of the home is in the same condition as the day the buyer made the offer.
- ▶ Ensure that the seller has vacated the property and left it in the condition specified in the sales contract.
- ▶ Check that agreed repairs have been performed.

In case there are major problems, your client can ask to delay the closing or request that the seller deposit money into an escrow account to cover the necessary repairs. In such a case, be sure your client is the one making decisions, and recommend they seek appropriate counsel.

## PREPARE THE BUYER FOR CLOSING

Preparing your client for what will take place at the closing reduces stress and facilitates a no-problem settlement process. If your clients are first-time buyers, take the time to explain a closing in greater detail. Advise clients how to prepare, who will attend, and what to expect when closing.

The closing process varies depending on factors such as state law, local custom, and whether financing is involved (and even the type of financing).

### **Gather All Required Forms and Documents**

In the days before closing and/or signing loan documents, buyers should gather all the paperwork accumulated throughout the buying process and additional documents that may be needed, such as:

- ▶ Identification—photo ID.
- ▶ Sales contract.



- ▶ Proof of homeowner's insurance and other insurance certificates.
- ▶ Proof of title search and title insurance.
- ▶ Home appraisal.
- ▶ Home inspection reports.
- ▶ Certified check, cashier's check, or wired funds for the down payment, closing costs, and any other money paid at closing. Verification of how the funds need to be transmitted should be done with the title company or lender.

### Who Attends?

Closing procedures vary from state to state (and even county to county). The following parties may attend closing/signing:

- ▶ The buyer—referred to as the mortgagor.
- ▶ The seller.
- ▶ Real estate agents for both the buyer and seller.
- ▶ Closing agent—usually an employee of the title company.
- ▶ The lender—referred to as the mortgagee.
- ▶ Attorneys for both the buyer and seller.
- ▶ Title company representative—to provide written evidence of the ownership of the property.

The COVID-19 pandemic brought many changes to our industry and one of the biggest was the contactless closing. Rather than everyone gathering in a room to sign paperwork, closing documents are provided to the buyer for review and a secure link allows them to upload items such as their ID and any required forms. If needed, an online notary platform allows this part of the process to also be “no touch.”

A major benefit of the contactless closing is that scheduling challenges among the various parties are minimized. As the buyer's representative, advise your client to check with their attorney if they have any questions on the closing documents before signing them. This is another time when keeping the lines of communication open is beneficial as the contactless closing might be intimidating, especially for the first-time buyer. Many professionals believe this new closing format will continue.

## What to Expect

Ownership of the property will be transferred to the buyer on closing day. Any changes to the transaction must be made prior to closing. The closing agent makes sure that all documents are signed and sent for recording, and that closing fees and escrow payments are paid and properly distributed. If not completed previously (depending on state law), the buyer should be prepared to:

▶ **Sign legal agreements.**

- Between the buyer and the seller transferring ownership of the property.
- Between the buyer (the mortgagor) and the lender (the mortgagee) agreeing to the terms of the mortgage loan.

▶ **Pay down payment and closing costs.**

- Closing costs are paid out of pocket or rolled into the principal balance of the new mortgage.
- Shortly before the closing, the buyer should receive an updated estimate of any funds due prior to closing and instructions on how to make the payment.

▶ **Receive the keys.**

- The buyer receives the keys to the property according to the terms of the contract as well as copies of the closing documents.

▶ **Receive and inspect copies of closing documents.**

- Settlement statement itemizing all the costs associated with closing and money exchanged between the buyer and seller.
- Closing disclosure stating the loan terms, projected payments, closing and loan costs, and a summary of the transaction.
- Property deed transferring ownership to the buyer.
- Affidavit statements by either party (e.g., the sellers may provide an affidavit stating the property is free from liens).
- Proration agreements showing how costs like property taxes will be divided between the buyer and seller.
- Tax and utility receipts.
- Abstract of title search showing the history of ownership for the house.

## AFTER THE CLOSING: DUE DILIGENCE MOVING FORWARD

In the flurry of closing a transaction and moving to a new home, important paperwork from the transaction can be misplaced. Perform a valuable service for your buyers by providing them with digital copies of all documents. For another touch point, put copies of the paperwork in an envelope marked for January mailing and addressed to buyers. They will need the paperwork when filing their taxes. This service may be the distinction that makes buyers think of you when they think “real estate.”

Other ways to leave a favorable and lasting impression with clients are described below. Different clients will, of course, value different things: consider the needs and lifestyles of your clients when selecting these final touches. Flowers and gift baskets are always welcome, as is a personal note of thanks. Other ways to say thanks for your business:

- ▶ Re-key the locks.
- ▶ Gift certificate for a handyman service.
- ▶ Subscription to local newspaper, magazine, museum, etc.
- ▶ One-time cleaning service.
- ▶ Dinner delivery on moving day.
- ▶ Landscaping: small tree or shrub, gift to a local nursery.
- ▶ Safety items such as fire-extinguisher, smoke alarm, or carbon monoxide detector.

Your diligence and follow-up after the closing could determine where your referrals are won or lost. Remember to ask your buyer-client to complete a client feedback form. This will help you improve your service and may provide feedback you can share with others.

## CLIENT DATA PRIVACY AND SECURITY

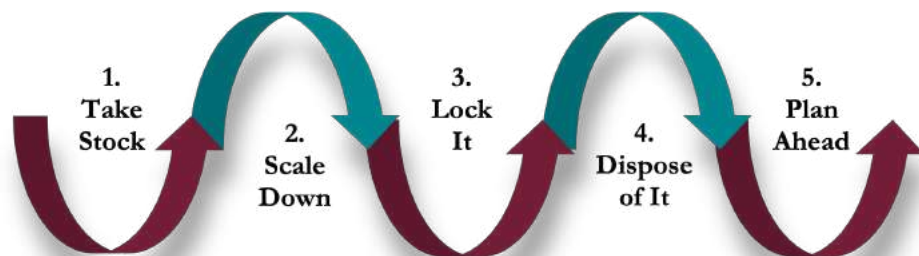
Real estate professionals are required to collect personal information about clients and customers in the course of finding them the right home. In this age of digital recordkeeping, your office policies should include standards and procedures for collecting, sharing, destroying, and protecting customer and client information.

A data security plan includes protecting the security, confidentiality, and integrity of data, as well as disposing of it properly when it is no longer needed. The Federal Trade Commission recommends five key principles for a sound data security program:

- 1. Take Stock:**  
Know what personal client information you have in your files and who has access.
- 2. Scale Down:**  
Keep only what is needed for business or required by law.
- 3. Lock It:**  
Protect the information that you keep.
- 4. Dispose of It:**  
Properly dispose of information that you no longer need.
- 5. Plan Ahead:**  
Create a plan to respond to security incidents.

NAR offers a toolkit that provides information about state laws and federal regulations regarding data security and privacy protection. The toolkit also includes checklists of issues to consider when drafting a security program. Go to <https://www.nar.realtor/data-privacy-security/nars-data-security-and-privacy-toolkit>.

**Figure 6.2** FTC's Five Key Principles of Data Security



## WIRE FRAUD

Wire fraud is a serious issue that agents need to be aware of. Wire fraud occurs when a hacker accesses the email of the title company, attorney, or agent, and monitors the correspondence about the deal. The hacker then creates a fake email mimicking that of the hacked account and sends a directive to wire the closing funds to a fraudulent account the hacker has opened. The money is almost always gone and cannot be recovered.

FBI data reveals that about 11,677 people were victims of wire fraud in the real estate and rental arenas in 2019 adding up to more than \$221 million in losses nationwide. This represents a 48% increase from the previous year. In the United States alone, 5,000 phishing emails are received every year that have been sent out from more than 115 countries around the world.<sup>15</sup>

### **There are steps brokers can take to prevent wire fraud:**

- ▶ Most importantly, educate your client about the possibility of wire fraud. Brokers need to be hypervigilant when discussing any financing aspects of a deal. They need to scrutinize the source of all emails and texts and inform their clients to do the same.
- ▶ Remind clients that they should verify all wiring instructions before transferring funds, and that it is always better to call the title company with the phone number the company provided than to click on an email link. It is extremely rare to receive last minute changes to wiring instructions—any emails or texts that look the least bit suspicious need to be verified.
- ▶ Cashier's checks can also be used instead of a wire transfer of funds. Finally, brokerages can increase email security. Switching to cloud-based systems, for example, would automatically scan for security threats.

To learn more about data privacy, consider taking NAR's e-Pro certification course: <https://www.nar.realtor/education/designations-and-certifications/e-pro>.

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<sup>15</sup> NAR, Wire Fraud, <https://www.nar.realtor/wire-fraud#section-180332>

## KEY POINT REVIEW

- ▶ Contract contingencies must be resolved in a timely manner to prevent the contract from becoming void.
- ▶ Counsel buyers to refrain from making changes to their financial picture until after the closing.
- ▶ The results of home appraisals and home inspections can delay the closing process.
- ▶ REALTORS® should establish procedures for data privacy and security.

## A DAY IN THE LIFE OF A BUYER'S REPRESENTATIVE...

Corinne called her client, Trevor, to let him know that the seller accepted his most recent offer, and she is going to stop by with the contract for final signatures. She knows Trevor is preapproved for a mortgage and reminds him to make a final determination on a lender and to make a plan for obtaining homeowner's insurance. Trevor mentions that he has not looked into insurance yet but assures her that by the time he moves in, he will be insured. He tells Corinne that he is busy right now as he decided to change jobs and has a few interviews lined up for next week. Trevor also mentions that he has been buying furniture for his new place and is excited to move in.

**1. How can Corinne guide Trevor as he finalizes his mortgage application?**

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**2. Trevor states that "he will be insured by the time he moves in." Is this sufficient? How should Corinne respond to this?**

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**3. How might a lender respond if Trevor changes jobs before closing on the property? What are some things Corinne should remind Trevor about regarding keeping his finances in order?**

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## LEARNING OBJECTIVES

After learning the material in Module 7, you should be able to:

- ▶ Understand and apply strategies for success as a buyer's representative.
- ▶ Apply troubleshooting scripts to respond to buyer concerns.
- ▶ Utilize the pro tips and tools to ensure success as a buyer's representative.

After our comprehensive review of the home-buying process, it's time to put it all together. In this module, we will build on what you have learned by providing the practical tools and know-how needed for success as a buyer's representative.

## IMPORTANT STRATEGIES FOR SUCCESS

The first five modules walked us through every phase of the process, step by step. But the home-buying process is dynamic. Buyers, circumstances, and market trends are always changing; you might be in the early phase of the buying process with one client, the middle phases with a few others, and ready to close on others, all while trying to find ways to grow your business. Basically, you need to be able to do everything all at once.

A good place to start is by assessing your current skill level and potential challenges. With this information, refine your unique value proposition, which demonstrates your value to today's buyer.

## KNOW YOUR STRENGTHS AND WEAKNESSES

Effective self-improvement involves knowing what we're good at—and what we're not. Admitting we have weaknesses is hard, but also essential to getting better. The Buyer Representative Skills Self-Assessment helps pinpoint your strengths and weaknesses related to the home-buying process. The goal is learning to emphasize your strengths, while committing to improving the skills that need work.

## KNOW YOUR DUTIES AND RESPONSIBILITIES

Your duty and responsibility as a buyer representative is to advocate on behalf of the buyer to find them the right home at the right price in accordance with all federal, state, and local fair housing laws. You must also abide by the REALTOR® Code of Ethics, and always act in the buyer's best interest.

As we discussed in Module 3, fair housing laws require that everyone has equal access to housing opportunities. The Fair Housing Act specifically prohibits certain practices if they are based on race, color, religion, sex, familial status, disability, or national origin. This is important both to prevent yourself from inadvertently discriminating and to protect your client from being discriminated against.

REALTORS® serve as stewards of the right to own, use, and transfer private property. Through strict application of the Fair Housing Act, we reaffirm this commitment to fair housing for all. In addition to federal housing laws, there are state and local laws that you must comply with in your business dealings. Because laws vary by state, so do the various real estate laws and forms surrounding licensing and brokerages. Check your state and local real estate boards frequently to stay up-to-date with current laws and required forms.



## HOW TO BECOME A SKILLED NEGOTIATOR

Ultimately, you will be successful in a negotiation when you understand what you are going to say and you recognize the best time to say it. Do not feel pressured to reveal everything about your client's bargaining position, but if you do, have a statement ready to deflect this pressure. "I hear what you are saying, and we can address that after we have finished our discussion on the issues at hand."

Recognize that each client you represent will also have their own idea of how to negotiate. You will want to discuss your process for negotiating and come to an agreement on the best way to handle their offer.

Remember that negotiating is the process of trading items of value so that both parties come to a satisfactory conclusion. It does not refer to withdrawing important needs and wants that your client is looking for.

### **A skilled negotiator is...**

- ▶ Patient but persistent.
- ▶ Organized and innovative.
- ▶ Aware of other's emotions and situations.
- ▶ Honest and prepared.
- ▶ Aware of legal accountability.
- ▶ Flexible and open to suggestions.
- ▶ Assertive without being demanding.
- ▶ Looking for a win-win situation that does not compromise their client.

For the most part, people come together in a real estate negotiation in good faith and do not try tactics to undermine the other party. But if this does happen, it is in your best interest to be prepared. This means keeping your emotions in control, keeping the focus on the process, and knowing when to walk away if another party is using "hard-ball" strategies that will not benefit your client.

If you want to learn more about the negotiation process, sign up for the Real Estate Negotiation Expert (RENE) certification course presented by the Real Estate Business Institute, an affiliate of NAR. You can learn more about this course at <https://www.nar.realtor/education/designations-and-certifications/rene>.

## BUYER REPRESENTATIVE SKILLS SELF-ASSESSMENT

Buyer Representative Skill	Rating (1-5): 1=very weak; 2=weak; 3=average; 4=strong; 5=very strong
Clearly communicate your value proposition to a client.	
Understand how a buyer-agent relationship is legally formed.	
Know your specific duties and responsibilities as a buyer's representative.	
Explain goals of a buyer consultation for you and for the client.	
Conduct a buyer's consultation that leads to a signed buyer representation agreement.	
Understand the importance of real estate contracts in relation to buyer loyalty and compensation.	
Skilled at searching for properties that meet the buyer's needs and wants by using active listening strategies and Realtors Property Resources® tools.	
Skilled at showing properties to clients.	
Know and follow all federal, state, and local fair housing laws when selecting and showing properties.	
Know how to conduct a thorough analysis of the market to understand your client's negotiating position.	
Able to help your client formulate an informed and competitive offer based on objective valuation tools	
Knowledgeable about the process of presenting an offer and negotiating with the seller to get the best price and terms possible.	
Able to guide your client through contract contingencies and mortgage process.	
Able to guide your client through the home inspection and appraisal process.	
Understand the different types of required insurance and the closing process.	
<b>Total Score</b>	
<p><b>Here's how to evaluate your score:</b></p> <p><b>75-70:</b> Exceptionally skilled and knowledgeable! Fine tune your skills!</p> <p><b>69-65:</b> Very strong. Work on those few areas where you're not as strong as you could be!</p> <p><b>64-60:</b> Good, but you can be better! Work on making your weaknesses a strength!</p> <p><b>59 or Less:</b> Now that you know what you need to improve, you're on your way! Keep studying, practicing, and learning!</p>	

## TROUBLESHOOTING SCRIPTS FOR THE FIELD

Every REALTOR® encounters difficult situations. In fact, difficult situations are part of the business, and effectively navigating them is often the difference between success and failure. This section features scripts for navigating common challenges every real estate professional faces in the field.

As you read through these, it's important to keep in mind that you must always keep the particular wants, needs, and situations of each particular client in mind when offering a response. Tailor your responses as best you can to account for the differences and unique situations each client presents.

### WHEN THE BUYER DOESN'T WANT AN INITIAL COUNSELING SESSION

#### Scenario 1:

▶ **Buyer:**

I can find properties on the internet, so I really do not need a whole counseling session. I just need you to get me in the door.

▶ **Agent:**

What you find on the internet are advertised properties—not necessarily all the properties available. I have access to the MLS with real-time information on the latest listings, including new on the market and price changes. I also have relationships with other offices that may have listings that are not advertised. There are often homes selling that you will never see on an internet search. I can explain this whole process and how I can best serve you in a brief consultation where I can better learn your wants and needs.

#### Scenario 2:

▶ **Buyer:**

If every agent has access to the MLS, what is the advantage of working with you?

▶ **Agent:**

Helping you buy a home is more than just finding one. My expertise includes negotiating, following up from contract to closing, and working with the attorneys, title companies, and other brokers in the marketplace. You want to work with someone who understands what it means to “play well with others” but always puts your interests first. That’s my specialty.

Scenario 3:

▶ **Buyer:**

I know exactly what I want already. I just need you to get me showings.

▶ **Agent:**

I can definitely do that for you. But that's not all I can do. I have access to more resources than what you see online, and I have connections with many listing brokers. So, if we can sit down for a half hour and I can get a better understanding of all your wants and needs for a new home, I can search my resources as well.

## WHEN A BUYER WON'T SIGN A REPRESENTATION AGREEMENT

Scenario 1:

▶ **Buyer:**

I would like you to work for me, but I don't want to sign anything. A handshake is enough, and I can trust you, right?

▶ **Agent:**

You certainly can trust me, and I feel that I can trust you as well. That said, I can only work with (3, 4, 5) clients at a time to provide the level of service I pledge and that you're entitled to. I can only commit that time to buyers whom I have a contract with, which protects both of our interests, because with a signed contract you are no longer a "buyer" to me, you are my client. Let me explain what that means.

Scenario 2:

▶ **Buyer:**

I don't like to make a commitment to just one REALTOR®. I like to keep my options open.

▶ **Agent:**

You are more than welcome to work with more than one REALTOR® at a time. There are many good ones out there. But without a buyer commitment relationship, you will be getting many calls from agents, both good and bad, who aren't making you their priority. Bottom line, you'll get much better service from one REALTOR® who is committed and loyal than from many agents who are not. I owe it to my current clients not to take time away from them for buyers who are working with many people at the same time.



Scenario 3:

▶ **Buyer:**

The sales agents who show me properties seem nice, so why do I need a buyer's rep?

▶ **Agent:**

Most of those are listing brokers. They are probably really nice people who are doing their job well, but doing their job well means looking out for the best interests of the seller, not you as the buyer. Or they are dual agents with split loyalties who cannot advocate for you. You want someone working exclusively for you, helping you get the best price on the right home. That's my job as the buyer's representative.

Scenario 4:

▶ **Buyer:**

I like you, but I'm a commitment-phobe! What if I don't like actually working with you? What if it doesn't work out? How do I get out of this contract if I sign now?

▶ **Agent:**

If at any time you are unhappy with my services, you can speak with my broker. They will do two things based on your preference: 1) assign a different agent to you, or 2) cancel your agreement completely.

## WHEN DEALING WITH FSBOs

### Scenario 1:

▶ **Buyer:**

If sellers can go FSBO, why can't I make a purchase on my own?

▶ **Agent:**

You can purchase on your own. But you are taking a risk of not getting the best deal, just as the FSBO seller is. My job is to protect your interests and help you acquire all the information you need to make an educated decision about an FSBO. Once we've determined the value of a piece of property, I will help you negotiate the best price and terms. After that, I'll keep an eye on the transaction details through the closing and until you move in. Buying a home is an expensive and complex process. Most people want expert advice when doing it.

### Scenario 2:

A client of yours is interested in looking at FSBOs and asks you to check out any local listings. Here are some short scripts you can use when contacting FSBOs to check out potential options for an immediate purchase or for planting a seed for a potential client down the road:

#### For Immediate Showing

▶ **Agent:**

I'm a real estate professional representing a serious, qualified buyer who is interested in your home. Does the price you are quoting include a commission?

▶ **Agent:**

I'm a real estate professional representing a serious, qualified buyer who is interested in your home. If the price you're quoting right now does not include a commission, would you consider paying my typical commission fee if my client wanted to purchase your home?

■ If the owner agrees to pay your commission, you can proceed with arranging a showing for your client. See the Sample Agency Disclosure and Brokerage Fee Agreement for Unlisted Property shown on page 175. Check with your own brokerage for the appropriate forms.

■ *If the owner will not pay your commission, proceed to the following questions...*

### For Securing A Potential Lead

▶ **Agent:**

Okay, I understand. Do you have an idea of how long you will try selling the home on your own?

- If the owner provides a definitive timeline, you can offer to contact them again as that deadline draws near.
- If the owner does not have a clear plan, you can offer to check back in a month to see how they are coming along.
- Ultimately, by being civil and offering your services early on, you are securing a potential lead. Many FSBOs eventually wind up listing their home with a broker. Remember that among all sellers, 89% ultimately sold their home using an agent or broker. That real estate professional might as well be you! <sup>16</sup>

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<sup>16</sup> NAR Home Buyer and Seller Generational Trends, p. 118



## SAMPLE AGENCY DISCLOSURE AND BROKERAGE FEE AGREEMENT FOR UNLISTED PROPERTY

Seller acknowledges that \_\_\_\_\_ (Buyer's Broker) has been retained by Buyer to represent Buyer and has designated one of its sales agents as Buyer's Designated Representative (Buyer's Representative). Seller understands that Buyer's Representative is the agent of the Buyer with a duty to represent the Buyer's interests. Seller further understands that the Buyer's Representative is NOT the Seller's agent and that any information given to the Buyer's Representative by the Seller will be disclosed to the Buyer if it is in the Buyer's best interests.

If this showing results in an offer to purchase by Buyer, the seller agrees to pay the Buyer's Broker on behalf of the Buyer \_\_\_\_\_% of the sale price. Seller acknowledges that the payment constitutes an economic adjustment in the transaction and does not create any agency relationship between the Seller and the Buyer's Broker or Buyer's Representative.

Seller shall complete all disclosure reports required by law, including but not limited to the Residential Real Property Disclosure Report and the Lead-Based Paint Disclosure and authorizes Buyer's Representative to make all disclosures available to the Buyer.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Broker

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Designated Agent

\_\_\_\_\_  
Property Address

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
Company Address

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
Phone:

\_\_\_\_\_  
Phone:

## TECHNOLOGY TO HELP YOU WORK MORE EFFICIENTLY AND EFFECTIVELY

Technology has altered the real estate landscape in recent decades. In some ways it has made our jobs more challenging. But in many ways, it has made our lives easier. REALTORS® can work faster and more efficiently than ever—if they use the best technology in the most effective ways.

In 2018, NAR members found that the three most valuable technology tools to use for their business, excluding email and texting, were local MLS websites/apps, lockbox/smart key devices, and social media platforms. More than 75% of NAR members use social media in their business, and more members found it provided them the highest quality leads than any other tool. It's important that you use technology to your advantage, in order to work more efficiently and effectively.

### Technology to Manage Time

If you're like most agents, you can rarely find enough hours in the day to accomplish all that you want. But the difference between a good agent and a great agent is how efficiently they use and manage their time. A Customer Relationship Management system, or CRM, is a great tool. It creates automated texts, emails, and messages on social media platforms based on intervals that you set. Some CRM tools also have website templates and the ability to generate your social media accounts. CRM systems can help you with many important tasks, including:

- ▶ Targeting the best leads.
- ▶ Sending bulk messages.
- ▶ Implementing your drip campaigns.
- ▶ Managing your client accounts.
- ▶ Reminding you about clients' closing anniversaries, birthdays, etc.
- ▶ Managing and monitoring your financials.

Utilizing a CRM can save you hours of work per day, which makes you more productive and strategic. This strengthens and advances your business. CRMs are not expensive, costing as little as \$10 to \$20 per month.

### Social Media

Social media is clearly driving business more than ever before, and this trend is unlikely to end. Buyers age 30 and under grew up with social media, and this group now comprises 82% of first-time home buyers.<sup>17</sup> They expect to connect with you online, as do the majority of buyers in every age group.

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<sup>17</sup> 2021 NAR Home Buyer and Seller Generational Trends, p. 25.

As we learned, buyers first look online when they begin searching for a new home. To connect with them, a strong social media presence is essential. Social media used most by REALTORS® are Facebook, LinkedIn, and Instagram: competitive professionals stay active on at least these three platforms.<sup>18</sup> In real estate, top uses of social media include promoting specific listings, building relationships with clients, and finding new prospects. REALTORS® also report that they use it to connect with other real estate professionals: this benefit can also serve your client.

Person-to-person contact is still a great way to form relationships and spread the word about your services in a local market, but a strong social media presence serves as an extension of yourself, helping build your brand to a much broader audience.

Trends in social media continually evolve, and different age demographics prefer some platforms over others. The target audience for your business can help determine which platforms you should be active on. While Facebook remains the most popular platform overall, Instagram is the fastest-growing, especially among younger age groups. If you keep in mind that a primary objective is to serve and educate your clients, you are on the right track in choosing platforms. At the same time, always coordinate social media efforts with those of your brokerage.

Finally, it's important to maintain brand consistency. The brand you present in person is the brand that should be reflected on your Facebook page, your LinkedIn account, your Instagram posts, and across all your communication efforts. A consistent brand exudes professionalism, which builds respect and trust from clients.

### KEY POINT REVIEW

- ▶ Assessing yourself and your competition is essential to success.
- ▶ Building a unique value proposition pays off for your business.
- ▶ Preparation helps you respond effectively to common client concerns.
- ▶ Client relationships are a valuable resource.

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<sup>18</sup> 2018 Technology Survey; NAR

## NEXT STEPS

For the past 2 days you took part in an intensive course of study.

- ▶ We discussed the value and role of the buyer representative and learned about the duties and responsibilities associated with it.
- ▶ We learned about the buyer counseling session, the search-showing-selecting process, and how to handle offers and negotiations as a buyer's representative.
- ▶ We explored contracts and issues associated with the closing process: mortgages, inspections, and insurance.
- ▶ Finally, we reviewed strategies for analyzing yourself and your competition and for maximizing your business success.

Now you are familiar with the terminology and processes used as a buyer's representative and have acquired new strategies for enhancing your business. You are ready to help buyers find the right property at the right terms and price in all types of markets.

Any final questions or concerns? Take advantage of your instructor's experience for additional information. Best wishes on your success as a buyer's representative.

## ADDITIONAL COURSES

Additional courses (including those designated as ABR® elective options) are offered by the National Association of REALTORS® to increase skills for working with buyer-clients. Check the complete listing at <https://www.nar.realtor/education-working-with-buyers>.

### Courses to consider:

- ▶ At Home with Diversity®
- ▶ e-PRO® Certification Program
- ▶ Certified International Property Specialist (CIPS) Designation
- ▶ Home Finance Resource (HFR) Certification
- ▶ Military Relocation Professional (MRP) Certification
- ▶ NAR's Green Designation: People, Property, Planet, Prosperity
- ▶ Pricing Strategies: Mastering the CMA Course
- ▶ Seller Representative Specialist (SRS) Designation Course
- ▶ Seniors Real Estate Specialist (SRES®) Designation Course

## A DAY IN THE LIFE OF A BUYER'S REPRESENTATIVE...

After a few slow seasons, Corinne wants to build her business and attract more buyer-clients. She finds satisfaction in this aspect of real estate and realizes that home buying continues to rise. Corinne knows other successful buyer's representatives in her market, and she wants to be competitive.

1. **What skills are especially important for buyer's representatives?**

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2. **How might a SWOT analysis help Corinne build her business? Should she reassess her unique value proposition?**

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3. **How can technology support and increase Corinne's business?**

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## Resources & Exercises

### GLOSSARY

**Addendum:**

An addition to a document.

**Adjustable Rate Mortgage (ARM):**

A type of mortgage loan in which the interest rate is tied to an economic index, which fluctuates with the market. Typical ARM periods are 1, 3, 5, and 7 years.

**Agent:**

The licensed real estate salesperson or broker who represents buyers or sellers.

**Appraisal:**

A document of opinion of property value at a specific point in time.

**Back-Up Offer:**

Written offer with a contingency making it subject to the release of a prior contract.

**Buyer:**

The purchaser of a property.

**Buyer Agency:**

A real estate broker retained by the buyer who has a fiduciary duty to the buyer.

**Buyer Representative:**

The agent who shows the buyer's property, negotiates the contract or offer for the buyer, and works with the buyer to close the transaction.

**Buyer's Market:**

An economic situation in which the number of properties on the market are plentiful, which keeps prices down. Supply is greater than demand.

**Closing:**

The end of a transaction process where the deed is delivered, documents are signed, and funds are dispersed.

**Commission:**

The compensation paid to the listing brokerage by the seller for selling the property. A buyer agency agreement may require the buyer to pay a commission to their agent.

**Competitive Market Analysis (CMA):**

The analysis used to provide market information to the seller and assist the real estate broker in securing the listing.

**Contingency:**

A provision in a contract requiring certain acts to be completed before the contract is binding.

**Disclosures:**

Federal, state, county, and local requirements of disclosure that the seller provides and the buyer acknowledges.

**Dual Agent:**

A state-licensed individual who represents the seller and the buyer in a single transaction.

**Escalation Clause:**

A clause in a real estate contract that allows for an increase in the offer price based on certain conditions.

**Fairhaven:**

NAR's simulation training tool on fair housing issues.

**For Sale By Owner (FSBO):**

A property that is for sale by the owner of the property.

**HUD/RESPA**

**(Housing and Urban Development/Real Estate Settlement Procedures Act):**

A document and statement that details all of the monies paid out and received at a real estate property closing.

**Intent to Proceed:**

The buyer has selected a lender and indicated their intent to work with them.

**Listing:**

Brokers' written agreement to represent a seller and their property. Agents refer to their inventory of agreements with sellers as listings.



**Loan:**

An amount of money that is lent to a borrower who agrees to repay the amount plus interest.

**Loan Closing Costs:**

The costs a lender charges to close a borrower's loan. These costs vary from lender to lender and from market to market.

**Managing Broker:**

A person licensed by the state as a broker who is also the broker of record for a real estate sales office. This person manages the daily operations of a real estate sales office.

**Net Sales Price:**

Gross sales price, less concessions, to the buyers.

**Niche:**

A special area or interest.

**Offer to Purchase:**

When a buyer proposes certain terms and presents these terms to the seller.

**Pending:**

A real estate contract that has been accepted on a property but the transaction has not closed.

**Personal Brand**

The unique combination of experience and personality that represents you: the total of all impressions people have about you and your business.

**Preapproval:**

A higher level of buyer/borrower prequalification required by a mortgage lender. Some preapprovals have conditions the borrower must meet.

**Prequalification:**

The mortgage company tells a buyer in advance of the formal mortgage application how much money the borrower can afford to borrow. Some prequalifications have conditions that the borrower must meet.

**Procuring Cause:**

The series of events, unbroken in their continuity, that lead to the purchase of a property.

**Real Estate Agent:**

An individual who is licensed by the state and who acts on behalf of his or her client, the buyer or seller. The real estate agent who does not have a broker's license must work for a licensed broker.

**REALTOR®:**

A registered trademark of the NATIONAL ASSOCIATION OF REALTORS® that can be used only by its members.

**Seller (Owner):**

The owner of a property who has signed a listing agreement or a potential listing agreement.

**Seller's Market:**

An economic situation in which there are fewer properties on the market and prices tend to increase. Demand is greater than supply.

**Steering:**

Influencing a buyer's choice of communities when searching for a property.

**Transaction Management Fee (TMF):**

A fee charged by listing brokers to the seller as part of the listing agreement.

**Unique Value Proposition:**

A clear statement that describes the benefit of your services, how you solve your client's needs, and what distinguishes you from the competition.

**Walk-Through:**

A showing before closing or escrow that permits the buyers one final tour of the property they are purchasing.

## WEBSITES

- ▶ **Fairhaven Training:**  
<https://www.nar.realtor/fair-housing/fairhaven>
- ▶ **Home Buyer and Seller Generational Trends:**  
<https://www.nar.realtor/research-and-statistics/research-reports/home-buyer-and-seller-generational-trends>
- ▶ **HUD Housing Discrimination Under the Fair Housing Act:**  
[https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp/fair\\_housing\\_act\\_overview#\\_The\\_Fair\\_Housing](https://www.hud.gov/program_offices/fair_housing_equal_opp/fair_housing_act_overview#_The_Fair_Housing)
- ▶ **Know Before You Owe (TRID) Rule:**  
<https://www.nar.realtor/trid-tila-respa-integrated-disclosure#section-166125>
- ▶ **NAR's Code of Ethics and Standards of Practice:**  
<https://www.nar.realtor/about-nar/governing-documents/code-of-ethics/2021-code-of-ethics-standards-of-practice>
- ▶ **NAR Data Security Toolkit:**  
<https://www.nar.realtor/data-privacy-security/nars-data-security-and-privacy-toolkit>
- ▶ **NAR e-Pro Certification Course:**  
<https://www.nar.realtor/education/designations-and-certifications/e-pro>
- ▶ **NAR Fair Housing Action Plan (ACT Initiative):**  
<https://www.nar.realtor/fair-housing/nar-fair-housing-action-plan>
- ▶ **NAR Flood Insurance Toolkit:**  
<https://www.nar.realtor/national-flood-insurance-program>
- ▶ **NAR Video Series “Window to the Law”:**  
<https://www.nar.realtor/videos/window-to-the-law>
- ▶ **National Flood Insurance Program:**  
[www.floodsmart.gov](http://www.floodsmart.gov)
- ▶ **Profile of Home Buyers and Sellers:**  
<https://www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers>
- ▶ **Real Estate Negotiation Expert (RENE) Certification Course:**  
<https://www.nar.realtor/education/designations-and-certifications/rene>
- ▶ **Realtors Property Resource® (RPR®):**  
[www.narrpr.com](http://www.narrpr.com)

- ▶ **REALTOR® Technology Survey:**  
<https://www.nar.realtor/reports/realtor-technology-survey>
- ▶ **REBAC:**  
[www.rebac.net](http://www.rebac.net)
- ▶ **Using Price Per Square Foot To Figure Home Values:**  
<https://www.thebalance.com/can-i-use-the-price-per-square-foot-to-figure-home-values-1798754>
- ▶ **Wire Fraud:**  
<https://www.nar.realtor/wire-fraud>

## SAMPLE BUYER AGENCY AGREEMENT

*Note: This is a sample for educational purposes only and should not be used without authorization from your Managing Broker*

This Exclusive Buyer Representation Agreement, is between \_\_\_\_\_, Buyer or Buyers and \_\_\_\_\_, Brokerage or Brokerage Firm as the Buyer's exclusive Agent to assist the Buyer in the acquisition of real property which may include any purchase, option and/or exchange on terms and conditions acceptable to Buyer.

Parties acknowledge that this Exclusive Buyer Representation Agreement applies to properties located in (if applicable list towns, counties, areas covered by this agreement) \_\_\_\_\_.

Buyer represents that Buyer has not entered into any Exclusive Buyer Representation Contract that is currently in effect for the same area(s) covered by this Agreement. Buyer understands that this exclusive Buyer Representation Contract means that if Buyer acquires any property, whether through the efforts of Buyer, another Broker or through the efforts of anyone else, Buyer will be obligated to compensate the Brokerage Firm as provided herein. The term "acquire" or "acquisition" shall include the purchase, lease, exchange or option of an interest in real estate by Buyer or anyone acting on Buyer's behalf. The term "property" or "properties" and "real estate" shall refer to any real property or an interest in real property that may be acquired pursuant to this Contract. In this Contract, the term "Buyer" shall refer to a client who shall acquire an interest in real estate as defined herein. The term "Agent" shall refer to any licensee within the brokerage company that assists the Buyer in their home search.

### TERM

This Contract shall begin on \_\_\_\_\_ and be effective until 11:59 p.m. on \_\_\_\_\_ when it shall then terminate. This Contract is irrevocable and can be terminated prior to the termination date only by written agreement of the parties. If within \_\_\_\_\_ days after the termination of this Contract (the "protection period"), Buyer acquires any property to which Buyer was introduced by the Brokerage, then Buyer agrees to pay Brokerage the compensation provided for herein. However, no compensation will be due to the Brokerage Firm if, during this protection period, Buyer enters into a new Exclusive Buyer Representation Contract with another brokerage.

## AGENT'S ROLE

1. Your agent will work with you to identify properties that meet your criteria relative to price, location, features and amenities. Your agent will be working with you to present you properties submitted to our MLS. Special arrangements will be made for non-MLS homes.
2. Your agent will arrange for and show properties identified by you as appropriate. You will be made aware of all material facts relative to any properties you are interested in as well as all information known to your agent that could affect your decision unless the disclosure is prohibited by law.
3. At your request, your Agent will prepare a Competitive Market Analysis on any property you may wish to purchase to enable you to determine value.
4. Your Agent will prepare your offer and negotiate the terms, price and contingencies you require while at all times, safeguarding your confidential information.
5. Your Agent is acting solely as a real estate professional; not as an attorney, tax advisor, surveyor, structural engineer, home inspector, environmental consultant, architect, contractor or other professional service provider. If you need assistance in these areas, you will need to make your own arrangements.

Your Agent has access to information on all listed property thereby ready and able to provide you with the information you need. Please make inquiries only through your Agent. Your involvement with agents from other firms, even casually, can often create a conflict that would make it impossible for your Agent to represent you on certain homes.

## BUYER'S RESPONSIBILITIES

1. Provide Agent with Buyer's general specifications for the real estate Buyer is seeking.
2. Work exclusively with Agent to identify and acquire real estate during the time that this contract is in force.
3. Bring to Agent's attention any un-listed properties you may be interested in to allow the Agent to fully represent you.
4. Supply relevant financial information necessary to permit Agent to fulfill Agent's obligations under this contract.

5. Be available upon reasonable notice and at reasonable hours to inspect properties that seem to meet Buyer's specifications.
6. Pay Brokerage Firm according to the terms specified in the Compensation paragraph of this Contract.

## COMPENSATION

If, during the term of this contract or the protection period, Buyer enters into a contract to acquire real estate and such contract results in a closed transaction, Buyer agrees to pay Brokerage firm a Brokerage Fee of \_\_\_\_\_ (% or \$) of the purchase price.

The Managing Broker will make every effort to collect the Brokerage Fee from the seller or the listing broker. If the Brokerage Firm is not being offered, compensation as a cooperating Broker, or compensation being offered does not cover the Brokerage Fee, Designated Agent will so inform Buyer prior to showing the property at which time Buyer will have the following options:

- A. Choose not to view the property since compensation being offered does not cover this Compensation in agreement.
- B. View property and pay Brokerage Compensation at closing.
- C. View property and request seller pay Brokerage Compensation (or difference between what is offered and what is in this Contract) at the closing.

## DUAL AGENCY REPRESENTATION

On occasion, your Agent may also represent the sellers of properties you may wish to view or purchase. In those circumstances your Agent may be a "disclosed dual agent". If this is a possibility, your Agent will present you with a dual agency form required by state law.

## OTHER BUYERS

Your Agent may represent other buyer clients who may be interested in the same properties as you. Your Agent will treat each of you honestly in the sharing of any information relative to those properties while at the same time ensuring that confidential information remains confidential.

## PREVIOUS CLIENTS

Your Agent may have previously represented a seller from whom you wish to purchase. Confidential information obtained during that agency representation cannot be disclosed during any subsequent agency relationship.

## FAIR HOUSING

It is illegal to discriminate against any prospective seller because of race, color, sex, religion, national origin, familial status or disability. It is agreed that all parties will follow all federal, state, and local statutes and ordinances.

## ASSIGNMENT BY BUYERS

Should the Buyer attempt to subvert this agreement by having another party purchase the property with the intent of assigning the contract to the Buyer prior to closing or sell the property to the Buyer after the closing, Broker will be entitled to the compensation stipulated in this agreement.

**Buyer's Signature** \_\_\_\_\_ **Date:** \_\_\_\_\_  
**Print Name** \_\_\_\_\_

**Buyer's Signature** \_\_\_\_\_ **Date:** \_\_\_\_\_  
**Print Name** \_\_\_\_\_

**Broker's Signature** \_\_\_\_\_ **Date:** \_\_\_\_\_  
**Print Name** \_\_\_\_\_  
**Agency Name:** \_\_\_\_\_



## SWOT ANALYSIS

It is important to know both your strength and weaknesses, as well as those of your competition. A SWOT analysis is a tool to help us do this. It helps us clarify areas of our business we may need to adjust by looking at both internal and external factors. The basic idea is to identify these four areas:

- ▶ **S**—Strengths
- ▶ **W**—Weaknesses
- ▶ **O**—Opportunities
- ▶ **T**—Threats

**Figure 8.1** SWOT Analysis

Helpful (to achieving the objective)	Harmful (to achieving the objective)	
<b>S</b> Strengths	<b>W</b> Weaknesses	<b>Internal Origin</b> (attributes of the organization)
<b>O</b> Opportunities	<b>T</b> Threats	<b>External Origin</b> (attributes of the organization)

Strengths and weaknesses are typically *internal factors* that you have some degree of control over. In real estate, this could mean your personal attributes or perhaps the brokerage you work for.

**Ask yourself the following:**

- ▶ Does your brokerage have name-recognition in your market?
- ▶ Does it have a variety of resources you can access?
- ▶ How experienced and knowledgeable are you?
- ▶ Do you often get referrals from clients?
- ▶ Do you have a strong list of contacts and connections?
- ▶ What is your current marketing strategy?

**Assign each factor you can think of into either a strength or weakness category.**

Opportunities and threats typically consist of *external factors*, which you have less control over.

**Ask yourself:**

- ▶ Who are the most successful real estate agents in your area? Why?
- ▶ Is the market heating up or cooling down for buyers?
- ▶ What challenges are faced by buyers? By sellers?
- ▶ Are there any government regulations that will make home buying easier or more difficult?
- ▶ What do mortgage rates look like? Is it easy to qualify for a loan?
- ▶ What home-buying apps are buyers using?

**Again, assign each factor you can think of as either an opportunity or a threat.**

When you look at the analysis in total, you begin to see ways to gain competitive advantages (i.e., external opportunities + internal strengths), as well as modifying places where you might be at a disadvantage (external threats + internal weaknesses).

## BUYER QUALIFICATION WORKSHEET

Name: \_\_\_\_\_

Current Address: \_\_\_\_\_

Phone Numbers: \_\_\_\_\_

E-Mail Addresses: \_\_\_\_\_

Family Size: \_\_\_\_\_

Pets: \_\_\_\_\_ Home Business: \_\_\_\_\_

Own       Rent       Must Sell to Purchase

Desired Possession Date: \_\_\_\_\_

Ideal Price: \_\_\_\_\_ Ideal Monthly Payment: \_\_\_\_\_

Prequalified     Preapproved    With Who \_\_\_\_\_

Ideal Location: \_\_\_\_\_

### Special Requirements

Day Care Facilities     Sports/Recreation Programs

Cultural Activities     School Requirements     Other

Notes:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

# of Bedrooms: \_\_\_\_\_ Minimum: \_\_\_\_\_

# of Bathrooms: \_\_\_\_\_ Minimum: \_\_\_\_\_

Garage: \_\_\_\_\_ Lot Size: \_\_\_\_\_

Age of Home: \_\_\_\_\_ Style of Home: \_\_\_\_\_

- |   |                                      |  |
|---|--------------------------------------|--|
| <input type="checkbox"/> Eat-in kitchen       | <input type="checkbox"/> Fenced yard | <input type="checkbox"/> Boat parking        |
| <input type="checkbox"/> Separate dining room | <input type="checkbox"/> Deck/patio  | <input type="checkbox"/> Camper parking      |
| <input type="checkbox"/> Fireplace            | <input type="checkbox"/> Pool        | <input type="checkbox"/> Bus/truck           |
| <input type="checkbox"/> Family room          | <input type="checkbox"/> Waterfront  | <input type="checkbox"/> Additional vehicles |
| <input type="checkbox"/> Finished basement    | <input type="checkbox"/> Home office | <input type="checkbox"/> _____               |
| <input type="checkbox"/> _____                | <input type="checkbox"/> _____       | <input type="checkbox"/> _____               |

**Additional Questions**

How long have you been looking for a home? \_\_\_\_\_

How have you been doing that? \_\_\_\_\_

Have any agents shown you homes? \_\_\_\_\_

What was your relationship with them? \_\_\_\_\_

What did you sign with them? \_\_\_\_\_

Did you see anything you liked? \_\_\_\_\_

What kept you from buying it? \_\_\_\_\_

Describe your ideal home:

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If we weren't able to find everything in the price range and location you want, what would you consider compromising on?

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Are there some items that are 'deal breakers' – things you won't compromise on?

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Tell me a little about your lifestyle, how you entertain

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Is there anything else I need to know—any other requirements or needs?

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## EXERCISE 1-1: MY SWOT ANALYSIS

Use the SWOT template below to conduct your own competitive analysis.

SWOT Analysis	Helpful	Harmful
<b>Internal:</b>          	<b>Strengths:</b>  <b>1.</b>  <b>2.</b>  <b>3.</b>  <b>4.</b>  <b>5.</b>	<b>Weaknesses:</b>  <b>1.</b>  <b>2.</b>  <b>3.</b>  <b>4.</b>  <b>5.</b>
<b>External:</b>          	<b>Opportunities</b>  <b>1.</b>  <b>2.</b>  <b>3.</b>  <b>4.</b>  <b>5.</b>	<b>Threats:</b>  <b>1.</b>  <b>2.</b>  <b>3.</b>  <b>4.</b>  <b>5.</b>
<b>Actionable Items:</b>  <b>Two ways to capitalize on advantages:</b> <b>1.</b> _____ <b>2.</b> _____  <b>Two ways to mitigate disadvantages:</b> <b>1.</b> _____ <b>2.</b> _____		























## **EXERCISE 6-1: DEVELOP A CONTINGENCY TIMELINE**

1. What are some potential contingencies associated with a contract in your marketplace?

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2. Who is responsible for making sure these tasks are completed?

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3. How much time is allowed for completion of each task?

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