

Real World Graduation: Question 76: Realtors

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Question 76

When buying a house, many people use the services of realtors, who are licensed specialists in handling real-estate transactions. Usually they operate in "territories", and acquire an extensive knowledge of the neighborhoods and school systems. Normally they will assist the buyers in helping them get around, and "showing" the houses for sale. Their fee for this service is normally 7% of the selling price of the house, which is paid by the seller out of the proceeds of the sale. What are the benefits of using a realtor if you are buying a house?

- a) The realtor provides protection for the buyer against unscrupulous sellers, since they work directly with and therefore, have a vested interest in satisfying the buyer.
- b) The services rendered by the realtor are paid by the seller, so whatever the realtor does is ultimately free to the buyer.
- c) The realtor can provide legal advice on the complexities of real-estate law and regulations governing these transactions.
- d) Since the realtors are licensed, the buyer can be confident that every property listed for sale is listed accurately with regard to age, conditions, known defects, and any existing liens against the property.
- e) All of the above.

Answer to Question 76

This is a trick question. All of the answers are false.

Answer a) is false because the realtor has a contract with the seller in regard to showing the house and acting as the seller's agent, but is not responsible for protecting anyone from anyone. The realtor is an agent who provides certain services, but insurance against unscrupulous sellers is not one of them. If the seller claims something about the property is true, the realtor accepts it as true except for patently obvious things like incorrect addresses and the like. Realtors cannot be held liable for crooked sellers' actions unless they were actually in on the conspiracy.

Answer b) is false because although the realtor has a contract with the seller, and the seller writes the check covering the fee to the realtor, where do you think the seller gets the money for the fee from? He builds it into the selling price of the house! So the seller does not really pay the realtors' fees, the buyer does; note that the buyer indirectly pays the fees for a contract in which the payee is working for the seller. Nice work if you can get it.

Answer c) is false because realtors are prohibited from giving legal advice on transactions to which they are an intermediary, other than obvious things like which form is to be filled out when making an offer. Besides, realtors are not qualified to give real-estate advice unless they have passed the state bar exam (real-estate law being a specialty in most states); if they were lawyers, why would they be realtors?

Answer d) is wrong because the licensing of realtors has nothing to do with the items mentioned. Buyers are responsible for hiring other specialists to conduct investigations on each of these topics: the buyer must pay for a physical inspection of the property and report on defects; the buyer must hire an investigator to verify the accuracy of the title; the buyer must hire a specialist to investigate the legal condition of the property and any remedies.

There is nothing wrong with using a realtor to buy a house. Certainly there are some conveniences: a) the realtor has access to the home and can negotiate convenient showing times; b) the realtor has access to listings of other realtors, and can act as a "one-stop shop" for all the homes in the area; and c) the realtor can pre-screen homes for sale in your price range or by type (ranch vs. two-story) or your particular desires (number of bedrooms, etc.). But you should know that realtors do nothing more than this, and ultimately they work for the seller.