

**Buyer Representation in Real Estate**

Dianna Wilson Brouthers

Roger Turcotte

CASE STUDY

*The following Case Study applies basic concepts from this course to “real life” situations. Please read the Case Study carefully, then answer the questions and include your comments.*

Chapter 1: Foundations of Buyer Agency

Katarina Witnek used to work in a brokerage that practices disclosed dual agency. Hank Terrapin, a colleague of Katarina at the brokerage, once handled a transaction where one of the brokerage’s buyer clients, Semantic Devices, wanted to purchase the offices of Measurement Access, one of the brokerage’s seller clients. Hank handled and concluded the transaction. The transaction led to a lawsuit by Measurement Access, and Hank was fired.

Now Katarina has formed her own small brokerage agency and is considering practicing exclusive buyer representation. In developing her office policy on agency relationships, she wants to avoid any blanket policy that says certain types of buyers must be represented as clients. One of her experienced colleagues tells her that certain categories of buyers must be represented by a buyer’s agent.

1. If the dual agency relationship established by Hank was illegal, the most likely reason would have been that Hank failed to obtain:
  - a. Exclusive seller agency
  - b. Informed consent of both parties
  - c. Exclusive buyer agency
  - d. Release from listing agreement
  
2. Which type of buyer must be represented by a buyer’s agent?
  - a. First-time buyer
  - b. Investor/Developer
  - c. Buyer who wants to remain anonymous
  - d. Former buyer client

**STUDENT COMMENTS**

*Please provide your comments regarding the basic principle(s) addressed in this case study, and its relevance to the subject matter generally:*

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Chapter 2: Presenting Buyer Agency

Ted Tarosky specializes in representing buyer clients. His method of operation generally is to participate directly in the sale of the seller’s property and receive his fee from the seller and seller’s agent. This method makes it easy to process his fee as part of the transaction. Another reason Ted likes this method is that it allows him to tell his buyer clients that they will receive his services free of charge – a definite competitive advantage.

Ted also likes to compute his fee on an hourly basis. This gives him control of how much he earns, and guarantees his fee even if the transaction falls through. When questioned about the appropriateness of an hourly fee, Ted explains that this is the most common method of computing a buyer agent’s fee.

1. Who is responsible for the buyer agent’s fee?
  - a. Seller
  - b. Seller’s agent
  - c. Buyer
  - d. Listing agent
  
2. The most common method of computing the buyer agent’s fee is:
  - a. Flat fee
  - b. Hourly fee
  - c. Percentage of list price
  - d. Percentage of selling price

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**Chapter 3: Implementing Buyer Agency**

Danielle Brophy is exclusive buyer agent for the Touchstones in their search for a new home in Lafayette, Louisiana. Two weeks ago she received a new listing that perfectly met the Touchstones’ needs and wants, but the listing agent did not offer to compensate a buyer agent. Danielle knows the Touchstones don’t have the resources to pay her fee, so she didn’t inform them of the listing.

Last week Danielle received a listing in which the listing agent does offer to compensate the buyer agent. She called the Touchstones immediately. After viewing the home, they told Danielle they liked the property, but weren’t really satisfied with some of the features and the high price. Danielle told them not to worry – her aggressive negotiation skills would make sure they got the best possible deal.

1. Danielle’s primary responsibility in showing potential properties to the Touchstones is to:
  - a. Advise them whether to make a formal offer on the property
  - b. Protect her buyer agent’s fee
  - c. Assess property’s future market value
  - d. Help them determine whether the property meets their needs and wants
  
2. Which of the following would not be a proper role for Danielle to play in negotiations?
  - a. Encourage the Touchstones to view the negotiations through the eyes of the seller
  - b. Cooperate with seller’s agent to accurately assess property value
  - c. Obtain best deal for the Touchstones by initiating adversarial negotiations
  - d. Discourage the Touchstones from making decisions based on emotions

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Chapter 4: Exercising Due Diligence as a Buyer’s Agent

Real estate agent Cedric Hairston recognizes that the growing popularity of buyer representation in real estate practice has created some unknown risks for buyer agents, so he makes it point to concentrate on his fiduciary duty of reasonable care and diligence. Recently Underground Services, Inc., asked Cedric to represent them in a complicated transaction. Cedric provided all the guidance and information recommended on his due diligence checklist. In addition to assessing Underground Services’ mortgage eligibility and managing the closing process, he was particularly proud of his comprehensive market analysis of the target property and his legal advice to Underground Services about the potential liabilities of their offer to purchase.

Cedric also discovered that Underground Services was mistaken about the length of time needed to maintain transaction records. He explained that the need for a formal paper trail ends when the transaction has closed.

1. Which of the following services normally would not be included in a buyer agent’s due diligence activities?
  - a. Assess buyer’s mortgage eligibility
  - b. Prepare market analysis of target property
  - c. Provide legal information about potential liabilities of offer to purchase
  - d. Manage closing process
  
2. When does the need for a formal paper trail usually end?
  - a. Signing of buyer agency agreement
  - b. Close of transaction
  - c. After a period of time determined by office policy or state statute
  - d. Never

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**Chapter 5: Incorporating Buyer Agency into Existing Real Estate Practice**

Louise DiCarlo has made a career switch from public relations to real estate, specializing in buyer representation. She has used her public relations and communications skills to create a marketing program for her business. She has invested heavily in corporate advertising, particularly newspaper advertising. She also has developed extensive techniques to identify potential buyer clients, such as open houses and homebuyer seminars. She hopes to conduct some personal promotion activities if these other techniques don't work as well as intended.

Despite all of her marketing expertise and efforts, Louise has discovered that some buyer clients are unwilling to agree to her requested fees. She knows that real estate buyers in the past have been accustomed to getting help from agents at no expense. In the face of this reluctance, Louise has begun lowering her fees. She now is finding that she has little money for marketing projects, and consequently she is having trouble competing with other buyer agents.

1. Louise's primary marketing technique should be:
  - a. Personal promotion
  - b. Formal open houses
  - c. Newspaper advertising
  - d. Homebuyer seminars
  
2. When a prospective buyer client is unwilling to pay Louise's requested fee, she should:
  - a. Refuse to work with the buyer
  - b. Agree to the fee the buyer is willing to pay
  - c. Alert other agents about the buyer's reluctance
  - d. Increase the perceived value of the services the buyer will receive

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Chapter 6: Technology for Buyer Agents

Josh Rubin is an experienced real estate practitioner who is beginning to develop expertise in buyer agency. He knows that many business people use computer technology to run the essential functions of their businesses. He has heard that computer technology also is important to the success of real estate practitioners. His younger colleagues tell him that computers will enable him to save time, be more profitable, and provide better client-level service.

He believes them, but he isn't quite sure how this all works. So he has purchased all the latest equipment and spent a great deal of time compiling resources, lists, demographic information, and research. Now that he is buried under all this information, he realizes that he doesn't know what his goals and priorities should be.

1. As a buyer agent, Josh's primary goal should be:
  - a. Matching buyers with properties
  - b. Conducting general market inventories
  - c. Meeting clients' needs
  - d. Obtaining expertise in property inspection
  
2. Josh's most important step in using his new technology to locate potential buyer clients and to analyze the market on their behalf is creation and maintenance of:
  - a. Spreadsheets to assess profitability
  - b. Effective advertising and promotion materials
  - c. Legal and financial forms
  - d. Client databases

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