

What are the Nation's Leading Financial Advisors Saying about "Exclusive" Buyer's Brokers?

BUYING A HOME

By Elizabeth Razzi

Exclusive buyer's brokers work only with buyers and don't take listings. They're obliged to help you find the best deals and lowest price." Unfortunately, agency standards have changed so much in the past ten years that real estate agents themselves are likely to be confused about their obligations to buyers and sellers, even though in most places they are supposed to give you a disclosure form explaining your relationship. Bottom line: You don't truly have an advocate in your corner unless you both sign a contract saying so.

Kiplinger's Personal Finance Magazine

HOUSE HUNTING? SAVE BY HIRING YOUR OWN BROKER

By Carla A. Fried

If you ever doubted the value of real estate agents who work solely for home buyers (as opposed to traditional agents who report to sellers, consider this: A recent study by a major US company found that 232 relocating employees who hired buyer's brokers paid an average of 91% of a home's list price. People who use traditional agents typically pay about 96%. On a house originally priced at \$150,000, that's a difference of \$7,500.

Money Magazine

SMART MONEY: A PERSONAL SHOPPER FOR YOUR DREAM HOUSE

By Pam Black

When Sallye and Jim Ryan wanted to move from their Tampa apartment to a three-bedroom home this spring, the busy couple used a buyer broker, Beth Tansey, to help. Within a week, they had bid on the house they now own. Sallye liked being able to delegate the house-hunting. "With both my husband and me working, it was a lot easier," she says. "I don't think I would have found this house that I really love without her. There are so many homes for sale here, I would probably still be looking."

Because Tansey is a buyer broker, who exclusively represents the home buyer's interests, the Ryan's trusted her to find the best deal on a house that suited their needs. By contrast, a traditional real state broker is legally bound to work for the seller who pays the commission and therefore may be more intent on selling listed homes than finding your dream house. Even Realtors who don't hold the listing on a given house act as subagents to the seller. So unless a broker says that he or she is working for you -- brokers are now legally obliged to disclose who they represent -- you can assume the broker is working for the seller. Such agents must pass on information such as the buyer's income to the seller, who then has a better idea of what price to hold out for.

Because these brokers are obliged to get buyers the best deal possible, they approach houses with a critical eye for apparent flaws. You'll still need an inspector to uncover hidden defects, however. Buyer brokers also show properties sold by the owner, which can be cheaper because the only commission is what you agree to pay your broker. Sellers' agents usually won't show these homes because they don't make commissions on them.

Brokers representing buyers should also appraise the value of the house, negotiate the price, and pre-qualify you for a mortgage, sometimes at a better rate. Buyers' Agent brokers, for instance, narrow mortgage bids from 15 lenders nationwide to the three best offers -- and then get those three to re-bid.

"A well-trained, experienced buyer broker is a great asset," says Peter Miller, author of How to Sell Your Home in Any Market (\$12, Harper Perennial) and other real estate guides. "You won't do any worse, and you may do a lot better."

Usually, the buyer broker splits the sales commission with the seller's agent, just as a subagent who didn't have the listing would with the broker who did. So the fee still comes out of the sale price. Some people might assume that buyers' agents have an incentive to keep the price high. But again, the broker must get you the best deal. "In my experience, all of them do," says Stephen Brobeck, executive director of the Consumer Federation of America.

A conflict of interest is more likely when a real estate firm that represents sellers assigns you one of its brokers as a buyer agent. That's why many people believe an "exclusive" buyer broker is preferable. If there aren't any in your area and you have to use a listing broker, "make sure they disclose when they are showing you properties they have a financial interest in," says Brobeck.

Business Week