



GRADUATE,
REALTOR®
INSTITUTE

GRI 403

Working More Effectively
with Buyers

TREEF
TENNESSEE
REAL ESTATE
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TREEF

T E N N E S S E E
R E A L E S T A T E
E D U C A T I O N
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The material contained within this course, including this handout, was developed exclusively for the Tennessee Real Estate Educational Foundation, LLC. (TREEF) in cooperation with Tennessee REALTORS®. The material is for the sole use of course instructors approved by the Tennessee Real Estate Commission and TREEF. Any unauthorized use is strictly prohibited.

Course Introduction

This one-day course will cover the full range of know-how needed to serve buyers more productively and effectively, such as: working with new buyers, counseling them effectively, handling and negotiating offers to purchase, helping buyers secure financing, and getting them through the home inspection, repairs, and settlement procedures.

GRI 403 Learning Objectives

Upon completion of this course, participants will be able to:

1. Give examples of the services buyers expect and value from their agents, according to NAR research.
2. Recognize how to apply target marketing principles to your identification of buyer-client prospects.
3. Explain buyer agency and types of representation possible under TN law.
4. Recognize effective ways to counsel buyers and the consequences of giving advice without evidence.
5. Resolve problem situations – encountered when working with and/or representing buyers – more effectively..

Course Content

- Part 1 Reaching Today's Buyers**

- Part 2 Understanding Buyer's Responsibilities**

- Part 3 Working With and Representing Buyers**

- Part 4 Case Studies**

Part 1: Reaching Today's Buyers

Who are today's consumers?

According to NAR's 2019 Profile of Home Buyers and Sellers:

First-time buyers made up 33 percent of all home buyers, holding steady from last year's 33 percent.

The typical buyer was 47 years old this year, and the median household income for 2018 rose again this year to \$93,200.

Sixty-one percent of recent buyers were married couples, 17 percent were single females, nine percent were single males, and nine percent were unmarried couples.

Twelve percent of home buyers purchased a multigenerational home, to take care of aging parents, because of children over the age of 18 moving back home, and for cost-savings.

Ninety-one percent of recent home buyers identified as heterosexual, three percent as gay or lesbian, one percent as bisexual, and five percent preferred not to answer.

Twenty percent of recent home buyers were veterans and three percent were active-duty service members. At 29 percent, the primary reason for purchasing a home was the desire to own a home of their own.

Today's Internet-Savvy Culture

Unarguably, the single biggest influence on today's consumer culture is the Internet and technology. It has changed the way we do business, find information and interact with one another.

In more recent years, changes have focused on making access to the internet easier and more mobile. What we could once do from a desktop computer we now do from a laptop, mini-computer or smart phone. Consumers have been the driving force behind these advances; they demand user-friendly, mobile technology to make every task easier and more efficient – including finding a REALTOR®, searching for a home to purchase, or listing a home for sale.

The growth of the Internet has provided consumers with greater access to the marketplace than ever before. You could even argue that the term *consumer* is outdated – we've moved far beyond simply consuming to being active participants in the development of the new marketplace. And service industries such as real estate have perhaps felt this shift more pronouncedly than others.

So, what do these changes mean for you when it comes to reaching out to consumers?

- **Consumers demand more.** Greater access and influence in the new marketplace has resulted in higher expectations of consumers when it comes to choosing products and services.
- **Consumers are more tech-savvy.** To provide a higher level of service, you should know more and be able to do more; clients don't want to pay you for services (like searching online for homes) they can do themselves.
- **Consumers have more influence than ever before within their own social circles.** The growth of online social networks and other tech-based communication tools means consumers are in more frequent contact with the people they know.

Where buyer found the home they purchased:

- Internet: 44%
- Real estate agent: 33%
- Yard sign/open house sign: 9%
- Friend, relative or neighbor: 6%
- Home builder or their agent: 6%
- Directly from sellers/Knew the sellers: 2%
- Print newspaper advertisement: 1%

Source: 2016 National Association of REALTORS® Profile of Home Buyers and Sellers

What is a Multiple Listing Service MLS?

The MLS is a tool to help listing brokers find cooperative brokers working with buyers to help sell their clients' homes. Without the collaborative incentive of the existing MLS, brokers would create their own separate systems of cooperation, fragmenting rather than consolidating property information.

MLSs are a powerful force for competition. They level the playing field so that the smallest brokerage in town can compete with the biggest multi-state firm. Buyers and sellers can work with the professional of their choice, confident that they have access to the largest pool of properties for sale in the marketplace.

Real estate information on the Internet is readily available. Consumers can access and view all publicly available listing information on the Web site of their broker of choice.

MLSs are private databases that are created, maintained and paid for by real estate professionals to help their clients buy and sell property. In most cases, access to information from MLS listings is provided to the public free-of-charge by participating brokers. Data that is not publicly accessible includes information that would endanger sellers' privacy or safety, such as seller contact information and times the home is vacant for showings.

What is Realtor.com?

Move, Inc., operates the realtor.com® website and mobile experiences, which provide buyers, sellers and renters of homes with the information, tools and professional expertise they need to discover and create their perfect home.

What is Zillow and a Zestimate®?

Zillow launched in 2006 Zillow and is a living database of more than 110 million U.S. homes - including homes for sale, homes for rent and homes not currently on the market, as well as Zestimate home values, Rent Zestimates and other home-related information

Zillow's estimated market value, computed using a proprietary formula. It is not an appraisal. It is a starting point in determining a home's value. The Zestimate is calculated from public and user submitted data; your real estate agent or appraiser physically inspects the home and takes special features, location, and market conditions into account.

What is RPR?

RPR was created by NAR for the sole purpose of providing REALTORS® with the comprehensive data, powerful analytics, and client-friendly reports for each of NAR's constituencies to meet the demands of clients.

Reaching Consumers in a Target Market

Why is it important to identify a target market?

Different segments of consumers have different needs and concerns when it comes to the decision to buy or sell a home. By identifying a target market, you can concentrate your marketing efforts on providing information and services most relevant to those consumers.

It's important to note that the recent changes in the economy have had a significant impact on the characteristics and concerns of virtually every target market. The impact of the economic downturn has been much greater in some areas than in others. You should always be mindful of the current economic conditions in your local market and consider how these conditions affect your target consumers.

Examples of Target Markets

Segmentation of target markets often varies depending on the type of area in which you practice. For example, larger metropolitan areas are generally more prone to sprawl, which has resulted in more practitioners who specialize in a specific area of town; in areas with a higher concentration of retirees, you might find more practitioners targeting seniors.

Regardless of location, certain target markets are fairly constant. Examples include:

- First-time buyers
- Investors/rental properties
- New construction home sales
- Vacant land sales
- Seniors
- Luxury/high-end properties

Types of Target Markets

Geographic: i.e., the practice of geographic farming, targeting a certain area or neighborhood and building expertise based on specializing in a certain location. *Example:* Targeting a developing area of town by familiarizing yourself with the subdivisions, school district, expansion plans, developments, etc. can help you build expertise for potential buyers.

Demographic: targeting a certain segment of the population, whether age, gender, ethnic origin, etc. *Example:* Employing certain marketing techniques (i.e. blood pressure checks, identity theft education) that appeal specifically to seniors.

Psychographic: targeting a certain behavior or lifestyle. *Example:* The growing trend in energy-saving features has created a target market of buyers and sellers of “green” homes.

Demographics explain “who” your buyer is, while **psychographics** explain “why” they buy.

Examples of specific concerns and consideration for target markets:

- **First-time buyers:** first-time buyers are generally unfamiliar with the buying process. They may require detailed information and guidance on the terms contained in an offer, the steps in obtaining financing, the inspection process and what to expect at closing. New incentives exist for first-time buyers; the terms of these incentives can be confusing, so buyers may need guidance on how to qualify. It’s a good idea to familiarize first-time buyers with the variety of incentives available for different types of loans so they’ll be prepared when they meet with a lender.
- **Vacation home buyers:** buyers of vacation properties have different concerns than buyers of properties which serve as a primary residence. They may be more interested in information regarding area amenities, access to outdoor activities and the local rental market.

When Your Buyer Wants to Make an Offer

Excerpts from "Do You Have a Minute? An Award-Winning Real Estate Managing Broker Reveals Keys for Industry Success" by John M. Giffen ©2018, 2020.

Your buyer is excited to submit an offer to buy the perfect home they believe meets all of their wants and needs.

An offer contains more than just the price the buyer is willing to pay. It must contain contingencies and specific dates for inspections, financing, dates for closing and possession, as well as other special stipulations. As your buyer's representative, you can ensure the terms and conditions of the Purchase and Sale Agreement and subsequent counteroffers will protect their interests.

A real estate transaction is very similar to a marriage. A "marriage" to a home starts with a "proposal" by the buyer — the offer to purchase. If all goes well, the proposal the buyer makes will be accepted, and the legal "marriage" to the property will consummate at the closing table. The one difference in this analogy is that any promise made orally, as in the traditional vows recited at a real wedding, is not enforceable in the sale of real property. In most states, all offers must be in writing to be enforceable.

Once an offer is made to the seller, it can be accepted, rejected, or countered. If an offer is countered, the counteroffer constitutes a rejection of the previous offer. Additionally, a party cannot extend the time limit of a counteroffer, have it rejected, and then attempt to accept the original offer. If a party rejects an offer outright, it needs to be noted in writing, signed, dated, and returned to the offeror.

Writing an offer on a single-family home or a parcel of land requires a level of particular know-how and forethought on your part. You must have all the specifics and details before you write the offer, including the prices of comparable properties in the area, the financing your buyer must obtain to purchase the home, and the timeframe needed to close on the house.

The 15 Major Components of an Offer

1. Names of the parties to the contract
2. Legal descriptions
3. Items to remain with the property
4. Items not to remain with the property
5. Leased items
6. Purchase price
7. Earnest money deposit
8. Financing
9. Appraisal contingency
10. Inspections
11. Closing expenses / title expenses
12. Closing date and possession of the property
13. Special stipulations
14. Other exhibits, addenda, etc.
15. Time limit of the offer

Multiple Offers

In a market with a low supply of properties and a large number of buyers, it's highly likely a buyer client's offer will be one of many on a desirable property. This experience will probably happen more than once in the home-finding process.

Buyers become frustrated when they finally find their dream home only to discover the offer they make on the house is one of many the seller will receive from other eager buyers. Multiple-offer situations will result in offers way over the purchase price and with few to no contingencies. It becomes a very competitive environment for everyone involved. The thought of a buyer "getting a deal" is thrown out the window.

Keep in mind these key points when working in a multiple-offer scenario:

- The existence of multiple offers should only be disclosed with the seller's consent, according to the Standard of Practice of the REALTOR® Code of Ethics.
- The seller alone determines whether one or more of the prospective buyers will be informed that there are multiple offers on the property.
- Sellers who elect to disclose multiple offers risk a buyer walking away from a possible "bidding war."
- Alternatively, sellers may elect to leverage the existence of multiple offers to get the best price and terms.
- Escalation clauses may appear on a submitted offer. An escalation clause states that a buyer is willing to outbid any other offers on a home by a certain amount, up to a capped price.

Before You Write an Offer

1. Make sure an agency relationship with your buyer has been established through a signed, exclusive buyer representation agreement. Also, prepare a written confirmation of this agency so it can be disclosed to the other party in the transaction.
2. Read all property disclosures carefully with your client, including the property condition disclosure, lead-based paint, and septic disclosures.
3. Ask your client's lender to provide you with a pre-approval letter you can submit with the offer. The lender may also be able to give you a loan estimate containing closing costs and pre-paid items.
4. As the buyer's agent, you should prepare a compensation agreement that can be sent to the cooperating broker/agent before the submission of an offer.
5. Review all of the offer paperwork to ensure it is correct and complete.

As a buyer's agent, you must correctly shepherd the offer process for your client. You and your buyer need to carefully think through the offer before you write it. It's absolutely crucial that you know and understand real estate contract language backward and forward. You must be knowledgeable in the terms and conditions in the Purchase and Sale Agreement and their impact on the performance of the parties. This also includes knowing all the other supporting documentation involved in the transaction.

Be prepared to negotiate and maximize your selling skills when a seller counters your offer. As a real estate professional, your negotiation expertise is an essential part of the offer and counteroffer process.

The Generations Defined

The Millennial Generation

Born: 1981 to 1997

Age of adults in 2015: 18 to 34*

Generation X

Born: 1965 to 1980

Age in 2015: 35 to 50

The Baby Boom Generation

Born: 1946 to 1964

Age in 2015: 51 to 69

The Silent Generation

Born: 1928 to 1945

Age in 2015: 70 to 87

The Greatest Generation

Born: Before 1928

Age in 2015: 88 to 100

* No chronological end point has been set for this group. For the purpose of following a cleanly defined group, Millennials are defined as those ages 18 to 34 in 2015.

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Working with Generational Segments

Generation	Characteristics and Communication Styles:	Preferences:	Expectations:
Baby Boomers (born 1946-1964)	<ul style="list-style-type: none"> • “It’s all about me” • Willing to take time to make decisions • Traditionally big spenders, many boomers have taken a significant hit to their retirement investments and may be less likely to spend. • May fail to articulate specific expectations • May be supporting children <i>and</i> aging parents • Internet-savvy • May speak more “formally,” traditional as opposed to “casual” communicators. Generally not multi-taskers, will focus on conversation 	<ul style="list-style-type: none"> • Luxury features, upgrades • Brands that convey status • Larger homes • Affluent neighborhoods • Access to activities Second homes, vacation homes • Homes suited for entertaining 	<ul style="list-style-type: none"> • Quality • Expertise • Attention to detail • Quick response
Gen X (born 1965-1980)	<ul style="list-style-type: none"> • Entrepreneurial • Internet- savvy • Well- researched • Quick-deciders • Influenced by friends and family • Casual communicators, interested in the “bottom line” • Multi-taskers, may be less focused on conversation Communicate primarily by email, some phone, some text messaging 	<ul style="list-style-type: none"> • Close-knit communities • Open floor plans • Large kitchens • Family homes • Practical, usable space • Pre-wired homes • “Green” features 	<ul style="list-style-type: none"> • Immediate response • Advanced negotiation skills • Expertise • Well-informed

<p>Millennials Gen Y (born 1981-1999)</p>	<ul style="list-style-type: none"> • Always “connected” • Skeptical of traditional marketing • Less loyal • Most are first-time buyers • Social network users • Extreme multi-taskers, “instant” communicators • Rely heavily on text and web messaging • May juggle different means of communication simultaneously • Rarely need face-to-face meetings 	<ul style="list-style-type: none"> • Resist “cookie-cutter” homes • Unique features • Diverse communities • Proximity to entertainment, social hubs • Renovations, luxury features 	<ul style="list-style-type: none"> • Immediate response • Non-traditional means of finding properties <i>and</i> agents • Quick transaction time
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Part 2: Understanding Buyer's Responsibilities

Agency Definitions

Broker – the term “Broker” shall mean a licensed Tennessee real estate broker or brokerage firm and where the context would indicate, the Broker’s affiliated licensees, including but not limited to the Designated Agent.

Designated Agent for the Buyer – the individual licensee that has been assigned by the Managing Broker and is working as an agent for the Buyer in this consumer’s prospective transaction, to the exclusion of all other licensees in his/her company. Even if someone else in the licensee’s company represents a Seller of a prospective property, the Designated Agent for the Buyer will continue to work as an advocate for the best interests of the Buyer. An Agency relationship, by law, can only be established by a written agency relationship.

Facilitator/Transaction Broker (not an agent for either party) – The licensee is not working as an agent for either party in this consumer’s prospective transaction. A Facilitator may advise either or both of the parties to a transaction but cannot be considered a representative or advocate of either party. By law, any licensee or company who has not entered into a written agency agreement with either party in the transaction is considered a Facilitator or Transaction Broker until such time as an agency agreement is established.

Buyer Representation Agreements

In order to establish an agency relationship – one that makes your buyer-*customer* a buyer-*client* – you’ll need a signed agency agreement. This is NOT the same thing as an agency disclosure. The agency agreement establishes a legal agency relationship between you and your client.

When should you execute a buyer agency agreement? As soon as possible. It’s always a good idea to execute the agency agreement before showing properties if at all possible. This way, you can comfortably refer to the buyers as your clients when contacting listing agents and avoid confusion and any potential conflicts of interest.

What is your company’s policy on buyer’s agency?

You should provide all new buyers with a summary of how agency works in Tennessee. TAR has developed a brochure for distribution to consumers explaining the ins and outs of agency relationships in Tennessee.

For buyers: *See Appendix*

For sellers: *See Appendix*

Note: For REALTORS®, a full, easy-to-read explanation of agency relationships and how they are governed under Tennessee law can be found in the Appendix.

Your Role as a Buyer's Agent

When asking a buyer to sign an agency agreement with you, you may encounter objections if you haven't fully explained your role as a buyer's agent and the benefits you offer. Because buyers can now search the MLS for homes using the Internet, they may perceive less value in the services you offer; part of "courting" buyers is to make them aware of ALL the benefits you offer beyond simply locating properties.

Property Issues

It's unlikely the average buyer knows how to research property issues beyond what is advertised in the MLS. You can find detailed information on permits and zoning, in addition to locating qualified inspectors to investigate potential property defects which may not be apparent.

Pricing

Because you have access to recent comps and experience pricing properties, you can determine whether or not a property is priced fairly. Also, you can make recommendations on when to offer less than the asking price – and when a property is priced under market value.

Neighborhood Information

Because of your experience and familiarity with various neighborhoods, you can offer advice on whether a certain neighborhood is becoming more or less desirable. You can also advise buyer clients on the impact of any planned changes affecting the neighborhood, such as new shopping center or highway construction.

Negotiation

Most buyers recognize that REALTORS® are better equipped to negotiate a fair purchase price, due to their experience and knowledge of the market. Also, REALTORS® can often negotiate more favorable terms for buyers beyond price, including terms buyers might not realize are negotiable.

Forms

REALTORS® offer extensive experience executing complicated forms and contracts associated with a given transaction. You can explain the implications of anything the buyer is asked to sign – before they sign it. In cases where a buyer has specific concerns, needing to sell a current home, you can help them execute the appropriate addenda to ensure their interests are protected.

Problems with a Transaction

Any number of problems can arise before, during or after a given transaction. You can help buyers navigate problems if they arise, including property defects discovered, title issues, financing, earnest money disputes, etc.

How do you share this information with buyers?

In Person

Any information you share with buyers will have more impact when shared in person.

Written Marketing Materials

It's a good idea to provide buyers with a written run-down of the services you provide. This can be especially helpful with visually-oriented consumers. You can create a simple one-page document or brochure, outlining the benefits of hiring you if your company doesn't already provide one.

Your Website

Your website is an ideal place to provide information to buyers, including the benefits of hiring you. Beyond simply posting marketing pieces, you can provide helpful resources for buyers including information on the purchase process, questions to ask a lender, and area information and resources.

Your Blog

Short blog posts are a great way to share information about your services. Consumers are especially attracted to lists, so it can increase readership if you frame the information you provide in a list, i.e. "Top 5 Questions to Ask Your Lender" or "10 Qualities to Look For in a REALTOR®."

Video Clips

Using short video clips on your website is a great way to personalize information.

Great example online: <https://www.youtube.com/user/leighbrownremax>

Part 3: Working With and Representing Buyers

Today's Buyers

The most effective way to serve buyers in your local market is to familiarize yourself with the factors that most significantly influence their behavior. Like most of us, buyers are generally most concerned with factors that have a personal impact on daily life. In real estate, prospective buyers are most heavily influenced by market conditions they perceive as favorable to their position.

The real estate market is cyclical in nature; conditions can change rapidly due to local market activity, interest rate movement, unemployment rates, property values and a variety of local and national economic factors. To achieve long-term success, you must develop a strategy to provide benefits to buyers in any market regardless of the market conditions.

Top Concerns: Today's Buyers

Today's buyers have a number of concerns when it comes to making the decision to purchase a home. Buyers are faced with more choices. With tightening requirements for financing, the process of qualifying is more complicated than in previous years. Many buyers are still uncertain whether it's the right time to buy.

What are the top concerns of today's buyers?

Financing

Many buyers are uncertain whether they can qualify under the stricter requirements of most lenders. However, a number of programs and incentives are in place for buyers, especially first-time buyers.

Timing

Buyers in some markets are staying on the fence, waiting to see if prices will drop further. However, market forecasts are not predicting any significant further reduction in prices. In fact, some markets are beginning to see an increase in sales, the first sign of recovery and inventory reduction.

Choices

Buyers have more choices, due to increased inventory in most markets. Foreclosures and short sales have offered new opportunities for qualified buyers, although these transactions can be slower and more complicated than traditional purchases.

Existing Homes

Buyers who are seeking to take advantage of low prices to purchase larger homes face uncertainty in selling existing homes. This is especially true for buyers relocating from distressed markets where sales remain flat.

Job Market

Even financially secure buyers face uncertainty in the job market. It's a good idea for all buyers to have a six- to nine-month emergency fund established before purchasing a home so they'll be able to continue making payments if they lose their job.

Addressing Concerns for Today's Buyers

Given the concerns of today's buyers, what type of information can you offer to help buyers decide whether it's the right time to purchase?

- **Financing Programs Available**
Provide buyers with information on what types of programs and tax incentives are available to assist them in purchasing a home. It's a good idea to develop a relationship with an area lender who can keep you informed about requirements for financing programs.
- **Area Pricing and Inventory**
You can share information about area pricing and inventory to help buyers stay informed of changes in the local market. Helping buyers identify trends in the local market can help them determine the best time to buy.
- **Benefits of Homeownership**
In any market, there are significant benefits to homeownership. You should always include information on tax advantages and other benefits of homeownership as part of your marketing efforts.
- **Interest Rate Movement**
Buyers should be aware of movement in interest rates. When interest rates are on the rise, it may be a good time for buyers to lock in a fixed-rate mortgage.

Marketing in the Cyclical Market

Market	Signs	Buyer Concerns	Benefit Marketing
Growing Market, Sellers' Market, Expanding Market	<ul style="list-style-type: none"> • Low inventory • Increased construction • Absence of offered incentives • Increasing prices • Above-Average appreciation rates • Rising interest rates • New job creation • Rising rents 	<ul style="list-style-type: none"> • "Losing" a property • Hitting a certain price point • Obtaining financing • Multiple offer situations 	<p><i>Examples:</i></p> <ul style="list-style-type: none"> • Negotiation skills • Market knowledge • Access to fresh listings • Possible knowledge of properties not yet listed
Slowing Market, Buyers' Market, Contracting Market	<ul style="list-style-type: none"> • High inventory • Slowdown of new construction • Offered incentives for buyers • Decreasing prices • Decreasing interest rates • Company downsizing • Lower rents 	<ul style="list-style-type: none"> • Taking advantage of incentives • Getting the lowest price • Getting the best interest rate • Property condition • Appreciation and/or condition of neighboring homes 	<p><i>Examples:</i></p> <ul style="list-style-type: none"> • Negotiation skills • Market knowledge • Affiliations with related service providers • Contract expertise
Transitional Market, Stagnant Market, Leveling Market	<ul style="list-style-type: none"> • Modest inventory movement • Low to modest appreciation • Low new job creation • Low interest rate fluctuation OR a brief period of interest rate adjustment 	<ul style="list-style-type: none"> • Finding the right time to buy • Investment strategies • Maximizing their buying dollars • Immediate market forecasts 	<ul style="list-style-type: none"> • Overall market knowledge and experience • Finding the "hot" deals • Identifying appreciating or growing areas • Negotiating incentives and concessions

The Influence of the Internet on Today's Buyers

"People used to find houses through us, now people find us through houses."
~Allan Dalton, former President of Realtor.com

According to the 2012 Profile of Home Buyers and Sellers:

- For 41 percent of home buyers, the first step in the home-buying process was looking online for properties, and 11 percent of home buyers first looked online for information about the home buying process.
- The use of the Internet in the home search rose slightly to 90 percent, and for buyers under the age of 44 this share increased to 96 percent.

One significant factor influencing buyer expectations is the **response time of agents**. According to an article on Inman News (citing information gathered from the California Association of REALTORS®):

- **67%** of Internet buyers selected their agent because he/she was the first to respond to their inquiry or was the most responsive.
- **86%** of Internet buyers said the agent's response time was either "extremely important" or "very important" when they decided which agent to use.
- **23%** of Internet buyers expected their agent to respond instantly (compared with 0 percent expectation of traditional buyers). Forty-four percent of Internet buyers expect an agent to respond in 30 minutes (compared with 3 percent expectation of traditional buyers). Sixty-seven percent of Internet buyers expected their agent to respond within four hours. [Source: <http://www.inman.com/opinion/guest-perspective/2007/02/3/change-coming-in-online-real-estate-leads>]

Qualifying Buyers

Your initial meetings with prospective buyers should be used to questions which reveal the buyer's motivation, urgency and ability to buy.

You can prepare to counsel buyers by researching data and information in your local market. Being aware of current buyer statistics can help you meet the challenges of today's market. Examples of statistics you should review monthly include:

- Length of time buyers look
- Length of time to obtain financing
- Length of time to make a decision
- Local interest rate movement
- Local inventory: how many homes on the market? Average sale price? Average number of days on the market?

Good sources for this information are your company (depending on its size), your local and state REALTOR® associations, area MLS and local lenders. Regional statistics are available through

NAR's website, www.realtor.org.

Being able to interpret this data can help you *prepare prospective buyers for what to expect*. For example, when homes are sitting on the market more than 60-90 days, buyers have more leverage in negotiating price and terms.

Knowing how to present this information to prospective buyers is an important skill. **Concentrate on the positive** – what advantages exist for buyers in the local market? By presenting the existing data in a positive way, you can help buyers recognize available benefits while also allowing them to *set realistic expectations*.

The more experience you have, the more effectively you'll be able to present information to prospective buyers. For each point you discuss with buyers, include a benefit you offer to add value to that aspect of the purchase process.

Buyer CMAs

Using a comparable market analysis (CMA) is standard practice when listing a property. However, CMAs play an important role in preparing buyers for the property selection process as well. **A properly prepared CMA can:**

- Aid buyers in setting realistic expectations
- Educate buyers on current market trends – not what sold two years ago at that price but *what sold last month*
- Add value – you have access to up-to-date information the buyer does not
- Clarify expectations – seeing the data for themselves may prompt buyers to re-evaluate their priorities

Previewing Properties

A significant benefit you offer is your ability to preview properties. Not only is it a good way for you to stay on top of the local inventory, you can also qualify and disqualify properties before spending your client's valuable time. When previewing properties, the following are important things to look for:

- Obvious damage to the property
- Neglected property condition/landscaping
- Outdated interior features
- Cosmetic issues
- "Extra" upgrades, luxury features not advertised (make sure to verify they'll remain with the property)
- Significantly over- or underpriced properties
- Neighborhood conditions – high- or low-demand areas

Virtual tours and video tours now allow you to preview properties *with* your prospective buyers. Take advantage of this opportunity whenever possible; viewing videos and still photos online beforehand can save time and give you a chance to gage the buyer's reaction to property features and characteristics.

Summary

The key to selecting properties is to stick to the wants and needs of the buyer as established in

the counseling session. Be thorough in checking traditional as well as alternative sources. For every property selected, ask yourself:

- Does this property have the basic necessities my buyer is looking for?
- Is the property in my buyer's price range?
- Are there any major drawbacks (i.e. needed repairs) to consider?
- Does this property offer any of the additional features my buyer discussed?
- Does this property seem to offer the "lifestyle benefits" my buyer described?

Summary Discussion

How does the Internet shape buyer perceptions of local market conditions? And how do YOU respond to these concerns?

- *Can you give some examples of how the Internet influences buyer behavior?*
- *In what situations would you use a Buyer CMA?*
- *In what situations would you NOT use a Buyer CMA?*
- *What type of information would you include for a 30-year-old first-time homebuyer?*
- *How would you describe local market conditions for your specific area to interested buyers?*

Part 4: Case Studies

Problem Situations

Case Study 1: FSBO

Your client wants to look at a FSBO. You call to see if they will “co-op”. The seller says they will only pay ½%. What are your options? What are your options if you have an Exclusive Buyers Agency? What are your options if you have a Non-exclusive Agency Agreement?

Case Study 2: Flooding

Mitch Bradley took over his father’s building company when he retired. He’d been in the business all his life, even remembered his dad holding his 4-year-old hand as he drove in his first nail. Mitch prided himself on always being thorough and never missing the details.

Diego and Alicia Romirez were ready to start a family. Diego was a pediatrician who had just finished his residency and was setting up a group practice with two other doctors in the area. The practice was located across town from where Diego and Alicia lived, so they decided to look for a house closer to his new office. They called Sharon Getz, who they found on the Web, to represent them.

Sharon showed the Romirezes numerous houses over the next few weeks. Knowing how hard it would be to move again after they had kids, they wanted to take the time to find the perfect house. Sharon didn’t mind spending time with the couple; Diego was a character, always ready with a joke and Alicia was soft-spoken and kind, sometimes reminding Sharon of her mother. They began to develop a friendship as they searched for a house.

About a month into looking, Sharon showed the couple a newly constructed home, built by Mitch’s company. It was beautiful, complete with a picket fence and four spacious bedrooms. The neighborhood was picture-perfect, with tricycles and basketball goals dotting the yards. There was even a small creek that ran along the back property line of the house.

Diego told Sharon they wanted to make an offer. Coming in just \$1,000 below the list price, Mitch accepted right away. The closing date was set for 30 days later. Diego and Alicia were excited and began to shop for furniture the next day.

Sharon explained to the couple that because Mitch was a builder who had never actually lived in the house, he was exempt from filling out a Tennessee Residential Property Condition Disclosure. She warned Diego and Alicia to inspect the property carefully for anything that might be problematic before closing.

They made several walk-throughs but didn’t see anything worrisome.

Before closing, Diego asked Sharon about the small creek in the back. He wanted to know if there had been a problem with flooding. Sharon checked into flood insurance and confirmed that the property wasn't in a FEMA recognized flood zone.

The closing went smoothly and a week later, Diego and Alicia were all moved in. Three days after they moved in, the little creek in the back flooded. The water came all the way up to their rear deck. The couple was furious.

When Diego got Sharon on the phone, all thoughts of friendship were forgotten. He was very angry, demanding to know why Sharon hadn't been more thorough in checking into the possibility of flooding. He yelled at Sharon that he never would've bought the house if he'd known there was a water problem.

What would you do as the agent in Case Study 1?

How would you characterize the positions of the various parties if the Buyer sues?

As an agent for the buyer, what do you do before closing to ensure that your client is protected in the event of an unforeseeable problem occurring after closing?

Case Study 3: Disclosure

As a REALTOR®, you make representations every day. Not only do you make representations about who you are, what you do, and what you know; you also make representations about the properties you list and those you show. How important are the representations you make?

When you advertise, how careful are you in the words you choose? Are you liable for the representations you make in advertisements? You should have a clear understanding of what you're protected against. How familiar are you with your Errors and Omissions policy? What exactly is covered and what isn't?

Once a TRPCD form is signed by a prospective buyer, is there any recourse for a problem disclosed in the form if a repair isn't requested at the time of purchase? By signing/initialing the form, have they taken responsibility for solving any existing problems?

Think about how you advise your clients about the various forms they must review. How carefully do you think buyers read these forms? What are your responsibilities as they relate to a buyer's awareness of problems disclosed in the paperwork?

Consider these issues as you read the following case study.

Case Study 4: Commission

Lisa has been a great real estate agent for years. She was proud that her clients consistently referred additional clients to her. Jim and Judy were referred to her by another client. They are looking for a very specific type of home.

After looking for a couple of days, Lisa realizes that what they are looking for may be Lisa's own personal house (which she is getting ready to put on the market- but has not done so just yet).

Lisa explains all this and shares with them. The couples is excited to see the house. Lisa quotes a price based on the house not being on the market and they love it.

They go to their jobs the next day telling all their co-workers about this fabulous house and how it came about. The co-workers are excited for them. One of the co-workers says they have a friend in real estate and Jim and Judy should call their agent so they can be represented by another agent in the transaction.

Jim and Judy call Lisa the next day and let her know they want the house and that their agent is going to be sending an offer to her on their behalf.

What to do? What happens with the commission?

Case Study 5: A Plumbing 4 Disaster

When Stan Cohen bought the house on Hollowneck Road, his mother tried to talk him out of it. She'd watched him take on projects before that ended up being more than he could handle. He insisted, though, that he was fully capable of making all the repairs the house needed. He had been in construction all his adult life, he pointed out.

Stan's mother, Miranda Sparks, was less confident. She had no doubt that the house, fully renovated, would bring a pretty penny. She'd been a REALTOR® for 11 years and she knew the area was hot. She just didn't like the idea of Stan investing his whole savings in the house. She constantly reminded him that anything could go wrong and he could lose it all.

Six months after Stan bought the house, he called his mother to list it for sale. He'd been living in the house while doing the work and he told Miranda everything was in tip-top condition. The only downside, he said, was that the work ended up being so much more expensive than he thought. To begin with, the price of materials had gone up. Also, once he got started, he kept finding more things that needed to be repaired.

After six months, Stan's savings had dried up and he was ready to unload the house. Miranda, wanting to get as much as possible for him after all his hard work, had flyers printed up advertising the renovations and the new plumbing he'd installed.

Evelyn and Tony Corday were recently married. Tony's job required him to travel extensively, so Evelyn took charge of finding them a new house. She contacted Sharon and signed an Exclusive Buyer Representation Agreement with her.

Sharon showed Evelyn several houses over the following week. Evelyn was anticipating a visit from her relatives in less than two months and wanted to be moved into a new house when they came. She happened to spot one of Miranda's flyers and asked Sharon to show her the house on Hollowneck Road.

After seeing the house, Evelyn and Sharon discussed the offer, with Tony on speakerphone. Stan accepted the offer as soon as Miranda presented it and a closing date was set. Evelyn immediately started making arrangements for the move and buying things for the new house.

Shortly after closing on the house, the basement flooded. Tony told Evelyn to call the warranty company and have them send out a plumber. When the plumber arrived, he told her that the plumbing wasn't properly installed and it didn't meet the requirements of the building code. He also told her it was obvious the basement had flooded before. The warranty company wouldn't pay for a pre-existing condition.

Evelyn was furious. She immediately contacted Sharon. As it turned out, Sharon had forgotten to get a copy of the Tennessee Residential Property Condition Disclosure form. Nevertheless, the form didn't reveal the flooding problem.

If you were Sharon, what would you have done differently? What advice would you give Stan, if you were Miranda?

Do you follow any guidelines for your advertising?

What advice would you offer new Realtors® on advertising?

Also, how do you stay organized in a rushed transaction like Sharon's?

Appendix

- **RF141 Exclusive Buyer Representation Agreement (Designated Agency)**
- **RF303 Notification of Change in Agency Status or Agency Relationship**
- **RF201 Tennessee Residential Property Condition Disclosure**

