



Home-Buying Process

Using Real Estate Professionals

Home-Buying Process: Using Real Estate Professionals

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Types of Real Estate Professionals

Real estate professionals may have different relationships with buyers and sellers. It is important to understand these relationships when you buy a house.

Everything in a real estate transaction is negotiable. How effectively a contract is negotiated depends, in part, on the real estate professionals you choose. Although sometimes referred to as a licensee, the traditional and common term is real estate agent. Most commonly, real estate agents do not work for the buyer and they actually have a legal obligation to represent the seller's interests. Understanding this can help you choose the type of real estate professional with whom to do business.

- **Real Estate Broker** – A broker is licensed by the state to operate a real estate agency and employ real estate agents. A real estate broker arranges for the sale, purchase, lease or exchange of property for a fee. A real estate agent represents a broker in real estate transactions.
- **Real Estate Agents and Realtors®** - A real estate agent is licensed by the state and has been trained to sell houses, buildings and land. A Realtor® is a real estate agent who also is a member of the National Association of Realtors®. Most active agents are Realtors®. For more information contact your local National Association of Realtors or visit <http://www.realtor.org>.
- **Listing agents** – Listing agents work for the sellers of houses. A listing agent acts in single agency, representing only the seller's interests. A listing agreement is a contract to market and sell a house. The contract is created between seller and broker and obligates the listing agent to seek qualified buyers, report all purchase offers and relevant information to the seller, and help negotiate the best price for the property. You will usually know who the listing agent is because his or her name will be shown as the point of contact on the "For Sale" sign, as well as in real estate listings in magazines, newspapers or on the Internet. A listing agent may or may not be involved in the actual sale of the house. Even if the listing agent is not involved in negotiating the sale, that agent and brokerage still receive a percentage of the sales commission. If the listing agent sells the house, that agent is called the seller's agent.
- **Seller's agents** – A seller's agent, like a listing agent, is said to act in single agency because he or she represents only the interests of the seller. The obligation is to keep the seller's best interest in mind, report all purchase offers and relevant information to the seller, and help negotiate the highest price for the house. Also, it is in the financial interest of the seller's agent's to close a sale at the highest price since the commission is a percentage of the sales price. However, no commission is earned until the home is sold.

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- **Dual agents** – A dual agent is a real estate agent who represents both the seller and the buyer in the same transaction. This type of representation is legal in New Mexico and many other states. It is not recommended because it is confusing for buyers and places the agent in an awkward situation because a dual agent receives a commission from the money the seller makes from the house sale. Keep in mind one agent cannot represent the buyer's and the seller's best interest at the same time.
- **Buyer's agent** – This is a single agency representation but in this case the real estate agent works for the buyer. The agent is hired by a buyer and agrees to work solely with that buyer. This agent has a legal obligation to represent the buyer's best interest in obtaining the lowest sales price and best conditions in the purchase contract. The seller must be informed that the buyer has contracted with an "exclusive buyer's agent." The compensation structure for a buyer's agent is based on effectively negotiating a lower sales price. In hiring a buyer's agent, you can negotiate a basic fee plus incentives to reduce the price of the house. For more information or to contact a local exclusive buyer's agent visit <http://www.naeba.org>.

Except when working with a buyer's agent who is under contract to represent you, all other real estate professionals involved in the process are bound by the seller's listing agreement. In other words, they have a legal obligation to work for the benefit of the seller, not the buyer.

Working with Real Estate Professionals

Some real estate professionals may want to pre-qualify you for a mortgage loan before working with you. This is an informal and non-binding process that can help determine how much you can afford to pay for a house. There are drawbacks to having a real estate professional conduct an informal pre-qualification. If the person is a seller's agent, he or

she may report personal financial information to the seller, which may make it difficult to negotiate a price. The real estate professional may only show you higher priced houses within the range of what you can afford. While a real estate professional needs to know a general price range, it is best to keep your personal information confidential by pre-qualifying yourself with a lender of your choice. If you have an exclusive buyer's agent under contract, you can share information more freely with that individual because they are working for you.

Once you have determined the amount of the loan for which you qualify, you can decide what dollar amount you feel comfortable sharing with your real estate professional. You do not have to share the full amount of the loan for which you are qualified.

If you feel a particular real estate professional is not serving your needs, does not understand your questions or is not well informed, you are free to select another professional. Remember, if you are not interested in buying a house right now and just want to look, a real estate professional may be less interested in spending a lot of time with you. In that case, you will need to assume the bulk of the work in looking for a house.

Real estate professionals commonly:

- Help you decide your needs and wants.
- Show you affordable houses in your determined price range.
- Give you listing sheets that describe these houses.
- Provide prices and property tax information for houses of interest.
- Help you determine how much a house is worth by giving you information about other houses that sold recently.
- Provide information about the schools and community services in the area.
- Present the offer you make to the seller.

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- Provide possible options for mortgage lenders, professional home inspectors, appraisers and other necessary professional services.
- Help you get pre-qualified by a lender so that you will know how much you can afford to spend. However, consider doing this on your own.
- Refer you to lenders.
- Explain all of the legal paperwork so you understand what you sign. An attorney may need to be involved.

How to Find a Real Estate Professional

A good way to find a real estate professional is to ask people you know for recommendations. If you are not familiar with the area or do not know someone who can make recommendations, the national real estate companies offer a referral service and will provide you with a list of professionals in your area. You can check a real estate professional's record by contacting the state real estate commission or a local Association of Realtors chapter. In New Mexico contact the New Mexico Real Estate Commission at (800) 801-7505 or (505) 222-9820. In Las Cruces contact the Las Cruces Association of Realtors® Inc. at (505) 524-0658.

Real estate professionals must work under the supervision of a broker who is legally responsible for their actions. If you have a problem with a real estate professional or feel you are not being represented properly, contact his or her broker.

Along with gathering information, make sure your real estate professional has the time to help you. There may be times when a professional has too many customers and he or she cannot give you the time you want. To avoid this situation, contact the real estate professional throughout the day and see if he or she answers the phone. If not, leave a message and keep track of the time it takes him or her to call you back.

Fair Housing Act

If you feel a real estate professional is steering you away from or toward certain neighborhoods because of your race, religion, national origin or other illegal reasons, he or she may be violating the Fair Housing Act. The Fair Housing Act makes it illegal to discriminate in the sale of housing and covers most housing. Contact the professional's broker or call the U.S. Department of Housing and Urban Development (HUD) at 1-800-669-9777. HUD administers and enforces the act and will put you in contact with your local office for more information or to report your experience.

If you want a referral to a local organization, call the National Fair Housing Alliance in Washington, D.C. at 1-202-898-1661. NFHA works with HUD and the U.S. Ad Council on national advertising campaigns to help consumers recognize and report housing, lending and insurance discrimination and harassment.

Use the Selecting a Real Estate Professional Work Sheet to help you select a real estate professional.

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Selecting a Real Estate Professional Work Sheet

Name of real estate professional: _____

Phone number: _____

Email: _____

Name of real estate firm: _____

Name of managing broker: _____

Number of years selling
real estate full time: _____

Number of listings in the last year similar to the house you want: _____

Services the agent will provide: _____

Did the agent appear to be well informed about your needs? _____

Did the agent answer your questions and inquire about your interests? _____

Did you feel comfortable with this person? _____

Other impressions: _____

This resource is one in a series on the Home-Buying Process which include:

Financial Readiness

What Creditors Look For
Finding Mortgage Money
Types of Financial Institutions
Mortgage Options
Down Payment and Closing Costs
Pre-Qualification or Pre-Approval

Factors to Consider in Housing Selection

Personal Needs and Wants
Location
Type and Style of House
Type of Construction
Interior and Exterior Space
Special Needs
Building as an Option

Locating a House

Finding the House
Using Real Estate Professionals
Buying Direct From Owner

The Sales Contract

Components
Acceptance

Home Inspections

Reasons for Home Inspections
Locating an Inspector
What Inspections Include
Limits of Liability

The Mortgage Process

Loan Application Process
Approval or Rejection
The Mortgage Payment

Purchasing Homeowners Insurance

Before You Start Looking for a Home
Stability of the Insurance Company
Costs and Coverage
Customer Service

Warranties

The Closing

Preparation for Closing
Final Walk Through
Closing Day Procedures

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