

STUDENT MANUAL / OFFICIAL DESIGNATION COURSE

Accredited Buyer's Representative (ABR)®

Presented by the **Center for REALTOR® Development**

Center for REALTOR® Development

© Copyright 2016, 2019, 2021, 2022, 2024
Version 6.0

Published by the Center for REALTOR® Development, a wholly-owned subsidiary of the National Association of REALTORS®. All rights reserved.

The National Association of REALTORS® owns these materials or have been granted permission from the copyright owners to distribute and reproduce them. Authorization is limited to view, store or print these materials for personal and non-commercial use only. No part of these materials may be reproduced, in any form or by any means, without permission in writing from the National Association of REALTORS®.

Important Note: The National Association of REALTORS®, and its wholly-owned subsidiary, the Center for REALTOR® Development, its faculty, agents, and employees are not engaged in rendering legal, accounting, financial, tax, or other professional services through these course materials. If legal advice or other expert assistance is required, the student should seek competent professional advice.

National Association of REALTORS®
Center REALTOR® Development (CRD)

430 North Michigan Avenue
Chicago, Illinois 60611
crd.realtor

Table of Contents

INTRODUCTION

WELCOME **2**
What You Will Learn 3
Activities and Class Procedures 5
Knowledge Base for the Course 5
Become an ABR® Designee 6
ABR® Member Benefits 7
A Note About Terminology 8
Protect the REALTOR® Trademark 8

MODULE 1

THE VALUE AND ROLE OF THE BUYER'S REPRESENTATIVE **10**
Learning Objectives 10
Knowing Your Value, Your Buyer 10
Know What Buyer's Value 11
Know How Buyers Search for Homes Today 12
Know How Buyers Find Agents 13
How the Buyer-Broker Relationship is Formed 14
Respecting Exclusive Agreements 15
Types of Agreements 16
Cohesive Brokerage Culture 17
What are Your Duties and Responsibilities 18
A Day in the Life of a Buyer's Representative 26
Key Point Review 26

MODULE 2

THE BUYER COUNSELING SESSION **30**
Learning Objectives 30
Goals of Counseling Session 31
The Buyer Counseling Process 33
Buyer Representative Safety 34
Buyer Counseling Session 41
Buyer Consultation Worksheet 45
The Homebuyers' Checklist 49
Establishing Price Parameters 50
Educate the Buyer 51
Pledge of Performance 58
Homebuying Guidelines 60
Managing Buyer Expectations 61
The A-A-I Buyer Consultation Session 63
Do You Want to Represent This Buyer? 64
A Day in the Life of a Buyer's Representative 66
Key Point Review 66

MODULE 3

THE BUYER REPRESENTATION AGREEMENT **68**
Learning Objectives 68
The Buyer Agreement 70
Compensation Issues 72
Updates on Lawsuits and Changes 75
Bottom Line Difference Between Adding, Including, and Reality 77
Additional Compensation Issues 78
A Day in the Life of a Buyer's Representative 81
Key Point Review 81

Table of Contents

MODULE 4

THE SEARCH-SHOWING-SELECTING PROCESS **92**
Learning Objectives 92
Searching for Properties 92
Property Comparison Worksheet 95
Additional Property Search Considerations 96
Showing Properties 98
Create Your Own Showing Protocol 102
Selecting Properties 103
Procuring Cause Issues 111
A Day in the Life of a Buyer's Representative 113
Key Point Review 113

MODULE 5

OFFERS AND NEGOTIATIONS **116**
Learning Objectives 116
Preparing the Buyer 116
Buyer Information and Disclosure Checklist 117
Formulating an Offer 119
Presenting and Negotiating an Offer: Know the Rules 126
REO and Short Sale Offers 134
Practitioner Perspective: Offers and Negotiations 137
Key Point Review 139
A Day in the Life of a Buyer's Representative 140

MODULE 6

FROM CONTRACT TO CLOSING **142**
Learning Objectives 142
Contract Contingencies 143
Mortgage Process 144
Additional Documentation for Some Situations 145
Home Inspections 149
When the Home Appraisal Derails the Process 150
Types of Insurance 153
Closing Process 155
Client Data Privacy and Security 159
A Day in the Life of a Buyer's Representative 161
Key Point Review 161

MODULE 7

PUTTING IT ALL TOGETHER **164**
Learning Objectives 164
Important Strategies For Success 165
How to Become a Skilled Negotiator 166
Buyer Representative Skills Self-Assessment 167
Troubleshooting Scripts for the Field 168
Key Point Review 175
Next Steps 176
A Day in the Life of a Buyer's Representative 177

RESOURCES AND EXERCISES

Glossary	180
Websites	182
Exercises	183
Sample Buyer Agency Agreements	183
SWOT Analysis	187
Buyer Qualification Worksheet	189
My SWOT Analysis	191
Applying Active Listening Skills	192
Applying What You Know to Search Scenarios	193
Applying What You Know—Offers	197
Applying What You Know—Negotiating	201
Develop a Contingency Timeline	202
Applying What You Know—Closing Issues	203

Acknowledgements

The Center for REALTOR® Development expresses gratitude and appreciation to the following individuals for their subject matter and industry expertise, input and feedback, and commitment to providing the best education for today's real estate professionals:

Ginni Field
ABR®, CIPS, CRB, GRI, SRES®, SRS, HFR, MRP, PSA, SFR®, AHWD®, RENE, RSPS | Oceanside, CA

Maurice Hampton
ABR®, AHWD®, BPOR, CIPS, e-PRO®, GREEN, MRP, PSA, RENE, RSPS, SRS | Chicago, IL

Lynn Madison
ABR®, ABRM®, BPOR, GRI, PSA, SFR®, SRES® | Schaumburg, IL

Gonzalo Mejia
ABR®, CIPS, CRB, CRS, GRI, SRS, AHWD, C-RETS | Jacksonville, FL

The Center for REALTOR® Development recognizes the following individuals for their commitment to the program, as well as their valued input and thoughtful feedback at the outset of the revision process:

Donna V. Austin
Lee K. Barrett
Todd Beckstrom
Marlene Burkhart
Joanne Chando
Jeffrey D. Chute
Rick Conley
Candace K. Cooke
Linda Messina Damico
Jan Ellingson
Evan Fuchs
Sue Ikeler
Rhonda Ivey-Lentini
Brandon Johnson
Joe H. Kennedy
Linda Kody
Vilma Lopez
Mark Mansour
Josh Mcgrath
Carol Moson
Isabelle Perkins
Matthew Rathbun
Judith Sagan
Rich Sands
Rebecca Straley
Pat Strong
Michael "Smit" Smith
Randy Smith
Zola Szerencses
Maurice Taylor
Robert E. Taylor, Jr.
Randy Templeman
Terry Watson
Brian Woods
Curtis Wright





Introduction



Welcome

By completing this course, you will begin building your skills and knowledge and communicating professional excellence to buyers.

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

Today is an opportunity to create your own success and improve your service and professionalism.

This course is the first step in earning a valuable market distinction as an Accredited Buyer's Representative (ABR®).

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

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

What You Will Learn

MODULE 1

THE VALUE AND ROLE OF THE BUYER REPRESENTATIVE

- Recognize how a buyer-agent relationship is legally formed.
- Understand your duties and responsibilites as a buyer's representative.
- Utilize strategies for explaining compensation – how we get paid and who pays us – to your buyer clients, why it is important.

MODULE 2

THE BUYER COUNSELING SESSION

- Conduct a successful counseling session that educates the buyer, builds trust, and leads to a signed buyer agreement.
- Articulate your value proposition to the buyers – what you do – how you do it and why it is important to them.
- Institute a personal safety plan when working with buyer clients.

MODULE 3

THE BUYER AGREEMENT

- Know the four contracts in real estate and how they relate – and do not relate – to each other.
- Understand the importance of using a buyer agreement.
- Be knowledgeable and prepared to explain the benefits of buyer agreements.

MODULE 4

SEARCH SHOWING SELECTION PROCESS

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

MODULE 5

OFFERS AND NEGOTIATIONS

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

MODULE 6

FROM CONTRACT TO CLOSING

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

MODULE 7

PUTTING IT ALL TOGETHER

- Understand and apply strategies for success as a buyer's representative.
- Utilize the pro tips and tools to ensure success as a buyer's representative.



Activities and Class Procedures

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

Knowledge Base for the Course

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

REALTORS® Code of Ethics

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

Agency Representation

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

Become an ABR® Designee

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

1. **Successful completion of the 2-day Accredited Buyer's Representative (ABR®) designation course**
   Including an 80% passing grade on the exam when completing an online course (only in states that require this for CE). After you complete this course you will have 3 years to complete the other ABR® designation requirements.
2. **Successful completion of one of the ABR® elective courses**
   This course may be taken prior to completing the Accredited Buyer's Representative (ABR®) designation course.
3. **Five (5) completed transactions in which you acted solely as a buyer's representative (no dual agency)**
   Any transactions closed prior to taking the Accredited Buyer's Representative (ABR®) designation course or closed within 3 years after completing the Accredited Buyer's Representative (ABR®) designation course are eligible for credit.
4. **Maintain active and good membership status in ABR® and the National Association of REALTORS®**

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

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

Maintain Active Membership in Both NAR and ABR®

Participants who successfully complete the ABR® designation course will receive a free year of membership and access to ABR® benefits. Second year dues will be $110, prorated based on when you completed the course. Third year dues and every year thereafter will be $110.

Please visit ABR.realtor to stay up to date on all things ABR®.

ABR® Member Benefits

Through the Center for REALTOR® Development (CDR) 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, CRD helps its members maintain their superior skills and develop their business opportunities through a variety of member benefits listed below.

ABR NETWORKING & REFERRALS

ABR® Facebook Networking Group
Join ABR® designees across the U.S. and Canada in sharing industry tips and trading referrals.

Online Referral Database
Use the Find an ABR® directory on ABR.realtor, which lists almost 35,000 ABR® designees to refer well-qualified ABR®s in other areas.

TOOLS FOR WORKING WITH BUYERS

Consumer Videos
Explain buyer representation and the benefits of using an ABR® designated agent with these consumer-oriented shareable videos.

Client One-Sheets
Printable handouts on topics to address in a buyer-counseling session or while working with buyer-clients.

Home Buyer's Toolkit
A 10-step quick-reference guide is available for your use.

ABR® Scripts
Helps you answer buyers' most frequently asked questions.

MARKETING MATERIALS

Postcards/Flyers
Customizable through the Print Shop.

ABR® Brochures
Showcase the benefits of using a buyer's representative.

Facebook Profile Frame and Cover Photos
Spruce up your business page and show your clients that you are an ABR® with branded profile picture frames and cover photos.

PUBLICATIONS

Today's Buyer's Rep Newsletter
Bi-monthly newsletter featuring timely issues, events, and member benefit updates.

ABR Hotsheet
Weekly scan of online stories and resources delivered by email.

A Note About Terminology

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

Protect the REALTOR® Trademark

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

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



01

Module 1

THE VALUE AND ROLE OF
THE BUYER'S REPRESENTATIVE



The Value and Role of the Buyer's Representative

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

Learning Objectives

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

- Recognize how a buyer-agent relationship is legally formed.
- Understand your duties and responsibilites as a buyer's representative

Knowing Your Value, Your Buyer

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

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

You are the Buyer's Advocate

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

Beyond the financial commitment, homeownership is an important milestone in a buyer's life. It is an expression of lifestyle, and the place that shapes their family life for years to come. With so much at stake, buyers want a trusted guide who can help them make good decisions and minimize risks.

As the buyer's advocate, you owe the client fidelity and expert fiduciary duty in all transactions. Clients appreciate knowing your commitment to them.

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

Know What Buyer's Value

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

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

FIGURE 1.1 | WHAT BUYERS WANT MOST FROM REAL ESTATE AGENTS[1]

	Age of Home Buyer						
	All Buyers	24–32	33–42	43–57	58–67	68–76	77–97
Help find the right home to purchase	49%	45%	46%	41%	54%	58%	55%
Help buyer negotiate the terms of sale:	13	12	14	13	13	11	6
Help with the price negotiations:	11	10	13	12	10	8	12
Help with paperwork:	10	14	12	11	9	6	9
Help find and arrange financing:	6	3	2	15	3	3	2
Determine what comparable homes selling for:	5	5	4	4	4	7	8
Help determining how much buyer can afford:	3	8	4	2	3	3	5
Help teach buyer more about neighborhood or area:	1	1	1	1	1	1	1
Help find renters for buyer's property:	*	*	*	*	*	*	*
Other:	3	2	3	1	3	4	2

1. 2023 National Association of REALTORS® Home Buyers and Generational Trends, p. 66

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



HONESTY



EXPERIENCE



REPUTATION

Know How Buyers Search for Homes Today

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

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

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

FIGURE 1.2 | INFORMATION SOURCES USED IN HOME SEARCHES

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

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

2. 2023 National Association of REALTORS® Home Buyer and Seller Generational Trends, p. 56
3. 2023 National Association of REALTORS® Home Buyer and Seller Generational Trends, p. 51

Know How Buyers Find Agents

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

FIGURE 1.3 | HOW BUYER FOUND REAL ESTATE AGENT BY AGE[4]

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

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

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

In real estate, you are your business.

4. 2023 National Association of REALTORS® Home Buyer and Seller Generational Trends, p. 68.
5. Ibid.

How the Buyer-Broker 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 is something you control—but it doesn't end there. Once you establish a good first impression, you must start building trust for a productive and ethical working relationship. This means discussing the legal aspects of the buyer-agent relationship. Next, we will look more closely at this process.

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

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

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

State Law

State real estate laws regulate the relationships between 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.

REALTORS® 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 to quickly determine whether the buyer is in an exclusive agreement with another brokerage firm prior to moving forward.

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

Agency Disclosure and Confidential Information

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

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

In states that presume buyer agency (you are automatically the agent of the person with whom you are working), the explanation differs from that in states where the buyers must sign an 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.

Far from being a legal formality or obligation, successful agents 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 builds strong and productive relationships. A disclosure agreement provides evidence of this.

Types of 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

- Written
- Buyer agreement
- Listing agreement
- Right-to-lease agreement

Implied Agreements

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

Key facts to remember about implied agreements include:

- An implied agency relationship may be created without the agent's knowledge as a result of the agent's actions and statements, thus causing the duties and obligations of agency to arise without the agent's consent.
- The conduct of the parties can create an agency relationship even if they have signed an acknowledgment denying the existence of such a relationship.
- The matter of implied agency is state specific. Please check your individual state licensing.
- Implied agency relationships may occur when a seller's agent works too closely with a buyer-customer and does not make the proper disclosures.



Cohesive Brokerage Culture

Checklist: Are You in sync with yor brokerage?

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

Ask your broker or office manager:

- 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 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 real estate professional interact with the client or customer in each type of relationship?
- What procedures are in place to ensure client confidentiality?
- What procedures are in place regarding client data security?
- How should the agent deal with contemporaneous offers?

What are Your Duties and Responsibilities

The terms **client** and **customer** or **duties** and **responsibilities** may seem interchangeable, but there are important distinctions. Because the relationship between client and 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. REALTORS® have an ethical responsibility to treat customers honestly.

Real estate professionals 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.

Duties to clients and responsibilities to customers are determined by agent-consumer negotiations and are memorialized in a written buyer agreement.

REALTORS® work for clients and with customers.

Handy ways to remember the difference are the words "old car" and "hard."

Duties to Clients		Responsibilities to Customers	
O	Obedience	H	Honesty
L	Loyalty	A	Accounting
D	Disclosure	R	Reasonable skill and care
C	Confidentiality	D	Disclosure of material defects
A	Accounting		
R	Reasonable care and diligence		

Duties to Clients

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

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

OBEDIENCE

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

Code of Ethics Article 1:

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

LOYALTY

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

Code of Ethics Article 1 (See Above)

DISCLOSURE

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

Code of Ethics Article 2:

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

CONFIDENTIALITY

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

Code of Ethics Article 1, Standard of Practice 1-9:

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

Maintain Confidentiality

- Do not knowingly (during or following the termination of a client relationship) reveal confidential information about clients.
- Do not use confidential information to the disadvantage of clients or advantage of others, including yourself.
- Exceptions include: with the client's consent after full disclosure, compliance with a court order, prevention of a crime, or defense against an accusation of wrongful conduct.
- Be cautious when giving listing 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 DILIGIENCE

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

Code of Ethics Article 1 (See Above)

Code of Ethics Article 13:

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

What is Reasonable Care and Diligence?

Include approved protective clauses in the purchase offer:

- Explain the options for contingencies and protective clauses to include in the offer.
- Advise the client on seller acceptance of or resistance to contingencies and protective clauses based on market conditions.
- Advise the client that some protective clauses may require attorney review.

Prepare a comparative market analysis (CMA):

- Explain elements of the CMA to help the client make an informed purchase offer. (An in-depth discussion of the CMA takes place in Module 4.)
- Ask clients to initial and date any CMAs you provide.

Provide home warranty information:

- Inform buyers that a home warranty is an option and explain warranty coverage and benefits.
- Inform the buyer that the warranty may be a negotiable item and may be paid by the seller.

Provide information about issues affecting value or resale:

- Note aspects of the property that may impact value, such as lot size, dimensions, square footage, and shape.

Advise on additional charges and costs of ownership:

- Verify costs and charges (in writing), such as property taxes, impact fees, assessments, HOAs, local income taxes, and other cost factors that could impact a buyer's decision.

Obtain a property disclosure from the seller:

- Include a request for seller's disclosure as an offer condition.
- Review the seller's disclosure with the buyer.

Have the buyer check on important issue:

- In accordance with state law, provide information on checking the sex-offender registry and crime statistics for the neighborhood.
- Suggest that the buyer learn more about the neighborhood prior to making an offer.

Recommend inspections:

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

Provide lists of other professionals:

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

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

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

Inform your client of possible negative influences:

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

Inform your client about the sources of information:

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

Service Advantages

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

Responsibilities to Customers

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

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:

Code of Ethics Article 2

REALTORS® Code of Ethics: Article 2

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

FIGURE 1.4 | DETERMINING THE LEVEL OF SERVICE DESIRED

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

I-Note:

REVIEW the elements of the checklist with students and explore the differences when the buyer is represented.

Encourage students to tear out the checklist for their own use or customization.

Key Point Review

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

A Day in the Life of a Buyer's Representative

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

What are the two categories of agreements that might result from this meeting?

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



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, wouldn't you rather work with the most qualified real estate professional you can find?

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

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

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

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

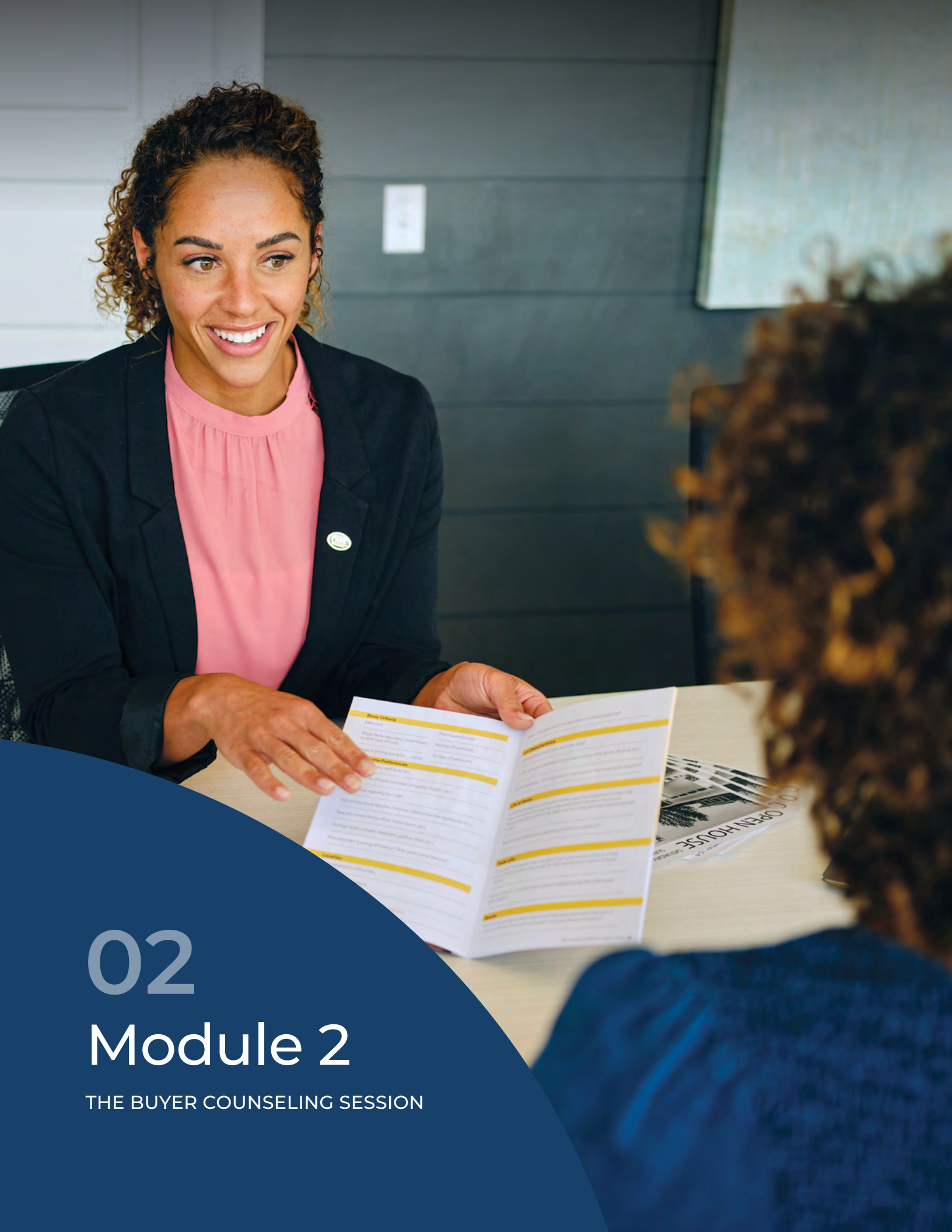
Not all buyer's reps are equal.

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

You can expect your ABR® to:

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





02

Module 2

THE BUYER COUNSELING SESSION



The Buyer Counseling Session

Learning Objectives

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

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

The buyer counseling session is a critical step for both buyers and agents. Buyers can acquire a trusted advocate to 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

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

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

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

First Meetings

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

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

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

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

6. 2023 National Association of REALTORS® Home Buyer and Seller Generational Trends, p. 62.
7. "Barbara Corcoran Quotes." BrainyQuote.com. BrainyMedia Inc, 2021. 24 April 2021. https://www.brainyquote.com/quotes/barbara_corcoran_424966

REALTORS® Code of Ethics: Standard of Practice 16-9

REALTORS®, prior to entering into an 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)

Utilizing Technology

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

Advantages

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

Setting Up On-Line Sessions

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

The Buyer Counseling Process

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

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

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

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

Who Are Your Buyers?

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

Sphere of Influence

- They know you and they like you
- They still don't always know what you do
- Approach them professionally - don't take too many shortcuts
- Don't need to spend time rapport building

First Contact (New Clients)

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

Buyer Representative Safety

Unfortunately, real estate professionals sometimes experience situations that make them feel unsafe on the job. When it comes to working with new clients, trust your instincts. It's best practice to have a personal safety plan in place that you use every day with every client. Your brokerage may already have such a plan, including protocols for meeting with potential clients for the first time.

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

The Initial Call

Using Active Listening to Uncover "Red Flags"

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

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

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

Agent:
OK, what about the house appealed to you?

Prospect:
I just liked it.

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

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

Prospect:
Not really.

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

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

Prospect:
Online, the same site as the house.

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

Prospect:
BigDataRealEstate.com.

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

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

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

Prospect:
Yes

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

Prospect:
I can't remember.

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

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

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

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

Agent:
OK, what about the house appealed to you?

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

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

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

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

Using Property and Neighborhood information

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

> **Agent (spoken to prospect on the phone):**
> I really like that property. The house has a great feel to it, lots of windows, great visibility. I've also met some of the neighbors and it seems like a close knit, friendly neighborhood.

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

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

The Training Play

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

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

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

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

Risks and Precautions

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

Meeting a Prospect for the First Time

Risks:

- Meeting a stranger.

Precautions:

- First meetings should always take place in your office or a busy public place—even when pressured to do otherwise. Require completion of a Prospect Identification Form. Ask for and photocopy ID or take a photo of the person (with permission). Introduce the prospect to a colleague.
- Be aware that buyers who are excited to jump into house shopping as soon as possible may be resistant to taking this initial step, so it's important to prepare for potential objections. Explain that precautions protect everyone.

Showing a Property Alone

Risks:

- Touring a vacant property with a stranger.

Precautions:

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

Open Houses

Risks:

- Waiting in an empty house that anyone can enter.

Precautions:

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

Flashy Personal Marketing

Risks:

- Inviting the attention of criminals.

Precautions:

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

Driving Prospects Around to Look at Houses

Risks:

- Driving Prospects Around to Look at Houses

Precautions:

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

Entering a Vacant or Foreclosed Property

Risks:

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

Precautions:

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

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

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

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

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

- Safety Best Practices for Real Estate Professionals **https://www.nar.realtor/window-to-the-law/safety-best-practices-for-real-estate-professionals**
- Personal Safety Tips for Real Estate-Professionals **https://www.nar.realtor/videos/personal-safety-tips-for-real-estate-professionals**



Buyer Counseling Session

A buyer counseling session should include the following elements:

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

Be Prepared to Answer simple Objections

Think about how you would respond to the following comments:

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

Know Your Unique Value Proposition

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

Education:
Specialized training, like the ABR® designation, in the business of representing home buyers.

Expertise:
Knowledge of the market and process plus skills such as negotiation and communication.

Experience:
What you have learned on the job.

Essence:
Who you really are.

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

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

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

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

Fine Tuning Your Value Proposition

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

Expertise

Experience

Essence

Other

Learn About the Buyer: Needs Assessment

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

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

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

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

You can accomplish many of these goals through a needs assessment or buyer counseling worksheet (see sample on the next page) or Intake Sheet, is a great tool for gathering information. It helps ensure that you and your buyer are focused on the same things.

Buyer Consultation Worksheet

Buyer: _____ **Date:** _____

Phone: _____ **Email:** _____

Lead Source: _____

☐ First Time Buyer ☐ Repeat Buyer ☐ Second Home ☐ Investor

Are You Currently Working with Another REALTOR®? ☐ Yes ☐ No

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

Name and Brokerage Company (if applicable):

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

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

_____

Current Living Situation:

☐ Owns a Home Needs to Sell ☐ Yes ☐ No

Address (if home owner): _____

☐ Rents Lease Terms: _____

☐ Staying with Friends/Family

Financing:

☐ Cash ☐ Conventional ☐ FHA ☐ VA ☐ Other:

☐ Proof of Financing? ☐ Preapproval Letter Lender: _____

Desired Move-in/Purchase Date: _____

Additional Notes:

_____

_____

_____

_____

_____

_____

_____

_____

Buyer's Needs And Wants:

Location(s): _____

Price Range: _____

Bedrooms: ____ **Baths:** ____ **Garage:** _____ **Backyard:** _____

Style: ☐ Detached Home ☐ Townhouse ☐ Condo ☐ Mobile Home

Desired Age of the Home:_____ **Desired Lot Size:**_____

Desired Condition: _____

Sale Type: ☐ Owner ☐ Foreclosure ☐ Short Sale

Describe Your Ideal Home:

_____

_____

_____

_____

_____

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

1. _____ **7.** _____

2. _____ **8.** _____

3. _____ **9.** _____

4. _____ **10.** _____

5. _____ **11.** _____

6. _____ **12.** _____

Additional Notes:

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

For Second Homes:

Use Frequency: _____

Possible Rental: ☐ Short Term ☐ Long Term

Property Management Needed? ☐ Yes ☐ No

Additional Notes:

_____

_____

_____

_____

For Investors:

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

Investment Goals: _____

Hold Time Frame: _____

Target Cap Rate: _____

Total Budget: _____

Possible Rental: ☐ Short Term ☐ Long Term

Property Management Needed? ☐ Yes ☐ No

Additional Notes:

_____

_____

_____

_____

_____

Communication:

Preferred Method: ☐ Call ☐ Text ☐ Email ☐ Other: _____

Frequency: _____

Service Expectations:

Reminders:

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

Final Notes:

The Homebuyers' Checklist

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

Feature	Buyer's Wants	Have To Have It	Would Like	Not Needed
Style of Home				
Age of Home				
Neighborhood				
Bedrooms #				
Kitchen				
Living Spaces				
Designated Office				
Storage				
Basement				
Garage/Parking				
Heating				
Air Conditioning				
Floor Plan/Room Sizes				
Outdoor Space				
Additional Amenities				

Address #1

Asking price

Overall impression

Address #2

Asking price

Overall impression

Address #3

Asking price

Overall impression

Address #4

Asking price

Overall impression



Establishing Price Parameters

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

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

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

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

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

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

FIGURE 2.1 | PRE-QUALIFICATION VS. PREAPPROVAL

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

Educate the Buyer

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

Feature—Benefit—Value

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

- Example:
  "We search the MLS for new listings every day"

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

Benefit Selling

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

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

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

Value Selling

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

What We Do Is Important— But They Don't Know What We Do

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

FIGURE 2.2 | HOW TO DEMONSTRATE VALUE (WHAT, HOW, WHY)

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

Buyer Counseling Packet

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

Consider including these items in the buyer's packet:

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

The Purchase Process

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

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

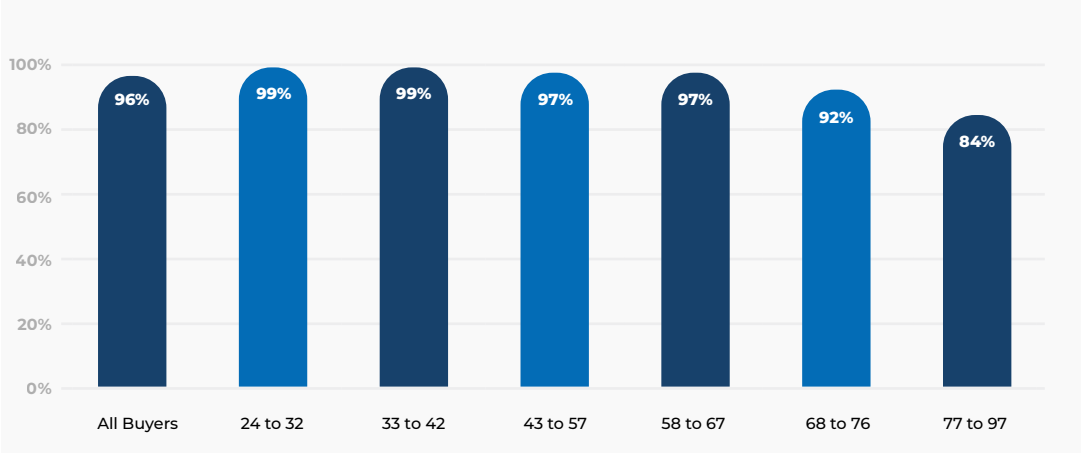
- Determine your wants and needs
- Assist you in getting pre-approved for your mortgage
- The search begins!
- Re-analyze your wants and needs – if necessary
- The search continues!
- Proactively search for new listings as they come on the market
- Assist you in determining your offer price – do a market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

Answer And Anticipate Their Questions

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

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

FIGURE 2.3 | USE OF INTERNET TO SEARCH FOR HOMES



2023 NAR Homebuyers and Sellers Report, page 54

The Complete Cost of Homeownership

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

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

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

List of Possible Expenses

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

- Earnest money
- Origination fee
- Application fee
- Inspections
- Insurance
- Escrow/title fee
- Survey
- Attorney
- Buyer broker compensation

Pledge of Performance

If you do decide that you want to work with a potential buyer, a smart way of highlighting your services and reinforcing your value proposition is to present them with a written pledge of your services and commitment to their best interests. A copy of the REALTOR® Pledge is shown in the Resources section of this document. An example of a more detailed pledge 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
- See that you get a complete estimate of all costs involved
- Advise on offers on properties
- Write and present your sales contract to the seller
- Negotiate on your behalf

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

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

Contact Information

Office Phone: _____ **Mobile:** _____

Fax: _____ **Website:** _____

Email: _____

Agent Signature: _____ **Date:** _____

Homebuying Guidelines

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

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

Managing Buyer Expectations

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

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

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

The Local Real Estate Market

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

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

What Type of Market?

Buyers' Market

- Sellers need to strategize how to attract buyers in a buyers' market
- Buyers need to strategize how to make their offers more attractive when in a sellers' market.
- If anything, we may need to help buyers understand that insulting the sellers with extremely low offers does not work.
- **Seller Concessions Could Include:**
    - Permitting the buyer to move in quickly.
    - Helping with financing.
    - Renting to the buyers with an option to buy.
    - Paying some of the buyer's closing costs.
    - Paying for improvements such as exterior painting, installing a new furnace, or repairing defects discovered during inspections.

Sellers' Market

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

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

The A-A-I Buyer Consultation Session

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

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

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

*Courtesy of Lynn Madison

Do You Want to Represent This Buyer?

Most of our focus has been on how you can best present your value proposition to the buyer with the goal of acquiring them as a new client. However, the counseling session is also an opportunity for you to assess the buyer. Can you work well with this buyer? Be wary of buyers who will drain your time and resources, with no benefit to you.

Warning Signs to Look Out For

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

Unmotivated

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

Potentially Unqualified

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

Unrealistic

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

Inconsiderate

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

Questionable Loyalty

- Have family members or friends who are real estate agents and will not sign a buyer 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 not to look too closely at W2 or 1099 tax statements.
- Damage or steal a seller's property during a showing and expect you to look the other way.
- Want access to see homes without you.

Potential Conflicts of Interest

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

Getting Out of Problematic Relationships

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

- "It looks like you need more time to think through your decision. Let's put things on hold for a while."
- "I am sorry that I am not meeting your needs. It is probably best for you to work with someone else."

Key Point Review

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

A Day in the Life of a Buyer's Representative

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

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

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

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



03

Module 3

THE BUYER REPRESENTATION AGREEMENT



The Buyer Representation Agreement

Learning Objectives

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

- Know the four contracts in real estate and how they relate – and do not relate – to each other
- Understand the importance of using a buyer agreement
- Be knowledgeable and prepared to explain the benefits of buyer agreements

Four Contracts You Need To Know

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

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

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

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

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

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

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

Is a Written Buyer Agreement Necessary?

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

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

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

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

The Buyer Agreement

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

Exclusivity

Will you be the sole representative of the buyer-client? Although this will vary according to state law and company policy, exclusivity protects the right of the buyer's representative to be compensated when the buyer finds a property.

Area

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

Duration

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

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 an important as spelling out what you will do. For example, will you include FSBOs in the property search?

Consent to Show Properties to Other Buyers

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

Potential for a Disclosed Dual Agency Situation

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

Nondiscrimination

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

Assignment by Buyer

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

Cancellation

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

Compensation

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

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

Window to the Law

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

For additional information, please visit the below links:

- **Window to the Law: The Benefits of Using a Buyer Agreement**
- **Facts.realtor**

Compensation Issues

Generally, 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 splits the commission with the buyer's representative. However, it is the buyer's money that finances the entire transaction. Keeping in mind that it is the buyer who is ultimately paying you helps keep you focused on the commitment to your buyer-client.

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.

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.

What Are the Different Compensation Options?

Percentage of Sale Price

One option is for an offer of compensation from the listing broker to the buyer broker as a percentage of the sale price.

- However, your clients are ultimately responsible for your fees.
- They should be informed that if the seller or the listing's broker does not offer buyer broker compensation, the buyer is responsible for your fees.

Flat Fee

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

Hourly Rate

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

Retainer

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

What Are The Ethical Standards Related to Compensation?

As a real estate professional, it is essential to understand and abide by ethical standards that may impact compensation. These clarify your obligations to buyer-clients and your duties to other REALTORS®.

REALTORS® Code of Ethics

- **Article 16, Standard of Practice 16-1**
  Article 16 is not intended to prohibit aggressive or innovative business practices which are otherwise ethical and does not prohibit disagreements with other REALTORS® involving commission, fees, compensation or other forms of payment or expenses. (Adopted 1/93, Amended 1/95)

- **Standard of Practice 3-1**
  REALTORS®, acting as exclusive agents or brokers of sellers/ landlords, establish the terms and conditions of offers to cooperate. Unless expressly indicated in offers to cooperate, cooperating brokers may not assume that the offer of cooperation includes an offer of compensation. Terms of compensation, if any, shall be ascertained by cooperating brokers before beginning efforts to accept the offer of cooperation. (Amended 1/99)

- **Standard of Practice 1-5**
  REALTORS® may represent the seller/landlord and buyer/tenant in the same transaction only after full disclosure to and with informed consent of both parties. (Amended 1/99)

- **Standard of Practice 16-16**
  REALTORS®, acting as subagents or buyer/tenant representatives or brokers, shall not use the terms of an offer to purchase/lease to attempt to modify the listing broker's offer of compensation to subagents or buyer/tenant representatives or brokers nor make the submission of an executed offer to purchase/lease contingent on the listing broker's agreement to modify the offer of compensation. (Amended 1/04)

Updates on Lawsuits and Changes

Class Action Lawsuits

Please note, that these are the issues at the time of printing your manuals. This is a constantly changing situation and your instructor will bring you up to date on any current updates or actions.

In 2019, a class-action lawsuit was filed against NAR, the four largest brokerages in the country. The primary allegation in this suit is that sellers are unfairly being required to pay buyers' brokerage compensation with no negotiating. The suit further states that buyer agents will not show the properties unless the compensation is 'higher' which costs them even more. Since then another suit was filed that was classified as a class action suit in April of 2022. There are others still working through the courts. None of these, as of the date of this printing, have gone to court yet so final decisions have not been made.

As of September of 2023 two of the brokerage defendants have proposed settlements with the courts and six MLS's have redefined the concept of 'offer of compensation' to include the ability for a listing brokerage to offer zero compensation to buyer brokerages in the MLS

In a separate case, in November of 2020, the Department of Justice (DOJ) filed suit against NAR and proposed a settlement that included four specific items:

1. **Buyer brokerage compensation must be made publicly available.**
2. **Agents must provide consumers with information on all properties regardless of compensation**
3. **Buyer agents cannot represent their services as free**
4. **Cannot limit access to the lockboxes to only brokers who are members of an NAR affiliated MLS. With sellers permission, we must allow all licenses access to sellers property.**

In July 2021 the DOJ unilaterally withdrew from the settlement and voluntarily dismissed its complaint before the federal court had held a public interest hearing or entered a final judgment. The DOJ indicated they intend to investigate numerous other NAR rules and practices.

2024 MLS Rules and Code of Ethics

MLS Policy Statement 8.5: Non-filtering of Listings

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

Standard of Practice 12-1:

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

For complete list of changes please go to: **https://www.nar.realtor/the-facts**

Code of Ethics—Compensation

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

Standard of Practice 1-12

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

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

Standard of Practice 1-13

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

1. the agent'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.

Bottom Line Difference Between Adding, Including, and Reality

Typically, lenders will not allow the buyer to add the amount of buyer brokerage compensation to the contract price, but they will allow the buyer to include the compensation in the purchase price.

Example:

Buyer wants to make an $100,000 purchase with 90/10 financing and $3,000 in buyer-brokerage compensation.

- *When the buyer is responsible for compensation*, a down payment of $10,000 for the home and another $3,000 for commission must be paid at closing.
- *If the buyer wants to mortgage an additional $3,000 to cover the brokerage fee,* the financing will become 93/7 for a total loan of $93,000, with financing implications.
- *When the buyer requests the compensation be included within the price of the home,* it results in a $103,000 offer and a 90/10 loan. This creates a down payment of $10,300 and $92,700 in financing.

Additionally, the reality is that the seller will not automatically increase their equity by the amount of compensation they are NOT paying to the buyer brokerage.

The Reality

- Comps show 10 houses sold for $100,000 to $102,000 in the subdivision
- The house buyer is not offering any compensation
- Buyer will be paying their brokerage directly
- They are not going to pay that seller $100,000
- They will pay somewhere around $97,000–$98,000

Bottom Line Impact

- Buyers don't have extra cash at closing
- Lenders won't let them add it to the mortgage
- If buyers do pay it themselves – they will pay the seller less

It ends up being the same thing – compensation comes out of the agreed upon price the buyer is willing to pay and the seller is willing to accept.



Additional Compensation Issues

What If the Offer of Compensation Is More Than What's Required?

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

- A buyer's representative must disclose any bonus or additional percentage of commission that would be received. It is a breach of your contract with the buyers if you receive more than what is specified in your contract, not to mention it is probably a license law violation.
- Buyer broker may not be compensated more than amount or rate in buyer agreement

How Does Compensation Work for Listings Not In The MLS?

Buyer representatives need to know what these differences are to ensure proper compensation. Here are a few practical steps you should take:

1. There is no offer of compensation made to the co-op broker if it is not in the MLS.
2. You must get something in writing from the Listing Managing Broker offering compensation
3. You should have the written offer of compensation prior to showing the property.

How Does Compensation Work for FSBOs?

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

1. Ask the seller to pay a commission for bringing a qualified buyer.
2. Increase the price by the amount of your compensation and ask the seller to credit the buyer at closing so that the buyer can pay.
3. 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.

How Does Compensation Work with VA Buyers?

The U.S. Veteran's Administration (VA) has announced suspension of rule prohibiting VA buyer from directly compensating a buyer's representative. VA buyers now have all of the same options as other buyers.

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

When Buyers Hesitate to Sign

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

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

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

- **Short-Term Agreement**
  If a buyer is uncomfortable with a long-term agreement, offer a shorter term; for example, an agent-for-a-day agreement. The agreement can be extended if the buyer wants to continue.
- **Nonexclusive Agreement**
  If the buyer doesn't want to be tied to just one agent, it's okay to offer a nonexclusive agreement. However, the buyer should be aware of the drawbacks of such an arrangement. Clarify exactly what this means for you and your buyer-client.

  Some non-exclusive agreements, for example, commit the buyer to paying commission if they buy a home the agent showed—but not if they buy something another agent showed. This can be confusing for buyers to keep track of and can cause confusion or even conflicts in the buying process.
- **Trial Basis**
  Offer to take the buyers out once to view a few properties and get acquainted with each other and the process. This is a common practice that can put buyers at ease. Be clear that an agreement will be required if you decide to work together.
- **Target a Specific Location**
  The terms of the buyer agreement could specify a particular location or neighborhood; the buyer is not bound by the agreement if they find a home outside of the specified area. The buyer should be aware, however, that such an agreement limits the services you can provide.
- **Permit the Buyer to Cancel**
  The agreement could include a cancellation clause if the buyer is dissatisfied with your services.
- **Offer a Guarantee**
  Offer a performance guarantee that spells out what you will do and how you understand your duties. It may look something like a Pledge of Performance. Such a pledge can help to assist in getting the agreement signed—or getting loyalty in states where agreements are not required.

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

Key Point Review

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

A Day in the Life of a Buyer's Representative

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

What strategies could Corinne use to help this prospect become more comfortable about signing a buyer's agreement?

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



04

Module 4

THE SEARCH-SHOWING-SELECTING PROCESS



The Search-Showing-Selecting Process

Learning Objectives

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

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

Searching for Properties

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

Managing Expectations

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

Provide an Overview of a Typical Transaction

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

Focus Client Priorities

Many first-time homebuyers may envision getting everything they want, which can be time-consuming and frustrating for both buyer and agent. The abundance of home-buying programs on television can provide a false sense of belief that this is possible. Encourage your client to create a list of priorities they are looking for in a home based on the Needs Assessment Worksheet they completed (discussed in Module 2). Then help them understand that they need to focus on their higher priorities while being willing to accept tradeoffs on lower priorities. This way, you help them balance their hopes with the realities of home buying. You can use the Property Comparison Worksheet on page 95 to guide your clients through this process.

Actively Listen to Your Client

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

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

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

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

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

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

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

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

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

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

Property Comparison Worksheet

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

Property Comparison Worksheet (continued)

	HOME #1	SCORE	HOME #2	SCORE	HOME #3	SCORE
Exterior						
Siding						
Roof						
Gutters						
Fencing						
Landscaping						
Sprinkler System						
Alarm/Surveillance System						
Pool						
Trees						
Traffic/Noise						
Neighborhood						
HOA Restrictions						

Additional Property Search Considerations

Utilize All of Your Assets and Resources

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

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

Finding Properties

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

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

Searching FSBO Opportunities

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

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

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

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

You will also want to inquire if the seller is already working with other REALTORS®. Discuss what commission, if any, they are offering. Confirm whether the price they are quoting includes 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.

REALTORS Property Resource®

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

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

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

8. NAR Quick Real Estate Statistics, November 11, 2020

The Realtors Valuation Model® (RVM®)

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

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

Sharing Information Responsibly

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

Showing Properties

Showing Property Protocol

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

Before the Showing

- Provide the buyer-client with a copy of the Home Buyer's Checklist they completed when you met previously. This will serve as a reference tool for both of you as you view properties. (A sample of this checklist is provided earlier in this module.)
- Provide an advance list of the homes to give the buyer-client an opportunity to preview the exterior and the location.
- Review the sample sales contract from the buyer's packet so that buyer-clients can be prepared when they're ready to make an offer.
- If scheduling several hours of showings, make arrangements for rest stops and snacks.
- Encourage clients to arrange for a babysitter to watch their children and to leave pets at home.

- Set expectations for appropriate behavior—remind buyer-clients that they are a guest in the seller's home.
- Adhere to any COVID-19 protocols that are in place.
- Share the dangers of using the price per square foot to figure home values.
- Stress the importance and necessity of punctuality.
- Be sure to have pertinent information about the home easily accessible so you will be able to answer questions that are sure to come up.
- Recommend setting aside time after showings to consider pros and cons or write an offer.

During the Showing

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

After the Showing

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

Be Mindful of Technology Use and Surveillance

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

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

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

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

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

Unauthorized Access

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

Some examples of unauthorized access are:

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

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

Create Your Own Showing Protocol

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

2. What are your best tips?

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

Before the Showing

1. _____
2. _____
3. _____
4. _____
5. _____

During the Showing

1. _____
2. _____
3. _____
4. _____
5. _____

After the Showing

1. _____
2. _____
3. _____
4. _____
5. _____

Selecting Properties

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 client queries of this nature.

NAR constantly monitors fair housing issues via the Fair Housing Action Plan, commonly known as ACT—which stands for Accountability, Culture change, and Training.

Any information given to one buyer should be given to all buyers. Also, how and when you give the information can be a factor. If you give school information proactively to all buyers when you begin working with them even if there is demographic information in the reports it is generally not considered steering. Giving the information after a buyer has asked about the racial or ethnic composition of an area could be construed as steering.

Your buyer's packet could include a statement on fair housing rights as well as a list of sources for community and neighborhood information. Federal fair housing law specifies seven protected classes: race, color, religion, sex, disability, 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).

Discussion Question

What additional protected classes does your state or local municipality have?

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 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 a 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)

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

The LGBTQ+ Real Estate Alliance's Third Annual Report[9]

"The LGBTQ+ Journey to Homeownership," highlights gains the LGBTQ+ community has made and the effect of anti-LGBTQ+ legislation that has been introduced in the United States. The 60-page report utilizes research and a member survey to shed light on where members of the community choose to live, what they value most in those communities, and what drives them to buy homes.

"From incredibly successful real estate professionals in the LGBTQ+ Real Estate Alliance, to marriage equality, the increasing number of community members with children, and, of course, LGBTQ+ homeownership, it is clear that we are a rising force," said Erin Morrison, president of the Alliance. Morrison emphasized, "the LGBTQ+ community continues to grow with a simple underlying theme: We are people, just like you. We deserve respect, dignity, and the unhindered ability to be us."

Although growing social acceptance and increased legal protections have empowered LGBTQ consumers in recent years, bias remains. For example, more than 35% of surveyed Alliance members reported that discrimination and bullying affected their academic performance in high school, which in turn had a negative effect on their earning potential. In addition, the workplace can be a stressful place for LGBTQ+ people, as more than half are still not completely "out" at work.

The report notes that although societal acceptance levels are allowing the LGBTQ+ community to grow, the LGBTQ+ homeownership rate of 49.8% remains far below the U.S. average of 65.9%.

Other important findings from the report include:

- LGBTQ+ Real Estate Alliance members who responded to the Alliance's survey view required forms and discriminatory sellers—not real estate agents—as the top sources of discrimination in real estate.
- 20.3% believe the legal forms (i.e., mortgage, purchase agreement, title, etc.) needing signatures do not adequately represent their life experiences.
- 19.8% experienced a real estate professional discriminating against them in the home-buying process.
- Almost 70% of surveyed Alliance members believe that the anti-LGBTQ+ legislation being passed or discussed at the state level throughout the United States will negatively impact their financial stability.
- Younger generations are leading the way in societal acceptance of the LGBTQ+ community, which now constitutes 7.2% of all U.S. adults.
- The percentage of generations identifying as part of the LGBTQ+ community includes 19.7% of Gen Z and 11.2% of Millennials. Only 3.3% of Generation X and 2.7% of Baby Boomers identify as LGBTQ+.
- 75.9% of LGBTQ+ people bought their first home by age 33.

The most important nonfinancial reason for members of the LGBTQ+ community to

purchase a second home is a “formalized” relationship, engagement, or marriage. Children and growing families are also home-buying triggers for the community.

The report utilized research from such prominent outlets as the National Association of REALTORS®, the Human Rights Campaign, Gallup, the U.S. Census Bureau, and UCLA’s Williams Institute. More than 380 members of the LGBTQ+ Real Estate Alliance participated in the survey, which was conducted from March 15 to 26, 2023.

About The LGBTQ+ Real Estate Alliance

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

9. Third Annual LGBTQ+ Real Estate Alliance Report, 2023. **https://realestatealliance.org/Alliance-Report-Discrimination-In-Real-Estate-2023.pdf**



Fairhaven: A Fair Housing Simulation

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

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

Get started by visiting fairhaven.realtor and exploring the fictional town of Fairhaven while assessing how well you are adhering to fair housing principles.

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



Fair Housing & Your Home Search

The Fair Housing Act prohibits discriminatory practices when buying and selling homes, renting properties, getting a mortgage, or seeking housing assistance.

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

The law prohibits housing discrimination based on seven protected classes:

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

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

How does this affect your home search?

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

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

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

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

Instead of sharing personal opinions, buyer's reps are instructed to suggest helpful resources so clients can do their research and draw their own conclusions.

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

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

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

It's a buyer's choice.

A real estate professional should show you any home in any neighborhood that fits your needs, your preferences, and your budget.

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

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

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

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

Four Areas That Pose Danger of Discrimination

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

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

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

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

10. Steer Clear of "Steering" July 10, 2020. NAR Fair Housing Corner.

Questions a REALTOR® Should Not Answer Directly: [11]

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

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

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

Fair Housing Buyer-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 informa- tion 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 in- formation 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."

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

- How are the schools in this area? Are they good? Are the schools integrated?
    - Provide the buyer only with reliable and authoritative information, such as student-teacher ratios, expenditures per pupil, percentage of students who go on to college, the number of National Merit scholars, and so on. Refer the buyer to sources of information, such as the school website or the school district's main office. Maintain the same type of information for each school and never favor one school over another. Never attempt to influence a housing choice with either complimentary or negative general comments about the school or give an estimate or opinion of the racial, religious, or ethnic composition of the student body. You could say, "Our office does not maintain statistics regarding the racial makeup of the student body of schools in our market area. To get the best answers to your questions, you should contact either the school or the school district's main office. Also, you might want to check with some of your potential new neighbors and ask how they feel about the schools their children attend."
- Do you think this property is in a safe area?
    - You can discuss how ideas of what is "safe" vary greatly by person. What is "safe" to one person could be relatively dangerous to another. Never mention or volunteer information related to the racial, religious, or ethnic makeup of the area. Provide resources to your client to check criminality in the area.

Procuring Cause Issues

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

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

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

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

Seven Key Decision Points in Procuring-Cause Disputes

1. **When and how was the original introduction of the buyer made?**
   Preventive Actions:
   Ask potential buyers if they are working with or have looked at properties with other agents. This can prevent conflicts and disputes before they have a chance to emerge.

2. **Did the original introduction start an uninterrupted chain of events leading to the sale?**
   Preventive Actions:
   Maintain careful records of property showings, communications, and interactions with buyer-prospects and clients.

3. **Did the 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 buyers how often and by what method (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 agreement might prevent this situation.

5. **Was the introduction of another agent an intrusion into the transaction, or did it 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.

Key Point Review

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

A Day in the Life of a Buyer's Representative

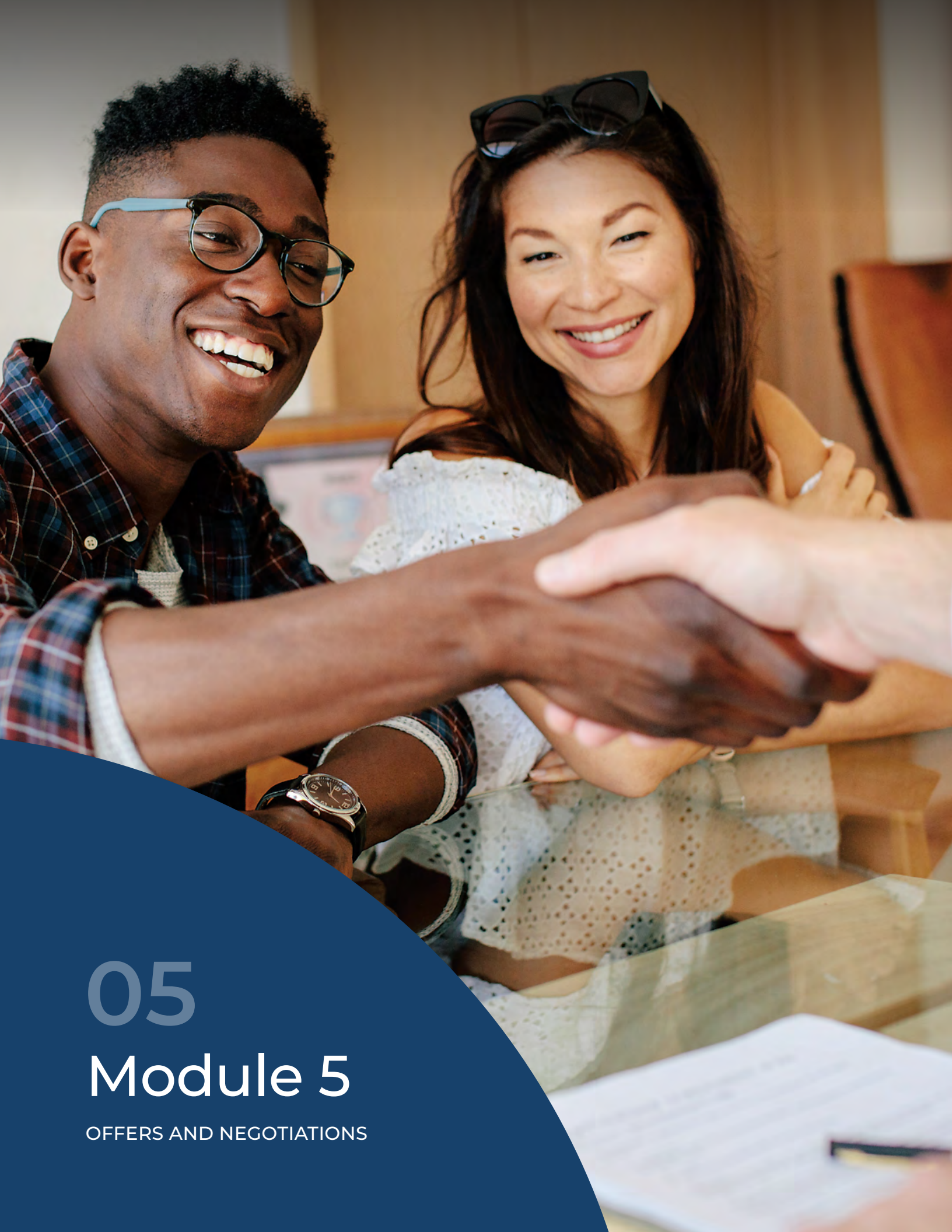
Corinne recently signed a buyer's representative contract with Jude and Alyssa. They are eager to move out of their starter home and into their "forever home." They have a long list of wants and needs, including the desire for a home built in the last 10 years. Corinne is concerned that they will not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

What are some steps Corinne can take to manage the expectations that Jude and Alyssa have about their "forever home?"

How can the Home Buyer's Checklist benefit both Corinne and the buyers?

How should Corinne respond to Jude and Alyssa's inquiries on the schools and community?





05

Module 5

OFFERS AND NEGOTIATIONS



Offers and Negotiations

Learning Objectives

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

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

Preparing the Buyer

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

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

Keep in mind that emotions play a big part during this process. Buyers may feel anxious, unsure, frustrated, elated, and every other possible emotion. It is part of your job to help clients manage these emotions by keeping them informed. An informed client is a rational client and better is prepared to confidently navigate the negotiation process. Reassure them that the emotions they are experiencing are normal, and that is why you worked together to put a plan in place to guide them through the process.

"Whether it's a first-time homebuyer filled with anticipation and excitement or an aging couple putting their home on the market as they prepare to move into a retirement community, agents will engage with clients that span the spectrum of emotional needs." [1]

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

Buyer Information and Disclosure Checklist

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

Agency disclosures made
☐ Agency disclosure form signed
☐ Dual Agency – form signed
☐ Discussed Compensation
Disclosure of stigmatized properties
☐ _____
☐ _____
Property disclosures given
☐ Seller disclosure
☐ Radon disclosure
☐ Lead paint disclosure (if required)
☐ Other: _____
Additional Disclosures
☐ Square footage in the MLS is not always accurate
☐ Recommended buyer obtain insurance during mortgage contingency
☐ Recommended attorney – list given (if applicable)
☐ Recommended home inspection – list given
☐ Recommended home warranty
☐ Possible tax issues—increase; senior exemption; non-owner occupied; new.
☐ Sex offender registration information given - website, police department
☐ Google address of property prior to contract
☐ No change to credit between contract and closing

_____	_____
Buyer	**Agent**
_____	_____
Buyer	**Date**

12. Navigating Clients' Needs in Emotional Transactions, March 1, 2019, REALTOR® Magazine

Overview of Offer and Negotiation Process

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

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

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

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

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

Binding Contracts

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

Prepare a Market Analysis

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

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

Update Market Information

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

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

Formulating an Offer

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

Assessing Your Client's Advantages and Disadvantages

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

Create Your Game Plan

- Is the market with you or against you?
- Are there competing offers?
- Are the parties motivated?
- Does the listing agent have their own offer?
- What is your relationship with the other agent?

Checklist: Evaluate the Buyer-Client's Negotiating Position

THE MARKET

Questions

1. Is it a buyers' or sellers' market? _____
2. Is it a high or low point of a seasonal market? _____
3. How high are the interest rates? _____
4. 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
☐	Possible tax issues—increase; senior exemption; non-owner occupied; new.
☐	Sex offender registration information given - website, police department
☐	Google address of property prior to contract
☐	No change to credit between contract and closing

THE PROPERTY

Questions

1. How does the property compare to similar ones in the area?
2. How long has it been on the market?
3. Have there been other offers that fell through?
4. Are there offers pending?
5. Does the property need repair or remodeling?

Checklist

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

THE BUYER'S FINANCE

Questions

1. Is the buyer eligible for FHA, VA, or financing assistance? _____
2. Must the seller provide financing or share closing costs? _____
3. Can the buyer's credit history be improved? _____
4. Must the buyer sell their current home before closing on the new one? _____

Checklist

☐	Large down payment
☐	High income in relation to mortgage payment
☐	Favorable credit history
☐	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

THE SELLER

Questions

1. What are the seller's motivations and objectives? _____
2. Why is the property being sold? _____
3. What is the seller's experience with real estate transactions? _____
4. 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 Buyer's or Sellers' Market?

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

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



Strategies for a Buyer's Market

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

Seller Concessions could include:

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

Strategies for a Sellers' Market

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

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

Examples could be:

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

What Can Buyers or We Do?

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



Contingencies

Contingencies are provisions that a party adds to a negotiation that need to be fulfilled for the transaction to go through. Common contingencies that are written into standard contracts include a satisfactory home inspection report, appraisal, approval of financing, and sale of a current home. Contingencies may be added based on the property or circumstances of the seller or buyer. They can also be influenced by market trends, such as if it is a buyers' or sellers' market and the personal motivations and interests of the parties involved. Note that 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.
- Sale of a current home.
- Receipt and approval of homeowner association documents.
- Title review.
- Early occupancy (with payment of rent) or furniture move in.
- Appraised value not lower than offered amount.
- Home warranty.
- Personal property included in the sale (e.g., appliances, window treatments).
- Subject to determination of affordable homeowners' insurance.
- Subject to determination of flood plain issues.
- Verification that all improvements were made with proper permits issued and all certificates of occupancy were issued.

Seller Concessions Could Include:

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

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

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

Presenting and Negotiating an Offer: Know the Rules

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

Your Responsibilities in Presenting Offers

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

REALTORS® MLS Policy Statement 7.73

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

Presenting in Person

In some states or marketplaces, it may be customary for the buyer representative to accompany the listing 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.
- Be sensitive to the emotions and needs of everyone present.
- Avoid negative comments about the seller's property.
- Explain the offer to the seller.
- Ask if they have any questions.
- Leave the seller to discuss the offer with their agent.

REALTORS® Code Of Ethics

REALTORS® Code Of Ethics

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 buyer's offer.
- If you are getting no response from the listing agent, contact your managing broker so they can contact the listing managing broker to facilitate the presentation.
- The listing brokerage cannot hold offers waiting for more, but the seller can.

Standard of Practice 1-7 (Submitting Offers)

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

Standard of Practice 1-8 (Submitting Offers)

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

Back-Up Offers

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

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

Affirmation of Presentation of Offers and Counter Offers

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

Standard of Practice 1-7: Affirmation by Listing Broker

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

Standard of Practice 1-8: Affirmation by Buyer Broker

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

Confidentiality of Offers

Standard of Practice 1-13

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

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

Note that this is one area where your state law may differ from the Code. You are advised to verify whether your state does requires you to keep contents of a contract you are negotiating confidential.If your client requires confidentiality, you should ask the seller to sign a confidentiality agreement before you present the offer. If the seller refuses to sign, your client must consider whether to proceed with the offer.

Multiple-Offers

> **Standard of Practice 1-6**
>
> REALTORS® shall submit offers and counteroffers objectively and as quickly as possible. (Adopted 1/93, Amended 1/95)
>
> **Standard of Practice 1-15**
>
> REALTORS®, in response to inquiries from buyers or cooperating brokers shall, with the sellers' approval, disclose the existence of offers on the property. Where disclosure is authorized, REALTORS® shall also disclose, if asked whether offers were obtained by the listing licensee, another licensee in the listing firm, or by a cooperating broker. (Adopted 1/03, Amended 1/09)

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

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

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

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

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

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

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

What Can Buyers Do?

- Suggestions in Seller's Market Section

What Can We Do?

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

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

Dual or Variable Rate Disclosures

Standard of Practice 3-4

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

Dual or variable rate commissions are often misunderstood, but it is important to understand what they are and why listing 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, because the net proceeds on identical offers will vary depending on who procures the buyer. Therefore, dual or variable rate commissions must be disclosed to cooperating 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 representative's 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—they may not be on a level playing field with another buyer in a multiple-offer situation.

Using an Escalation Clause

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

1. **Determine your highest acceptable price.**

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

2. **Ask to see competing offers.**

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

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

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

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

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

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

Appraisal Gap Coverage

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

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

Disclosure of Accepted Offers

Standard of Practice 3-6

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

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

Counteroffers

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

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

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

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

REO and Short Sale Offers

Offers on Reo Properties

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

MAKING THE OFFER

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

WHAT TO EXPECT

- Pressure for a quick closing date.
- Property sold in as-is, where-is condition.
- Asset managers are usually not licensed real estate agents.
- No seller disclosures or concessions, such as price reductions for repairs.
- No contingency for sale or close of a current home.
- In the time it takes for the bank to respond with a signed contract, there may be other offers that must be presented to the seller, unless the bank has stated that they will not entertain any more offers.
- Acceptance is handled through a counter addendum which is sent by the bank.
- Counter addendum issues include altering inspection periods, modifying seller warranties, changing financing provisions, imposing penalties for failure to close, and environmental disclaimers, among many others.
- All deals are subject to review by senior management. The property is not under contract until the lender signs the counter addendum. No notice to the MLS is required until the property is under contract.
- The offer-response process takes much longer than a typical home sale.
- In some cases, electronic signatures are not allowed.

PROTECT YOUR CLIENT

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

Offers for Short Sales

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

MAKING THE OFFER

- Properties in short sale may be priced under market value to attract buyers, but the home may sell for more. Do your homework and check comparable sales and the home's financial history. Keep in mind there may be multiple offers on the property.
- The offer is made to the seller, who signs the contract, but the lender must approve the sale.
- Provide a proof of funds and/or preapproval for financing with the contract.
- Some banks ask for other documentation—provide all the documentation the bank requires.
- The contract should have a reasonable chance of closing. Offer a fair price—a low-ball offer risks a lender turn down. Provide a fair amount of earnest money, and carry out the home inspection and mortgage application in a timely manner.



WHAT TO EXPECT

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

PROTECT YOUR CLIENT

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

Practitioner Perspective: Offers and Negotiations



Lynn Madison

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Key Point Review

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

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

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

A Day in the Life of a Buyer's Representative

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

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

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

How does a seller's market affect the offer?



06

Module 6

FROM CONTRACT TO CLOSING



From Contract to Closing

Contract Contingencies

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

- Home inspection
- Appraisal
- Financing

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

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

Contingencies That May Be in the Contract

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

Mortgage Process

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

Mortgage Application

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

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

Mortage Application Follow-Up

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

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

- Social Security numbers and birth dates.
- Photo identification.
- Pay statements showing year-to-date earnings.
- W-2 or 1099 tax forms for the past 2 years.
- Employer's name, address, and telephone number (current and for the past 2 years).
- Account statements for checking, savings, and other accounts.
- Gift letter if using gift funds for down payment.
- 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 past 2 years.
- Current mortgage balance and payments or the name and address of the landlord and monthly rent payment.
- Copy of the sales contract.

Additional Documentation for Some Situations

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

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

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

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

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

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

The Know Before You Owe (TRID) Rule

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

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



Loan Estimate Comparison

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

Typically, a lender must provide a loan estimate within 3 business days of receiving an application. You can remind buyers that a loan estimate does not indicate agreement to obtain a mortgage with that lender. A sample of a loan estimate is provided at the end of this discussion.

Buyer should compare critical items on the loan estimate, including:

- Is the rate locked? Did they want it to be?
- Is the loan amount what they were expecting?
- Is the rate fixed or adjustable? What were they expecting?
- Are there any discount points with the rate?
- Is the loan type what they were expecting? Conventional, FHA, VA?
- Does the loan have a prepayment penalty?
- Is the estimated total monthly payment acceptable?
- How do origination charges to loan estimates compare to those of other lenders?
- Is the homeowner's insurance premium accurate?
- Are the estimated property taxes accurate?
- Is the estimated cash to close as expected, and do they have sufficient funds to pay as required?
- Is there an expiration date for the loan estimate?

No Change in Buyer's Financial Position

Finally, even if your clients' finances are in order, warn them not to make any changes in their financial picture between contract and closing. Lenders recheck credit and employment shortly before closing, and a loan commitment could be rescinded if there is a change.

This includes:

- Changing jobs, becoming self-employed, or resigning from your job.
- Purchasing a vehicle.
- Using charge cards excessively or letting your payments fall behind.
- Closing credit card accounts or applying for a new credit card.
- Spending money you have set aside for closing.
- Buying furniture on credit—even if you do not start paying until after closing.
- Originating any inquiries into your credit.
- Making large deposits to or withdrawals from your bank accounts without first checking with your loan officer.
- Changing bank accounts.
- Co-signing for a loan.

FIGURE 6.1 | SAMPLE LOAN ESTIMATE[13]

FICUS BANK
4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED	2/15/2013
APPLICANTS	Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345
PROPERTY	456 Somewhere Avenue Anytown, ST 12345
SALE PRICE	$180,000

LOAN TERM	30 years
PURPOSE	Purchase
PRODUCT	Fixed Rate
LOAN TYPE	☒ Conventional ☐ FHA ☐ VA ☐ _____
LOAN ID #	123456789
RATE LOCK	☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT

Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on ***3/4/2013*** *at 5:00 p.m. EDT*

Loan Terms		Can this amount increase after closing?
Loan Amount	$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$761.78	NO
		Does the loan have these features?
Prepayment Penalty		YES • **As high as $3,240** if you pay off the loan during the first 2 years
Balloon Payment		NO

Projected Payments

Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	$761.78	$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow *Amount can increase over time*	+ 206	+ 206
Estimated Total Monthly Payment	$1,050	$968

		This estimate includes	In escrow?
Estimated Taxes, Insurance & Assessments *Amount can increase over time*	$206 a month	☒ Property Taxes	YES
		☒ Homeowner's Insurance	YES
		☐ Other:	

See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.

Costs at Closing

Estimated Closing Costs	$8,054	Includes $5,672 in Loan Costs + $2,382 in Other Costs – $0 in Lender Credits. *See page 2 for details.*
Estimated Cash to Close	$16,054	Includes Closing Costs. *See Calculating Cash to Close on page 2 for details.*

Visit **www.consumerfinance.gov/mortgage-estimate** for general information and tools.

LOAN ESTIMATE PAGE 1 OF 3 • LOAN ID # 123456789

13. The Consumer Financial Protection Bureau; The Mortgage Reports, June 5, 2020, https://themortgagereports.com/17354/mortgage-good-faith-estimate-guide

Home Inspections

Home inspections should be scheduled as soon as possible after signing. The sales contract will likely stipulate a date by which inspections must be completed. If the inspection turns up major problems, it takes time for the seller to make repairs or renegotiate terms. The buyer should be present at the home inspection, which usually lasts 2–3 hours. Depending on the custom in your marketplace, the buyer rep is usually at the home inspection with the inspector and the buyer or at least there at the beginning and the end. Typically the sellers and the seller's representative are not at the home inspection.

Depending on the property, buyers might hire a general home inspector and also hire a specialty inspector such as a structural engineer, pest inspector, landscape expert, septic system inspector, or a toxic substance inspector.

Buyers should be cautioned to read the language in the sales contract relative to what is covered during the home inspection, as well as who is authorized to conduct the home inspection.

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

   Buyer agrees that minor repairs and routine maintenance do not constitute defects and are not a part of this contingency. The fact that a functioning major component may be at the end of its useful life shall not render such component defective for purposes of this paragraph.

   A system or item shall be deemed to be in operating condition if it performs the function for which it is intended, regardless of age, and does not constitute a threat to health or safety.

Consider potential consequences if your client requests a lot of repairs:

- Will this give the seller the ability to cancel the contract?
- Were there multiple offers when the buyer purchased—meaning there could be a back-up offer that might affect the seller's decision on making repairs?
- Is this a buyer's or seller's market?

When the Home Appraisal Derails the Process

Most loans are subject to the property appraisaing for purchase price. There are some contracts that require the property appraise in a cash transaction as well. When properties appraise below the sale price, it is a big headache for buyers, sellers, and real estate agents. The transaction comes to a halt unless the issues can be resolved.

Market conditions can affect the percentage of properties that appraise for less than sales price. In a sellers' market when prices are increasing, it may be more likely that the comps may not support the most recent sales price.

The first step to resolve an issue with the appraisal is to help your client understand the contract, including any appraisal and financing contingencies, so they can evaluate their options before deciding what to do next.

One option may be to walk away. If an appraisal contingency allows, the buyer may elect to cancel the contract and receive a refund of their earnest money.

A second option is to request the seller reduce the sales price to the appraised value.

If neither of those are viable options for the buyer and they elect to go forward, the options available must be handled through the lender. It is the lender's appraisal and they must have the discussion with the appraiser. It is the agent's responsibility to prepare the information the lender will use.

FNMA Guidelines on Changes to Appraised Value

Changes to the Appraised Value

- The lender is responsible for confirming that appraisal reports are complete and that any changes to the reports are made by the appraiser that originally completed the report.
- If the lender has concerns with any aspect of the appraisal that result in questions about the reliability of the opinion of market value, the lender must attempt to resolve its concerns with the appraiser that originally prepared the report.
- Any request for a change in the opinion of market value must be based on material and substantive issues and must not be made solely on the basis that the opinion of market value as indicated in the appraisal report does not support the proposed loan amount.

14. A Wild Market Means More Home Appraisals are Coming in Low. Here's What to do if a Bad Appraisal Threatens Your Deal," August 12, 2020, Money. https://money.com/coronavirus-low-home-appraisal/

Process for Disputed Appraisals

Must be submitted in writing to the lender

- Must be done by buyer or buyer's agent
- Must have buyer's permission
- Agents – work together!

Review the appraisal – are there errors?

- Comps used were 9 and 12 months old
- Comps were from another school
- No adjustment was made for location – busy street, backing to commercial
- Challenge any 'outliers' that were used

Give the appraiser a reason to change his opinion

- Submit new information
- Submit new comps—if available

- ✓ Properties that were pending and are now closed – long shot!
- ✓ Properties that were not used by appraiser
- ✓ Properties that should not have been used by appraiser

Fannie Mae Appraisal Waivers

A FNMA appraisal alternative is an offer to waive the appraiser-conducted appraisal for eligible transactions. The waiver is issued through Desktop Underwriter® (DU®) using Fannie Mae's database of more than 61 million appraisal reports (as of March 2023) in combination with proprietary analytics from Collateral Underwriter® (CU®) to determine the minimum level of property valuation required for loans delivered to Fannie Mae.

The specifics about Fannie's new valuation approach are fairly straightforward. Here are the valuation options in Fannie's new framework:

- **Valuation Acceptance (Appraisal Waivers):**
  This option will be considered on principal and secondary residence purchase transactions with a Loan to Value (LTV) of 80% or less, primary and secondary residence limited cash-out refinances with an LTV of 90% or less, investment properties with an LTV of 75% or less, and principal residence cash-out refinances of 70% or less, among other criteria.

- **Valuation Acceptance & Property Data:.**
  Under this option, Fannie will offer an appraisal waiver subject to "property data collection by a third party who conducts interior and exterior data collection on the subject property."
- **Hybrid Appraisal:**
  This solution would only come into play where Value Acceptance + Property Data "was initially started, but changes in loan characteristics result in the transaction not being eligible for that option." In other words, the "property data" would be forwarded to a licensed appraiser, who would perform the valuation analysis based on the information provided by the third-party data collector.
- **Desktop Appraisal:**
  Appraiser does not physically inspect the property - uses data from various sources including FNMA database.
- **Traditional Appraisal:**
  Appraiser collects property data and completes the market analysis required for the appraisal.

For more information please see Fannie Mae's website:
https://singlefamily.fanniemae.com/originating-underwriting/appraisal-waivers

VA Tidewater Process

Before finalizing the appraisal, VA appraisers can notify the lender that the homes value is likely to come in below the purchase price with the information the appraiser currently has. At that point the lender has two days to provide the appraiser with additional comparable sales that support the purchase price.

Lenders typically ask the agents involved to provide the comps since the lenders do not have access to the MLS, nor do they know the guidelines for comp choice, etc. The new information must be submitted within 48 hours.

The appraiser will take the additional comps into consideration and issue the final appraisal. If the appraisal is still lower than the purchase price, the steps of challenging the appraisal are fundamentally the same as for other loans.

Types of Insurance

There are multiple types of insurance that are required when buying a home that home buyers, especially first-time buyers, may not be aware of. It is a good idea to review the various types of insurance that your clients will need.

Property Insurance

Buyers should begin the process of verifying affordable homeowners' insurance at the same time they apply for a mortgage. Homeowners' insurance is required for the deal to close. Stress to clients that, if they haven't already, they should verify affordable insurance coverage during their due-diligence period in the contract .. Their insurance agent will check the C.L.U.E. Report to see the history of the claims filed by previous owners on the property The lender will not permit the closing to proceed if the buyer is unable to obtain or afford adequate property insurance, or if a high premium is needed and the buyer no longer qualifies.

It may come as a surprise to buyers to learn that the loss claims made by previous owners are used to calculate premium rates and even used to deny coverage in some instances. The insurers look at the history of the property; for example, is it in an area susceptible to destructive weather events? As a contingency, the buyers can request the sellers to provide an insurance claims history report on the property detailing the past 5-year history of property claims. The sale can be contingent on a home inspection ensuring that problems identified in the report have been repaired.

Insurers also look at a potential policyholder's credit score when deciding whether to offer coverage and determining premium rates. Insurers feel that someone who has a low credit score, indicative of poor credit management, will be less likely to do needed upkeep. For more information on the C.L.U.E report and it's impact on insurance premiums go to **https://risk.lexisnexis.com/products/clue-property**

Flood Insurance

During the inspection or due diligence period, the buyer should determine if the property is in a mapped flood plain and investigate the cost and availability of flood insurance, which will likely be required if the buyer is obtaining financing.

For information and updates, go to the official site of the National Flood Insurance Program at **www.floodsmart.gov** or NAR's NFIP Toolkit at **https://www.nar.realtor/national-flood-insurance-program.**



Title Insurance

Title insurance is a type of coverage that is often misunderstood. Who is covered for what loss? Imagine this scenario: a few weeks after moving into a new home, a man knocks on the door. He informs you that the sale was fraudulent and that he is the rightful owner. Title insurance protects the policyholder—the lender or borrower—from losses resulting from defects in the title. Lender title policies protect the lender and owner title policies protect the homeowner.

Lender's Title Policy

The lender's policy insures the validity and enforceability of the mortgage document. This guarantee makes it possible to sell the mortgage in the secondary market. The value of the policy equals the amount of the mortgage. The lender will probably use a designated company to write the lender's title policy.

Owner's Title Policy

Title insurance protects the buyer's ownership right to the home, from both fraudulent claims and mistakes (such as an inaccurate description of the property) made in earlier sales. It is a one-time cost based on the price of the property. Title insurance is particularly important for buyers who purchase homes in countries where property records can be murky or nonexistent. Title insurance is a good idea even for new construction. Even though the home is new, the land is not. There may be claims on the land or liens placed during construction.

The buyers may wish to include provision of an owner's title policy in the sales contract, to be paid by the seller, although this can vary depending on your state and local customs. Title insurance is an extremely competitive business, so home buyers can—and should—shop around for the best rates.

Closing Process

The final part of the home-buying transaction is, of course, the closing. This is the final opportunity to reinforce your value proposition to your client. With the deal nearly closed, it is also an opportunity to look ahead to future business. Ending on a positive note is the best way to secure strong recommendations to grow your business.

Pre-Closing Walk-Through

Most sales contracts entitle the buyer to a walk-through inspection of the property just prior to closing. It is important that the buyer do this personally. As the buyer's representative, you can accompany your client, but you should not do the walk-through instead of your client.

The purpose of a pre-closing walk-through is to:

- Check that the condition of the home is in the same condition as the day the buyer made the offer.
- Ensure that the seller has vacated the property and left it in the condition specified in the sales contract.
- Check that agreed repairs have been performed.

Prepare the Buyer for Closing

Preparing your client for what will take place at the closing reduces stress and facilitates a no-problem settlement process. If your clients are first-time buyers, take the time to explain a closing in greater detail. 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

In the days before closing and/or signing loan documents, buyers should gather all the paperwork accumulated throughout the buying process and additional documents that may be needed, such as:

- Identification—photo ID.
- Sales contract.
- Proof of homeowner's insurance and other insurance certificates.
- Proof of title search and title insurance.
- Home appraisal.
- Home inspection reports.
- Certified check, cashier's check, or wired funds for the down payment, closing costs, and any other money paid at closing. Verification of how the funds need to be transmitted should be done with the title company or lender.

Who Attends?

Closing procedures vary from state to state (and even county to county). The following parties may attend closing/signing:

- The buyer—referred to as the mortgagor.
- The seller.
- Real estate agents for both the buyer and seller.
- Closing agent—usually an employee of the title company.
- The lender—referred to as the mortgagee.
- Attorneys for both the buyer and seller.
- Title company representative—to provide written evidence of the ownership of the property.

The COVID-19 pandemic brought many changes to our industry and one of the biggest was the contactless closing. Rather than everyone gathering in a room to sign paperwork, closing documents are provided to the buyer for review and a secure link allows them to upload items such as their ID and any required forms. If needed, an online notary platform allows this part of the process to also be "no touch."

A major benefit of the contactless closing is that scheduling challenges among the various parties are minimized. As the buyer's representative, advise your client to check with their attorney if they have any questions on the closing documents before signing them. This is another time when keeping the lines of communication open is beneficial as the contactless closing might be intimidating, especially for the first-time buyer. Many professionals believe this new closing format will continue.

What to Expect

Ownership of the property will be transferred to the buyer on closing day. Any changes to the transaction must be made prior to closing. The closing agent makes sure that all documents are signed and sent for recording, and that closing fees and escrow payments are paid and properly distributed. If not completed previously (depending on state law), the buyer should be prepared to:

Sign legal agreements.

- Between the buyer and the seller transferring ownership of the property.
- Between the buyer (the mortgagor) and the lender (the mortgagee) agreeing to the terms of the mortgage loan.

Pay down payment and closing costs.

- Closing costs are paid out of pocket or rolled into the principal balance of the new mortgage.
- Shortly before the closing, the buyer should receive an updated estimate of any funds due prior to closing and instructions on how to make the payment.

Receive the keys.

- The buyer receives the keys to the property according to the terms of the contract as well as copies of the closing documents.

Receive and inspect copies of closing documents.

- Settlement statement itemizing all the costs associated with closing and money exchanged between the buyer and seller.
- Closing disclosure stating the loan terms, projected payments, closing and loan costs, and a summary of the transaction.
- Property deed transferring ownership to the buyer.
- Affidavit statements by either party (e.g., the sellers may provide an affidavit stating the property is free from liens).
- Proration agreements showing how costs like property taxes will be divided between the buyer and seller.
- Tax and utility receipts.
- Abstract of title search showing the history of ownership for the house.

After the Closing: Due Diligence Moving Forward

In the flurry of closing a transaction and moving to a new home, important paperwork from the transaction can be misplaced. Perform a valuable service for your buyers by providing them with digital copies of all documents. For another touch point, put copies of the paperwork in an envelope marked for January mailing and addressed to buyers. They will need the paperwork when filing their taxes. This service may be the distinction that makes buyers think of you when they think "real estate."

Other ways to leave a favorable and lasting impression with clients are described below. Different clients will, of course, value different things: consider the needs and lifestyles of your clients when selecting these final touches. Flowers and gift baskets are always welcome, as is a personal note of thanks. **Other ways to say thanks for your business:**

1. Re-key the locks.
2. Gift certificate for a handyman service.
3. Subscription to local newspaper, magazine, museum, etc.
4. One-time cleaning service.
5. Dinner delivery on moving day.
6. Landscaping: small tree or shrub, gift to a local nursery.
7. Safety items such as fire-extinguisher, smoke alarm, or carbon monoxide detector.

Your diligence and follow-up after the closing could determine where your referrals are won or lost. Remember to ask your buyer-client to complete a client feedback form. This will help you improve your service and may provide feedback you can share with others.

Client Data Privacy and Security

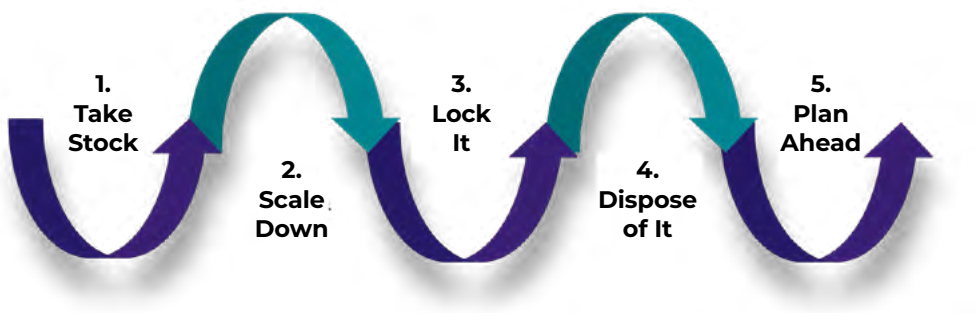
Real estate professionals are required to collect personal information about clients and customers in the course of finding them the right home. In this age of digital recordkeeping, your office policies should include standards and procedures for collecting, sharing, destroying, and protecting customer and client information.

A data security plan includes protecting the security, confidentiality, and integrity of data, as well as disposing of it properly when it is no longer needed. The Federal Trade Commission recommends five key principles for a sound data security program:

1. **Take Stock:**
   Know what personal client information you have in your files and who has access.
2. **Scale Down:**
   Keep only what is needed for business or required by law.
3. **Lock It:**
   Protect the information that you keep.
4. **Dispose of It:**
   Properly dispose of information that you no longer need.
5. **Plan Ahead:**
   Create a plan to respond to security incidents.

NAR offers a toolkit that provides information about state laws and federal regulations regarding data security and privacy protection. The toolkit also includes checklists of issues to consider when drafting a security program. Go to **https://www.nar.realtor/data-privacy-security/nars-data-security-and-privacy-toolkit.**

FIGURE 6.2 | FTC'S FIVE PRINCIPLES OF DATA SECURITY



Wire Fraud

Wire fraud is a serious issue that agents need to be aware of. Wire fraud occurs when a hacker accesses the email of the title company, attorney, or agent, and monitors the correspondence about the deal. The hacker then creates a fake email mimicking that of the hacked account and sends a directive to wire the closing funds to a fraudulent account the hacker has opened. The money is almost always gone and cannot be recovered.

The 2024 Certified State of Wire Fraud Report provided the first comprehensive examination of wire fraud in the real estate sector. The report documents the impact of consumers and businesses across the real estate transaction lifecycle.[15] The 2023 FBI Internet Crime report states that the second-costliest type of crime was business email compromise (BEC) with 21,489 complaints amounting to $2.9 billion in reported losses.[16]

1. Most importantly, educate your client about the possibility of 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.
2. Remind clients that they should verify all wiring instructions before transferring funds, and that it is always better to call the title company with the phone number the company provided than to click on an email link. It is extremely rare to receive last minute changes to wiring instructions—any emails or texts that look the least bit suspicious need to be verified.
3. Cashier's checks can also be used instead of a wire transfer of funds. Finally, brokerages can increase email security. Switching to cloud-based systems, for example, would automatically scan for security threats.

To learn more about data privacy, consider taking NAR's e-Pro certification course: **https://www.nar.realtor/education/designations-and-certifications/e-pro.**

15. CertifID "2024 State of Wire Fraud Report", **https://www.certifid.com/state-of-wire-fraud**
16. Federal Bureau of Investigation: "FBI Internet Crime Report: 2023", **https://www.ic3.gov/Media/PDF/AnnualReport/2023_IC3 Report.pdf**

Key Point Review

- Contract contingencies must be resolved in a timely manner to prevent the contract from becoming void.
- Counsel buyers to refrain from making changes to their financial picture until after the closing.
- The results of home appraisals and home inspections can delay the closing process.
- REALTORS® should establish procedures for data privacy and security.

Slide:

Key Point Review—Module 6

A Day in the Life of a Buyer's Representative

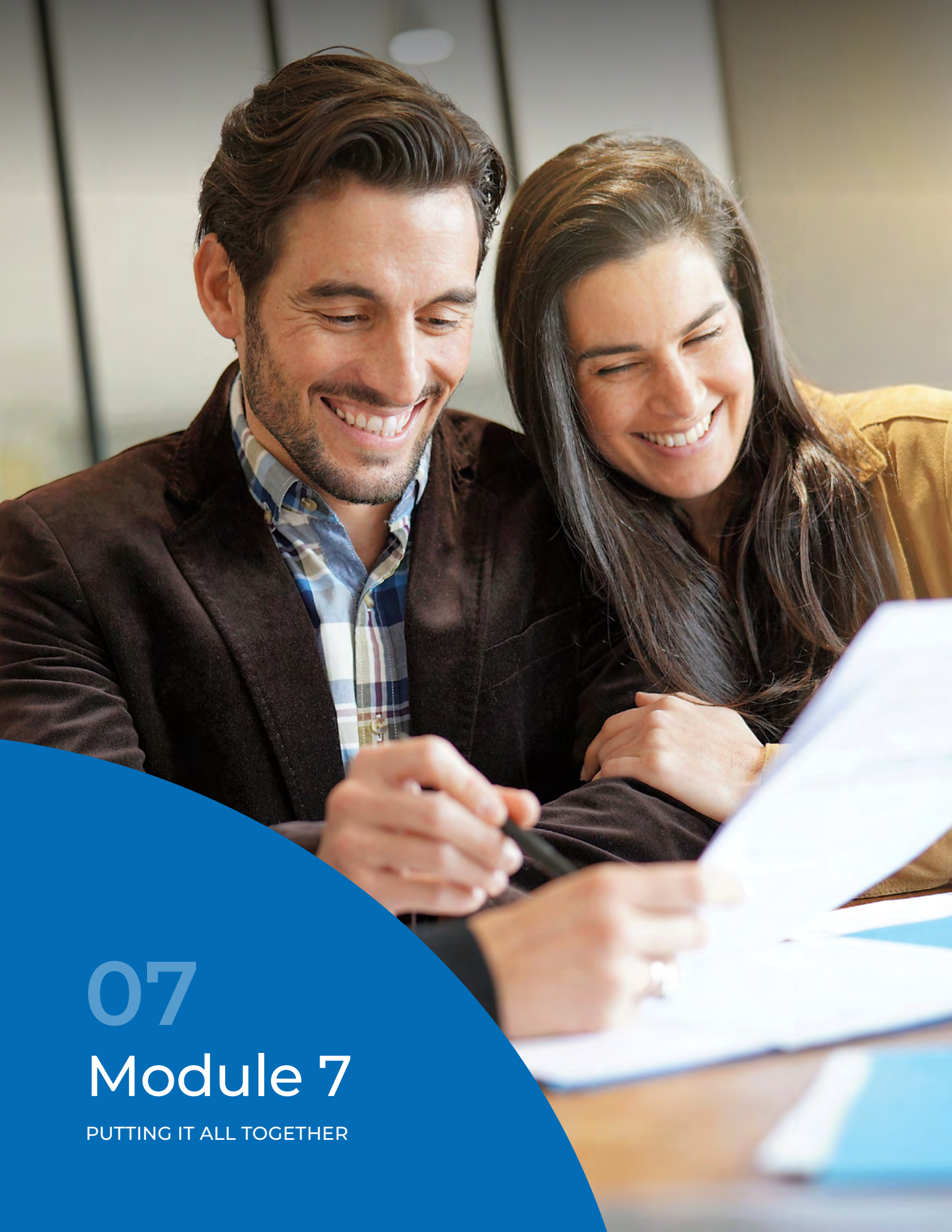
Corinne called her client, Trevor, to let him know that the seller accepted his most recent offer, and she is going to stop by with the contract for final signatures. She knows Trevor is preapproved for a mortgage and reminds him to make a final determination on a lender and to make a plan for obtaining homeowner's insurance. Trevor mentions that he has not looked into insurance yet but assures her that by the time he moves in, he will be insured. He tells Corinne that he is busy right now as he decided to change jobs and has a few interviews lined up for next week. Trevor also mentions that he has been buying furniture for his new place and is excited to move in.

How can Corinne guide Trevor as he finalizes his mortgage application?

Trevor states that "he will be insured by the time he moves in." Is this sufficient? How should Corinne respond to this?

How might a lender respond if Trevor changes jobs before closing on the property? What are some things Corinne should remind Trevor about regarding keeping his finances in order?





07

Module 7

PUTTING IT ALL TOGETHER



Putting It All Together

Learning Objectives

After learning the material in Module 7, you should be able to:

- Understand and apply strategies for success as a buyer's representative.
- Utilize the pro tips and tools to ensure success as a buyer's representative.

After our comprehensive review of the home-buying process, it's time to put it all together. In this module, we will build on what you have learned by providing the practical tools and know-how needed for success as a buyer's representative.

Important Strategies For Success

The first five modules walked us through every phase of the process, step by step. But the home-buying process is dynamic. Buyers, circumstances, and market trends are always changing; you might be in the early phase of the buying process with one client, the middle phases with a few others, and ready to close on others, all while trying to find ways to grow your business. Basically, you need to be able to do everything all at once.

A good place to start is by assessing your current skill level and potential challenges. With this information, refine your unique value proposition, which demonstrates your value to today's buyer.

Know Your Strengths and Weaknesses

Effective self-improvement involves knowing what we're good at—and what we're not. Admitting we have weaknesses is hard, but also essential to getting better. The Buyer Representative Skills Self-Assessment helps pinpoint your strengths and weaknesses related to the home-buying process. The goal is learning to emphasize your strengths, while committing to improving the skills that need work.

Know Your Duties and Responsibilites

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.

As we discussed in Module 3, fair housing laws require that everyone has equal access to housing opportunities. The Fair Housing Act specifically prohibits certain practices if they are based on race, color, religion, sex, familial status, disability, or national origin. There are four areas in which risk of discrimination is particularly high: screening, steering, advertising, and predatory lending. Our earlier review of these helped you understand how discrimination occurs within each area. This is important both to prevent yourself from inadvertently discriminating and to protect your client from being discriminated against.

REALTORS® serve as stewards of the right to own, use, and transfer private property. Through strict application of the Fair Housing Act, we reaffirm this commitment to fair housing for all. In addition to federal housing laws, there are state and local laws that you must comply with in your business dealings. Because laws vary by state, so do the various real estate laws and forms surrounding licensing and brokerages. Check your state and local real estate boards frequently to stay up-to-date with current laws and required forms.

How to Become a Skilled Negotiator

Ultimately, you will be successful in a negotiation when you understand what you are going to say and you recognize the best time to say it. Do not feel pressured to reveal everything about your client's bargaining position, but if you do, have a statement ready to deflect this pressure. "I hear what you are saying, and we can address that after we have finished our discussion on the issues at hand."

Recognize that each client you represent will also have their own idea of how to negotiate. You will want to discuss your process for negotiating and come to an agreement on the best way to handle their offer.

Remember that negotiating is the process of trading items of value so that both parties come to a satisfactory conclusion. It does not refer to withdrawing important needs and wants that your client is looking for.

A skilled negotiator is...

- Patient but persistent.
- Organized and innovative.
- Aware of other's emotions and situations.
- Honest and prepared.
- Aware of legal accountability.
- Flexible and open to suggestions.
- Assertive without being demanding.
- Looking for a win-win situation that does not compromise their client.

For the most part, people come together in a real estate negotiation in good faith and do not try tactics to undermine the other party. But if this does happen, it is in your best interest to be prepared. This means keeping your emotions in control, keeping the focus on the process, and knowing when to walk away if another party is using "hard-ball" strategies that will not benefit your client.

If you want to learn more about the negotiation process, sign up for the Real Estate Negotiation Expert (RENE) certification course presented by the Real Estate Business Institute, an affiliate of NAR. You can learn more about this course at **https://www.nar.realtor/education/designations-and-certifications/rene.**

Buyer Representative Skills Self-Assessment

Buyer Representative skills	Rating (1-5): 1=very weak; 2=weak; 3=average; 4=strong; 5=very strong
Clearly communicate your value proposition to a client.	
Understand how a buyer-agent relationship is legally formed.	
Know your specific duties and responsibilities as a buyer's representative.	
Explain goals of a buyer consultation for you and for the client.	
Conduct a buyer's consultation that leads to a signed buyer agreement.	
Understand the importance of real estate contracts in relation to buyer loyalty and compensation.	
Skilled at searching for properties that meet the buyer's needs and wants by using active listening strategies and Realtors Property Resources® tools.	
Skilled at showing properties to clients.	
Know and follow all federal, state, and local fair housing laws when selecting and showing properties.	
Know how to conduct a thorough analysis of the market to understand your client's negotiating position.	
Able to help your client formulate an informed and competitive offer based on objective valuation tools	
Knowledgeable about the process of presenting an offer and negotiating with the seller to get the best price and terms possible.	
Able to guide your client through contract contingencies and mortgage process.	
Able to guide your client through the home inspections and appraisal process.	
Understand the different types of required insurance and the closing process.	
Total Score	

Here's how to evaluate your score:

75-70: Exceptionally skilled and knowledgeable! Fine tune your skills!

69-65: Very strong. Work on those few areas where you're not as strong as you could be!

64-60: Good, but you can be better! Work on making your weaknesses a strength!

59 or Less: Now that you know what you need to improve, you're on your way! Keep studying, practicing, and learning!

Troubleshooting Scripts for the Field

Every REALTOR® encounters difficult situations. In fact, difficult situations are part of the business, and effectively navigating them is often the difference between success and failure. This section features scripts for navigating common challenges every real estate professional faces in the field.

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

When the Buyer Doesn't Want an Initial Counseling Session

Scenario 1:

Buyer:
I can find properties on the internet, so I really do not need a whole counseling session. I just need you to get me in the door.

Agent:
What you find on the internet are advertised properties—not necessarily all the properties available. I have access to the MLS with real-time information on the latest listings, including new on the market and price changes. I also have relationships with other offices that may have listings that are not advertised. There are often homes selling that you will never see on an internet search. I can explain this whole process and how I can best serve you in a brief consultation where I can better learn your wants and needs.

Scenario 2:

Buyer:
If every agent has access to the MLS, what is the advantage of working with you?

Agent:
Helping you buy a home is more than just finding one. My expertise includes negotiating, following up from contract to closing, and working with the attorneys, title companies, and other 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 exactly what I want already. I just need you to get me showings.

Agent:
I can definitely do that for you. But that's not all I can do. I have access to more resources than what you see online, and I have connections with many listing agents. So, if we can sit down for a half hour and I can get a better understanding of all your wants and needs for a new home, I can search my resources as well.

When a Buyer Hesitates to Sign an Agreement

Scenario 1:

Buyer:
I would like you to work for me, but I don't want to sign anything. A handshake is enough, and I can trust you, right?

Agent:
You certainly can trust me, and I feel that I can trust you as well. That said, I can only work with (3, 4, 5) clients at a time to provide the level of service I pledge and that you're entitled to. I can only commit that time to buyers whom I have a contract with, which protects both of our interests, because with a signed contract you are no longer a "buyer" to me, you are my client. Let me explain what that means.

Scenario 2:

Buyer:
I don't like to make a commitment to just one REALTOR®. I like to keep my options open.

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

Scenario 3:

Buyer:
The sales agents who show me properties seem nice, so why do I need a buyer's rep?

Agent:
Most of those are listing agents. They are probably really nice people who are doing their job well, but doing their job well means looking out for the best interests of the seller, not you as the buyer. Or they are dual agents with split loyalties who cannot advocate for you. You want someone working exclusively for you, helping you get the best price on the right home. That's my job as the buyer's representative.

Scenario 4:

Buyer:
I like you, but I'm a commitment-phobe! What if I don't like actually working with you? What if it doesn't work out? How do I get out of this contract if I sign now?

Agent:
If at any time you are unhappy with my services, you can speak with my broker. They will do two things based on your preference: 1) assign a different agent to you, or 2) cancel your agreement completely.

When 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 many 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/busy/slow 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 about 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 this information will help us formulate an offer.

Scenario 3:

Buyer:
Is your commission negotiable?

Agent:
Commissions are always negotiable. However, this is the fee 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 we close on a home for you.

Scenario 4:

Buyer:
Do I have to pay a fee if I do not buy a home?

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. I will provide you with a copy of my signed pledge.

When Dealing with FSBOs

Scenario 1:

Buyer:
If sellers can go FSBO, why can't I make a purchase on my own?

Agent:
You can purchase on your own. But you are taking a risk of not getting the best deal, just as the FSBO seller is. My job is to protect your interests and help you acquire all the information you need to make an educated decision about an FSBO. Once we've determined the value of a piece of property, I will help you negotiate the best price and terms. After that, I'll keep an eye on the transaction details through the closing and until you move in. Buying a home is an expensive and complex process. Most people want expert advice when doing it.

Scenario 2:

A client of yours is interested in looking at FSBO's and asks you to check out any local listings. Here are some short scripts you can use when contacting FSBO's 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 REALTOR® representing a serious, qualified buyer who is interested in your home. Does the price you are quoting include a commission?

Agent:
I'm a REALTOR® representing a serious, qualified buyer who is interested in your home. If the price you're quoting right now does not include a commission, would you consider paying my typical commission fee if my client wanted to purchase your home.

- If the owner agrees to pay your commission, you can proceed with arranging a showing for your client. See the Sample Agency Disclosure and Brokerage Fee Agreement for Unlisted Property.
  Check with your own brokerage for the appropriate forms.

- *If the owner will not pay your commission, proceed to the following questions...*

For Securing a Potential Lead

Agent:
Okay, I understand. Do you have an idea of how long you will try selling the home on your own?

- If the owner provides a definitive timeline, you can offer to contact them again as that deadline draws near.
- If the owner does not have a clear plan, you can offer to check back in a month to see how they are coming along.
- Ultimately, by being civil and offering your services early on, you are securing a potential lead. Many FSBO's eventually wind up listing their home with an agent. Remember that among all sellers, 89% ultimately sold their home using an agent or broker. That might as well be you![16]

16. NAR Home Buyer and Seller Generational Trends, p. 118

Sample Agency Disclosure and Brokerage Fee Agreement for Unlisted Property

Seller acknowledges that _____ (Buyer's Broker) has been retained by Buyer to represent Buyer and has designated one of its sales agents as Buyer's Designated Representative (Buyer's Representative). Seller understands that Buyer's Representative is the agent of the Buyer with a duty to represent the Buyer's interests. Seller further understands that the Buyer's Representative is NOT the Seller's agent and that any information given to the Buyer's Representative by the Seller will be disclosed to the Buyer if it is in the Buyer's best interests.

If this showing results in an offer to purchase by Buyer, the seller agrees to pay the Buyer's Broker on behalf of the Buyer _____% of the sale price. Seller acknowledges that the payment constitutes an economic adjustment in the transaction and does not create any agency relationship between the Seller and the Buyer's Broker or Buyer's Representative.

Seller shall complete all disclosure reports required by law, including but not limited to the Residential Real Property Disclosure Report and the Lead-Based Paint Disclosure and authorizes Buyer's Representative to make all disclosures available to the Buyer.

Dated: _____

_____	_____
Seller	**Broker**
_____	_____
Seller	**Designated Agent**
_____	_____
Property Address	**Company Name**
_____	_____
City, State, Zip	**Company Address**
	_____
	City, State, Zip
_____	_____
Phone:	**Phone:**

Technology to Help You Work More Efficiently And Effectively

Technology has altered the real estate landscape in recent decades. In some ways it has made our jobs more challenging. But in many ways, it has made our lives easier. REALTORS® can work **faster and more efficiently than ever**—if they use the best technology in the most effective ways.

In 2018, NAR members found that the three most valuable technology tools to use for their business, excluding email and texting, were local MLS websites/apps, lockbox/smart key devices, and social media platforms. **More than 75% of NAR members use social media in their business**, and more members found it provided them the highest quality leads than any other tool. It's important that you use technology to your advantage, in order to work more efficiently and effectively.

Technology to Manage Time

If you're like most agents, you can rarely find enough hours in the day to accomplish all that you want. But the difference between a good agent and a great agent is how efficiently they use and manage their time. A Customer Relationship Management system, or CRM, is a great tool. It creates automated texts, emails, and messages on social media platforms based on intervals that you set. Some CRM tools also have website templates and the ability to generate your social media accounts. CRM systems can help you with many important tasks, including:

- Targeting the best leads.
- Sending bulk messages.
- Implementing your drip campaigns.
- Managing your client accounts.
- Reminding you about clients' closing anniversaries, birthdays, etc.
- Managing and monitoring your financials.

Utilizing a CRM can save you hours of work per day, which makes you more productive and strategic. This strengthens and advances your business. CRMs are not expensive, costing as little as $10 to $20 per month

Social Media

Social media is clearly driving business more than ever before, and this trend is unlikely to end. Buyers age 30 and under grew up with social media, and this group now comprises 82% of first-time home buyers.[17] They expect to connect with you online, as do the majority of buyers in every age group.

17. 2023 NAR Home Buyer and Seller Generational Trends, p. 25.

Key Point Review

- Assessing yourself and your competition is essential to success.
- Building a unique value proposition pays off for your business.
- Preparation helps you respond effectively to common client concerns.
- Client relationships are a valuable resource.

As we learned, buyers first look online when they begin searching for a new home. To connect with them, a strong social media presence is essential. Social media used most by REALTORS® are Facebook, LinkedIn, and Instagram: competitive professionals stay active on at least these three platforms.[18] In real estate, top uses of social media include promoting specific listings, building relationships with clients, and finding new prospects. REALTORS® also report that they use it to connect with other real estate professionals: this benefit can also serve your client.

Person-to-person contact is still a great way to form relationships and spread the word about your services in a local market, but a strong social media presence serves as an extension of yourself, helping build your brand to a much broader audience.

Trends in social media continually evolve, and different age demographics prefer some platforms over others. The target audience for your business can help determine which platforms you should be active on. While Facebook remains the most popular platform overall, Instagram is the fastest-growing, especially among younger age groups. If you keep in mind that a primary objective is to serve and educate your clients, you are on the right track in choosing platforms. At the same time, always coordinate social media efforts with those of your brokerage.

Finally, it's important to maintain brand consistency. The brand you present in person is the brand that should be reflected on your Facebook page, your LinkedIn account, your Instagram posts, and across all your communication efforts. A consistent brand exudes professionalism, which builds respect and trust from clients.

18. 2023 NAR Home Buyer and Seller Generational Trends, p. 25.

Next Steps

For the past 2 days you took part in an intensive course of study.

- We discussed the value and role of the buyer representative and learned about the duties and responsibilities associated with it.
- We learned about the buyer counseling session, the search-showing-selecting process, and how to handle offers and negotiations as a buyer's representative.
- We explored contracts and issues associated with the closing process: mortgages, inspections, and insurance.
- Finally, we reviewed strategies for analyzing yourself and your competition and for maximizing your business success.

Now you are familiar with the terminology and processes used as a buyer's representative and have acquired new strategies for enhancing your business. You are ready to help buyers find the right property at the right terms and price in all types of markets.

Any final questions or concerns? Take advantage of your instructor's experience for additional information. Best wishes on your success as a buyer's representative

Additional Courses

Additional courses (including those designated as ABR® elective options) are offered by the National Association of REALTORS® to increase skills for working with buyer-clients. Check the complete listing at **https://www.nar.realtor/education-working-with-buyers.**

- At Home with Diversity®
- e-PRO® Certification Program
- Certified International Property Specialist (CIPS) Designation
- Home Finance Resource (HFR) Certification
- Military Relocation Professional (MRP) Certification
- NAR's Green Designation: People, Property, Planet, Prosperity
- Pricing Strategies: Mastering the CMA Course
- Seller Representative Specialist (SRS) Designation Course
- Seniors Real Estate Specialist (SRES®) Designation Course

A Day in the Life of a Buyer's Representative

After a few slow seasons, Corinne wants to build her business and attract more buyer-clients. She finds satisfaction in this aspect of real estate and realizes that home buying continues to rise. Corinne knows other successful buyer's representatives in her market, and she wants to be competitive.

What skills are especially important for buyer's representatives?

How might a SWOT analysis help Corinne build her business? Should she reassess her unique value proposition?

How can technology support and increase Corinne's business?



Resources and Exercises

Resources

Glossary

Addendum: An addition to a document.

Adjustable Rate Mortgage (Arm): A type of mortgage loan in which the interest rate is tied to an economic index, which fluctuates with the market. Typical ARM periods are 1, 3, 5, and 7 years.

Agent: The licensed real estate salesperson or broker who represents buyers or sellers.

Appraisal: A document of opinion of property value at a specific point in time.

Back-Up Offer: Written offer with a contingency making it subject to the release of a prior contract.

Buyer: The purchaser of a property.

Buyer Agency: A real estate broker retained by the buyer who has a fiduciary duty to the buyer.

Buyer Representative: The agent who shows the buyer's property, negotiates the contract or offer for the buyer, and works with the buyer to close the transaction.

Buyer's Market: An economic situation in which the number of properties on the market are plentiful, which keeps prices down. Supply is greater than demand.

Closing: The end of a transaction process where the deed is delivered, documents are signed, and funds are dispersed.

Commission: The compensation paid to the listing brokerage by the seller for selling the property. A buyer agency agreement may require the buyer to pay a commission to their agent.

Competitive Market Analysis (CMA) The analysis used to provide market information to the seller and assist the real estate broker in securing the listing.

Contingency: A provision in a contract requiring certain acts to be completed before the contract is binding.

Disclosures: Federal, state, county, and local requirements of disclosure that the seller provides and the buyer acknowledges.

Dual Agent: A state-licensed individual who represents the seller and the buyer in a single transaction.

Escalation Clause: A clause in a real estate contract that allows for an increase in the offer price based on certain conditions.

Fairhaven: NAR's simulation training tool on fair housing issues.

For Sale By Owner (FSBO): A property that is for sale by the owner of the property.

HUD/RESPA (Housing and Urban Development/Real Estate Settlement Procedures Act): A document and statement that details all of the monies paid out and received at a real estate property closing.

Intent to Proceed: The buyer has selected a lender and indicated their intent to work with them.

Listing: Brokers' written agreement to represent a seller and their property. Agents refer to their inventory of agreements with sellers as listings.

Loan: An amount of money that is lent to a borrower who agrees to repay the amount plus interest.

Loan Closing Costs: The costs a lender charges to close a borrower's loan. These costs vary from lender to lender and from market to market.

Managing Broker: A person licensed by the state as a broker who is also the broker of record for a real estate sales office. This person manages the daily operations of a real estate sales office.

Net Sales Price: Gross sales price, less concessions, to the buyers.

Niche: A special area or interest.

Offer to Purchase: When a buyer proposes certain terms and presents these terms to the seller.

Pending: A real estate contract that has been accepted on a property but the transaction has not closed.

Personal Brand: The unique combination of experience and personality that represents you: the total of all impressions people have about you and your business.

Preapproval: A higher level of buyer/borrower prequalification required by a mortgage lender. Some preapprovals have conditions the borrower must meet.

Prequalification: The mortgage company tells a buyer in advance of the formal mortgage application how much money the borrower can afford to borrow. Some prequalifications have conditions that the borrower must meet.

Procuring Cause: The series of events, unbroken in their continuity, that lead to the purchase of a property.

Real Estate Agent: An individual who is licensed by the state and who acts on behalf of his or her client, the buyer or seller. The real estate agent who does not have a broker's license must work for a licensed broker.

REALTOR®: A registered trademark of the NATIONAL ASSOCIATION OF REALTORS® that can be used only by its members.

Seller (Owner): The owner of a property who has signed a listing agreement or a potential listing agreement.

Seller's Market: An economic situation in which there are fewer properties on the market and prices tend to increase. Demand is greater than supply.

Steering: Influencing a buyer's choice of communities when searching for a property.

Transaction Management Fee (TMF): A fee charged by listing brokers to the seller as part of the listing agreement.

Unique Value Proposition: A clear statement that describes the benefit of your services, how you solve your client's needs, and what distinguishes you from the competition.

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

Resources

Websites

Fairhaven Training:
https://www.nar.realtor/fair-housing/fairhaven

Home Buyer and Seller Generational Trends:
https://www.nar.realtor/research-and-statistics/research-reports/home-buyer-and-seller-generational-trends

HUD Housing Discrimination Under the Fair Housing Act:
https://www.hud.gov/program_offices/fair_housing_equal_opp/fair_housing_act_overview#_The_Fair_Housing

Know Before You Owe (TRID) Rule:
https://www.nar.realtor/trid-tila-respa-integrated-disclosure#section-166125

NAR's Code of Ethics and Standards of Practice:
https://www.nar.realtor/about-nar/governing-documents/code-of-ethics/2024-code-of-ethics-standards-of-practice

NAR Data Security Toolkit:
https://www.nar.realtor/data-privacy-security/nars-data-security-and-privacy-toolkit

NAR e-Pro Certification Course:
https://www.nar.realtor/education/designations-and-certifications/e-pro

NAR Fair Housing Action Plan (ACT Initiative):
https://www.nar.realtor/fair-housing/nar-fair-housing-action-plan

NAR Flood Insurance Toolkit:
https://www.nar.realtor/national-flood-insurance-program

NAR Video Series "Window to the Law":
https://www.nar.realtor/videos/window-to-the-law

National Flood Insurance Program:
www.floodsmart.gov

Profile of Home Buyers and Sellers:
https://www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers

Real Estate Negotiation Expert (RENE) Certification Course:
https://www.nar.realtor/education/designations-and-certifications/rene

Realtors Property Resource® (RPR®):
www.narrpr.com

REALTOR® Technology Survey:
https://www.nar.realtor/reports/realtor-technology-survey

Using Price Per Square Foot To Figure Home Values:
https://www.thebalance.com/can-i-use-the-price-per-square-foot-to-figure-home-values-1798754

Wire Fraud:
https://www.nar.realtor/wire-fraud

Resources

Exercises

Sample Buyer Agency Agreements

Note: This is a sample for educational purposes only and should not be used without authorization from your Managing Broker

This Exclusive Buyer Agreement, is between _____ _____, Buyer or Buyers and _____ Brokerage or Brokerage Firm as the Buyer's exclusive Agent to assist the Buyer in the acquisition of real property which may include any purchase, option and/or exchange on terms and conditions acceptable to Buyer.

Parties acknowledge that this Exclusive Buyer Agreement applies to properties located in (if applicable list towns, counties, areas covered by this agreement) _____.

Buyer represents that Buyer has not entered into any Exclusive Buyer Contract that is currently in effect for the same area(s) covered by this Agreement. Buyer understands that this exclusive Buyer Contract means that if Buyer acquires any property, whether through the efforts of Buyer, another Broker or through the efforts of anyone else, Buyer will be obligated to compensate the Brokerage Firm as provided herein. The term "acquire" or "acquisition" shall include the purchase, lease, exchange or option of an interest in real estate by Buyer or anyone acting on Buyer's behalf. The term "property" or "properties" and "real estate" shall refer to any real property or an interest in real property that may be acquired pursuant to this Contract. In this Contract, the term "Buyer" shall refer to a client who shall acquire an interest in real estate as defined herein. The term "Agent" shall refer to any licensee within the brokerage company that assists the Buyer in their home search.

Term

This Contract shall begin on _____ and be effective until 11:59 p.m. on _____ when it shall then terminate. This Contract is irrevocable and can be terminated prior to the termination date only by written agreement of the parties. If within _____ days after the termination of this Contract (the "protection period"), Buyer acquires any property to which Buyer was introduced by the Brokerage, then Buyer agrees to pay Brokerage the compensation provided for herein. However, no compensation will be due to the Brokerage Firm if, during this protection period, Buyer enters into a new Exclusive Buyer Contract with another brokerage.

Agent's Role

1. Your agent will work with you to identify properties that meet your criteria relative to price, location, features and amenities. Your agent will be working with you to present you properties submitted to our MLS. Special arrangements will be made for non-MLS homes.
2. Your agent will arrange for and show properties identified by you as appropriate. You will be made aware of all material facts relative to any properties you are interested in as well as all information known to your agent that could affect your decision unless the disclosure is prohibited by law.
3. At your request, your agent will prepare a Competitive Market Analysis on any property you may wish to purchase to enable you to determine value.
4. Your Agent will prepare your offer and negotiate the terms, price and contingencies you require while at all times, safeguarding your confidential information.
5. Your Agent is acting solely as a real estate professional; not as an attorney, tax advisor, surveyor, structural engineer, home inspector, environmental consultant, architect, contractor or other professional service provider. If you need assistance in these areas, you will need to make your own arrangements.

Your Agent has access to information on all listed property thereby ready and able to provide you with the information you need. Please make inquiries only through your agent. Your involvement with agents from other firms, even casually, can often create a conflict that would make it impossible for your agent to represent you on certain homes.

Buyer's Responsibilities

1. Provide Agent with Buyer's general specifications for the real estate Buyer is seeking.
2. Work exclusively with Agent to identify and acquire real estate during the time that this contract is in force.
3. Bring to Agent's attention any un-listed properties you may be interested in to allow the Agent to fully represent you.
4. Supply relevant financial information necessary to permit Agent to fulfill Agent's obligations under this contract.
5. Be available upon reasonable notice and at reasonable hours to inspect properties that seem to meet Buyer's specifications.
6. Pay Brokerage Firm according to the terms specified in the Compensation paragraph of this Contract.

Compensation

If, during the term of this contract or the protection period, Buyer enters into a contract to acquire real estate and such contract results in a closed transaction, Buyer agrees to pay Brokerage firm a Brokerage Fee of _____ (% or $) of the purchase price.

The Managing Broker will make every effort to collect the Brokerage Fee from the seller or the listing broker. If the Brokerage Firm is not being offered, compensation as a cooperating Broker, or compensation being offered does not cover the Brokerage Fee, Designated Agent will so inform Buyer prior to showing the property at which time Buyer will have the following options:

A. Your agent will work with you to identify properties that meet your criteria relative to price, location, features and amenities. Your agent will be working with you to present you properties submitted to our MLS. Special arrangements will be made for non-MLS homes.

B. Your agent will arrange for and show properties identified by you as appropriate. You will be made aware of all material facts relative to any properties you are interested in as well as all information known to your agent that could affect your decision unless the disclosure is prohibited by law.

C. At your request, your agent will prepare a Competitive Market Analysis on any property you may wish to purchase to enable you to determine value.

Dual Agency

On occasion, your agent may also represent the sellers of properties you may wish to view or purchase. In those circumstances your agent may be a “disclosed dual agent”. If this is a possibility, your agent will present you with a dual agency form required by state law.

Other Buyers

Your agent may represent other buyer clients who may be interested in the same properties as you. Your agent will treat each of you honestly in the sharing of any information relative to those properties while at the same time ensuring that confidential information remains confidential.

Previous Clients

Your agent may have previously represented a seller from whom you wish to purchase. Confidential information obtained during that agency cannot be disclosed during any subsequent agency relationship.

Fair Housing

It is illegal to discriminate against any prospective seller because of race, color, sex, religion, national origin, familial status or disability. It is agreed that all parties will follow all federal, state, and local statutes and ordinances.

Assignment By Buyers

Should the Buyer attempt to subvert this agreement by having another party purchase the property with the intent of assigning the contract to the Buyer prior to closing or sell the property to the Buyer after the closing, Broker will be entitled to the compensation stipulated in this agreement.

Buyer's Signature _____ **Date:** _____
Print Name _____

Buyer's Signature _____ **Date:** _____
Print Name _____

Broker's Signature _____ **Date:** _____
Print Name _____
Agency Name: _____

SWOT Analysis

It is important to know both your strength and weaknesses, as well as those of your competition. A SWOT analysis is a tool to help us do this. It helps us clarify areas of our business we may need to adjust by looking at both internal and external factors. The basic idea is to identify these four areas:

- **S - Strengths**
- **W - Weaknesses**
- **O - Opportunities**
- **T - Threats**

FIGURE 8.1 | SWOT ANALYSIS

Helpful (to achieving the objective)	**Harmful** (to achieving the objective)	
S **Strengths**	**W** **Weaknesses**	**Internal Origin (attributes of the organization)**
O **Opportunities**	**T** **Threats**	**Internal 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 variety of resources you can access?
- How experienced and knowledgeable are you?
- Do you often get referrals from clients?
- Do you have a strong list of contacts and connections?
- What is your current marketing strategy?

Assign each factor you can think of into either a strength or weakness category.

Opportunities and threats typically consist of external factors, which you have less control over.

Ask yourself:

- Who are the most successful real estate agents in your area? Why?
- Is the market heating up or cooling down for buyers?
- What challenges are faced by buyers? By sellers?
- Are there any government regulations that will make home buying easier or more difficult?
- What do mortgage rates look like? Is it easy to qualify for a loan?
- What home-buying apps are buyers using?

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

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

Buyer Qualification Worksheet

Name: _____

Current Address: _____

Phone Numbers: _____

E-Mail Addresses: _____

Family Size: _____

Pets: _____ Home Business: _____

☐ Own ☐ Rent ☐ Must Sell to Purchase

Desired Possession Date: _____

Ideal Price: _____Ideal Monthly Payment: _____

☐ Prequalified ☐ Preapproved With Who _____

Ideal Location:_____

Special Requirements

☐ Day Care Facilities ☐ Sports/Recreation Programs

☐ Cultural Activities ☐ School Requirements ☐ Other

Notes:

_____

_____

_____

# of Bedrooms: _____ Minimum: _____

# of Bathrooms: _____ Minimum: _____

Garage: _____ Lot Size: _____

Age of Home: _____ Style of Home: _____

☐ Eat-in kitchen	☐ Fenced yard	☐ Boat parking
☐ Separate dining room	☐ Deck/patio	☐ Camper parking
☐ Fireplace	☐ Pool	☐ Bus/truck
☐ Family room	☐ Waterfront	☐ Additional vehicles
☐ Finished basement	☐ Home office	☐ _____
☐ _____	☐ _____	☐ _____

Additional Questions

1. How long have you been looking for a home? _____
2. How long have you been doing that? _____
3. How many agents shown you homes? _____
4. What was your relationship with them? _____
5. What did you sign with them? _____
6. Did you see anything you liked? _____
7. What kept you from buying it? _____

Describe your ideal home:

_____

_____

_____

If we weren't able to find everything in the price range and location you want, what would you consider compromising on?

_____

_____

_____

Are there some items that are 'deal breakers' – things you won't compromise on?

_____

_____

_____

Tell me a little about your lifestyle, how you entertain

_____

_____

_____

Is there anything else I need to know—any other requirements or needs?

_____

_____

_____

My SWOT Analysis

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

SWOT Analysis	Helpful	Harmful
Internal:	**Strengths:** 1. _____ 2. _____ 3. _____ 4. _____ 5. _____	**Weaknesses:** 1. _____ 2. _____ 3. _____ 4. _____ 5. _____
External:	**Opportunities** 1. _____ 2. _____ 3. _____ 4. _____ 5. _____	**Threats:** 1. _____ 2. _____ 3. _____ 4. _____ 5. _____

Actionable Items:

Two ways to capitalize on advantages:

1. _____

2. _____

Two ways to mitigate disadvantages:

1. _____

2. _____

Applying Active Listening Skills

Allyson and Janie are meeting with you to discuss what they are looking for in a home. During the meeting, Allyson mentions several times that she would like to live in a small community and is willing to drive up to 30 minutes to go to restaurants, shopping, etc. At the same time, Janie quietly says that it would be so nice to just walk to dine and shop. Janie also says she does not want to worry about maintaining a lawn, but Allyson mentions that one of her passions is gardening. In addition, Allyson thinks they need three bedrooms, but Janie feels strongly that two bedrooms are just fine, but they must have two bathrooms. By the end of the meeting, both clients are sitting with their arms crossed and barely make eye contact with each other. It does not take you long to realize that Allyson and Janie have opposite views on several key issues.

Apply your active listening skills in this situation.

- **How would you respond to clarify what Allyson and Janie want in a home?**
- **What types of questions would you ask?**
- **What active listening skills would you use?**

Applying What You Know to Search Scenarios

Darrell and Melissa

Darrell and Melissa want to make an offer on one of your colleague's listings. The property is listed at $259,000. A few weeks before you met Darrell and Melissa, a 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?**

Akim and Jarek

You lined up six properties for Akim and Jarek 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 Akim 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 might harm our negotiating position if we decide to make an offer. That's okay, right?" You asked if Akim and Jarek told the open house agent that they are working with you, or if they signed anything. Jarek says he doesn't think so, but really can't remember. They have looked at so many open houses that it is kind of a blur.

- **What are the issues involved in this scenario?**
- **Is it a problem that Akim and Jarek have already seen the condo?**
- **How could you prepare them for open houses?**
- **What would you do next?**

Rohan and Lindsey

Rohan and Lindsey are scouring the neighborhoods in their first-choice school district. One Sunday afternoon, they drive by a FSBO property that looks very attractive. The owner is outside mowing the lawn and invites Rohan and Lindsey in to see the house. It's love at first sight for Lindsey, and she is already picturing how she will decorate the house for the holidays. Rohan suspects the house has some delayed maintenance issues. Also, all the bedrooms and bathrooms are on the second floor. Will it be possible to add on a ground floor addition? When Rohan asks why the house is for sale, the seller says that the home was listed with an agent, but it did not sell before the listing expired. Rohan asks the seller if you can contact them tomorrow, and the seller says that would be okay.

- **What are the issues involved in this scenario?**
- **What would you say to the FSBO seller?**
- **Is it a problem that Rohan and Lindsey have already seen the home?**
- **What would you do next?**

Parul

Parul 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 starts tweeting about the loft. The builder's sales agent, picking up on Parul's excitement, enthuses about how quickly the neighborhood is gentrifying. The sales agent notes this is a chance to buy into tomorrow's trendy neighborhood before prices go up. Parul'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. Parul'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 Parul's mom about the neighborhood?**
- **What would you say to Parul about taking photos and tweeting?**
- **What would you do next?**

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?**

Akim and Jarek

Akim and Jarek fell in love with one of the condos you showed them, and the elderly sellers were present when Akim and Jarek viewed the condo. They all really hit it off. Now Akim and Jarek want to make an offer. The sellers have already received one offer, which they haven't responded to because they just really like Akim and Jarek and would like them to purchase the condo. The sellers instruct their listing agent to tell you the amount of the other offer so that Akim and Jarek can match it and get the condo.

- **What are the strengths and weaknesses of Akim and Jarek's negotiation position?**
- **Does the listing agent have to tell the buyer who presented the other offer what's going on?**
- **Is there anything left to negotiate?**
- **How would you advise Akim and Jarek to proceed?**

Parul

Before calling you to start the offer process, Parul pulled up a Zillow® report. She found a value estimate that is lower than what the sellers are asking for or what you said comparable properties are going for. Parul posts online to all her friends about how excited she is to start negotiating for the loft. She asks for suggestions on negotiating, and her friends respond with lots of ideas on strategy.

- **What are the strengths and weaknesses of Parul's negotiation position?**
- **How would you respond to the Zillow® estimate?**
- **Do you see any problems or concerns with this online chatting?**
- **What if the buyer's representative was posting this online?**
- **How would you advise Parul to proceed?**

Applying What You Know—Negotiating

Rohan and Lindsey

The property that Rohan and Lindsey think of as their "forever home" has three other offers. You are working with the couple to determine their best offer. Rohan asks if you know the amount of the other offers and offers to pay $5,000 over the best offer to secure the property. Lindsey places an envelope on your desk and says that it contains her "love letter" to the sellers. She says it describes how she can envision her family celebrating Christmas in the family room around the fireplace, and how wonderfully the wide hallways and doorways will accommodate her mother's wheelchair when she lives with them in the winter.

- **What do you need to consider as you advise Rohan and Lindsey on this offer?**
- **How would you counsel the couple with regard to Rohan's idea of offering $5,000 over the best offer?**
- **What should you do with Lindsey's letter? Will you include it with the offer?**

Develop a Contingency Timeline

What are some potential contingencies associated with a contract in your marketplace?

Who is responsible for making sure these tasks are completed?

How much time is allowed for completion of each task?

Applying What You Know—Closing Issues

Darrell and Melissa

Darrell and Melissa made an offer on a three-bedroom home last week. It is a seller's market right now and even though a bidding war forced them to pay more than the asking price, they are still comfortable with the monthly payment this will require. Today, the property appraisal came in $30,000 under what they offered to pay for the home.

- **What options do Darrell and Melissa have?**
- **If the couple says they still want to pursue the property, what should you, as the buyer's representative, do to help them?**

Akim and Jarek

The home inspector that Akim and Jarek used for the condo they are buying sent the final report. The couple called you in a panic because they say the report indicates several major issues, and they do not have any extra money in their budget for repairs. They want to back out of the offer. According to the report, the furnace is 20-years-old but in working condition; there is water damage in one of the bedrooms because the roof above that room is leaking; there is inadequate insulation in the bathroom; and there is only one smoke detector in the unit.

- **How would you counsel Akim and Jarek in this situation?**
- **Are the issues brought up in the home inspection "deal breakers"?**



Center for REALTOR® Development
430 North Michigan Avenue
Chicago, IL 60611

(800) 648-6224
ABR@nar.realtor

NATIONAL ASSOCIATION OF REALTORS® | ☆ABR