

Topic No. 3: They Don't Post Warning Signs

Topic objective: To make buyers aware of the pressure and influences they will encounter during the home buying or building process.

There are a variety of ways builders market new homes. Some work in tandem with new home developments marketed by real estate brokers through a display of model homes. Others list homes with agents who make them available on the multi-listing service (MLS) and real estate Web sites. Some builders hire their own sales people. Custom builders advertise in the Yellow Pages and on the Internet. In most major cities, the majority of homes will be sold by real estate brokers who market homes in new home developments. The new home developments become consumer traps, and the sad fact is, most consumers will not even know they have been trapped.

While many states have broker disclosure laws, brokers managing new home developments find ways to comply with the laws and still prevent consumers from learning about buyer agency options. These new home developments, with model homes on display, attract hundreds of people on the weekends and they really are baited traps. A very common practice is for the real estate agents on duty to ask all potential buyers to fill out a card with their name, address, phone number, and buying interests. These cards will have brief information informing the consumer that the agent represents the seller. This information about seller representation is rather meaningless to most consumers because they don't understand the impact of representation or completing the card. Upon the submission of the completed card, the trap has succeeded in obtaining information that may prevent you from enlisting a buyer agent to represent you. You won't find warning signs in any of these developments such as:

DANGER!
ENTER AT YOUR OWN RISK!

CAUTION!
WITHOUT REPRESENTATION, WE ARE NOT RESPONSIBLE FOR YOUR LOSS!

PROCEED WITH CAUTION!
YOU HAVE A LEGAL RIGHT TO EXCLUSIVE BUYER REPRESENTATION!

If you don't know why you should have representation, it is critical to learn why. When an agent who represents the seller is assisting you with the process of buying a home, you need to be aware that the agent has no legal obligation to protect you. All of the legal obligations are to the seller, or in this case, the developer/builder. Most consumers are not aware that they can have an exclusive buyer agent represent them at no extra cost, and that the agent's commission is already built into the cost of the home. This is the case, no matter who represents you.

A home buyer's options may be limited by the action of submitting a signed card that acknowledges the agent is representing the seller. You don't want to hear what the seller's agent will tell you when you inform them you will be back with an exclusive buyer agent to represent you in the purchase of a home. You will be told that you will have to pay for the service because it was their advertising that attracted you to the development. Because of this threat, many consumers will believe the seller's agent and purchase the home directly from the agent without buyer representation. However, an experienced buyer agent, especially an exclusive buyer agent, will know how to require the developer to pay a commission so that you can be represented.

Regardless of who is marketing new homes in the developments, or if you plan to have a builder build a custom home for you, start by securing a buyer agent, preferably an exclusive buyer agent, to represent you before visiting model home developments.