

A HOME FOR YOUR FAMILY 9

Selecting Home Buying Professionals

Buying a house can be confusing. Few people have the knowledge and experience needed to find, evaluate, and then buy a house without the help of various home buying professionals such as: real estate agents or brokers, home inspectors, appraisers, surveyors, attorneys, and mortgage lenders.

There is a big difference between professionals who can help you buy a house and those who can build or fix up a house. People who would not hesitate to question the qualifications or methods of a carpenter, plumber, mason, or landscaper are often reluctant to question the expertise or skill of other home buying professionals whose work is done on paper and not on the house.

Home buyers, especially first-time buyers, often hesitate to ask questions. But remember, the only dumb question is the one that has not been asked. If a home buying professional cannot or will not give you a simple answer or appears offended by your questions, look for someone else to help you. If a home buying professional is put off by simple questions, imagine what will happen when you get to complicated ones! Beware of the tendency to be in awe of certain professionals, such as lawyers.

Builders or contractors deal with physical products. When a carpenter builds a deck, you can examine the joists; when a roofer installs the roof, you can check the flashing. But most home buying professionals produce paperwork and opinions. There are no physical tests of quality. Without a

questioning attitude, important decisions about your house purchase may rest on little more than the appearance of expertise and authority. All home buying professionals should be able to give you a clear idea of what they will do for you and how they will proceed. Some will put it in writing before you hire them. When a service cannot be summed up, ask to see samples of their work.

Always compare services and prices. Before using a business or individual, check the reputation of the firm or individual. Talk with people in your community who have used such a service recently and to local loan officers who may be able to make recommendations. *Ask these important questions when searching for help:*

- Exactly what will be included in your services?
- What will it cost?
- Who pays the bill?
- When will the work begin and how long will it take?
- What kind of guarantee will you provide?

REAL ESTATE PROFESSIONALS (Real Estate Broker, Realtor, Real Estate Agent)

An efficient method of shopping for a house is to consult a real estate professional. How do you select one and what services can you expect? Try to find an experienced real estate professional who works primarily in the area in which you are interested and

Distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914. Employment and program opportunities are offered to all people regardless of race, color, national origin, sex, age, or disability. North Carolina State University, North Carolina A&T State University, U.S. Department of Agriculture, and local governments cooperating.



**North Carolina
Cooperative Extension Service**

NORTH CAROLINA STATE UNIVERSITY
COLLEGE OF AGRICULTURE & LIFE SCIENCES

who has access to a computerized multiple-listing service (MLS). MLS is an automated system that generates a list of houses that match your requirements. There are some differences in what a broker, Realtor, or real estate agent can do for you.

A **broker** can show property for sale on behalf of a seller, and has a valid license to sell real estate.

A **Realtor** is a licensed real estate broker or an associate holding active membership in a local real estate board affiliated with the National Association of Realtors. Membership in the Realtor organization is available only to real estate professionals who agree to subscribe to a strict Code of Ethics that goes beyond the requirements of license law.

A **real estate agent, associate, or salesperson** can show property for sale on behalf of a seller, but may or may not have a license to transact the sale and collect the sales commission. Real estate agents, associates, or salespersons must operate under the supervision of a licensed broker, and they receive a portion of the commission paid to the selling broker. North Carolina State law requires real estate professionals to be licensed by the North Carolina Real Estate Commission in order to protect the public from fraud, dishonesty, or incompetence in real estate transactions.

Realtor designations are: GRI (Graduate Realtors Institute), awarded by the North Carolina Realtors Association; CRS (Certified Residential Specialist), awarded by the National Association of Realtors; and CRMB (Certified Residential Management Broker), awarded by the National Association of Realtors. These designations specify accomplishments, experience, and training of real estate professionals.

A real estate professional brings together sellers and buyers. Always remember just who the real estate professional is working for. Real estate professionals have a financial, legal, and moral responsibility to the *seller—not the buyer*. In return for representing the seller, they receive a commission from the seller when the house is sold. Most commissions are a flat percentage of the home's sale price, usually 6 to 7 percent. Because of the way the commission system works, real estate professionals want to sell homes quickly and at the highest possible prices.

BUYER'S BROKER OR AGENT

The concept of using a buyer's broker or agent is relatively new. There are pros and cons to this approach. The most obvious advantage is that the buyer's broker or agent is legally obligated to negotiate the best possible price and terms for you—the buyer—not the seller. A buyer's broker can help you locate potential houses to consider and determine the condition of the houses, such as water damage. They are particularly helpful in negotiating the sales contract and writing a purchase offer that favors your position. Finally, they may be able to give advice that the traditional real estate professional could not because his or her loyalty is to the seller.

The main disadvantage to using a buyer's broker or agent is that you will have to pay a fee or commission. This may be a flat fee, a percentage of the purchase price, an hourly fee, or a combination of the three. While the buyer is primarily responsible for paying the buyer's broker or agent, often, with consent of the seller, the fee is paid by the seller's agent. You will be asked to sign an agreement that spells out exactly what you want the buyer's broker or agent to do for you. In turn, you will be obligated to work with the buyer's broker/agent for a specific time.

DUAL AGENCY

A times a real estate professional may become the representative of both a seller and a buyer—creating a dual agency situation. Dual agency situations often come about when one real estate firm has a relationship with two clients, one wanting to sell and the other wanting to buy. When this happens, the real estate professional is obligated to notify each client and to modify his or her actions to ensure that duties and obligations owed to each client do not come into conflict. Primarily this involves the real estate professional's obligation to keep confidential the motives for buying or selling and other information obtained through the agency relationship with each client. This may limit the range of duties the real estate professional may perform for either party. Buyers or sellers should carefully consider the possible consequences of the "dual agency" relationship before agreeing to such representation.

WHAT A REAL ESTATE PROFESSIONAL CAN DO FOR YOU

A real estate professional can provide you with a broad range of services including the following:

- *Pre-qualify* you so you know what you can afford.
- Use your "wish list" to generate a computer printout of houses that meet your specifications.

- Show you houses that meet your requirements. (Let the agent drive.)
- Provide you with information about a community, including the prices and characteristics of houses in the area, the location of schools, property tax rates, unusual building code regulations, and availability of community services.
- Provide you with basic data about each property including zoning, lot and house size, age, systems, equipment, and utilities.
- Present your offer to the seller.
- Coordinate closing details.
- Advise you regarding mortgage lenders, real estate attorneys, professional home inspectors, and title companies.

When working with a real estate professional:

1. Never let another real estate professional show you a house that you have previously been shown.
2. If you are seriously interested in buying a house, don't worry about wasting a real estate professional's time by looking at too many houses. It's in your best interest to look at as many houses as possible. A real estate person should not push you to make up your mind or make an offer on a house before you are ready.
3. Assume that anything you say to the listing agent or broker will be told to the sellers. The listing agent or broker represents the sellers and is legally obligated to represent their interest. You can put yourself at a disadvantage in negotiating a price if you have been too enthusiastic about a house on which you decide to make an offer.
4. Do not sign anything without first reading the document carefully. For a major purchase, you should try to have the contract reviewed by your real estate attorney before signing.
5. If you feel you are being steered to (or away from) particular neighborhoods, if the agent or broker continues to come up with excuses as to why a house is not available for viewing, or if he or she is hard to reach or doesn't answer your calls about a certain house, you may want to check into the possibility that discrimination is involved.

Concerns over discrimination should be reported to the U.S. Department of Housing and Urban Development (HUD), the federal agency in charge of enforcing the Fair Housing Act. The Fair Housing Act prohibits discrimination on the basis of race, religion, age, color, national origin, receipt of public assistance funds, sex, or marital status. You may file a complaint concerning that agent with your local Board of Realtors and your local HUD office. The North Carolina Real Estate Commission is committed to promoting fair housing in this state. Any conduct by a

real estate professional that violates the provisions of the State Fair Housing Act is also a violation of the License Law. The State Fair Housing Act states that it is unlawful to discriminate on the basis of race, color, religion, sex, national origin, handicap, or familial status in real estate transactions.

As you look for a house to buy, you will probably do a lot of driving around in neighborhoods you like or checking listings in your local paper. You may come across "for sale by owner" properties. Feel free to explore these houses on your own, even if you are already working with a real estate professional. The main advantage of a "for sale by owner" property is that the real estate agent's commission will not be added onto the sales price, making these houses somewhat less expensive. However, take extra precautions to have the house inspected before you buy, and have an attorney advise you on drawing up the sales contract.

HOME INSPECTOR

A careful assessment of the physical condition of a house and the mechanical systems can save you time, headaches, and money! Costly repairs to the structure or mechanical systems may be avoided or at least anticipated by a preliminary inspection of the property before a purchase offer is signed. You will be in a better position to negotiate if you know about any needed repairs.

House inspection is a job that requires specific technical skills. While you may be familiar with common problems that will help you eliminate certain houses from consideration, a professional home inspector can give you a better overview of the house and its potential problems. A professional inspector is likely to uncover things that you will not find on your own and may prevent you from making a potentially disastrous mistake. Your purchase offer should contain a clause that the purchase contract is contingent on acceptable inspection results. You will, of course, have examined the house to the best of your ability before making an offer on it. But before you go through with the purchase, you will want an expert to take a critical look at the property. Although you will pay for this inspection, it is well worth the cost in peace of mind.

A home inspection firm may offer a range of services including: examination of structural, plumbing, heating, electrical and other systems; identification of wood-boring insects; collection of samples for radon and water quality testing; and location and examination of waste disposal system. Some companies may limit their work to one type of inspection, such as lead-based paint, asbestos, water, or radon.

You may need other building professionals for special

advice. For example, an architect or a registered engineer might be consulted for structural defects. A roofing contractor might inspect the condition of the roof, gutters, and upper reaches of a building. Be sure the services for which you contract meet your specific needs. *Every inspection should include an evaluation of the following:*

- Foundation.
- Floors.
- Walls and partitions.
- Roof.
- Windows and doors.
- Plumbing system, including septic tanks, wells, or sewer lines.
- Electrical system.
- Heating, ventilating, and air conditioning systems.
- Energy efficiency.
- Environmental hazards.

There are several ways to find a professional home inspector. Look under “Building Inspection Services” in the phone directory. Your real estate professional, lender, or attorney may be able to recommend a reputable home inspector. Ask your friends for recommendations on inspectors they have used. Check with the local Better Business Bureau for reports on various inspectors. Look for an inspector who is a member of the American Society of Home Inspectors (ASHI) and preferably one who has a PE (Professional Engineer) after his or her name. Ask for references from potential inspectors and check at least three of them. The American Society of Home Inspectors has set standards for home inspection services, so finding someone who is a member of this group may be useful.

Go with the professional on the house inspection. You may pick up some valuable maintenance tips, get a chance to ask questions about things you do not understand, and learn more about possible problems. You will also be in a better position to understand the written report. Home inspections take approximately two to three hours and cost \$200 to 400, depending on the complexity of the house and credentials of the inspector. If you are spending \$40,000 to \$100,000 or more for your house, this is a small investment that reduces the chances of a costly mistake.

Insist that the inspector write a detailed report and list:

- Major problems and estimated costs to correct.
- Minor problems and estimated costs to repair.
- Estimates of the expected life of various items such as

roof, furnace, electrical system, air conditioning, appliances, and costs of maintenance.

The inspection report can help you:

- Identify problems before you purchase a home to prevent unpleasant surprises later.
- Get out of a purchase agreement (and get your deposit refunded) if serious problems are identified.
- Negotiate an adjustment in the purchase price if you decide to buy the house in spite of the problems.
- Get the seller to agree to pay for needed repairs, either before the sale or after the sale using funds in escrow.
- Feel confident about going ahead with the purchase.

Remember, a home inspection is not the same as an appraisal. An inspector evaluates the structural and mechanical condition (not the market value) of the property. The inspector’s findings will be based on observable, unconcealed structural conditions. The inspector will not normally guarantee or warrant the condition of the house or determine whether a house is in compliance with local building codes.

APPRAISER

Real estate appraisers estimate a home’s value in a specific housing market, usually on the basis of sales of nearby or comparable homes. Often, a seller’s price is established by an appraisal. Lenders require an appraisal before they can determine the amount of money they will loan you.

A professional real estate appraisal is necessary to determine if the asking price is a fair one. An appraisal is an educated opinion of the current market value of a specific house within the past 60 days and determined by a set of factors. Making an intelligent offer to buy is difficult until you know the market value of the house. It is also difficult to know how large a mortgage loan will be granted by a lender because loans are based on a percentage of the appraised value and not on the asking price. You may choose to insert a contingency clause into your “offer to purchase contract” that the house must meet the appraised value or you have the right to withdraw your offer.

You can have your own appraisal done. Look for an appraiser who is familiar with the community and is an independent appraiser with the initials MAI, MAI/RM, or ASA after his or her name. MAI stands for “Member, Appraisal Institute,” the American Institute of Real Estate Appraisers. RM added means “Residential Member” with at least five years of experience in residential, rather than commercial, real estate. ASA denotes membership in the

American Society of Appraisers.

If your loan will be financed by either the Department of Housing and Urban Renewal (HUD) or the Veteran's Administration (VA), the appraiser will be selected by computer. Appraisals for one of these types of loans will be good for either type of financing.

Do not be surprised if appraisals (seller's and buyer's) are different. While both may be based on comparable sales, market conditions do change, sometimes from day to day. If the appraised value is lower than the agreed-upon purchase price, a contingency clause gives you the right to renegotiate the sale price or even to withdraw your offer.

A qualified appraiser should have nothing to gain or lose from a sale and works only for one party to the sale.

Findings should be provided in writing and include:

1. An accurate description of the property.
2. A purpose statement for the appraisal.
3. All of the data and criteria used to determine value, including at least three comparable sales and cost-approach figures.
4. A final estimated value.
5. Any special conditions, such as an easement.
6. Appraiser's certification and signature.

The appraisal is usually paid for by the buyer and will be included in your closing costs. The cost of a complete appraisal of a three-bedroom, two-bath house could range between \$250 to 275 for a conventional loan and \$175 to 300 for a government-backed or financed loan.

SURVEYOR

You may want, or your lender may require, that a property survey be done. While a title and deed describe the property boundaries, a survey is the only way to locate the boundaries of the property and to chart the location of improvements. A survey will discover any encroachments that the seller must resolve before closing the sale.

Often a surveyor is hired by your attorney. To save time and money, many buyers choose to use a recently made survey, but that may be dangerous if recent changes have taken place. The recommendation is to have your own survey done.

A typical four-corner residential lot survey averages from \$150 to \$300. That is a small price to pay to know that you are buying what you think you are buying. Homeowners have sometimes had to move fences or make other expensive changes because their property line was not where they thought it was. If you wish to have stakes placed in the ground to delineate your property line, you

will pay more.

ATTORNEY

A real estate attorney will be involved in several steps of house buying. *He or she can help you:*

- Review or draft purchase offers and contingencies.
- Obtain the mortgage loan. Your attorney represents you and will make sure all documents are correct and fair. You may, in some cases, use the same attorney as the seller if the transaction is not complex.
- Arrange the title search and survey of the property, making sure there is clear title and that the home is free of liens.
- Close the sale. Your attorney makes all of the disbursements, has sale documents prepared and signed, and records the deed of trust at the county clerk's office.

ARCHITECT

You can hire a residential architect to give a professional opinion on the condition of a house you are considering, to design major renovations or additions, or to design a new house from scratch. This can be expensive. If you decide to use an architect, choose one who specializes in residential design and has practical field experience. Shop wisely for a qualified architect. Ask for references and call them. Study photographs of completed projects or visit the homes. *An architect should be able to advise you on:*

- Selection of good building sites.
- Different costs of materials and labor.
- Skill and reputation of several building contractors.
- Restrictions imposed by local building, health, sanitary, fire, plumbing, and electrical codes.
- Evaluation of bids.
- Preparation of a contract.
- Supervision of a job and regular progress reports.

MORTGAGE LENDER

Shop for financing just as carefully as for the house itself! Begin comparison shopping at the bank where you have been doing business. Get recommendations for other mortgage sources from friends, your attorney and/or real estate professional, or the real estate section of the local newspaper.

- Look in your local newspaper for the list of home lending agencies. Investigate mutual savings banks, savings and loans, commercial banks, credit unions, mortgage brokers, and private investors. This list

probably is printed once a week giving the interest rate for homes, the points required for a loan for both conventional (fixed) and adjustable rate mortgages (ARMs) for different loan times (15, 20, or 30 years).

- Select several agencies and make appointments to find out about the loans that each has available.
- Shop for services as well as rates.
- Compare the total points charged by each lender as well as the total fees (application, origination, credit report, survey, appraisal and attorney as well as “miscella-

neous” fees, which can include such things as an underwriting fee, set-up fee, and tax service).

- Factor in the years you expect to stay in the house before you plan to sell it.
- When interest rates are moving upward, look for a lender who will “lock in” a mortgage interest rate in writing from the date of the application. If interest rates are falling, lock-in the promised rate at the time of the commitment. Also get written insurance that if rates go down, you will get the lower rate.

Adapted from:

Walls, Eleanor J. and Shelby, Wanda W. 1991. *Choosing Home Buying Professionals*. University of Arkansas Cooperative Extension Service, Little Rock, AR.

Merrill, John. 1990. *Buying a Home: The First Time Around*. University of Wisconsin-Extension, Madison, WI.

Peart, Virginia. *Choosing Home Buying Professionals*. University of Florida Cooperative Extension Service, Gainesville, FL.

Jensen, Marjorie E. 1991. *Getting Information and Assistance. Home Buyers' Guide*. Northeast Regional Agricultural Engineering Service, Cornell University, Ithaca, NY.

Fannie Mae. 1991. *A Guide to Homeownership*. Washington, DC.

You may be interested in other North Carolina Cooperative Extension Service publications:

Should You Buy or Rent? HE-426

Selecting Your House HE-427

Choosing to Rent HE-428

Selecting the Location for Your House HE-429

How Does the Space in Your House Rate? HE-430

Environmental Considerations in Real Estate Transactions HE-431

Budgeting for Home Ownership HE-432

Financial Aspects of Home Ownership HE-433

Selecting Home Buying Professionals HE-434

Negotiating for Your House HE-435

Inspecting a House HE-436

Choosing the Best Mortgage HE-437

House Purchase Contracts HE-438

Furnishing Your First Home HE-439

Preventive Home Maintenance Guide HE-440

Homeowner's and Renter's Insurance HE-444

Prepared by

Glenda M. Herman, Extension Housing Specialist

This publication has been issued in print by the North Carolina Cooperative Extension Service as publication HE-434 (May 1994).

Published by

North Carolina Cooperative Extension Service