

# REAL ESTATE

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## THE REAL DEAL

### Real Estate News You Can Use

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#### Buyer Agreements 101

“What is a buyer agency agreement... and why are you asking me to sign one?”

This question is asked frequently by puzzled consumers across the state as they begin to work with real estate agents to purchase a home. Their puzzlement is understandable, since buyer representation did not exist when many people currently in the housing market last bought a home in Connecticut, and it is not the norm in many other parts of the country.

Lack of familiarity with buyer agency agreements causes some people to feel uncomfortable about signing them. But that need not be the case. This article will summarize the most important things that potential home buyers should know about these agreements.

1. *A buyer agency agreement is a written contract between a real estate agent/broker and a person or persons seeking to purchase property.*

- It appoints a real estate professional as that buyer's exclusive agent for the purpose of locating a property and negotiating/closing the deal. In so doing, it prohibits the buyer from working with any other agent/broker in the geographical area and time frame noted in the contract. This agreement also prohibits buyers from pursuing “for sale by owner” properties without the agent's involvement.

- Some agreements specify a grace period after the contract expires, during which the agent/broker will earn a commission if the buyer purchases a property that was introduced by the agent while the agreement was in effect.

- Lastly – and of concern to some people when first asked to sign – the agreement states that in return for exclusive representation, the buyer will owe the agent/broker a commission based on a specified percentage of the price of the property introduced by the agent and ultimately purchased. However, it also instructs and authorizes the agent's spon-

soring broker to collect that commission from the seller – which is how commissions are still paid in virtually all residential transactions in Connecticut.

2. *Buyer agreements are the law.*

- Your agent is not trying to pull a fast one when he or she asks you to sign one. In fact, neglecting to talk to you about buyer representation before showing you properties places your agent in violation of the law.

- Without a signed agreement, your ability to look at properties will be extremely limited. By law, you as a buyer have the option of being an agent/broker's “client” (i.e., with a buyer agreement), or their “customer” (if you choose to sign an “unrepresented persons agreement” instead). You must sign one agreement or the other.

- Agents are free to show *clients* every property on the market, regardless of which brokerage has the listing, because they represent the buyer. But they are permitted to show *customers* only in-house listings, because in this case the agent/broker remains the agent of the seller.

3. *Buyer agency agreements offer benefits to buyers and agents alike.*

- They entitle buyers to be *represented* by agents – instead of just being driven around in their cars while the agents act in the best interest of sellers. That's how it was before 1996, when the Connecticut legislature created buyer agency.

Previously, agents were not permitted to advocate for buyers to bring about the most favorable deal because, technically, they were sub-agents of sellers. Now real estate professionals can work hard on buyers' behalf, because buyer agreements create a fiduciary relationship between agents and their buyer clients. That means that agents must now provide duties such as diligence, loyalty and confidentiality to their buyer clients – as they have always been able to do for sellers.

- Buyer agreements also benefit agents, by helping to safeguard their commissions. Before the existence of buyer agreements, agents could be denied a commission that they had rightfully earned after working for many dozens of

hours on a buyer's behalf because the buyer purchased through another agent – or purchased a “for sale by owner” property without the agent's involvement.

- The legislation that created buyer agency was intended to discourage agents from undermining one another, and to discourage consumers from pitting multiple agents against one another. More importantly, it was intended to elevate buyers' rights in real estate transactions, and to upgrade the perception and practice of real estate agents as professional, valuable counselors in the home buying process.

On a practical basis, buyer agency agreements can have their pros and cons for you as a purchaser. If you sign one with an agent that you like, and you are satisfied with his or her representation, things will likely go smoothly and you will benefit from buyer agency as the law intended.

However, if you find you are not satisfied with your agent, you are still bound by the terms of the agreement that you signed. Unfortunately, you may not sever the contract without the consent of the brokerage company involved. These contracts are enforceable. Sometimes speaking with the manager of the office where your buyer agent works will get you off the hook. In the worst case, entering into agreements with more than one agent could make you liable for multiple commissions at your closing. If you find yourself in such a situation, it's best to consult an attorney.

So choose your agent carefully. If you're not sure you're compatible, it may be best to sign a short-term agreement and then extend it for a longer time after you have some positive experience working together.

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