

## STUDENT MANUAL

A Program by the  
**Real Estate Buyer's Agent Council**



# Accredited Buyer's Representative (ABR®)

OFFICIAL DESIGNATION COURSE

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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? You are about to embark on a two-day journey where you'll gain valuable real estate education that elevates your skills and knowledge in the eyes of the homebuyer.

For many years, real estate was practiced in such a manner that agency relationships were only extended to sellers. Any real estate agent 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 course, you are preparing yourself to thoroughly 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 for participants to understand how they can create their own success and improve their 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 more than 30,000 members, REBAC is the world's largest organization of professionals who specialize in representing buyers in residential real estate transactions.

**Slide:**  
Course Goals

**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.

**Slide:**  
What Will You Learn

## WHAT YOU WILL LEARN

### MODULE 1: THE ROLE AND VALUE OF THE BUYER REP

**WHAT ARE YOUR DUTIES AND RESPONSIBILITIES, AND HOW CAN YOU CONVEY YOUR VALUE TO THE BUYER-CLIENT?**

- ▶ Articulate a value proposition as a buyer's representative by learning what's important to the buyer.
- ▶ Recognize how a buyer-agent relationship is legally formed.
- ▶ Understand your duties and responsibilities as a buyer's representative.

### MODULE 2: THE BUYER COUNSELING SESSION

**WHAT CAN YOU DO TO ENSURE A SEAMLESS AND PRODUCTIVE BUYER COUNSELING SESSION?**

- ▶ Explain the goals of a buyer consultation and how to prepare for the initial session.
- ▶ Conduct a buyer's consultation that leads to a signed buyer representation agreement and wins buyer loyalty by assessing buyer needs and educating buyers about the market.
- ▶ Understand the importance of real estate contracts in relation to buyer loyalty and compensation.

### MODULE 3: THE SEARCH-SHOWING-SELECTION PROCESS

**WHAT ARE SOME OF THE BEST PRACTICES WHEN IT COMES TO GUIDING A BUYER-CLIENT FROM THE INITIAL SEARCH THROUGH THEIR FINAL SELECTION?**

- ▶ Search for properties that meet the buyer's needs and wants by using active listening strategies and Realtors Property Resource® (RPR®) tools.
- ▶ 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 4: OFFERS AND NEGOTIATIONS

**WHAT ARE STEPS, OPPORTUNITIES AND CHOICES WHEN IT COMES TIME TO GUIDE YOUR BUYER-CLIENT THROUGH OFFERS AND NEGOTIATIONS?**

- ▶ Position yourself for success by educating your client about the offering process and by conducting a thorough market analysis to understanding your client's negotiating position.
- ▶ Help your client formulate an informed and competitive offer based on objective valuation tools, such as MLS listings and AVMs.
- ▶ Guide your client through the process of presenting an offer and negotiating with the seller to get the best deal possible.

## MODULE 5: FROM CONTRACT TO CLOSE

**WHAT ARE THE STEPS YOU NEED TO TAKE TO GUIDE YOUR CLIENT FROM CONTRACT TO CLOSE?**

- ▶ Walk your client through the contract contingencies and mortgage 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 6: PUTTING IT ALL TOGETHER

**WHAT ARE THE FINAL STEPS YOU NEED TO TAKE TO PUT EVERYTHING TOGETHER?**

- ▶ Understand and apply the four most important takeaways for success.
- ▶ Apply troubleshooting scripts to overcome hurdles in your business dealings.
- ▶ Utilize the pro tips and tools to ensure consistent results and enduring success.

## ACTIVITIES AND CLASS PROCEDURES

This course incorporates a variety of activities designed to involve students, such as work group assignments, exercises, and discussions. Students are strongly encouraged to ask questions and engage in class discussions and group exercises. The range of experience levels among students offers a rich opportunity for learning from your peers. Your active involvement will enrich 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.

### REALTOR® CODE OF ETHICS

From time to time, course content refers to articles and standards of practice of the REALTOR® Code of Ethics. It is assumed that students know how to apply these principles in day-to-day business conduct. During the course, we will examine some of the distinct challenges involved in working with clients and customers in the green market.

### 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 who work with green market clients and customers 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.

#### Slide:

Become an ABR® Designee

## 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. For anyone to be considered an ABR® designee they must first be an active member of the National Association of REALTORS® or similar cooperating association.

### COMPLETE THE ABR® DESIGNATION COURSE.

Upon successful completion of the ABR® designation course, an email will be sent to you with information on how to log onto [rebac.net](http://rebac.net) and verify your first year of complimentary REBAC membership.

### COMPLETE AN ABR® ELECTIVE COURSE.

Take one ABR®-approved elective course within 36 months of the initial ABR® designation course. Find the full list of courses at [rebac.net/courses/elective-options](http://rebac.net/courses/elective-options).

### SUBMIT THE ABR® APPLICATION.

Send in the application with documentation verifying five documented, closed transactions in which you acted as buyer representative. Any transaction closed before taking the ABR® designation course or closed within 36 months after completing the course are valid. Find the ABR® application at [rebac.net/content/abr-application](http://rebac.net/content/abr-application).

**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 notification in writing 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 principle place of real estate business is not located in the United States or its territories, membership with an association outside of the US, which 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 [rebac.net](http://rebac.net) to stay up to date on all things ABR®.

**REBAC MEMBER BENEFITS**

**Slide:**  
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 over 9,000 ABR® designees across the U.S. and Canada in sharing industry tips and trading referrals.
- ▶ **ONLINE REFERRAL DATABASE**  
Use the Find a Buyer’s Rep Directory on REBAC.net, which lists over 25,000 ABR® designees to refer well-qualified ABR®s in other areas.

## MARKETING MATERIALS

### ▶ **POSTCARDS/FLYERS**

Download and print on your own, or customizable through the REBAC Print Shop.

### ▶ **ABR® BROCHURES**

Showcases the benefits of using a buyer's representative.

## TOOLS FOR WORKING WITH BUYERS

### ▶ **ONE-SHEETS**

Over 40 different topics to include in your buyer presentation kit, to educate your clients, or to add to your website.

### ▶ **HOME BUYER'S TOOLKIT**

A handy 36-page booklet that walks consumers through the home buying process and encourages them to work with ABR® designees. Customize with your contact information.

### ▶ **HOME BUYER'S SEMINAR GUIDE**

Step-by-step guide on how to host your own homebuyer seminar.

## PUBLICATIONS

### ▶ **TODAY'S BUYER'S REP**

REBAC's monthly membership newsletter featuring timely issues, events, and member benefit updates.

### ▶ **TBR HOT SHEET**

Weekly scan of online stories and resources pertaining to buyer's representatives, delivered by email.

## OTHER RESOURCES

### ▶ **WWW.HOMEBUYING.REALTOR**

Home buyer focused website that hosts a home buying tips blog and explains why it is important for consumers to work with ABR® designees.

### ▶ **BUYER REPRESENTATION SESSIONS**

Education sessions and networking opportunities at the annual National REALTORS® Conference and Expo.

### ▶ **ABR® Scripts**

Helps you answer buyers' most frequently asked questions.

## A NOTE ABOUT TERMINOLOGY

This course makes a concerted effort to define terms that participants may not be familiar with yet. The program aims throughout to use objective language. A glossary of terms used in this course and discussions of buyer-clients can be found in the Resource section of this manual.

## INTRODUCTION: REFLECTION

**WHAT EXPERIENCES DO YOU HAVE WORKING WITH BUYER-CLIENTS? WHAT SKILL SETS DO YOU HOPE TO DEVELOP DURING THIS COURSE?**

[illegible]







The ABR® Designation Course provides the skills and knowledge you need to build your buyer representation business. This course will help you find the winning combination for your marketplace, your business, and your personal style.

**Slide:**  
Module 1 Learning Objectives

## LEARNING OBJECTIVES

**AFTER LEARNING THE MATERIAL IN MODULE 1, YOU SHOULD BE ABLE TO:**

- ▶ Articulate a value proposition as a buyer's representative by learning what's important to the buyer.
- ▶ Recognize how a buyer-agent relationship is legally formed.
- ▶ Understand your duties and responsibilities as a buyer's representative.

## KNOWING YOUR VALUE

To become a successful buyer's representative, the first thing you need to know is your worth. Today's home buyers have access to more information than ever before, so they need to see clear value in using a real estate professional. It's your responsibility to show them what your value is. Let's look more closely at who you are to your client and what your client needs from you.

**Slide:**  
Knowing Your Value

**Slide:**  
You Are The Buyer's Advocate

## 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.

### Slide:

What Does Being a Buyer's Advocate Mean?

Beyond the financial commitment, homeownership is an important milestone in a buyer's life. It is an expression of lifestyle, as well as the place that will shape 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 fiduciary or statutory duty in all transaction matters, and you need to make that clear to potential clients. You are on the buyers' 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.

### Slide:

Know What Buyers Value

### KNOW WHAT BUYERS VALUE

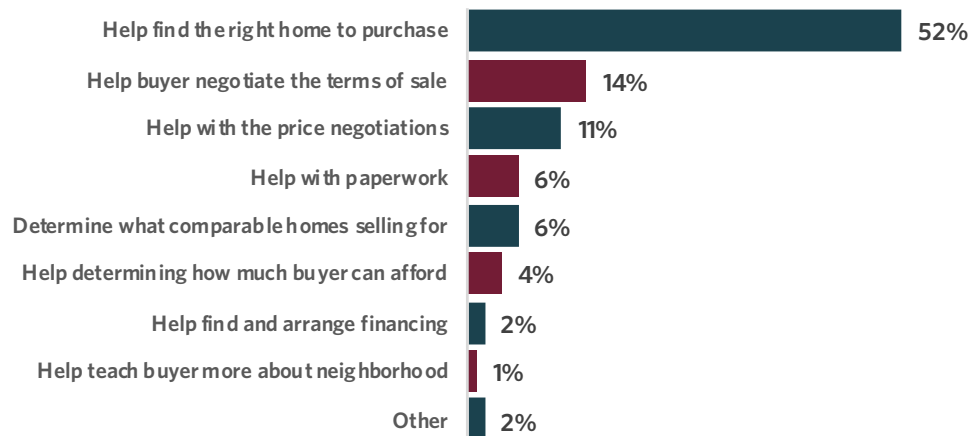
As an experienced real estate professional, you know that getting the process right is crucial, but there is more to putting a transaction together than following the letter of the law. Buyer's representatives find success by matching their services to buyers' motivations, concerns, and needs. If you 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 buyers feel they benefit most from their agent include help understanding the process, help evaluating homes, and negotiating better price and terms.

### Slide:

What Buyers Want Most From Agents

**Figure 1.1: What Buyers Want Most from Real Estate Agents**



Source: 2018 National Association of REALTORS® Home Buyer and Seller Generational Trends, p. 78.

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. Honesty, extensive knowledge, and good communication skills are consistently agent qualities that buyers say are very important.

## KNOW HOW BUYERS SEARCH FOR HOMES IN THE DIGITAL AGE

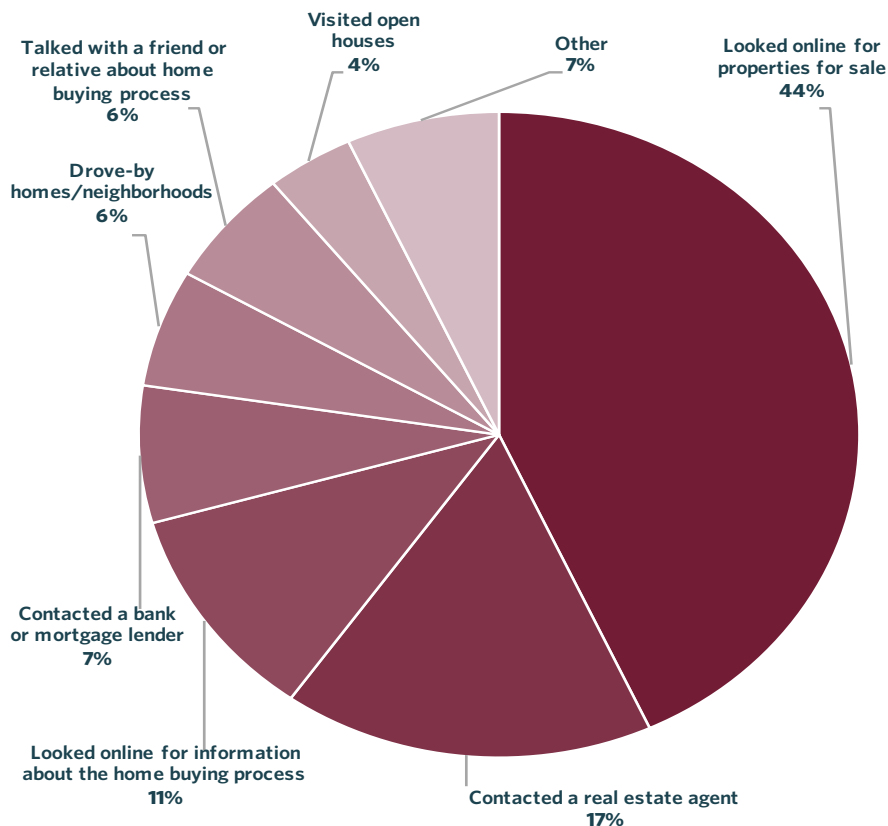
Ever feel like you're competing with the latest website or app? An abundance of information is available to consumers today, which at first may seem like a negative. If home buyers have all this information available at their fingertips, why do they need us?

The reality is that all this available information makes your guidance and interpretation 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 2 weeks looking at properties online before contacting a real estate agent.<sup>1</sup>

### Slide:

How Buyers Search for Homes in the Digital Age

**Figure 1.2: How Buyers Start the Home Search**



Source: 2018 National Association of REALTORS® Home Buyer and Seller Generational Trends.

But when they are ready to get serious about buying a home, they seek out expert guidance to help them find the right home and navigate the process. You are the expert they are seeking. The Internet has not replaced you; in fact, the number of buyers who purchased their homes through real estate agents has grown from 69 percent in 2001 to 87 percent in 2018.

<sup>1</sup> 2018 National Association of REALTORS® Home Buyer and Seller Generational Trends, p. 56.

**Slide:**  
Buyers Who Used an Agent

**Figure 1.3: Buyers Who Used an Agent**



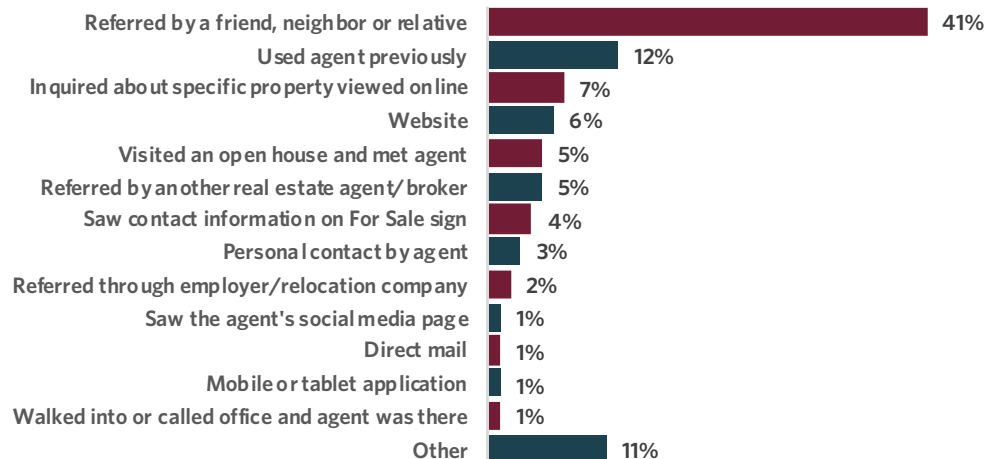
Source: 2018 National Association of REALTORS® Home Buyer and Seller Generational Trends, p. 69.

**Slide:**  
Know How Buyers Find Agents

## KNOW HOW BUYERS FIND AGENTS

So how do buyers go about finding agents? As in most every business, personal relationships matter. In fact, relationships may matter even more in the real estate industry, where every offer, every negotiation, and every closing is done through interpersonal relationships. It should not be too surprising to learn, then, that most home buyers find their agent through word of mouth—through people the agent already knows.

**Figure 1.4: How Buyers Found Their Real Estate Agent**



Source: 2018 National Association of REALTORS® Home Buyer and Seller Generational Trends.

This means that not only your interactions and relationships with every client matter, but also your interactions and relationships with other agents, as well as all people in the communities in which you serve. Who you are as a person will dictate not only your success in any individual transaction but also your success in getting future clients. In real estate, *you are your business*.



### KNOW YOUR UNIQUE VALUE PROPOSITION

Real estate professionals are not all alike—and that's a good thing. Think of it this way: if all real estate professionals were the same, what reason would consumers have to choose you over everyone else?

That means all you would be wise to distinguish yourself from other agents. Your differences—those qualities that distinguish you from other real estate professionals—stand to give you a competitive advantage by attracting those consumers who will most value working with you over a competitor. You therefore need a unique value proposition that is tailored to the clients in your market and that fits your personal style.

Your unique value proposition is your market distinction expressed as the services you offer to buyers. Three 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 like negotiations and communications
- ▶ **EXPERIENCE:**  
What you learn day-to-day on the job

Your value proposition also depends of the type of buyer you are wanting to represent (first time home buyer, military, international, luxury, investor, etc.). Defining who your ideal buyer is, their needs, concerns and fears, and then finding a way to develop a value specific to that buyer, is key. It's also important to remember that not all buyers in the same category want the same, which is why it's important to get to know the needs and wants of each particular buyer you encounter. An initial interview to find out the buyer's priorities can help you tailor your value proposition in a way that most appeals to each buyer and how you can best their needs.

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

### KNOW YOUR COMPETITION

To further help you distinguish yourself from other agents, you should be able to do a competitive analysis. We will talk more about how to do this in Module 6.

#### Slide:

Know Your Unique Value Proposition

#### Slide:

Know Your Competition

# Why Work with an Accredited Buyer's Representative?



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

An **Accredited Buyer's Representative** stands out in the crowd. If your REALTOR® holds the ABR® designation, you can trust that they have the extra edge when it comes to **KNOWLEDGE AND EXPERIENCE**.

## → Why?

The ABR® designation is only awarded to licensed real estate professionals who complete specialized training that gives them the edge in understanding a buyer's perspective and protecting and promoting their buyer-clients' interests. Before earning the ABR® designation, buyer's reps must also demonstrate proven experience in representing buyers. Further, they are committed to maintaining their professional edge by staying current on the latest issues and trends in buyer representation.

**When you work with an ABR®, you'll be served, not sold.** Your interests become their interests. They'll make your home buying experience go as smoothly and successfully as possible.

### 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 (pre-qualify your mortgage)
- Preview and/or accompany you in viewing properties
- Advise you in formulating your offer
- Help you develop your negotiating strategy
- Provide a list of qualified vendors (inspectors, attorneys, lenders, etc.) for other services you may need
- Keep track of every detail throughout the transaction—to closing and beyond

**Not all buyer's representatives are equal.** Only a buyer's rep who has earned the Accredited Buyer's Representative designation has made the 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.

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

When you have met all ABR® designation requirements and REBAC confers the designation to you, you can access these consumer one-sheets at [www.rebac.net](http://www.rebac.net). Sign in with the REBAC membership ID number you will receive after REBAC processes course completion information.



## EXERCISE 1-1: LOOKING THROUGH BUYERS' EYES

Try looking at the home buying process through “buyers’ eyes” and imagining their experience in your particular real estate market prior to contacting you. For example, is it a buyer’s market or a seller’s market? Is demand high or low? What home features are popular? What concerns are people having about the home buying process? What sites have they visited? etc. The more you understand about your potential clients before meeting them, the more on-point and targeted your questions will be and so the more likely it is you can make a strong first impression and connection.

**CREATE A LIST OF HOME BUYING EXPERIENCES A BUYER MAY HAVE HAD PRIOR TO CONTACTING YOU.**

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## HOW THE BUYER-AGENT RELATIONSHIP IS FORMED

The buyer-agent 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, thankfully, is something you as the agent can control—but it doesn’t end there. Once you’ve established a good first impression, you need to start building trust for a productive and ethical working relationship, which entails discussing the legal aspects of the buyer-agent relationship. Let’s take a deeper dive into this process.

**Slide:**

How the Buyer-Agent Relationship is Formed

### FIRST MEETINGS

The first meeting sets the tone for the buyer–agent 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, what their home-buying goals are. It’s helpful to create a list of questions to foster this dialogue.

**Slide:**

First Meetings

This is also an important opportunity to present your value proposition, how you are uniquely qualified to help them reach their home-buying goals.

### TURNING A BUYER INTO A CLIENT: FORMALIZING THE RELATIONSHIP

Starting off the relationship on the right foot eases the next step: the contractual relationship. The buyer’s previous search efforts and priorities and the nature of your first meeting will help inform the type of relationship you’ll establish with

**Slide:**

Turning a Buyer into a Client: Formalizing the Relationship

**Slide:**  
Common Mistakes Agents  
Make with Buyers

the buyer. But only when you are working with the buyer as a client can you offer the full range of services that buyers want. The services buyers value most—opinions about property value, property evaluation, help negotiating—can be offered in only an buyer–agent relationship.

Of course, discussing legal contracts is not necessarily the easiest thing to broach with buyers, and some agents make the mistake of delaying or avoiding entirely this important discussion. Here are a few ways in which agents avoid the agent–buyer contract discussion:

- ▶ Talk and act like a buyer's representative without clarifying the relationship
- ▶ Avoid discussing a representation agreement because they don't want to pressure a buyer into signing anything
- ▶ Rely on their state's default agency position
- ▶ Assume that buyers know they're "on their side"
- ▶ Delay signing a buyer representation agreement until the buyer is ready to make an offer

The consequences of this are many, and never beneficial for the agent. Performing client-level duties without full disclosure and, preferably, a signed agreement opens the door for a range of conflicts, misunderstandings, lost income, disloyal buyers, and potentially serious legal consequences.

In short, discussing the legal aspect of the buyer-agent relationship is crucial, and 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 agents 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.
- ▶ **REALTOR® CODE OF ETHICS:**  
References to applicable Code of Ethics articles and standards of practice are noted throughout the course.
- ▶ **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 that you determine as soon as possible whether the buyer is in an exclusive agreement with another brokerage firm prior to moving forward. You might want to start with something like this:

- ▶ How long have you been looking for a home?
- ▶ How have you been searching?
- ▶ Have any agents shown you properties already?
- ▶ Did you see anything you liked?
- ▶ What kept you from buying it?

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 from the outset will spare you, and the buyer, a lot of potential problems down the line.

### REALTOR® 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)

### 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 with prospective buyers. 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 of 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? Agents must caution prospects against sharing confidential information. It's important that you as the buyer representative are always current on your state's laws.

#### Slide:

Respecting Exclusive Agreements

#### Slide:

Standard of Practice 16-9

#### Slide:

Agency Disclosure



**Slide:**  
State of Agency Disclosure

## EXERCISE 1-2: STATE OF AGENCY DISCLOSURE

Effective agency disclosure takes place before substantive discussions. Briefly discuss agency disclosure in your state, including when and how disclosure is made, what form(s) are used, and what constitutes “substantive discussions.”

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Far from being a legal formality or obligation, successful agents should 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-agent have a fiduciary duty to look out for the best interests of your client. Expressing loyalty and trust is what all strong and productive relationships are built on, and a disclosure agreement provides evidence of this.

**Slide:**  
Standard of Practice 1-13

### REALTOR® CODE OF ETHICS: 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., and
5. the possibility that sellers or sellers' representatives may not treat the existence, terms, or conditions of offers as confidential unless confidentiality is required by law, regulation, or by any confidentiality agreement between the parties.

(Adopted 1/93, Renumbered 1/98, Amended 1/06)

Although state specific, an implied agency relationship can occur when the real estate professional acts or speaks like an agent and the buyer relies on the agent's actions and statements. Regardless of party's intent, description, or understanding of the relationship, conduct can create an agency relationship—even if the parties have signed an acknowledgment denying the existence of such a relationship.

### TYPES OF REPRESENTATION AGREEMENTS

**Slide:**

Types of Representation Agreements

As we've discussed already, the legalizing of a buyer-agent 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 an affirmative 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 highly state specific. Please check your individual state licensing.
- ▶ Implied agency relationships may occur when a seller's agent works too closely with a buyer-customer and does not make the proper disclosures.

## Are You In Sync With Your Broker?

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

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

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

## WHAT ARE YOUR DUTIES AND RESPONSIBILITIES?

**Slide:**

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 agent is legally binding even in an implied relationship, the agent has a duty to place the client's interests before those of any other parties.

However, an agent'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*. Agents have an ethical responsibility to customers to treat them honestly.

Real estate agents work *for* clients and *with* customers. Remember, because so much of an agent'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.

Real estate agents 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. The way you go about fulfilling your duties is your value proposition. Let's recap client duties and how they relate to the REALTOR® Code of Ethics and to communicating your value to your buyers.

#### OBEDIENCE:

Follow all of your client's lawful instructions. Don't 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:**

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**

- Don't knowingly (during or following the termination of a client relationship) reveal confidential information about clients.
- Don't 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 agents 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 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.
- 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, 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 ISSUES**
  - Provide information on checking the sex-offender registry for the neighborhood.
  - Suggest the buyer talk to the neighbors prior to making an offer.
- ▶ **RECOMMEND INSPECTIONS**
  - Present a list of types of required and optional inspections such as environmental, radon, heating and cooling, roofing, well water, plumbing, septic systems, and structural.
  - Advocate that needed repairs discovered during inspections be corrected at seller expense.
  - Remind clients that they are responsible for damage to the home done by an inspector.
- ▶ **PROVIDE LISTS OF OTHER PROFESSIONALS**
  - Provide list of options for a home inspector, title company, insurance company, pest inspector, appraiser, mortgage lender, and other services.
  - State that the selection of other professionals is the buyer's choice.
  - Disclose any arrangements, including financial benefits you receive, with vendors and service providers.

### ► 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, and agricultural operations that may result in odors, noise, nighttime illumination, traffic and parking problems, or other issues.

### ► INFORM YOUR CLIENT OF 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 a work exclusively with you as agent can help concretely illustrate your value. The figure on the following page provides an example.

# Customer or Client?

## What's the difference?

In real estate transactions, buyer-clients are entitled to a higher level of service than buyer-customers. Becoming a client typically involves signing a Buyer Representation Agreement with a buyer's representative, who then owes you fiduciary duties. This means that your buyer's rep is expected to exercise discretion when acting on your behalf, including adhering to very specific responsibilities, obligations, and high standards of good faith and loyalty.

For example, if you're a client, a buyer's agent will seek to negotiate the most favorable transaction terms for you—and will not disclose any material facts about your situation that could hurt your negotiating position.

If, however, you are only a customer, a buyer's rep may not be in a position to answer even basic questions, such as "Why are they selling?" or "Is this home priced competitively?" This is because they are acting instead as a sub-agent for the seller.

### YOUR SERVICES WILL VARY, DEPENDING ON YOUR STATUS.

If you are a <b>CUSTOMER</b> (no fiduciary relationship), an agent will:	If you are a <b>CLIENT</b> (fiduciary relationship), your agent will:
Maintain loyalty to the seller's needs	Pay full attention to your needs
Tell the seller all that they know about you	Tell you all that they know about the seller
Keep information about the seller confidential	Keep information about you confidential
Focus on the seller-client's property	Focus on choices that satisfy your needs
Provide just the material facts	Provide material facts as well as 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

*\* Note that not every state requires a signed Buyer's Representation Agreement to create an agency relationship. In some cases, an agency relationship can be formed if both parties simply behave as if one exists.*

When you have met all ABR® designation requirements and REBAC confers the designation to you, you can access these consumer one-sheets at [www.rebac.net](http://www.rebac.net). Sign in with the REBAC membership ID number you will receive after REBAC processes course completion information.



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

# Choosing a Buyer's Representative

## Questions to ask

When it's time to buy a home, it's also time to select a buyer's agent to represent your interests in this all-important transaction. But how do you choose one?

Here are some of the most significant issues to consider and questions to ask when interviewing your Accredited Buyer's Representative.

### Interview Questions:

#### EXPERIENCE AND CREDENTIALS

How long have you been a buyer's agent? How long have you been an Accredited Buyer's Representative? What other real estate designations or credentials do you hold?

#### REFERENCES

Can you share the names and contact details for three past buyer-clients who can provide references?

#### KNOWLEDGE

What are your areas of specialized knowledge? Which types of housing or neighborhoods do you know best?

#### REPRESENTATION

Please explain what representation choices I have as a buyer. What is meant by fiduciary duties? Do you practice dual representation?

#### SERVICES PROVIDED

Please explain how you will assist me at each stage of the transaction. Do you have a written buyer representation agreement that details our obligations to each other?

#### COMPENSATION

How will you be compensated? If I hire you as my buyer's agent will I be subjected to any additional costs in my transaction?

#### FINDING PROPERTIES

Do you have full access to the Multiple Listing Service (MLS)? Will you try to find suitable properties beyond the MLS?

#### PERSONAL SUPPORT

Will you handle all aspects of my transaction, or will I be working with assistants? Who will be explaining the various forms, agreements and steps required to reach closing?

#### NEGOTIATING

Will you counsel me on a negotiating strategy and appropriate contingencies? How will you package my offer to the seller? Will you personally present my offer?

#### FINANCING

Will you provide guidance on affordability, mortgage options and how to choose a lender? Why should I consider becoming pre-qualified or pre-approved on a mortgage?

#### RELATED SERVICE-PROVIDERS

Can you provide referrals to providers of other services related to my transaction, including home inspectors, surveyors, movers, etc.?



When you have met all ABR® designation requirements and REBAC confers the designation to you, you can access these consumer one-sheets at [www.rebac.net](http://www.rebac.net). Sign in with the REBAC membership ID number you will receive after REBAC processes course completion information.



## RESPONSIBILITIES TO CUSTOMERS

**Slide:**

Reasonable Care and Diligence

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.

### 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 1: (SEE ABOVE)**

**Slide:**  
Article 2

### **REALTOR® 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)

## MODULE

# 2

## The Buyer Counseling Session

### LEARNING OBJECTIVES

**Slide:**  
Module 2 Learning Objectives

**AFTER LEARNING THE MATERIAL IN MODULE 2, YOU SHOULD BE ABLE TO:**

- ▶ Explain the goals of a buyer counseling session and how to prepare for the initial session.
- ▶ Conduct a buyer's counseling session that leads to a signed buyer representation agreement and wins buyer loyalty by assessing buyer needs and educating buyers about the market.
- ▶ Understand the importance of real estate contracts in relation to buyer loyalty and compensation.

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

### GOALS OF COUNSELING SESSION

**Slide:**  
Goals of Counseling Session

When you meet a buyer-prospect for the first time, how can you convert that contact into a successful transaction that adds to your bottom line? Achieving a positive outcome requires two skill sets:

- ▶ People skills to foster an interpersonal relationship
- ▶ Client-representation skills in accordance with state agency laws, the REALTOR® 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 a buyer representation commitment provides the services buyers value through your experience and expertise as illustrated by your value proposition.

The interpersonal and contractual relationships come together during the buyer counseling session. As discussed in Module 1, by the time buyers are willing to sit down with you for a consultation, they have most likely moved beyond the “just looking” stage and are ready to take action. Although the agent and buyer may start the session with somewhat different goals, the bottom line is the same for both: finding the right relationship to purchase a home.

### AGENT'S GOALS

- ▶ Build rapport
- ▶ Showcase your services
- ▶ Learn the buyers' needs, wants, and financial situation
- ▶ Help the buyer form realistic expectations
- ▶ Decide if you want to work with buyer
- ▶ Obtain a representation commitment
- ▶ *Working together to find the right home*

### BUYER'S GOALS

- ▶ Get acquainted with the real estate professional
- ▶ Learn the services the agent can provide
- ▶ Describe their “ideal home”
- ▶ Learn about market conditions
- ▶ Obtain answers to questions and concerns
- ▶ Learn about the search and buying process
- ▶ Decide if they want to work with agent
- ▶ *Working together to find the right home*

#### Slide:

Preparing for the Session:  
Brand Consistency

## PREPARING FOR THE COUNSELING SESSION: BRAND CONSISTENCY

It's important to remember that as a buyer representative your business and your brand is you. To gain trust and respect from potential buyers, your brand needs to be consistent and aligned with your value proposition at all times.

Brand consistency during the counseling session may in fact be the difference between gaining a client or losing one. The image a buyer forms of you initially, either directly or quite possibly indirectly, is what they will expect at the consultation. Your photo on the brokerage website, the way a past client described you, your Facebook profile, the ad you recently took out in the local newspaper are but a few of the ways that your brand is disseminated to potential buyers.

### USE THE LIST BELOW TO HELP:

- ▶ What is the feel of your brand? Are you buttoned-up formal and professional or are you affecting a more casual tone?
- ▶ Do you affect the same manner with all types of people during all seasons, hectic and slow?
- ▶ Do you dress the same when meeting people at the office as you do when going out for showings?
- ▶ What social media platform are you on? Are you presenting the same brand on your Facebook account as you are on Instagram and Twitter?
- ▶ How do you describe yourself on the brokerage website? What picture of you is posted? Does the text and photo align to reflect your brand?
- ▶ Do your business cards accurately convey your brand?
- ▶ Have you bought any advertising? Is the messaging consistent across media?
- ▶ Homebuying is often a stressful event in people's lives. Part of your service is to be a reliable, calm guide that buyers can trust. Brand consistency is critical in achieving this end.

### Slide:

Is My Brand Consistent?

## LEARN ABOUT THE BUYER

There are two key aspects that you need to learn about the buyer during the counseling session: what the buyer needs and how much the buyer can afford.

### Slide:

Learn about the Buyer

### Slide:

Needs Assessment

### NEEDS ASSESSMENT

With the myriad of property information resources online, buyers can get a head start—or perceive that they can—on property selection. Have you had the experience of 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?

Oftentimes, buyers, excited by the prospect of a new home, 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 to learn about themselves.

Other times, buyers may not actually know what they want, or even need, which presents an opportunity for the agent to help guide them along. For example, a buyer might not know how big of a house they would like. You could then ask them 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. Knowing what the personal need is that they are trying to satisfy with the home purchase can be vital to assist them throughout the process.

You can accomplish many of these goals by doing a needs assessment. A Needs Assessment Worksheet (see sample next page) or Intake Sheet, much like the forms other professionals such as doctors and attorneys use, is a great tool for gathering information and making sure you and your buyer don't miss anything.

### **BY WORKING THROUGH THE PROCESS YOU'LL LEARN ABOUT THE BUYER'S:**

#### **CURRENT LIVING SITUATION COMPARED TO THE PROPERTY THEY WANT TO PURCHASE**

▶ **ASK:**

How does this compare with your current home? Is this a big change in your living situation?

#### **MOTIVATIONS**

▶ **ASK:**

Why are you looking at this time?

#### **TIME FRAME**

▶ **ASK:**

If we find the right property, are you prepared to make a decision now?

#### **DECISION MAKING**

▶ **ASK:**

Will anyone else help you make the decision?

#### **PRIORITIES**

▶ **ASK:**

If a property meets all of your other needs but does not have (a desired feature), should I eliminate the property or would you like to see it?

## BUYER NEEDS ASSESSMENT WORKSHEET

Name(s) \_\_\_\_\_

Current Address: \_\_\_\_\_

Phone Numbers:	Home:	_____	Home:	_____
	Work:	_____	Work:	_____
	Mobile:	_____	Mobile:	_____

Fax Numbers: \_\_\_\_\_

E-Mail: \_\_\_\_\_

Preferred contact method(s)	Phone:	_____
	Mobile	_____
	E-mail:	_____

Family size: \_\_\_\_\_ Pets: \_\_\_\_\_

Currently:    ☐ Own            ☐ Rent            ☐ Must sell to purchase?

Desired possession date \_\_\_\_\_

Mortgage:    ☐ Prequalified            ☐ Pre-approved

Lender: \_\_\_\_\_

Ideal Price: \_\_\_\_\_ Ideal Monthly Payment: \_\_\_\_\_

Ideal Location: \_\_\_\_\_

# of Bedrooms: \_\_\_\_\_

Minimum: \_\_\_\_\_

# of Bathrooms: \_\_\_\_\_

Minimum: \_\_\_\_\_

Lot size: \_\_\_\_\_

Garage: \_\_\_\_\_ How many vehicles? \_\_\_\_\_

Parking Space: ☐ Boat ☐ Camper ☐ Bus/truck ☐ \_\_\_\_\_

Age of home: \_\_\_\_\_

Style: \_\_\_\_\_

☐ Eat-in kitchen

☐ Finished basement

**Special requirements**

☐ Separate dining room

☐ Fenced yard

☐ Day care facilities

☐ Family room

☐ Deck/patio

☐ Elder care

☐ Fireplace

☐ Pool

☐ Cultural activities

☐ Workshop

☐ Waterfront

☐ School requirements

☐ Home office

☐

☐ Sports/recreation

☐ Home business

☐

☐ Public transportation

**The ideal home:**

How long have you been looking for a home? \_\_\_\_\_

How have you been looking? \_\_\_\_\_

Did you see anything you liked? \_\_\_\_\_

What kept you from buying it? \_\_\_\_\_

Have any agents shown you homes? \_\_\_\_\_

What was your relationship with the agent? \_\_\_\_\_

What did you sign with the agent? \_\_\_\_\_

**If we cannot find everything in the price range and location you want, what would you consider compromising on?**

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

**Are some features “deal breakers” that you won’t compromise on?**

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

**Is there anything else I should know about your requirements?**

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



# What Do You Want *and Need in a Home?*

Finding a new home can be exciting. But deciding what you truly want and need—and can afford—can be challenging. Making these decisions begins with setting priorities among many different preferences.

Most homebuyers invariably face trade-offs. Your buyer's representative can play a key role in helping you sort out your options. He or she can also offer important insights specific to your local market.

Here are many of the considerations you'll want to discuss with your buyer's rep:

## BASIC HOME FEATURES

- ◆ Do you prefer a single-family detached home, townhome, condominium, or other type of property?
- ◆ Desired number of bedrooms and baths
- ◆ Preferences regarding kitchen, dining, family rooms, etc. and preferred home layout
- ◆ High-priority home features, such as kitchen appliances, fireplace, etc.
- ◆ Other types of rooms needed (e.g., a home office or a hobby space)
- ◆ Storage spaces (closets, basement, an outdoor shed, etc.)
- ◆ Need for a garage or parking space, and if so, for how many cars?

## OTHER HOME PREFERENCES

- ◆ Ranch, two story, split level, etc.
- ◆ Age and style of home (Victorian, bungalow, modern, etc.)
- ◆ How important is energy efficiency or other green home features?

## NEIGHBORHOODS/LOCATION

- ◆ Commuting considerations (to work, shopping, etc.)
- ◆ Proximity to desirable features (such as a community center, exercise facility, school, hospital, etc.)
- ◆ Views—how important is to find your ideal view (overlooking a park, for example) or avoiding a bad one (a busy highway)?

## LOT CHARACTERISTICS

- ◆ Size and shape, including back, front and side yards
- ◆ Landscaping considerations—the need for open play areas, privacy, patio space, decking, etc.
- ◆ Home orientation—is it important for your home to face a particular direction?

## LIFE AT HOME

- ◆ If you'll be sharing your home with children, pets, live-in parents or others, how does this impact your housing preferences? Both now, and in the future? (For example, pets may require a fenced-in yard; older parents may dictate one-floor living.)
- ◆ Proximity to neighbors

## RELATED COSTS

- ◆ Homeowner association fees?
- ◆ Property taxes

## TRADE-OFFS

- ◆ How much do you want to invest in a home beyond the purchase price, either financially or in terms of sweat equity, if you can't find exactly what you want?
- ◆ Are you willing to consider other neighborhoods that provide better affordability?

## RESALE

- ◆ How long do you plan to live in this home? How does this impact the type of home you will buy, how much you'll spend, and your choice of location?

When you have met all ABR® designation requirements and REBAC confers the designation to you, you can access these consumer one-sheets at [www.rebac.net](http://www.rebac.net). Sign in with the REBAC membership ID number you will receive after REBAC processes course completion information.



# Am I ready to buy a home?

↓ Your buyer's rep can help you decide.

**The decision to purchase a home is a highly personal one, based on both tangible and intangible factors.**

Beyond your personal situation, local market conditions, financing costs, and future expectations must also be evaluated.

The following list of questions can help you decide if you are ready to move forward with a home purchase. Your Accredited Buyer's Representative (ABR®) can help you sort through these issues and provide essential local market perspectives.



## PURCHASING CONSIDERATIONS

- ◆ If you purchase a home, how long do you expect to live there?
- ◆ What can you afford to pay each month for housing-related expenses?
- ◆ What are the total costs of home ownership? This may include:
  - Mortgage payments (based on various interest rate and term assumptions)
  - Property taxes
  - Homeowner's insurance
  - Utilities
  - Maintenance costs
  - Any other special fees?
- ◆ Do you expect these housing-related expenses to increase or decrease? (changes in interest rates may be a bigger factor than others)
- ◆ What additional expenses are required to complete a purchase? (closing costs, moving expenses, etc.)
- ◆ How much will your home ownership costs decline after adjusting for interest expense deductions and property taxes (if applicable)?

- ◆ Are local market prices favorable to purchasing? What are your expectations on future prices?
- ◆ Do you qualify for any special purchasing assistance programs that can help reduce the cost of home ownership?

## RENTING CONSIDERATIONS

- ◆ If you are now a renter, what are your total housing expenses? (monthly rent, utilities, housing assessment, parking, etc.?)
- ◆ How does renting vs. buying factor into your long-term investing goals?

## OTHER FACTORS

- ◆ What are your personal preferences regarding the type of housing you wish to live in? How does location factor into your housing preferences?
- ◆ How do you expect your personal situation to change, in terms of future housing needs?
- ◆ What are your expectations concerning future employment?
- ◆ What are your long-term personal and financial goals, with regard to housing?

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# Alternative Buying Options

*Is a distressed property right for you?*

Distressed sales are a sad fact of the real estate market. While no one wants to see a homeowner lose their home, these properties also present unique opportunities for buyers. To determine whether you are a candidate for such a purchase,

it's important to learn all you can about distressed properties—and to work with a qualified buyer's representative who can guide you through each step of these complex, non-traditional transactions.

## Foreclosure is a process, with buying opportunities at each stage:

### STAGE 1. PRE-FORECLOSURE –

a period of time that begins with the initial mortgage default and ends when the distressed property is sold.

### STAGE 2. FORECLOSURE SALE –

when the property is auctioned to the highest bidder, someone who also meets the terms of the sale.

### STAGE 3. REO (REAL ESTATE OWNED) –

if a foreclosure sale is not successful, property ownership is transferred to the lender.

### WHAT IS A SHORT SALE?

This is a situation in which a seller owes more on their loan than a sale of the property will produce, and they are unable or unwilling to make up the difference at closing. The seller may or may not be in pre-foreclosure. Banks may consider a short sale to a new buyer to reduce their losses.

### QUESTIONS TO ASK YOURSELF:

Your buyer's representative can give you specific guidance based on your situation and the type of distressed property you want to purchase. But for starters, consider these questions:

- ♦ Are you flexible on timing? Can you make a quick decision and/or accommodate months of possible delays?
- ♦ Is your purchase limited by any contingencies, such as needing to sell your current home first?
- ♦ Have you already secured financing?
- ♦ Do you have resources to repair and rehab the property, if needed?
- ♦ If you are buying the property for investment purposes, what is your action plan? Do you intend to rent or resell? Or perhaps inhabit the property until market conditions improve?

### NEXT STEPS

Your buyer's representative can assist you further in answering these and other questions which will help you determine whether this path to homeownership is right for you.

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**Slide:**

Establish Price Parameters

## ESTABLISHING PRICE PARAMETERS

Buyers not only often ignore needs in favor of wants, they also ignore 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.

The best course of action is to let a lender qualify buyers by means of a mortgage pre-approval. Pre-approval 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 pre-approval prior to the buyer counseling session. Other real estate professionals use the counseling process to discuss financing and provide a list of lenders that the buyer can contact.

In addition, a pre-approval can save both you and your client a lot of time and energy. If you know early on what your client can afford or will get financing for, you can eliminate any homes that are out of that price range. After all, there's little sense in continuing to look at homes that your client can't purchase.

**Slide:**

Educate the Buyer

## 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 which makes them easier to work with during the home-buying process.

**Slide:**

The Local Real Estate Market

## THE LOCAL REAL ESTATE MARKET

Attention-grabbing headlines can sometime 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 time and opportunities lost. Real estate professionals know the local market, and can align buyers' expectations with reality. How do these national statistics compare to your local market?

► **10 WEEKS:**

Median time buyers who work with an agent spend searching for a home.

► **2 WEEKS:**

Time buyers usually search before contacting an agent.

► **3 WEEKS:**

Median time home on market

- ▶ **57 PERCENT:**  
The percentage of homes that sell in less than 4 weeks
- ▶ **99 PERCENT:**  
Median sales price as a percentage of list price
- ▶ **\$250,000:**  
Median home price.<sup>1</sup>

### 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 fees.

#### Slide:

The Complete Cost of Homeownership

### 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

### THE A-A-I BUYER CONSULTATION SESSION

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

Use the “A-A-I” Model on the next page to ask for information, answer questions, and inform on the process. What services do you hope to receive?

#### Slide:

A-A-I Model: Ask-Answer-Inform

<sup>1</sup> NAR 2018 Profile of Home Buyers and Sellers; 2018 NAR Home Buyer and Seller Generational Trends.

Ask the buyer questions:	Answer buyers' questions:	Inform buyer about process:
✓ Buyer's motivations?	✓ How will we communicate?	✓ Caution not to share confidential information before agreeing to work together
✓ Currently renters or owners?	✓ How you will help find the right property?	✓ Market conditions and realities
✓ Home to sell before buying?	✓ Sources you use to find properties?	✓ Realistic expectations for property search
✓ Interview other buyer representatives?	✓ How will you identify "new on the market" properties?	✓ Advantages of buyer representation
✓ Working with other agents?	✓ Will you help me find out about a property's condition?	✓ Agency disclosure
✓ Search efforts to date?	✓ How you are compensated?	✓ Your credentials, experience, specialties, and services
✓ Length of search so far?	✓ Do you represent the sellers?	✓ Your performance guarantee, if offered
✓ Which websites have been the most helpful?	✓ What if I find a home on my own?	✓ Strategy for finding the right property
✓ Properties seen and liked?	✓ How can I be sure you'll get me the best deal if your commission depends on the price of the property?	✓ Importance of punctuality for showing appointments
✓ What kept you from buying?	✓ What are the steps in the purchase process?	✓ Property viewing protocol
✓ Property needs, wants, locations, price parameters?	✓ Will you help me compare prices?	✓ Community information sources
✓ Time frame, critical dates?	✓ Market conditions—buyers' or sellers' market?	✓ What to do if another agent approaches the buyer
✓ Down payment and financing plans?	✓ Can you provide a list of lenders, repair contractors, other services?	
✓ Budget for mortgage payments?	✓ Can you help me estimate how much I can afford?	
✓ Potential financing issues, credit problems?		
✓ Mortgage pre-approval?		
✓ Eligibility for VA financing or other mortgage programs?		
✓ Concerns about the process or market?		

**Slide:**  
Do You Want to Represent This Buyer?

## 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. Is this buyer the type of person you can see working well with? Be wary of buyers who can drain you of time and resources.

## **WARNING SIGNS TO LOOK OUT FOR**

**YOU MAY WANT TO THINK TWICE ABOUT THE FOLLOWING TYPES OF BUYERS.**

### **UNMOTIVATED**

- ▶ May not be in a position 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

### **INCONSIDERATE**

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

### **QUESTIONABLE LOYALTY**

- ▶ Have family members 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 agent.
- ▶ 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 that you shouldn’t “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



### POTENTIAL CONFLICTS OF INTEREST

- ▶ Want to purchase a property you own or have interest in

#### Slide:

Getting out of Problematic Relationships

### GETTING OUT OF PROBLEMATIC RELATIONSHIPS

Of course, even the most intuitive agent ends up with a problematic client. Sometimes you simply have to 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 I am not meeting your needs. It is probably best for you to work with someone else.”

#### Slide:

Renters: Build Bridges, Don’t Burn Them

### BUILD BRIDGES, DON’T BURN THEM

In today’s market you may meet prospects who want to buy but really need to become or remain renters. They may:

- ▶ Have experienced a distressed property sale or bankruptcy
- ▶ Be saving money for a down payment
- ▶ Have trouble repairing credit issues
- ▶ Fall short of qualifying because of stringent underwriting guidelines

Unfortunately, some agents may miss this opportunity because they don’t see the tenant relationship as potential future business. Consider tenant-clients as investments in future transactions. If you work with tenants and protect their interests as you would a buyer-client, they will refer business to you and remember you when they are ready to buy.

### 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. An example of a pledge like this follows.

## MY PLEDGE OF PERFORMANCE

### 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
- ▶ discuss financing alternatives
- ▶ 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—MY BUYER—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 reimbursed with a commission only when we have a successfully closed transaction

## CONTACT INFORMATION

Office Phone: \_\_\_\_\_ Mobile: \_\_\_\_\_  
Fax: \_\_\_\_\_ Website: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Agent Signature: \_\_\_\_\_ Date: \_\_\_\_\_

\*Courtesy of Lynn Madison

**Slide:**  
Contracts

## CONTRACTS

Once you've decided that you want to work with a buyer, the final step is to get the buyer commitment to your services. Recall from Module 1, this is an essential step that can establish the difference between a buyer-customer and a buyer-client. Note from the discussion in Module 1 on express and implied contracts that the formation of the buyer-client relationship varies by state, so it's important you understand your particular 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.

### 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.

#### 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 agent must disclose to the seller how much compensation will be offered to cooperation brokers.

#### 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.

#### 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.

#### SALES CONTRACT

The sales contract 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.

**Slide:**  
Buyer Representation  
Agreement

## **THE BUYER REPRESENTATION AGREEMENT**

Not every buyer-agent agreement looks exactly the same, but it typically contains some common elements, which we outline 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.

### **PRICE, PROPERTY, AREA**

The description of the property states the client's requirements in general terms—such as a residential, commercial or rental property, or land—without being overly specific. Price, if it is addressed in the agreement, 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.

### **PROTECTION PERIOD**

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

### **SERVICES**

The description of services should detail the range of duties 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?

### **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.

### **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, handicap, 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 agent cancel the agreement?

#### **Slide:**

When Buyers Won't Sign

### **WHEN BUYERS WON'T SIGN**

Buyers may be reluctant to sign a representation agreement because they think it will limit their options and impose undue obligations. Although most buyers stick with the first agent they talk to, no one likes to feel pressured to make a commitment. How can you allay concerns but still make progress in establishing a buyer-client relationship? 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 down to just one agent, it's okay to offer a nonexclusive agreement. However, the buyer should be aware of the drawbacks of such an arrangement. Depending on what the non-exclusive said it could mean a couple things. 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 and cause confusion or even conflicts in the buying process.

### **TRIAL BASIS**

Offer to take the buyers out once to view a couple of properties and get acquainted with each other and the process. This is actually quite a common practice. 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 of these strategies have to align with the policies of your specific brokerage. You will need to check those policies as you develop strategies that will work best for you.

## → 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? Why should you sign it?

A Buyer Representation Agreement is a legal document that formalizes your working relationship with a particular buyer's representative, detailing what services you are entitled to and what your buyer's rep expects from you in return. While the language used in the document is formal, homebuyers should view it as an important and helpful tool for clarifying expectations, developing mutual loyalty, and most importantly, elevating the services you will receive.

- 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, relative 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.<sup>1</sup>
- 2. Get more without paying more.** In almost every case, home sellers have already agreed to pay a buyer's agent's commission. 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 agent's commission into any offer you may write. While buyers rarely pay real estate commissions, this is an important detail you'll want to discuss with your buyer's rep and clarify in their representation agreement.
- 3. Avoid misunderstandings.** A Buyer's Representation Agreement clarifies expectations, helping you understand what you should and shouldn't 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.

<sup>1</sup> Note that not every state requires a signed Buyer's Representation Agreement to create an agency relationship. In some cases, an agency relationship can be formed if both parties simply behave as if one exists.

When you have met all ABR® designation requirements and REBAC confers the designation to you, you can access these consumer one-sheets at [www.rebac.net](http://www.rebac.net). Sign in with the REBAC membership ID number you will receive after REBAC processes course completion information.





### IS A WRITTEN BUYER REPRESENTATION AGREEMENT NECESSARY?

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, however, that agents who work with buyers as clients without a written representation agreement are still obligated to comply with state laws and the REALTOR® Code of Ethics. Ultimately, the quality of service that a real estate professional provides creates and sustains buyer loyalty and productive relationships for everyone.

**Slide:**

Is a Written Buyer Agreement Necessary?

### THE ABR® DESIGNATION COURSE, HOWEVER, FOCUSES ON THREE IMPORTANT ASPECTS OF BUYER REPRESENTATION AGREEMENTS:

- ▶ how buyer representation agreements serve the consumer and the real estate professional
- ▶ how to initiate the discussion of representation agreements with buyers
- ▶ how to create a mutually beneficial representation agreement

Brokers and their agents, working within the REALTOR® Code of Ethics and state law, must make business policy decisions about how the principles presented in this course are incorporated and implemented into day-to-day practice.

### ANTITRUST WARNING

In order to discuss compensation concepts, we must talk about commissions. 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.

### COMPENSATION: YOUR QUESTIONS ANSWERED

Of course, one of the most important aspects of legal contracts is how it affects compensation. Before getting into the details, take a minute to see how much you already know.

**Slide:**

Compensation Pop Quiz: True or False?

## COMPENSATION POP-QUIZ!

Test your buyer's representative compensation IQ.

It's okay to not show a property if the commission isn't high enough?	<input type="checkbox"/> True <input type="checkbox"/> False
If you show a listing that is not in the MLS you need a written commitment from the listing brokerage to ensure you will get paid?	<input type="checkbox"/> True <input type="checkbox"/> False
The buyer can ask a seller to pay the buyer's brokerage?	<input type="checkbox"/> True <input type="checkbox"/> False
The commission rate offered in the MLS listing applies to any agents licensed in the state?	<input type="checkbox"/> True <input type="checkbox"/> False
The buyer representative can use the sales contract to request a higher commission from the listing office only if they have an exclusive agreement with the buyer?	<input type="checkbox"/> True <input type="checkbox"/> False

**Slide:**

Who Pays for Buyer Representative Compensation?

**Slide:**

Compensation: Your Questions Answered

### WHO PAYS FOR BUYER REPRESENTATIVE COMPENSATION?

Generally speaking, a good principle to keep in mind as the buyer representative is that regardless of the compensation arrangements, the buyer ultimately pays the buyer-representative's fee through the purchase price of the home. It's true that the seller pays the listing broker out of the sale proceeds, and the listing broker often split the commission with the buyer's representative. But it's the buyer's money that finances the entire transaction. Keeping this in mind, the fact that it is in fact the buyer who is ultimately paying you, can help keep you remain focused solely on the commitment to your buyer-client.

### HOW ARE COMPENSATION DETAILS WRITTEN INTO BUYER REPRESENTATION AGREEMENTS?

**Slide:**

How are Compensation Details Written into Contracts?

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 with regard to compensation, such as 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.*

### WHAT ARE THE DIFFERENT COMPENSATION OPTIONS?

**Slide:**

What are the Different Compensation Options?

► **PERCENTAGE OF SALE PRICE**

As we discussed earlier, 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 or 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 agent 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.

**Slide:**

Article 16, Standard of Practice 16-1

**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)

**Slide:**

Standard of Practice 3-1

**REALTORS® CODE OF ETHICS**

**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) 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. (Adopted 1/93)

**Slide:**

Standard of Practice 16-16

**REALTORS® CODE OF ETHICS**

**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)

**Slide:**

What if the Offer of Compensation is Less than the Compensation Required?

**WHAT IF THE OFFER OF COMPENSATION IS LESS THAN THE COMPENSATION REQUIRED?**

Because there are multiple ways in which buyer representatives can be compensated, and because there are multiple parties involved in any home-buying transaction, sometimes the terms of compensation can get misaligned. Here are a few ways to resolve such situations:

The buyer representative can call the listing office and request additional compensation before showing the property. Any changes in cooperative compensation must be by agreement between brokers, not the agents.

The buyer can ask the seller to credit the buyer at closing with the remaining compensation the buyer owes to his or her representative. In this case, the purchase offer should contain a provision such as:

*“Seller and/or any third party to the settlement and transfer of this property agrees to pay buyer X% of the sale price to settle their contractual agreement with their buyer brokerage at closing.”*

The buyer could instruct the buyer’s representative to reject the offer of compensation offered from the listing broker, and compensate the buyer’s representative—or ask the seller to do it. A sample of the language might be:

*“ABC Realty rejects any offer of compensation made by the listing firm. Seller and/or any third party to the settlement and transfer of this property agrees to pay the buyer X% of the sale price to settle their contractual agreement with their buyer brokerage at closing.”*

This rejection allows all parties, including the third party to the transaction, to understand that what is being rejected is the disclosed co-op portion of the fee only. This also ensures that the fee in the buyer agreement, worded as a seller concession in the conditions of sale, will be fulfilled so that the buyer client will not have any unforeseen risk for paying the buyer’s representative.

The buyer could choose not to view the property.

### 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. If buyers find out afterward that you received a bonus or extra commission, they may wonder if you were truly acting in their interests.

The commission issue could be addressed by showing a range in the representation agreement using language such as below:

*“If the fee collected is between \_\_\_\_% and \_\_\_\_% of the purchase price, the Buyer’s responsibility for compensation will be deemed to be satisfied.”*

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

Compensation for homes not listed with MLS is not the same as for homes listed with MLS, and buyer representatives need to know what these differences are to ensure proper compensation. Here are a few practical steps you should take:

There is no offer of compensation made to the co-op broker if it is not in the MLS.

You must get something in writing from the Listing Managing Broker offering compensation

You should have the written offer of compensation *prior* to showing the property.

#### Slide:

How does Compensation Work for Listings not in MLS?

**Slide:**

How Does Compensation Work for FSBO Listings?

### HOW DOES COMPENSATION WORK FOR FSBO LISTINGS?

Similar to non-MLS listings, For Sale By Owner (FSBO) listings also have different rules that affect how compensation works that buyer representatives need to be aware of. Here are some practical ways to address compensation for FSBOs.

Ask the seller to pay a commission for bringing a qualified buyer.

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.

Reduce the offer price by the amount of your compensation so that the buyer can pay your compensation directly per the terms of your representation agreement.

The buyer could also include the following language into the sales contract:

“Seller to pay Buyer ‘an additional’ X% of sale price for the buyer’s representative/Firm at closing paid through the proceeds of the sale.”

**Slide:**

How Does Compensation Work with VA Buyers?

### 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.

**Slide:**

Is a Written Buyer Representation Agreement Necessary to Receive Compensation?

### IS A WRITTEN BUYER REPRESENTATION AGREEMENT NECESSARY TO RECEIVE COMPENSATION?

Although a written buyer representation agreement is not necessary in all states to form an agency relationship, in almost all states a broker cannot enforce a claim for compensation against a buyer-client without a written representation agreement. You need to know your state’s law on this important point.

# Buyer Representation

*What buyers should know about compensation, loyalty and shared expectations.*



Most real estate agents earn their living by representing buyers and sellers in property transactions. While commission rates and/or terms vary from one listed property to another, there's no question about which agent and brokerage firm is representing the sellers. The yard sign alone makes that clear.

However, problems can surface on the other side of the transaction if a buyer (intentionally or unwittingly) does things that lead two different agents to believe they are representing that buyer.

*Examples include:*

- A buyer has been searching for homes with an agent's help. On impulse, he attends an open house and starts talking to the hosting agent about what kind of home he is searching for, failing to mention that he is already working with another agent.
- A couple, early in their home search, notice two different houses for sale with two different agents. They call each agent, asking to see the homes.

In each of these cases, a buyer has demonstrated purchasing interest with more than one real estate agent. Depending on other details of the circumstances—and how your state defines the way agency relationships are formed—it is possible that a dispute could arise between agents regarding who should receive a commission if the buyer proceeds with a purchase.

This is one reason why it's in everyone's best interest, including yours, to **shop for an agent before you shop for a home**, and to formalize your relationship with a signed buyer representation agreement.

In return for providing these services and assisting you with various transaction details, buyer's agents expect you to remain loyal to them, making it clear to any other agents that you are already being represented.

Agency relationships are based on mutual consent, so if your buyer's representative isn't living up to your expectations, you can cancel the agreement.

**Most importantly, you should discuss expectations early on.** Each buyer's agent has their own style and preferred way of working with clients. And each agent has their own buyer's representation agreement, outlining their obligations to you and what they expect in return.

There are also certain things buyer's reps are not allowed to do for you, such as advise you on which neighborhoods are better than others in terms of schools, crime rates or population demographics. Fair Housing Laws state they can only point you to sources of this information, helping you make your own decisions on these and other matters.

Taking time to discuss shared expectations at the beginning of your relationship is the surest way to avoid misunderstandings and form a strong partnership—one that allows your buyer's rep to serve you to their greatest ability and help you achieve the best possible result in your home purchase.



<sup>1</sup> Note that not every state requires a signed Buyer's Representation Agreement to create an agency relationship. In some cases, an agency relationship can be formed if both parties simply behave as if one exists.

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## LEARNING OBJECTIVES

**Slide:**  
Module 3: Learning Objectives

**AFTER LEARNING THE MATERIAL IN MODULE 3, YOU SHOULD BE ABLE TO:**

- ▶ Search for properties that meet the buyer's needs and wants by using active listening strategies and Realtors Property Resources® tools.
- ▶ 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

**Slide:**  
Searching for Properties

Searching for properties can feel a bit like speed dating. Buyers are not only looking at multiple properties in a short time frame, but also searching for the perfect match. And, like dating, sometimes it is love at first sight, but sometimes finding the right home takes time, which is when a buyer representative's skills and expertise are critical. Let's look at 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 manage stress is to manage your clients' expectations of available homes by making sure they understand the process and are fully educated about price trends, market realities, and the ways in which you can help them.

### SET CLIENT PRIORITIES

Many first-time homebuyers may envision getting *everything* they want, which can be time-consuming and frustrating for both buyer and agent. Encourage your client to create a list of high and low priorities in searching for a home. Then help them understand they need to focus on their high priorities while being willing to accept tradeoffs on lower priorities.

### EDUCATE ON MARKET REALITIES

Present a realistic picture of the current market. Caution buyer-clients that trying to time the market for rock-bottom prices or mortgage rates risks losing out on the ideal home. Good homes priced right don't stay on the market long.

### REAFFIRM YOUR SERVICES

Inform your clients that you will use your market knowledge and connections to find homes that fit their needs, wants, and price parameters. Make sure that the services clients expect align with what you committed to provide. Avoid making promises you cannot keep. Refer to your commitment pledge.

### 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 knowing so much can also sometimes lead to a bad habit: we might start talking to our clients more than we are listening to them. We of course have a lot of knowledge to impart, but also need to be actively listening to our clients wants and needs, not just at the very start of the process, but throughout it. As we all know, a buyer's priorities might change over time, but if we've stopped listening to our client we won't recognize that fact, which isn't good for us or our client. Here are some active-listening tips to keep us focused on your client's priorities:

#### 1. PAY ATTENTION:

You should take an active interest in what your client says. Listen not just to their wants and needs, but also their concerns and plans they may have in the future. Pay attention to their body language as well. Is their posture or expression saying something that their words are not? Think of it this way: the more you learn about your client, the more effective you will be at finding them a home they really want. That's a win for you both.

#### 2. WITHHOLD JUDGMENT:

Remember 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 is not simply assuming that you understand what your client is saying but actively getting confirmation that you understand what your client is saying. You can do this by paraphrasing back to your client what they report to you. The act of reflecting might sound something like this:

#### 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 about those.

#### AGENT:

So what I hear you saying is – 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 are the bedrooms. Am I hearing you correctly?

Using the technique of reflection serves two important functions: 1) It helps to ensure that you and your client are always on the same page. And 2) reflecting makes 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. Don't be afraid to ask questions and make sure you clarify something that might be confusing to you. Reflecting helps prevent miscommunication, and so does clarification. Asking questions of your client will also show 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 about how your client is thinking and feeling.

## UTILIZE ALL OF YOUR ASSETS AND RESOURCES

As a buyer representative, you have access to tools and resources that individual buyers do not. It's up to you to make sure you are utilizing all of the resources available to you. Think of it as the "no stone unturned" strategy.

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 only those determined by the buyer-client.

## NO STONE UNTURNED

Buyer's representatives can look anywhere for the right properties for their clients. Where do you look?

- ▶ MLS
- ▶ Drive around
- ▶ Networking
- ▶ Phone and mail
- ▶ New construction
- ▶ Distressed Properties
- ▶ Advertise buyer's want
- ▶ Auctions
- ▶ FSBOs
- ▶ Websites

### Slide:

Searching for FSBO Opportunities

## SEARCHING FSBO OPPORTUNITIES

Despite the difficulties of selling on their own, 7 percent of home sellers choose the FSBO route.<sup>1</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, approximately half do nothing to actively market their homes. In addition, FSBO houses typically sell for significantly lower price than agent-assisted homes.<sup>2</sup> 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, the first hurdle is making a productive contact with the seller. Here's how you can do it:

During your first contact, 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.

If your client's interested, you can contact the agent or seller immediately to learn the asking price and arrange a viewing.

When you contact the seller you could say, "Are you working with REALTORS®? What commission are you offering? Does the price you are quoting include the commission?"

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.

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<sup>1</sup> NAR 2018 Profile of Home Buyers and Sellers

<sup>2</sup> Ibid.

### REALTORS PROPERTY RESOURCE®

**Slide:**

Use Realtor Search Tools

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®.<sup>3</sup> What can RPR® do for you?

Does this sound familiar? You are driving around viewing properties when the buyer spots an interesting home and says something like “What about that house? Could I see that one?” Here’s how RPR® can help in just such an instance.

With RPR®, you can simply use your phone to search the home’s address and download the RPR® Property Report, Mini Property Report, or Neighborhood Report. Each report has a wealth of information (all public) like sales<sup>4</sup> and financing history, square footage, number of rooms, lot size, and other facts. On-the-spot access to RPR® Property Report data means you can present facts about the property immediately.

If your client’s interested, you can contact the agent or seller immediately to learn the asking price and arrange a viewing.

When sales data is publicly reported, RPR® aggregates recent and current sales to calculate an estimated value for the property; this automated valuation model (AVM) estimate can indicate if the home is over- or underpriced in comparison to similar properties in the neighborhood.

You can view RPR® reports online as well as in downloadable PDF format. The full-color report, with your contact information and personal or company branding, takes only a couple of minutes to generate and can be sent to your client immediately.

### THE REALTORS VALUATION MODEL® (RVM®)

Another tool available to you is the Realtors Valuation Model® (RVM®), which is able to 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’ve ever compared price estimates from some of the online valuation sites like Zillow®, 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’ll also find information on continuing-education credit training classes online and in classrooms, as well as free tutorials.

<sup>3</sup> RPR® applications and reports are available to members of the National Association of REALTORS® practicing in the United States.

<sup>4</sup> Except in nondisclosure states.

### SHARING INFORMATION RESPONSIBLY

The ability to gather and share data by electronic means 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 making sure it doesn't fall into the hands of someone with bad intentions.

## SHOWING AND SELECTING PROPERTIES

### SHOWING PROPERTY PROTOCOL

Once you have an understanding of the types of properties your client is seeking, it may seem that next step is simple: show it to them. But showing properties isn't quite as easy it might seem. Smart agents take time to dot the i's and cross the t's. Here's a guide to help you prepare your client through all phases of the showing process: before, during, and after.

#### Slide:

Showing Property - Before

#### BEFORE THE SHOWING

- ▶ Provide the buyer-client with a recap of their needs, wants, and priorities in checklist format
- ▶ Provide an advance list of the homes to give the buyer-client an opportunity to drive by and check out the exterior and the location
- ▶ Provide a sample sales contract so that buyer-clients can be prepared with required information when ready to make an offer
- ▶ If scheduling several hours of showings, make arrangements for rest stops and snacks
- ▶ Encourage clients to arrange a babysitter for children and leave pets at home
- ▶ Set expectations for appropriate behavior—remind buyer-clients that they are a guest in the seller's home
- ▶ Share the dangers of using the price per square foot to figure home values
- ▶ Stress the importance of punctuality and explain why
- ▶ Recommend setting aside time after showings to consider pros and cons or write an offer



### DURING THE SHOWING

**Slide:**

Showing Property - During

- ▶ Arrive on time for showings
- ▶ Wear slip-on shoes (and boots in bad weather)—sellers may request you remove shoes
- ▶ Don't take anything that belongs to the owner or damage the property—no loosening carpet to look at flooring
- ▶ Leave the property as you found it (lights, heating, cooling, drapes) or follow the showing instructions
- ▶ Remind buyers that no house is ever perfect and to focus on the property's potential and make lists of items that can and cannot be changed
- ▶ Remind buyers they will not hurt anyone's feelings if they reject a home (but to not be offensive)
- ▶ Be sure to look at the home's surroundings—is this a location where they want to live?
- ▶ Don't smoke, eat inside the home, use the bathroom, or use the sleeping facilities
- ▶ 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

**Slide:**

Showing Property - After

- ▶ Use the needs-and-wants checklist to evaluate properties
- ▶ Review the properties and evaluate which came closest to meeting buyer needs, wants, and priorities
- ▶ Compare cost of ownership—utilities, taxes, upkeep, insurance—to the client's budget
- ▶ Choose second-look properties as a preliminary to making an offer

### BE MINDFUL OF TECHNOLOGY USE AND SURVEILLANCE

**Slide:**

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 generally.

Taking photos before and during showings can help clients remember the details of a property, but they should get seller permission through the listing agent before taking any interior pictures. Additionally, they should 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 negotiation leverage.

When viewing a property, avoid showing strong reactions or making comments—good or bad; electronic monitoring devices, like hidden web cams,

It's also important to know your state laws with regard to the use of cameras. Many states do not allow the taping or picture taking 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.

### STANDARD OF PRACTICE 3-9

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

**HOW DO YOU PREPARE BUYERS FOR LOOKING AT HOMES? WHAT ARE YOUR BEST TIPS? GENERATE THE TOP FIVE POINTS YOU THINK ARE MOST IMPORTANT TO SHARE WITH CLIENTS FOR EACH PHASE OF THE SHOWING PROCESS.**

[illegible]

## SELECTING HOMES ETHICALLY: FAIR HOUSING AND YOU AS AGENT

### Slide:

Selecting Homes Ethically: Fair Housing Laws

What if buyers ask questions you cannot legally answer, like the racial composition of a neighborhood? Although buyers may ask, real estate professionals should never estimate or give an opinion on the racial, religious, or ethnic composition of a neighborhood. Instead, focus on providing objective data from third-party sources. Statistical information is now widely available online to address most any client query of this nature.

### TOPICS YOU SHOULD NEVER DISCUSS WITH CLIENTS INCLUDE, BUT ARE NOT LIMITED TO, NEIGHBORHOOD:

- ▶ Racial/ethnic composition
- ▶ Religious makeup
- ▶ Median income levels
- ▶ Education levels
- ▶ School ratings
- ▶ Crime statistics
- ▶ Age breakdowns
- ▶ Political voting patterns

Your presentation packet could include a statement on fair housing rights as well as a list of sources for community and neighborhood information. The consumer one-sheet on the next page summarizes what buyers should expect.

Federal fair housing law specifies seven protected classes: Race, color, religion, sex, handicap, familial status, and national origin.

Some state and local governments have defined additional protected classes such as: age, sexual orientation, source of income, marital status, military status and/or discharge, ancestry, parental status, and housing status (homeless).

The REALTORS® Code of Ethics includes sexual orientation and gender identity as protected classes.

### WHAT ADDITIONAL PROTECTED CLASSES DOES YOUR STATE OR LOCAL MUNICIPALITY HAVE?

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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 agent 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 agent may not lawfully disclose the racial, ethnic or religious composition of any neighborhood, community, or building, nor whether persons with disabilities are housed in any home or facility, except that the agent 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)

# Fair Housing *and* Your Buyer's Rep

The Federal Fair Housing Act, enacted in 1968, is designed to prohibit discriminatory practices when buying and selling homes. Administered by the U.S. Department of Housing and Urban Development (HUD), the law prohibits housing discrimination against seven protected classes—race, color, sex, religion, national origin, familial status and/or physical and mental handicaps.

Fair Housing marked a significant step forward in protecting civil rights for all people. The law covers most types of housing, and includes compliance guidelines for landlords, property managers, builders and real estate agents. The chief concern for buyer's reps is that they not engage in steering, the act of directing home buyers (or tenants) to a particular area that is chosen by the agent, not the buyer.

## HOW DO FAIR HOUSING LAWS AFFECT YOUR HOME SEARCH?

Many home buyers want and expect their buyer's rep to help them make good choices in their home purchase. Consumers know that real estate agents are intimately familiar with certain neighborhoods, so it's logical that buyers would seek out their professional advice.

However, your buyer's rep may not be allowed to answer all of your questions, including questions about whether a neighborhood is safe, or the racial composition of an area, or whether the schools are good. Instead, buyer's reps are instructed to direct you to helpful sources of information so you can evaluate neighborhoods on your own.

This is because, under the Fair Housing law, it is unlawful for an agent to engage in any conduct that is discriminatory towards any of the seven protected classes. Whether a neighborhood is safe, for example, is a subjective decision. Your buyer's rep can suggest the best Web sites and other resources to gather related facts. But ultimately, buyers must form their own opinions about whether a home or a neighborhood is desirable to them.

## IT'S A BUYER'S CHOICE.

A real estate professional should never steer you toward or away from a particular neighborhood if the homes there fit your needs and are within your range of affordability. However, there is no law restricting buyers

from making choice-limiting decisions or ruling out certain properties or neighborhoods based on factors that are important to them. If you prefer a particular neighborhood, that is your choice, and you can share these preferences with your buyer's rep.

Ultimately, Fair Housing is designed to help all buyers achieve the dream of home ownership on their own terms. By researching neighborhoods that interest you, and giving serious consideration to your needs and preferences, you will be able to make a smart, informed home purchase—one you can enjoy for many years to come.



When you have met all ABR® designation requirements and REBAC confers the designation to you, you can access these consumer one-sheets at [www.rebac.net](http://www.rebac.net). Sign in with the REBAC membership ID number you will receive after REBAC processes course completion information.



### Slide:

Four Areas Pose Particular Risk

### FOUR AREAS THAT POSE DANGER OF DISCRIMINATION

Even with the best of intentions, we can sometimes inadvertently be discriminating against others. There are four areas that especially pose a risk of discrimination in real estate transactions: screening, steering, advertising, and predatory lending.

- ▶ *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.
- ▶ *Steering* is the unlawful practice of guiding buyers toward or away from a particular property or neighborhood based on their race, gender, or other protected class criteria. We can steer clients, even inadvertently, through our recommendations or when editorializing about certain homes or neighborhoods a client should be considering.
- ▶ *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.
- ▶ *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.

### Slide:

How Will You Respond?

### FAIR HOUSING BUYER-AGENT 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."

► **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 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 about 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's "safe" varies greatly by person. What's "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 the area.

## **GAINING BUYER LOYALTY THROUGHOUT PROCESS**

As discussed in the previous module, the buyer representation agreement creates the contractual relationship between the buyer and the agent. But it's the interpersonal relationship throughout the search process that makes the agent and buyer into a team—and builds true loyalty.

As agents, we often think of loyalty in terms of a client being loyal to us, but loyalty is a two-way street and starts with our words and our actions. Your commitment pledge is a powerful tool for showing loyalty, but how do you continue to ensure that loyalty and develop a bond where that loyalty will be reciprocated?

Transparency of information and your willingness to answer any of the buyer's questions and address concerns will go a long way toward establishing a mutually loyal relationship. Transparency includes being frank about situations in which you would not get paid. But buyers today are confronted with more resources than ever to attain prospective house-hunting information, which can make exclusivity and buyer loyalty challenging, even within the best relationships. Smart agents impress on clients the importance of calling you first whenever they want to see a property and explain why.

**Slide:**

Gaining Buyer Loyalty  
Throughout Process



**Slide:**

Tips for Gaining and  
Maintaining Buyer Loyalty

## **TIPS FOR GAINING AND MAINTAINING BUYER LOYALTY**

### **OPEN HOUSES AND FOR-SALE SIGNS**

At open houses, advise clients to inform listing agents that they are working with you and to provide your name and company affiliation. You could provide the client with a small supply of your business cards for this purpose. Caution clients against signing any registration card or guest book, or revealing information that could weaken negotiation leverage. They should not be coerced into putting an offer on the property, regardless of what the listing agent sitting in the open house says. Similarly, if clients see a for-sale sign, ask them to note the listing agent's contact information and to call you to set up a showing.

### **MODEL HOMES**

Like an open house, your clients should inform the builder's sales representative that they are working with you. Caution against signing any registration card or guest book or visiting model homes if signs say "agent must accompany the buyer on the first visit." Purchasing a new home involves decisions about customization options. Inform your client that you can advise on evaluating the cost-benefit of various options and navigating the phases and process of buying new construction.

### **PRINT MEDIA AND WEBSITES**

What if your buyer-client sees an ad that looks interesting and can't resist reaching out to the contact for more information? Coach clients to say upfront that you are helping them find a home. If the price is in range and the client wants to see the property, say that you will make arrangements for them to see the property. Caution clients that websites are not always up-to-date; unless the site reflects real-time data from the MLS, homes advertised on websites may already be sold or further along in the bidding process than may be apparent.

### **FSBO**

Caution buyers not to set up appointments on their own to see an FSBO property. First, it's not a safe thing to do. Second, it can be a big waste of the client's time if you already have information on the home from previous experience. Third, it will give sellers the impression that no agent is involved which could undermine your client's bargaining position.

### **AUCTIONS**

Explain that you can scope out properties in advance, do comparative market analyses (CMAs), and help the client develop a strategy to avoid getting caught up in a bidding rush. You can also help the client prepare for the auction terms like reserve bids and proof of funds. Just be sure you register as the client's representative before the auction.

### CONTACT BY ANOTHER AGENT

Instruct clients to politely inform other agents of your working relationship, thank them for their interest, and possibly suggest they contact you if they have a property they think may fit for client's needs. Your client should follow the same protocol if they happen to pass a property and the seller or listing agent invites them in.

### LOYALTY AND PROCURING CAUSE

#### Slide:

Loyalty and Procuring Cause

Unfortunately, even when we as agents do all that we can to serve the best interests of our clients, disputes around payment 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 is an unbroken chain of events that results in a successful transaction. 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 among the various agents and resources available to any potential buyer. Can you see how neither the act of showing a property nor 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 arbitration panel at the local association. Seven key decision points that panels examine—and preventive steps the agent can initiate—are as follows:

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 ever 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 agent who made the original introduction maintain contact with the buyer-client throughout the process? Or did the agent 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 buyer how often and how (text, email, phone call) they would like to be contacted.

4. Did the cooperating agent initiate a separate series of events, not dependent on the original agent'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 agent an intrusion into the transaction or cause estrangement or abandonment in the original buyer-agent relationship?

**PREVENTIVE ACTIONS:**

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

6. Was the second agent 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 agent.

7. Did the agent do anything to cause the buyer to look elsewhere for assistance? Did the agent'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.

Darrell and Melissa want to make an offer one of your colleague's listings. The property is listed at \$259,000. A few weeks before you met Darrell and Melissa, your colleague told you that there was an accepted offer for \$235,000 that did not close due to buyer financing problems. She also confided that the sellers are very motivated and growing increasingly anxious about selling their home. In addition to being very motivated, the sellers were now willing to accept a reduced price, because a property inspection turned up problems with the roof, which will probably need to be replaced within a year; plus, the kitchen appliances are old, yet still functional. Based on their Internet research on Trulia and Zillow®, Darrell and Melissa want to make a \$245,000 offer on the property.

- ▶ **WHAT ARE THE ISSUES INVOLVED IN THIS SCENARIO?**
- ▶ **SHOULD YOU TELL DARRELL AND MELISSA THAT THERE WAS AN EARLIER OFFER OF \$235,000?**
- ▶ **WHAT WOULD YOU DO NEXT?**

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

You lined up six properties for Robert and Sophia to view, one of which is a condo on which you made a listing presentation. Although you didn't get the listing, during the course of the conversation you learned the seller's motivation, bottom line price, and other information pertinent to the sale of their property. When Robert looks at the listing he says, "We've already seen one of these condos at an open house and really liked it. We knew better than to say anything that would harm our negotiating position if we decide to make an offer. That's okay, right?" You asked if Robert and Sophia told the open house agent that they were working with you or if they signed anything. Sophia says she doesn't think so, but really can't remember. They have looked at so many open houses it's kind of a blur.

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- This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.



## CHRISTINA

Christina and her parents are touring loft apartments. Her face lights up when she walks into a newly renovated loft apartment and she wants to share her excitement with friends. She starts snapping photos with her phone and tweeting about the loft. The builder's sales agent, picking up on Christina's excitement, enthuses about how quickly the neighborhood is gentrifying. The sales agent says this is a chance to buy into tomorrow's trendy neighborhood before prices really go up. Christina's father, checking out the HVAC, asks how much it will cost to heat and cool the loft. He also asks about the property taxes. Christina's mother asks, "Do you think this is a safe neighborhood for a single woman? Would you live here?"

- ▶ WHAT ARE THE ISSUES INVOLVED IN THIS SCENARIO?
- ▶ HOW WOULD YOU RESPOND TO QUESTIONS FROM CHRISTINA'S MOM ABOUT THE NEIGHBORHOOD?
- ▶ WHAT WOULD YOU SAY TO CHRISTINA ABOUT TAKING PHOTOS AND TEXTING?
- ▶ WHAT WOULD YOU DO NEXT?

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.





## LEARNING OBJECTIVES

**Slide:**  
Module 4: Learning Objectives

AFTER LEARNING THE MATERIAL IN **MODULE 4**, YOU SHOULD BE ABLE TO:

- ▶ Position yourself for success by educating your client about the offering process and by conducting a thorough analysis of the market to understanding your client's negotiating position.
- ▶ Help your client formulate 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 outcome possible.

## PREPARING THE BUYER

**Slide:**  
Preparing the Buyer

After finding the right property, buyers will likely need assistance with negotiating price and terms. As you help clients formulate an offer, you will need to educate them about 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 venture they are undertaking.

For example, providing sample forms (with the blanks filled in with examples of information) might ease client stress by familiarizing the client with the terminology and paperwork involved before it's "for real." Remember, educated clients are less stressed and more knowledgeable, which leads to a better working relationship and sounder decision making. What follows are notes and tips about the general process that might prove helpful in getting your client prepared for this step.

### **HAVE A STRATEGY.**

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 annoying the seller or losing out to another offer.

### **OVERVIEW OF OFFER AND NEGOTIATION PROCESS.**

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 counter offer, which should be in writing, the buyer may accept or reject it, or make a counter offer. 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 counter offer.

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 OFFERS**

An offer is a contractual commitment between the buyer and seller. Once signed, both parties are legally obligated to contract terms.

Verbal promises are not enforceable. Everything regarding the transaction must be in writing.

### **CONFIDENTIALITY OF OFFERS**

Sellers and their agents are not obligated to keep buyers' offers confidential. If your clients don't want the offer details or their identity disclosed to others, consider asking the sellers to sign a confidentiality agreement before presenting the offer. In some states, license laws prohibit disclosure of the terms of competing offers unless the parties specify what their agents may disclose. As usual, it's good to check your state's laws.

## EVALUATING YOUR CLIENT'S NEGOTIATING POSITION

**Slide:**  
Evaluating your Client's  
Negotiating Position

In “Getting to Yes: Negotiating Agreement Without Giving In,” authors Ury and Fisher outline a “straightforward method of negotiation that can be used under almost any circumstance.” One of the four principles of this method, and perhaps the most important, is: Insist on using objective criteria.

### GETTING FROM DATA TO INSIGHTS

Market data is the “objective criteria” of the real estate negotiation. However, such data alone does not paint the whole picture of the market, because data is subject to interpretation; it can be looked at in different ways. It's your job to explain to your client the best way of understanding the data to get the right home at the right price.

**CONSIDER THE FOLLOWING DISTINCTIONS BETWEEN DATA, INFORMATION, KNOWLEDGE, AND INSIGHTS:**

#### DATA

**Slide:**  
Data

- ▶ A collection of facts from which conclusions can be drawn
- ▶ Collection or representation of facts in raw or unorganized form (such as alphabets, numbers, or symbols) that refer to, or represent, conditions, ideas, or objects.

#### INFORMATION

**Slide:**  
Information

##### DATA THAT:

1. has been verified to be accurate and timely
2. is specific and organized for a purpose
3. is presented within a context that gives it meaning and relevance
4. can lead to an increase in understanding and decrease in uncertainty

#### KNOWLEDGE

**Slide:**  
Knowledge

- ▶ Human faculty resulting from interpreted information
- ▶ Knowledge is understanding that comes from a combination of data, information, experience, and individual interpretation

#### INSIGHTS

**Slide:**  
Insights

- ▶ The application of knowledge that looks toward the future
- ▶ Intelligent forecasting based on experience

**Slide:**  
Sharing Insights

**Slide:**  
Information

## THE IMPORTANCE OF SHARING INSIGHTS

It's important that we as buyer representatives don't just present data to our clients. What is online is data and information only. We need to show them how we *understand* the data to help them make sound, informed decisions. The following are steps to help share your insights.

- ▶ Process and collate large amounts of market data into meaningful market insight that is readily comprehensible for less experienced clients.
- ▶ Reinforce our understanding of the data with visually compelling graphs and charts so it's easier for clients to see.
- ▶ Show them the realities of the *local* market, so that they don't get swayed by what the media says often about the market on much broader terms or what information aggregators might show.

Our clients are seeking relevant information, supplied by a trusted source with appropriate and accurate analysis. We should be that source. Our ability to provide market insights transforms us from "sales people" to professional consultants. This begins with a comprehensive market analysis using the tools and resources you have available to you.

**Slide:**  
Prepare Market Analysis

## PREPARE A MARKET ANALYSIS

Preparing a winning offer starts with a detailed Market Analysis, 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 on these websites 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 abundance of market and property information, such as the following:

### 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

**PROPERTY INFORMATION**

► **PROPERTY CONDITION**

Is it in good condition or must the buyer make substantial investments in repairs?

► **LENGTH OF TIME ON THE MARKET**

A long time on the market may indicate a slow market or some problem with the property.

► **SELLER'S MOTIVATION**

A seller under pressure to close a deal may be more receptive than one who can wait until the "right offer comes along."

► **TERMS**

What terms and contingencies must be written into the offer? Terms that make an offer attractive include an all-cash transaction, pre-approval for financing, quick closing, and few contingencies or seller concessions.

► **RETURN ON INVESTMENT**

For commercial and investment buyers, the future income stream and return on investment is an important consideration in developing an offer.

► **HISTORY OF PROPERTY**

previous sales and financing history

► Review disclosures buyer is entitled to receive

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

**Slide:**

Formulating an Offer

## **FORMULATING AN OFFER**

Once you've collected and evaluated information about market conditions, the property of interest, the buyer's financial strength, and the seller's situation, it's time to start formulating an offer.

### **ASSESSING YOUR CLIENT'S ADVANTAGES AND DISADVANTAGES**

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

## EVALUATE THE BUYER-CLIENT'S NEGOTIATING POSITION

**Slide:**  
The Market

### 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

**Slide:**  
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



**Slide:**  
The Buyer's Finances

**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 buyers sell their current home before closing on the new one? \_\_\_\_\_

**CHECKLIST**

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

**Slide:**  
The Seller

**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**

- ☐ Personal rapport with seller
- ☐ Agreement on terms and occupancy dates
- ☐ Highly motivated seller
- ☐ Few contingencies
- ☐ Personality clash with seller or seller's representative
- ☐ Many contingencies
- ☐ Seller in no hurry to sell, can wait for right offer
- ☐ 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's 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
- ▶ Shop around for good mortgage terms
- ▶ Request contingencies or extras like a home warranty
- ▶ Ask the seller to help with closing costs
- ▶ Shorten the time for the seller's acceptance
- ▶ All cash or a mortgage pre-approval provides even more leverage than in a seller's market

#### STRATEGIES FOR A SELLERS' MARKET

- ▶ Obtain a mortgage pre-approval before making an offer
- ▶ Offer the list price or more
- ▶ Make the first offer the best offer as there may not be a counter offer or another opportunity
- ▶ Minimize contingencies and don't ask for seller help with closing costs or financing

### CONTINGENCIES

Contingencies are provisions that a party adds to a negotiation that need to be fulfilled in order for the transaction go through. Common contingencies that are often written into standard contracts include a satisfactory home inspection report, 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's a buyers' or sellers' market and the personal motivations and interests of the parties involved. Note that agents 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

#### Slide:

Is it a Buyer's or Seller's Market?

#### Slide:

Contingencies

- ▶ Sale of a current home
- ▶ Receipt and approval of homeowner association documents
- ▶ 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, draperies)
- ▶ Subject to determination of affordable home owners insurance
- ▶ Subject to determination of flood plain issues
- ▶ Verification that all improvements were made with proper permits issues and all certificates of occupancy were issued

### **SELLER CONCESSIONS COULD INCLUDE:**

- ▶ Permitting the buyer to move in quickly
- ▶ Help 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 or repairing defects discovered during inspections

It's important to review all disclosures buyer is entitled to receive, as well as all seller contingencies. You also need to counsel your client on any contingencies they 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.

One final aspect to be aware of is 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.

## EXERCISE 4-1: APPLYING WHAT YOU KNOW

### DARRELL AND MELISSA

Darrell and Melissa are feeling time pressure to find the right house and move. There are two homes that look good to them and either one would be acceptable if the price and terms are right. One home is listed at \$245,000 and the other at \$239,000. Darrell and Melissa's target price is no more than \$235,000. Darrell asks you if it's okay to make offers on both properties at the same time.

- ▶ **WHAT ARE THE STRENGTHS AND WEAKNESSES OF DARRELL AND MELISSA'S NEGOTIATION POSITION?**
- ▶ **HOW WOULD YOU ADVISE DARRELL AND MELISSA TO PROCEED?**

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### ROHAN AND LINDSEY

Two days ago, you contacted the FSBO sellers of the property that Rohan and Lindsey really want. So far no one has returned your phone calls. Rohan and Lindsey are ready to make a full-price offer. This morning the property popped up on the MLS as a "new listing." The original listing agent contacted them, relisted the property, and now has a buyer who is interested in the home. The list price, however, is now \$10,000 higher than the sale price the FSBO sellers quoted when Rohan and Lindsey looked at the house.

- ▶ **WHAT ARE THE STRENGTHS AND WEAKNESSES OF ROHAN AND LINDSEY'S NEGOTIATION POSITION?**
- ▶ **HOW WOULD YOU ADVISE ROHAN AND LINDSEY TO PROCEED?**

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**Slide:**  
Presenting Offers

## **PRESENTING AND NEGOTIATING AN OFFER: KNOW THE RULES**

After you've discussed everything with your client, it's time to submit your offer. In hot markets, it's 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 REALTOR® 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 agent 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
- ▶ 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 agent

### **REALTORS® CODE OF ETHICS**

#### **STANDARD OF PRACTICE 1-6**

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 agent you have transmitted the offer. Do not simply attach a PDF to an email without also texting or calling the agent to make them aware of your buyers offer.



- ▶ If you are getting no response from the listing agent, contact your managing broker so he or she can contact the listing managing broker to facilitate the presentation.
- ▶ The listing brokerage cannot hold offers waiting for more, but the seller can.

### **REALTORS® CODE OF ETHICS**

#### **STANDARD OF PRACTICE 1-7**

When acting as listing brokers, REALTORS® shall continue to submit to the seller/landlord all offers and counter-offers 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 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 1/19)

#### **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.

**Slide:**  
Back-up Offers

### **REALTORS® CODE OF ETHICS**

#### **STANDARD OF PRACTICE 1-8**

REALTORS®, acting as agents or brokers of buyers/tenants, shall submit to buyers/tenants all offers and counter offers 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)

### Slide:

Confidentiality and Disclosures

### CONFIDENTIALITY AND DISCLOSURES

As stated previously, sellers are not legally obligated to keep offer details or the buyer's identity confidential. Per Standard of Practice 1-13, REALTORS® must advise potential clients of "the possibility that sellers or sellers' representatives may not treat the existence, terms, or conditions of offers as confidential unless confidentiality is required by law, regulation, or by any confidentiality agreement between the parties."

### Slide:

Confidentiality

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 or not to go ahead with presentation of the offer.

#### ► LISTING AGENT OBLIGATIONS

The disclosure obligation of the listing agent differs with regard to offers and accepted offers, and you, as the buyer representative, need to understand the distinction. Listing agents are not required to automatically disclose the existence of offers on a property. The buyer or buyer's representative must ask for this information, after which the seller must then consent to divulging it. However, listing agents are required to disclose if a property is under contract, even if that contract is subject to a contingency. They are also required to report the acceptance to MLS according to MLS rules

### TYPES OF OFFER SCENARIOS

#### REALTOR® CODE OF ETHICS

##### 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.

### Slide:

Multiple Offers

#### MULTIPLE OFFER SITUATIONS

Multiple offers weaken a buyer's leverage. Sellers are neither obligated to consider offers in the order that they were received, nor accept the highest bid if a lower bid presents more attractive terms. And it doesn't have to be a seller's market for a seller to receive multiple offers on a property.

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?
- ▶ Who made the other offers? A customer from the listing office or another cooperating brokerage? A client or customer of another salesperson from the listing office?
- ▶ Who should present the client's offer? Should you request to be present when other offers are presented? Or, is it in your client's best interest for the listing agent to present that offer to the seller along with other offers? Or, would it be better to ask the broker of the listing office to present your client's offer, instead of the listing agent?

There are ways to increase the odds of getting your buyers offer accepted in a multiple offer situation other than simply offering more money, which often causes the property to not appraise, causing problems or contract failure. More on this in Module 5.

**ALTHOUGH THESE SUGGESTIONS WILL NOT WORK FOR ALL BUYERS IN ALL MARKETPLACES, SOME IDEAS ON INCREASING THE ODDS IN A MULTIPLE OFFER INCLUDE:**

**Slide:**  
What Can Buyers Do?

- ▶ Buyer waives his mortgage contingency
- ▶ The buyer can buy the property 'as-is'
- ▶ The buyer can pay some of the sellers' costs of sale
- ▶ Do home inspection prior to contract (with seller's permission) and waive home inspection
- ▶ The 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'
- ▶ Have your buyer write a letter to the seller Remember: The listing agent is not required to tell you if there are other offers on the table. It is the seller's decision.

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 final 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.

**Slide:**  
Escalation Clause

## USING AN ESCALATION CLAUSE

An escalation clause can be useful strategy to raise your offer price, while not overpaying compared to the next closest bidder. Here are some tips for effectively adding an escalation clause to your offer.

### 1. DETERMINE YOUR HIGHEST ACCEPTABLE PRICE

Once you and your client agree to the maximum price, 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 don't 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's by no means a guarantee of winning in the bidding process. Here are some drawbacks that smart buyer representatives are aware of.

#### ▶ BANKS AND FORECLOSURE LENDERS DON'T ACCEPT ESCALATORS

This means that you can't employ an escalator for any bank-owned properties.

#### ▶ SELLERS COULD VIEW IT AS "PLAYING GAMES"

Some sellers believe it's best for buyers to simply submit their highest best offer right away.

#### ▶ IT STILL MUST APPRAISE

A rashly constructed escalator 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's important to assess each offer scenario based on the market, property, and needs and wants of your client.

## **REALTOR® CODE OF ETHICS**

### **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 DISCLOSURES**

Dual or Variable rate commissions are often misunderstood, but it's important to understand what they are and why listing agents are required to disclose them. "Dual or Variable rate" simply means the seller pays one amount if the listing agent's firm procures the buyer and a different amount if a cooperating agent procures the buyer.

A dual or variable rate commission can impact the seller's bottom line, since 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 agents. 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, it is the buyer representatives responsibility to inquire further as to the variance or differential. It is almost always disclosed in the MLS as variable, not as dual, but the net effect to the buyer would be the same – he may not be on a level playing field with another buyer in a multiple offer situation.

#### **Slide:**

Variables and Disclosures

## **REALTORS® CODE OF ETHICS**

### **STANDARD OF PRACTICE 3-6**

REALTORS® shall disclose the existence of accepted offers, including offers with unresolved contingencies, to any broker seeking cooperation.

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

## Multiple Offers: Counteroffers

### OFFERS ON REO PROPERTIES

**Slide:**

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.

### MAKING THE OFFER

- ▶ 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 pre-approval 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 like 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 which 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.
- ▶ 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 walkthrough 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.
- ▶ Close on time—penalties may be assessed for delays and extensions, regardless of which party caused the delay.

**Slide:**  
Offers for Short Sales

### OFFERS FOR SHORT SALES

With short sales, two things are typically at play: 1) a homeowner is in financial distress and can't 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 pay off. As with REOs, the short sale process is different than for conventional home purchases. Here's how it works and how to protect your client.

### MAKING THE OFFER

- ▶ 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 pre-approval for financing with the contract.
- ▶ The contract should have a reasonable chance of closing; offer a fair price—a lowball 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; don't expect the seller or 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 short sale lender

### PROTECT YOUR CLIENT

- ▶ If the buyer does not want earnest money deposited before the lender accepts the offer, 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.
- ▶ Update the CMA on the property. The value can decline during a long wait for lender approval.
- ▶ For international buyers, cultural differences could make negotiation harder. Closing could also be delayed if funds come from overseas or if buyer needs to set up an appointment at a US embassy/consulate to execute documents in front of a notary.

# Property Disclosures

Buying a home can present hidden risks. While sellers must provide prospective buyers with complete and accurate descriptions of properties for sale, each state varies regarding the details sellers must legally disclose to buyers. No matter where you live, smart buyers also exercise personal responsibility, to whatever extent possible and reasonable, to help avoid unpleasant surprises.

The following list outlines numerous issues buyers should consider when purchasing property. Some are addressed by sellers' disclosure documents, others are not. Your buyer's rep can counsel you on the specifics in your state and discuss appropriate steps to discover and remedy potential property concerns.

## HOME CONDITION—STRUCTURAL

- ◆ Roof
- ◆ Foundation
- ◆ Interior/exterior walls
- ◆ Fireplace/chimney
- ◆ Floors
- ◆ Windows/doors
- ◆ Ceilings
- ◆ Garage
- ◆ Patio/deck

## HOME CONDITION—MECHANICAL

- ◆ Plumbing system
- ◆ Electrical system
- ◆ Heating and/or air conditioning
- ◆ Sewer and/or septic system
- ◆ Built-in appliances
- ◆ Other systems and fixtures

## ENVIRONMENTAL HAZARDS

- ◆ Asbestos
- ◆ Lead-based paint\*
- ◆ Meth lab
- ◆ Mold
- ◆ Radon

## OTHER CONDITIONS

- ◆ Termite or other pest infestation
- ◆ Flooding (including federally-designated flood plain\*)
- ◆ Utility or other easements
- ◆ Adjoining private roads (and obligation to maintain)
- ◆ Shared driveways, walls, or encroachments from or on adjacent property
- ◆ Stigmas (including registered sex offenders)

## OFF-SITE CONDITIONS

Odor, smoke, noise, and hazards affecting property due to proximity to:

- ◆ Highways
- ◆ Railroads
- ◆ Commercial/industrial facilities
- ◆ Military installations
- ◆ Superfund sites
- ◆ Toxic waste dumps

## LEGAL /FINANCIAL CONSIDERATIONS

- ◆ Possible or probable short sale or foreclosure
- ◆ Violation of building codes, zoning ordinances or other restrictive covenants
- ◆ Zoning (restricting buyer's intended use for the property)
- ◆ Homeowners association obligations
- ◆ Tenancies, judgments or tax liens
- ◆ Proposed assessments or zoning changes
- ◆ Mechanics' or materialmen's liens

## OTHER OFF-SITE CONSIDERATIONS

- ◆ Neighborhood noise (e.g., barking dogs)
- ◆ Traffic
- ◆ Safety
- ◆ Availability of, or consequences from, public parking
- ◆ Zoning (impacting how nearby property will be used in the future)

## PREVENTIVE MEASURES

Buyers can take steps to reveal problems and reduce risk. Ask your buyer's rep about the following options and other appropriate measures. Inspections and other preventive steps are especially important for distressed properties.

**Home Inspections:** A thorough home inspection should reveal structural or mechanical issues. Certain problems may require a separate evaluation by a trained specialist.

**Home Warranties:** Home protection plans can cover the cost of future repairs to malfunctioning home appliances or systems. Policy coverage and costs vary.

**C.L.U.E. Reports:** Comprehensive Loss Underwriting Exchange Reports provide details on insurance claims filed in the past five years, such as wind, water or mold damage—considerations that could impact the cost of insuring the home.

\*These items are subject to federal laws and must be disclosed in all states.

When you have met all ABR® designation requirements and REBAC confers the designation to you, you can access these consumer one-sheets at [www.rebac.net](http://www.rebac.net). Sign in with the REBAC membership ID number you will receive after REBAC processes course completion information.



# The Negotiating Process

You've found a home that's right for you and it's time to make an offer. What steps are involved in negotiating a real estate purchase?

## STEP 1. RESEARCH AND PLANNING

Depending on market conditions, you may have to act quickly, before another buyer steps ahead of you. That said, the best way to approach a home purchase is to arm yourself with facts and to plan a negotiating strategy. Your ABR® can assist you on both these points.

When deciding what to offer for a property, current market prices are the most important factor. Your ABR® can provide valuable assistance in this regard—counseling you on market conditions, price ranges, comparable properties, and appropriate negotiating strategies.

## STEP 2. SUBMIT AN OFFER

Real estate transactions require a written contract, which conveys an initial written offer. A check for earnest money usually accompanies an offer.

Your offer will specify price, plus all the terms and conditions of the purchase you want to negotiate. Your ABR® provides a valuable service by helping you use standard forms that are kept up-to-date with changing real estate laws, which vary from one state to another, and by explaining the negotiating impact of including various terms and conditions.



## STEP 3. THE SELLER'S RESPONSE

When your offer is presented, the seller's options are to:

**Accept.** If, after reviewing your written offer, the sellers sign their unconditional acceptance, then you will have a binding contract as soon as you are notified of the offer's acceptance.

**Reject.** If the sellers reject your offer, you are released of any obligation. The sellers cannot later change their minds and expect to bind you to a contract based on that offer.

**Counteroffer.** If the sellers like most aspects of your offer, they may present a written counteroffer that includes the changes the sellers want to make. You are then free to accept their counteroffer, reject it, or make your own counteroffer to their counteroffer. This process can repeat itself as many times as it takes for you and the sellers to agree on the sales contract. At this point, negotiations are over and the terms of the sale are final.

It is important to note that the negotiating process always moves forward; buyers cannot decide at a later time to accept a counteroffer that they previously rejected. If the property is still available, buyers must reinstate negotiations by submitting a new offer.

## WITHDRAWING AN OFFER

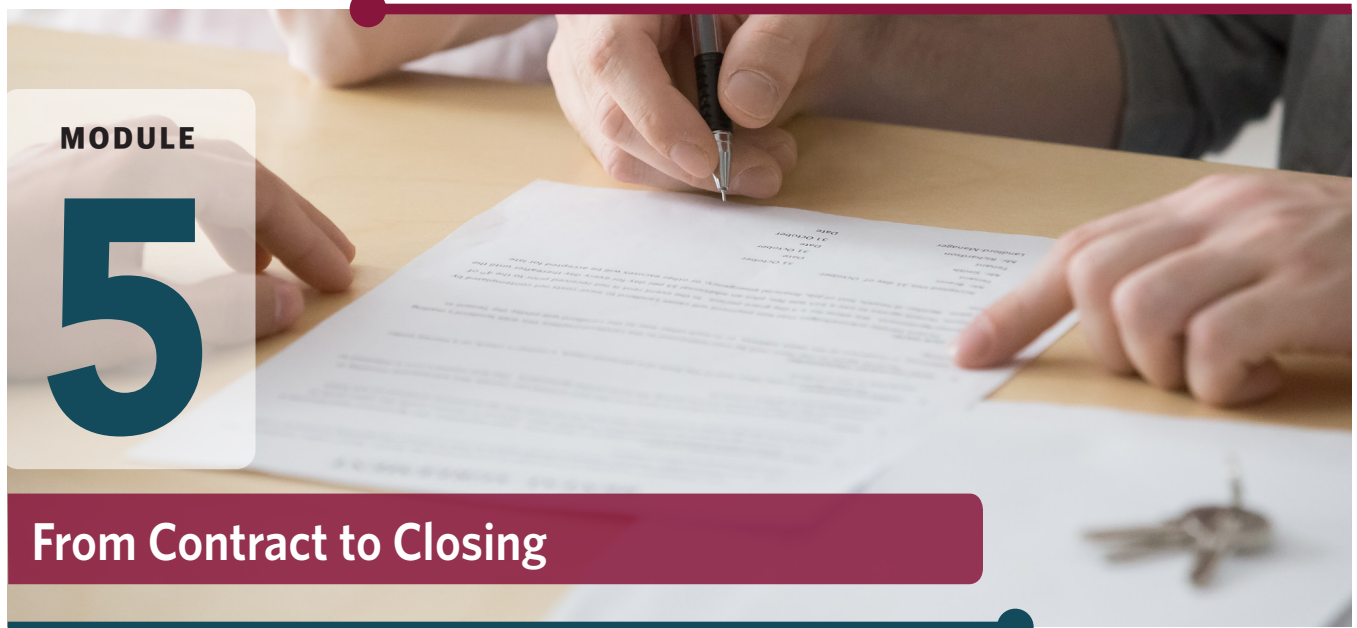
Can you take back an offer? In most cases the answer is yes, right up until the moment your offer is accepted. In some cases, you can withdraw an offer before you've been notified of its acceptance.

If you want to withdraw your offer after acceptance, be sure to do so only after consulting a lawyer who is experienced in real estate matters. You want to avoid losing your earnest money deposit or a lawsuit for damages the sellers incurred because of your actions.

When you have met all ABR® designation requirements and REBAC confers the designation to you, you can access these consumer one-sheets at [www.rebac.net](http://www.rebac.net). Sign in with the REBAC membership ID number you will receive after REBAC processes course completion information.







## LEARNING OBJECTIVES

**Slide:**  
Module 5: Learning Objectives

AFTER LEARNING THE MATERIAL IN **MODULE 5**, YOU SHOULD BE ABLE TO:

- ▶ Walk your client through the contract contingencies and mortgage 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. It's time to sit back and wait for closing, right? What more is there to do? The buyer representative's job has not ended when the contract is signed. Continued attention to your clients is another opportunity to prove your value proposition.

The reason you are in this business is to represent buyers for compensation. Real estate professionals know all too well that no closing means 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 representatives can do to help their clients complete those final steps to the closing finish line.

**Slide:**  
Contract Contingencies

## CONTRACT CONTINGENCIES

Review contingencies with the buyer. Establish a timeline for completing the buyer's contingencies and monitoring the seller's completion. Sometimes there's a lot to account for, and buyers can get overwhelmed. For example, additional

information, such as condo docs, must be requested and delivered according to the contract, or if there is an attorney review contingency, the attorney must be chosen and the contract delivered in a timely manner. Inform clients that the consequences of not complying with the terms of the contract could be a loss of the property and earnest money.

## **EXERCISE 5-1: CREATING A CONTINGENCY CHECKLIST**

IT CAN BE HELPFUL TO CREATE A CONTINGENCIES CHECKLIST TO ASSIST THE BUYERS MEETING ALL THE DEADLINE DATES IN THEIR CONTRACT. WHAT WOULD YOU INCLUDE IN YOUR CHECKLIST?

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**Slide:**  
Mortgage Process

## **MORTGAGE PROCESS**

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

### **MORTGAGE APPLICATION**

The buyer should take first steps for a successful mortgage approval—well before the loan application—by improving or repairing credit rating issues and debt load. For example, after a period of credit difficulties, it may be best to wait 12 months to apply for a mortgage because barriers usually 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 timeframe for making mortgage application. Failure to do the mortgage application as called for in the contract could give the seller the opportunity to terminate the contract if a back-up contract has been accepted.

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:

- ▶ Change jobs, become self-employed, or quit your job.
- ▶ Buy a car, truck or van (or you may be living in it!)
- ▶ Use charge cards excessively (or at all), or let your accounts fall behind.
- ▶ Close credit card accounts
- ▶ Spend money you have set aside for closing
- ▶ Buy furniture on credit – even if you don't start paying until after closing
- ▶ Originate any inquiries into your credit
- ▶ Make large deposits in your bank accounts without first checking with your loan officer
- ▶ Change bank accounts
- ▶ Co-sign for a loan for anyone

### **LOAN ESTIMATE COMPARISON**

Buyers should apply for mortgages from multiple lenders and receive a loan estimate from each showing all fees so they can do an “apples to apples” comparison and then choose a lender by giving them “Intent to Proceed.”

#### **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 are expecting?
- ▶ Is the rate fixed or adjustable? What were they expecting?
- ▶ Does the loan have a prepayment penalty?
- ▶ Is the Estimated Total Monthly Payment acceptable?
- ▶ Compare Origination Charges to Loan Estimates from other lenders.
- ▶ Is the homeowner's insurance premium accurate?
- ▶ Are the property taxes accurate?
- ▶ Is the Estimated Cash to Close as expected, and do they have sufficient funds to pay as required?

**Slide:**

Mortgage Application Follow-Up

**MORTGAGE APPLICATION FOLLOW-UP**

As noted above, 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 an advance list of documents that lenders in your area typically request so they can begin compiling the information in order to prepare for a mortgage application. Lender requirements differ, but most require:

- ▶ Social security numbers and birth dates
- ▶ Photo identification
- ▶ Paycheck stubs showing year-to-date earnings
- ▶ W-2 or 1099 tax forms for the past two years
- ▶ Employer's name, address, and telephone number (current and for the last 2 years)
- ▶ Account statements for checking, savings and other accounts
- ▶ Statement of current assets (IRA accounts, investment accounts, employee retirement accounts, brokerage accounts)
- ▶ 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 last two years
- ▶ Current mortgage balance and payments or the name and address of the landlord and monthly rent payment
- ▶ Copy of the sales contract

**Slide:**

Additional Documentation for Some Situations

**ADDITIONAL DOCUMENTATION FOR SOME SITUATIONS**

**MILITARY AND VETERANS**

Veterans Affairs (VA) Loan Applications require a copy of the borrower's DD214 Form (discharge papers) or 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 last two 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.





**Slide:**

When Home Appraisal Derails Process

## **WHEN THE HOME APPRAISAL DERAILS PROCESS**

All mortgage lenders will appraise the value of the home to ensure the value of the home matches the amount of the loan. When properties appraise below the agreed sale price it's a big headache for buyers, sellers, and real estate agents. The transaction comes to a halt unless the issues can be resolved.

The first step in trying to resolve the situation is by helping 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. If the buyer wants to go forward, here are some options to consider:

- ▶ Check the appraisal report for errors like mistakes in square footage or overlooking a room.
- ▶ Ask the appraiser to review and revise their report and value estimate using different comps. Note, though, that revisions tend to be rare unless the error is really glaring.
- ▶ Ask for a second opinion review appraisal.
- ▶ Is the appraisal too low or is the home is overpriced? Renegotiate the sales price.
- ▶ See if the buyer can pay the difference in cash.

**Slide:**

Home Inspections

## **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 last 2–3 hours.

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 do the home inspections.

- ▶ Does the contract call for licensed home inspector, or can anyone do it?
- ▶ Is there a dollar amount specified that states that if the deficiencies are less than x amount seller will remedy?
- ▶ You should counsel clients on what is expected after the home inspections are done. Many contracts state something like:

*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 could affect the sellers' decisions on making repairs.
- ▶ Is this a buyer's or seller's market?

## 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's a good idea to review the various types of insurance that your clients will need.

**Slide:**  
Types of Insurance

**Slide:**  
Property Insurance

### PROPERTY INSURANCE

Buyers should begin the process of verifying affordable homeowners insurance at the same time that they apply for a mortgage. Homeowner's insurance is required in order for the deal to close. Stress to clients that, if they haven't already, they should apply for insurance coverage without delay after signing a sales contract to begin verifying affordable plans. The lender will not permit the closing to proceed if the buyer is unable to obtain or afford adequate property insurance or if a higher 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 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 most recent five-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 policy holder's credit score when deciding whether or not 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.

**Slide:**  
Flood Insurance

## **FLOOD INSURANCE**

During the inspection or due diligence period, the buyer should determine if the property is located 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>.

**Slide:**  
Title Insurance

## **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 policy holder—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's a one-time cost based on the price of the property. Title insurance is particularly important for buyers who purchase homes in foreign 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 isn't. There may be claims on the land or liens placed during the 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 a very competitive business, so home buyers can—and should—shop around for the best rates.

## CLOSING PROCESS

**Slide:**  
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. And, with this deal nearly closed, it's also an opportunity to look ahead to future business. Ending on the best note possible is the best way to secure strong recommendations to grow your business.

### PRE-CLOSING WALK-THROUGH

**Slide:**  
Pre-closing Walk-through

Most sales contracts entitle the buyer to a walk-through inspection of the property shortly before 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

**Slide:**  
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. Counsel 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

**Slide:**  
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 which may be needed, such as:

- ▶ Identification—photo ID document
- ▶ Sales contract
- ▶ Proof of homeowner's insurance and other insurance certificates
- ▶ Proof of title search and title insurance

- ▶ Home appraisal
- ▶ Home inspection reports
- ▶ Certified, 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.

### Slide:

Who Attends

### 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.

### Slide:

What to Expect

### 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.



**Slide:**

Client Data Privacy and Security

## **CLIENT DATA PRIVACY AND SECURITY**

Real estate professionals often collect a lot of 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 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.

**3. LOCK IT:**

Protect the information that you keep.

**4. PITCH IT:**

Properly dispose of information that you no longer need.

**5. PLAN AHEAD:**

Create a plan to respond to security incidents.

For a free Data Security and Privacy Toolkit with information about state laws and pending federal regulations as well as guidance and checklists for drafting a security program tailored to the operations of the company visit <https://www.nar.realtor/data-privacy-security/nars-data-security-and-privacy-toolkit>.



### WIRE FRAUD

**Slide:**  
Wire Fraud

Wire fraud is another 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. Incidents of wire fraud have increased by more than 130% in recent years, and scams directed specifically at real estate transactions have increased over 1,000%.<sup>1</sup>

There are steps agents can take to prevent wire fraud. Agents 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. 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.

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<sup>1</sup> Erica Christoffer, "Real Estate's Wire Fraud Vulnerability," REALTOR Magazine, November 8, 2018, <https://magazine.realtor/for-brokers/network/article/2018/11/real-estate-s-wire-fraud-vulnerability>





## LEARNING OBJECTIVES

**Slide:**  
Module 6: Learning Objectives

AFTER LEARNING THE MATERIAL IN **MODULE 6**, YOU SHOULD BE ABLE TO:

- ▶ Understand and apply the four most important takeaways for success
- ▶ Apply troubleshooting scripts to overcome hurdles in your business dealings
- ▶ Utilize the pro tips and tools to ensure consistent results and enduring success

Now that we've completed a comprehensive review of every aspect of the buyer home-buying process, it's time to put it all together to set you up for success as a buyer representative. In this module, we will build on what we've learned by making sure you have the practical tools and know-how to be successful in the field.

## FOUR IMPORTANT TAKEAWAYS FOR SUCCESS

**Slide:**  
Four Important Takeaways 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 still others, all while trying to find ways to grow your business. Basically, you need to be able to do everything all at once. Here's how you can be at your best at all times.

## EXERCISE 6-1: BUYER REPRESENTATIVE SKILLS ASSESSMENT

Buyer Representative Skill	Rating (1-5): 1=very weak; 2=weak; 3=average; 4=strong; 5=very strong
Articulate your value proposition to a client	
Understand how a buyer-agent relationship is legally formed.	
Know your duties and responsibilities as a buyer's representative.	
Explain the goals of, and how to prepare for, a buyer consultation	
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.	
Can 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 walk your client through the 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>	
<b>Here's how to evaluate your score:</b> <b>75-70:</b> Exceptionally skilled and knowledgeable! Fine tune your skills! <b>69-65:</b> Very strong. Work on those few areas where you're not as strong as you could be <b>64-60:</b> Good, but you can be better! Work on making your weaknesses a strength! <b>59 OR LESS:</b> Now that you know what you need to improve, you're on your way! Keep studying, practicing, and learning!	

## 1. KNOW YOUR STRENGTHS AND WEAKNESSES

To make improvements to ourselves we have to know what we're good at—and what we're not. Admitting we have weaknesses is hard, but it's also essential to getting better. The self-evaluation below will help you assess what your strengths and weaknesses are in every aspect of the home-buying process. This will help you play to what you're good at, while also showing you what you need to work on.

## 2. KNOW YOUR DUTIES AND RESPONSIBILITIES

Your duty and responsibility as a buyer representative is to advocate on behalf of your client to find them the right home at the right price in accordance with all federal, state, and local fair housing laws.

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. There are four areas in which the risk of discrimination is particularly high: screening, steering, advertising, and predatory lending. You need to understand how discrimination occurs within each area, both to prevent yourself from inadvertently discriminating and also to protect your client from being discriminated against.

In addition to federal housing laws, there are state and local laws you need to be aware of and in accordance with as you serve your clients. 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 to stay up to date with most current laws and required forms. The following link provides a list of State and Local Boards to help you find your state association:

<https://www.nar.realtor/leadrshp.nsf>

### Slide:

Know Your Duties and Responsibilities

## EXERCISE 6-2: TURNING DUTIES INTO VALUE

As discussed earlier, agency disclosure should be made in a manner consistent with state laws and prior to substantive real estate discussions. Knowing your duties to the buyer-client also presents an opportunity to showcase the value of your services. For each fiduciary duty, create a value statement that answers the buyer's question: "Why should I work with you" while complying with agency disclosure requirements.

What We Do	How We Do It	How We Convey It
Identify Properties to Show		
Showing Homes		
Property Comparison		
Developing Strategies		
Structuring the Offer		
Presenting the Offer		
Negotiating		
Post Contract Coordination		
Follow-Thru to Closing		

### 3. KNOW YOUR COMPETITION

**Slide:**

Know Your Competition

As important as it is to know yourself, it's just as important to know what you're up against. We might think we excel at some aspect of real estate, but if the agent at the brokerage across town seems to be consistently more successful at it, this is likely an aspect of our business we need to reassess. Ultimately, to be truly successful, we need to know ourselves by knowing our competition. A SWOT analysis is a tool to help us do this. SWOT stands for Strength-Weakness-Opportunity-Threat, and it's a way of doing a competitive analysis of both internal and external factors that influence your business.

#### SWOT ANALYSIS

HELPFUL (TO ACHIEVING THE OBJECTIVE)	HARMFUL (TO ACHIEVING THE OBJECTIVE)	
<b>S</b> Strengths	<b>W</b> Weaknesses	INTERNAL ORIGIN (ATTRIBUTES OF THE ORGANIZATION)
<b>O</b> Opportunities	<b>T</b> Threats	EXTERNAL ORIGIN (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 lot of resources you can access?
- ▶ How experienced and knowledgeable are you?
- ▶ Do you have a strong list of contacts and connections?
- ▶ What is your current advertising 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:

- ▶ Is the market heating up or cooling down for buyers?
- ▶ Are there any government regulations that will make home buying easier or more difficult?
- ▶ What do mortgage rates look like?
- ▶ What are the latest home-buying apps?

Again, assign each factor you can think of as either an opportunity or a threat.

When you look at the analysis in total, you can begin to see ways to gain competitive advantages (ie., external opportunities + internal strengths), as well as mitigating places where you might be at a disadvantage (external threats + internal weaknesses).



## EXERCISE 6-3: YOUR SWOT ANALYSIS

Use the SWOT template below to conduct your own initial competitive analysis.

SWOT Analysis	Helpful	Harmful
<b>INTERNAL:</b>	<b>STRENGTHS:</b>  1.  2.  3.  4.  5.	<b>WEAKNESSES:</b>  1.  2.  3.  4.  5.
<b>EXTERNAL:</b>	<b>OPPORTUNITIES:</b>  1.  2.  3.  4.  5.	<b>THREATS:</b>  1.  2.  3.  4.  5.
<b>ACTIONABLE ITEMS:</b>  <b>TWO WAYS TO CAPITALIZE ON ADVANTAGES:</b>  1. _____  2. _____  <b>TWO WAYS TO MITIGATE DISADVANTAGES:</b>  1. _____  2. _____		

**Slide:**

Know Your Unique Value Proposition

#### 4. KNOW YOUR UNIQUE VALUE PROPOSITION

Knowing your strengths and weaknesses as well as understanding your competition will better enable you to distinguish yourself in a competitive marketplace. And what makes you different is what makes you successful. Take this time to create or refine your unique value proposition based on what you've just learned about yourself and your competition.

Remember to revisit your value proposition periodically to make sure that what you're offering is still what makes you unique. Self-assessments and competitive analyses are not something you merely do once; they're 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.

**Slide:**

Troubleshooting Scripts for the Field

#### TROUBLESHOOTING SCRIPTS FOR THE FIELD

Every agent 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 agent faces in the field.

As you read through these, however, it's important to keep in mind that you always need to be keeping the particular wants, needs, and situations of each particular client in mind when offering a response. You need to tailor your responses as best you can to account for the differences and unique situations of each client.

**Slide:**

When the Buyer Doesn't Want Initial Counseling Session

#### WHEN THE BUYER DOESN'T WANT INITIAL COUNSELING SESSION

##### SCENARIO 1:

**BUYER:**

I can find properties on the Internet, so I don't 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 agents in other offices who 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 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 agents 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 what I want already. I just need you 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 lots of listing agents. So, if we can sit down for a half hour and I can get a better understanding of all of your wants and needs for a new home, I can be searching my resources as well.

**WHEN A BUYER WON'T SIGN A REPRESENTATION AGREEMENT**

**Slide:**

When 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 if I'm going to provide the level of service I pledge and that you're entitled to. I can only commit that time to buyers who I have a contract with, which protects both of our interests, because with a signed contract you're not longer a “buyer” to me, you're my client. Let me explain what that means.

**SCENARIO 2:**

**BUYER:**

I don't like to make a commitment to just one agent. I like to keep my options open.

**AGENT:**

You are more than welcome to work with more than one agent at a time. There are many good agents out there. There are also many agents who are not so good too. But without a committed buyer-agent relationship, you will be getting a lot of calls from a lot of agents, both good and bad, who aren't making you their priority. Bottom line, you'll get much better service from one agent who is committed and loyal than from many agents who are not. I owe it to my current client not to take time away from them for buyers who are working with many agents at the same time.

**SCENARIO 3:**

**BUYER:**

The sales agents who show me property are really nice, why do I need a buyer's rep?

**AGENT:**

Most of those agents are listing agents. And they are probably really nice people doing their job well. But doing their job well means looking out for the best interests of the seller, not you 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. She will do two things based on your preference: 1) assign a different agent to you, or 2) cancel your agreement completely.

## WHEN BUYER ASKS ABOUT OFFERS, COMMISSIONS, AND FEES

### Slide:

When Buyer Asks About  
Offers, Commissions, and Fees

### SCENARIO 1:

#### BUYER:

I want to find a really good deal! What can you do for me?

#### AGENT:

My knowledge of the market and ability to research available properties will give you ample choices of properties that are potential good deals including distressed properties. I can give you the advice you need to make an offer and negotiate a favorable combination of price and terms.

### SCENARIO 2:

#### BUYER:

The market is kind of confusing right now. How will you help me decide how much to offer?

#### AGENT:

I will do a comparative market analysis before you make an offer on a property so that you will know facts like: fair market value, number and prices of similar homes for sale, time on the market, and any information about the seller and the property condition that is available. All of that information will help us formulate an offer.

### SCENARIO 3:

#### BUYER:

Is your commission negotiable?

#### AGENT:

Commissions are always negotiable. However, this is the fee that our brokerage has determined is fair for the services we provide. And remember, no fee is earned until we have a completed transaction. My compensation is only paid if close on a home for you.

### SCENARIO 4:

#### BUYER:

Do I have to pay a fee if I don't buy anything?

#### AGENT:

With our brokerage you do not pay anything unless we close on a new home for you. But if you're having second thoughts about buying, maybe we should dig deeper into your concerns so we make sure buying a home is really what you want right now. Ultimately, I want to find the best fit for you, whether that's buying a home or not.

**SCENARIO 5:**

**BUYER:**

If your commission is based on the sale price, how can I be sure you will try to get me the best deal?

**AGENT:**

Because I am *your* agent. Your best interests are my best interests. I would never violate my duties to you, or jeopardize my reputation and business, for the small portion earned off the “negotiating room” on any purchase.

**Slide:**  
When Dealing With FSBOs

**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 home is an expensive and complex process. Most people want help 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 agent 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 agent 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.
- 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 doesn't have a clear plan, you can offer to check back in with them 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 an agent. That agent might as well be you!

## **SAMPLE AGENCY DISCLOSURE AND BROKERAGE FEE AGREEMENT FOR UNLISTED PROPERTY**

Seller acknowledges that \_\_\_\_\_ (Buyer 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 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 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:

\_\_\_\_\_  
Fax:

\_\_\_\_\_  
Fax:



## PRO TIPS AND TOOLS FOR SUCCESS

Even the best buyer representatives can use an infusion of new ideas into their business. As buyer representatives, we can never stop learning and expanding our assets and resources. This section is meant to do just that. Included here are tips and tools to help you work safely, efficiently, and effectively.

**Slide:**

Pro Tips and Tools for Success

## PROPERTY COMPARISON WORKSHEET FOR BUYERS

As a buyer's representative, one of the best things you can do for your client is to help simplify and organize the buyer's experience. A property comparison worksheet is a great way to help do exactly this. On the next page is a sample worksheet you can use to start. You can tailor it according your particular clients and local market.

**Slide:**

Property Comparison Worksheet for Buyers

### 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						

	HOME #1	SCORE	HOME #2	SCORE	HOME #3	SCORE
<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 air						
Fireplaces						
Cable/Internet						
Windows						
<b>Exterior</b>						
Siding						
Roof						
Gutters						
Fencing						
Landscaping						
Sprinkler system						
Alarm/Surveillance system						
Pool						
Trees						
Traffic/Noise						
Neighborhood						
HOA restrictions						

## BUYER REPRESENTATIVE SAFETY

A buyer representative's job comes with an element of risk. Meeting a stranger in a private place such as an empty house can be a potentially dangerous. Approximately one-third of realtors report being in a situation in which they felt unsafe. Here are some everyday risks buyer representatives might encounter and precautions they can take.

**Slide:**  
Buyer Rep Safety

**Slide:**  
Situations

### MEETING A PROSPECT FOR THE FIRST TIME

► **RISKS:**

Meeting a stranger

► **PRECAUTIONS:**

First meetings should therefore always take place in your office or a busy public place—even when we're being pressured to do otherwise. Require completion of a Prospect Identification Form. Ask for and photocopy ID or take a photo of the person. 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.

### SHOWING A PROPERTY ALONE

► **RISKS:**

Touring a vacant property with a stranger

► **PRECAUTIONS:**

Try to walk slightly behind the prospect. Don't 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 a smart phone 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 and 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:**

Avoid provocative, glamorous photos in your marketing. Wear modest business attire and avoid flashy jewelry. Protect personal information on websites. Don't publish your home phone or address or information about your family.

### 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. Make sure your car is not blocked so that you can make a quick getaway without backing up.

### ENTERING A VACANT OR FORECLOSED PROPERTY

► **RISKS:**

Encountering squatters, former owners, animals, hazardous conditions

► **PRECAUTIONS:**

Inspect the perimeter for signs of break in or occupancy. Don't confront squatters, occupants, or animals. Visit during daylight hours only. Use the buddy system, your partner can wait in the car and keep in touch by phone. Let coworkers, friends, or family know where you are going and have a predetermined check-in time.

**Slide:**

General Guidelines for Safety

Today, there are also a host of apps available that provide additional safety measure you can take. For example, there are apps available now that allow you to access information on a new client before the first meetings. Knowledge in situations like this is most definitely power—and safety. There are also other apps that deploy to police to your exact location at the touch of a button. These apps are affordable and simple to use, provide an additional level of safety, and more peace of mind.

Perhaps the best guide you can follow is your intuition. If a situation doesn't feel right, or a person makes you feel uncomfortable, listen to your gut feelings and get out of the situation right away. At worst, you may be overly cautious and could be losing a potential client; at best, you could be saving your life.

In addition, make sure you have a safety plan in place for all scenarios, and check the safety resources available to you through your brokerage. For more information and resources on staying safe on the job, go to NAR's REALTOR® Safety webpage at <https://www.nar.realtor/safety/planning-your-safety-strategy>.

## 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 the real estate professionals' jobs more challenging. But in many ways it has made our lives easier. Agents are able to work faster and more efficiently than ever before—as long as they're using 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, to work more efficiently and effectively.

### Slide:

Technology to Work 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. Customer Relationship Management, or CRM, is a great tool that can help you with a wide range of important tasks, including the following:

### Slide:

Technology to Manage Time

- ▶ Target the best leads
- ▶ Send bulk messages
- ▶ Implement your drip campaigns
- ▶ Manage your client accounts
- ▶ Send you reminders of clients closing anniversaries, birthdays, etc.
- ▶ Manage and monitor your financials

Utilizing a CRM can save you hours of work per day, which makes your work-life balance more healthy but it will make you more productive and strategic, allowing you to focus on what's most pivotal at a given time to strengthen and advance your business. The best part is, CRMs aren't expensive. Most good ones go for \$10 – \$20 a month.

## SOCIAL MEDIA

Social media is clearly driving business for agents more than ever before, and this trend is unlikely to end. Millennials grew up with social media, and they now comprise 65% of first-time home buyers. To reach today's home-buyers, you need a strong social media presence. The social media apps used most were Facebook, LinkedIn, and Instagram.

### Slide:

Using Social Media to Strengthen Business

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 platform can serve as an extension of yourself, helping you build your brand to a much

broader audience. Trends in social media continually evolve, and different age demographics prefer some platforms over others. So it's important to create a presence on all media platforms to reach the most number of potential clients.

Finally, as we discussed in Module 2, when expanding your media presence, 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, etc. A consistent brand exudes professionalism, which builds respect and trust from clients.

**Slide:**

After the Closing

### **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 electronic 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 they file their taxes. This service may be the distinction that makes the buyers think of you when they think “real estate.”

Other ways to leave a favorable and lasting impression with clients are detailed here. Different clients will of course value different things. Always consider the needs and lifestyles of your clients when determining these final touches. Your diligence after the closing could quite possibly where your referrals are won or lost.

## Closing Gift Ideas

Buyer's reps frequently give their clients an appropriate thank-you gift. Flowers and gift baskets are always welcome. But there are also countless other ways to say thanks:

### *Re-key the locks*

Help your buyers relish in the feeling that the home is now “theirs” by having all the locks re-keyed.

### *Home improvements*

Take care of those small “fixes” by paying for a local handyman's services. Or take advantage of discounted Lowes gift cards through [LowesRealtorBenefits.com](http://LowesRealtorBenefits.com).

### *Community connections*

If buyers are new to the area, help them feel at home with a subscription to a magazine or newspaper featuring local happenings, membership in a nearby museum, or gift certificates for local businesses.

### *Cleaning service*

Arrange for a cleaning service to help make things sparkle.

### *Dinner, delivered*

Offer to provide a special “welcome home” dinner for your buyers, delivered to their door.

### *Landscaping*

If it's a new home, leave a lasting impression with an attractive shrub, a small tree, or a gift certificate to a local nursery.

### *Night out*

Depending on your buyers' personal interests, provide tickets to a special event, such as a musical performance or sporting event.

### *Home furnishings*

Help the owners decorate their new home with a gift certificate to a framing gallery or a home furnishings store.

### *Safety essentials*

A first-time homeowner, in particular, may appreciate a first-aid kit, a fire extinguisher, or new smoke alarms, including carbon monoxide detectors.

### *Charitable thoughts*


Show your support for others in need by making a charitable donation in your buyers' names.

### *Moving day care package*

Provide a moving-day care package, including items that may come in handy such as a tool kit, box cutters, cleaning supplies and arrangements for a pizza delivery.

### *Time to relax!*

After moving day, help your buyers relax with a trip to a spa, a day on the golf course, or some other special treat.

Perhaps the best way to say thanks is to listen to your clients throughout the purchase process. Pay attention to what they admire—particularly if it pertains to their new home. For example, if they can't wait to enjoy their new fireplace, a set of new fireplace tools may be the perfect gift. 



# Client Feedback Form

Our business relies upon the satisfaction and referrals of our clients. Please take a moment to tell us how we did by indicating how strongly you agree or disagree with the following statements about your buyer's agent:

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
<b>Needs and Goals</b> Listened to and understood our property objectives.					
<b>Property Search</b> Simplified and improved the process of locating properties that met our needs.					
<b>Responsiveness</b> Responded to inquiries within a reasonable time period.					
<b>Knowledge</b> Was able to answer all questions and offer additional expert guidance.					
<b>Negotiation Skills</b> Provided important market information that helped structure our offer, as well as valuable negotiating advice and support.					
<b>Transaction Management</b> Stayed on top of all important details and kept the transaction on track.					
<b>Referrals</b> Would recommend our agent to others.					

Please share any additional feedback or details:

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May we use your name and comments in our advertising materials? ☐ yes ☐ comments only ☐ no

Name(s) \_\_\_\_\_ Your Buyer's Rep \_\_\_\_\_

Address \_\_\_\_\_ Phone \_\_\_\_\_

Thank you for your business. Please let us know if we can be of further assistance.

When you have met all ABR® designation requirements and REBAC confers the designation to you, you can access these consumer one-sheets at [www.rebac.net](http://www.rebac.net). Sign in with the REBAC membership ID number you will receive after REBAC processes course completion information.







## Resources

### WEBSITES

- ▶ **HOME BUYER AND SELLER GENERATIONAL TRENDS**  
<https://www.nar.realtor/research-and-statistics/research-reports/home-buyer-and-seller-generational-trends>
- ▶ **NAR'S CODE OF ETHICS AND STANDARDS OF PRACTICE**  
<https://www.nar.realtor/about-nar/governing-documents/the-code-of-ethics>
- ▶ **PROFILE OF HOME BUYERS AND SELLERS**  
<https://www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers>
- ▶ **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)
- ▶ **WIRE FRAUD**  
<https://www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers>
- ▶ **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>



## GLOSSARY

**ADDENDUM:**

An addition to; a document.

**ADJUSTABLE RATE MORTGAGE (ARM):**

A type of mortgage loan whose interest rate is tied to an economic index, which fluctuates with the market. Typical ARM periods are one, three, five, and seven 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.

**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.

**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 his or her 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.

**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.

**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.

**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 pre-qualifications have conditions that the borrower must meet.

**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.

**TRANSACTION MANAGEMENT FEE (TMF):**

A fee charged by listing brokers to the seller as part of the listing agreement.

**VOWs (VIRTUAL OFFICE WEB SITES):**

Internet based real estate brokerage business model that works with real estate consumers in same way as a brick and mortar real estate brokerage.

**WALK-THROUGH:**

A showing before closing or escrow that permits the buyers one final tour of the property they are purchasing.

