

PRACTICAL MATTERS

By Richard J. Rosa

Demand 100% Loyalty When Purchasing a Home

In real estate, the adage “let the buyer beware” does not refer only to the condition of a property. Despite the abundance of information available to consumers, many prospective home buyers do not know they can, nor understand *why* they should, use their own real estate agent or broker throughout the home-buying process. But without an exclusive buyer agent, there may be a question of loyalty.

With so much at stake financially, consumers should never assume a real estate professional works for them until they have read a signed agency disclosure form. Massachusetts and New Hampshire real estate agents must provide consumers with an agency disclosure form at their first substantive contact.

In the past, almost all real estate professionals worked for the seller. The compensation for such a transaction is usually a commission

based on the sales price. A seller’s agent, or listing agent, must negotiate the best price and terms for the seller.

Although an agent that lists property may represent a buyer, if a buyer shows interest in a property listed by their agent, the listing agent cannot provide undivided loyalty. To avoid such obvious conflicts of interest, home buyers may use an exclusive buyer agent who works for an agency that does not list property for sale. Among other things, a buyer agent provides the following services to a buyer that the seller’s agent will not:

- analysis of comparative sales and an opinion on the value of a property;
- objective referrals to other necessary professionals, i.e., home inspector and attorney;
- advising even if it means pointing out reasons not to buy;

- disclosure of all research about the property;
- negotiation for the best price and terms on the buyer’s behalf;
- confidentiality of the buyer’s financial situation and thoughts, unless authorized to disclose;
- assistance with contract contingencies
- negotiation of the resolution of home inspection issues in favor of the buyer.

Best of all, a buyer agent receives the same seller-authorized commission split that is offered to any agent who brings a buyer that ultimately purchases a home. For example, the sellers’ agents in the Merrimack Valley typically charge a listing commission from three to six percent, and offer the agent representing the buyer a commission split of 1.5 to three percent. This means that most buyer agents do not collect a fee from the buyer.

Because the seller’s agent is sharing a portion of the listing commission with the buyer agent, the buyer has an easy choice. He or she can work through the seller’s agent, who must be loyal to the seller and will keep the entire commission, or work with a buyer agent, who will not charge him or her any money and remain 100 percent loyal.

A business model surfacing around the country relies on buyers themselves to perform nearly all the work involved in purchasing a home. These Internet-based companies provide minimal services and pay the buyer a portion of their commission after closing.

Choosing to share in the commission in exchange for objective, competent advice can be a costly mistake for a homebuyer. Receiving about 1 percent of the purchase price back from your agent might seem like a great deal, but not so if you paid three or four percent more than the property was worth because no one objectively evaluated the property’s value. **MVM**

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