

## Topic No. 4: The Model Home Trap

Topic objective: To make home buyers aware of their own possible vulnerabilities when subjected to the sales influence of agents at new home developments.

It is so easy to love the agents who work at new home developments. They treat everyone so nice, and they are so willing to help you. Anyone who feels this way toward agents at new home developments needs to ask themselves why the agents are so nice. The answer is, these agents are sales people. They are trained to make buyers feel good. They make most buyers feel so good that they end up trusting them to prepare the contract that will be presented to the seller/builder. For an hour or two of work, preparing a contract for a \$250,000 home, they will most likely earn a commission exceeding \$3,700. What kind of agent wouldn't be nice to a buyer if they could earn that type of money and not have any responsibility to the buyer?

Real estate agents who work at new home development sites have a fiduciary responsibility to the seller/builder, who is their client. While the agent will likely disclose that they represent the seller, there will not be any discussion about how that type of representation affects you, the buyer. Often, that disclosure will not be made until you sit down to prepare a contract. By that time, you may have already disclosed information to the agent that may be detrimental to your best interests. The buyer's real estate agent has a responsibility to forward all information known about a buyer to the seller. These agents will use sales techniques to persuade you to sign a contract while you, by that time, have developed an emotional connection to the home you desire to purchase. It is the agent's duty to protect the builder and to secure as many upgrades as possible to increase the price of the home. The agent has no responsibility to interpret the contract to you or warn you of any additions that should be made to the contract. When it comes time to accept the condition of the completed home, most builders will want to meet with you at the home to do what they call a new home orientation. In this orientation, the builder will attempt to steer the buyer away from doing a thorough walk-through to observe flaws that need to be repaired. As problems surface, you will soon learn that you are on your own with no one to help you.

If problems become major, your only recourse may be to hire an attorney. This need can add significant costs to the home. You also need to be aware that, if you close on the property and have problems afterward that cannot be resolved, it will be difficult to find acceptable resolutions by going through the courts.

While some first-time buyers may believe they can depend on a parent or other older adult to provide needed advice, they would be much better off relying on the services of an exclusive buyer agent. The real estate industry is simply too complex for non-experts to navigate alone.