

## Buying a House Is Not Like Buying A Car

By Judith Johannsen

If you are thinking about buying a home, your timing couldn't be better – inventory is up, interest rates are down, and spring, real estate's primetime, is right around the corner.

Buying a house is not like buying a car. When you want to buy a car, you go to the car dealer, take a test drive, read brochures, pick which car to buy, return to the dealer that sells that car, prove you don't need a loan so you can get one, and sign the purchase agreement. Nowhere in this process does a car buyer sign any papers before looking at or test driving cars.

Home buyers are like car buyers in that they like to gather information about properties and financing, and even "test drive" homes by touring them before committing to buy, but that is where the similarities end. If a buyer makes an appointment to see a house, before that buyer can view the property, the real estate agent will need to explain buyer representation to the buyer and then ask him to sign one of two papers - a buyer representation agreement or a disclosure notice for unrepresented persons. Almost always the buyer asks "Why?"

In the 1990s, CT established buyer representation giving buyers the right to have their interests represented in a real estate transaction, just like sellers. Years ago, buyers would tour properties with "their" agent, but "their" agent actually worked on the sellers' behalf, not theirs. Buyer representation grew out of the need for buyers' interests to be served.

**What is a buyer representation agreement?** A buyer representation agreement is a contract between a buyer and a real estate company. It has a beginning and ending date, a geographical area it covers and a compensation paragraph that explains how the buyer's agent's company is paid. The agreement is signed by the buyer and the agent.

**Why do I have to sign anything?** The reason agents explain the buyer agreement and ask the buyer to sign it is because they have to - CT's Real Estate Regulations require a real estate licensee to have a buyer representation agreement signed **before** showing property. There is no trickery or chicanery going on here and no bulldozing or bulldogging – an agent is only doing his job properly. While an agent can show properties listed with his own company without a signed buyer representation agreement, he **cannot** show another company's listings unless he has one.

Agents understand that when buyers want to see a property, they want to see it right then. Even so, agents first need to take a few minutes to explain buyer agency to the prospective buyer as not doing so and not having a buyer sign a representation agreement, when required, can cause an agent to lose his license and/or be fined up to \$2,000.

Real estate agents want to help buyers find homes and buyer representation allows them to provide buyers the benefit of continuity of service and one-stop shopping. Yes, there are buyers who will not sign a representation agreement and that is their right, but when a buyer who initially stubbornly refused to sign finally sees the advantages it brings him, it's much like the saying "you can lead a horse to water, but if you can get him to float on his back, you've got something".

**Do I have to sign a representation agreement?** No, a buyer is not required to sign a representation agreement in order to see property, but not signing the agreement restricts the agent to showing *only his company's listings*, and there goes that time-saving one-stop shopping advantage. For the buyer who refuses to sign a representation agreement and who wants to see all the properties that meet his needs, wants and criteria, the path is clear – he will have to visit every real estate company to see their listings.

**What is an unrepresented person?** An unrepresented person is someone who has decided not to have representation. A buyer who chooses to see properties without representation will be asked to sign a

disclosure notice which simply states that buyer representation was explained and offered, but the buyer declined and wants to see the property knowing this agent's company represents the seller's interests.

**I'm not signing anything.** Some buyers refuse to sign not only a buyer representation agreement but also the unrepresented persons disclosure notice. In such an instance, the agent can, *and should*, show that buyer his company's listings as that company was hired by sellers to market and sell their properties. Not showing their company's listings would be doing exactly the opposite of what the company was hired to do.

**Why not sign two representation agreements?** Some buyers think if they sign a buyer representation agreement with one company and then sign another agreement with another company for the exact same time period and geographical area that two companies working on their behalf have to be better than one and neither company will find out about the other agreement.

Both of those suppositions would be wrong. First, the other company always finds out. Secondly, signing a buyer representation agreement and looking for property with company A while also signing a buyer agreement with and buying a property through company B can be detrimental to a buyer's financial health - company A can compel compensation from the buyer pursuant to his representation agreement. Ouch.

**A buyer can lower a purchase price by not using a buyer agent, right?** Generally, no. Some buyers believe buying a home without using a buyer's agent automatically lowers a purchase price because now there's no buyer broker commission. However, that would be incorrect because through a listing agreement a seller agrees to compensate the listing company \$X, so if the listing company sells the property without the cooperation of a buyer's broker, it receives all of \$X, not a portion of it.

Buyer agency is here to stay and real estate agents must obey the law, so buyers have a choice to make – 1) sign a buyer representation agreement with one company to see every company's listings or 2) not sign a representation agreement and visit each real estate company to see just their listings.

Judith I. Johannsen is Assistant Counsel for the Connecticut Association of Realtors®, Inc.

*Connecticut Association of REALTORS®, Inc. is Connecticut's largest professional trade association representing over 18,500 real estate professionals engaged in all aspects of the real estate business. Founded in 1920, the Connecticut Association of REALTORS®, Inc. is dedicated to enhancing the ability of its members to conduct their business successfully while maintaining the preservation of private property rights. Use of the term "REALTOR®" is exclusive to the members of the REALTOR® Association and signifies their allegiance to a strict Code of Ethics.*