

RISK TIP: Agents need to be very diligent when working with home buyers who want to check out a New Construction home

- 1) The site agent DOES NOT represent the buyer, you do, make sure to explain your agency relationship with the buyer. Use the AAR READE form, and Buyer Broker Exclusive Employment Agreement.
- 2) ALWAYS attend the very FIRST contact with a New Home Site with the buyer-never let them wander there on their own.
- 3) Make sure to register the buyer at the home site and get a copy of the registration before you leave the home site.
- 4) Inquire how much the compensation will be, is the percentage based on the base price of the home and lot vs just the home vs the home, the lot and the improvements. Confirm with the site agent what you will be compensated for IN WRITING before leaving the home site.
- 5) Inquire with the site agent what is the build time for completion, what is the actual time of current completion, how long has the longest time been for completion.
- 6) Ask for a copy of the contract BEFORE the buyer signs it to review it with them and answer all questions they may have.
- 7) Inquire if there is a clause "in the event the purchaser wants to sell in the future, 12-24 months, is there a requirement for the purchaser to resell to the builder" . If there is a clause, make sure you review it with the buyer and they are agreeing to all the terms.
- 8) ALWAYS refer to your broker for guidance.
- 9) Educate buyers what constitutes "first contact". Site visit, email to customer service, registering on website, sometimes even "just" a phone call where they give their personal information.
- 10) Submit signed contracts to broker review within your broker's established time-line. Do not wait months and do not wait until right before closing on new build
- 11) Be aware that VA loan buyers cannot pay commissions and thus the buyer's agent will have to either accept whatever is offered by builder or the VA buyer will have to forego representation
- 12) Educate buyers that contract was written by builder for builder's benefit, to the point that there is even a "hostile environment" clause where the builder can cancel on the buyer and keep their earnest money
- 13) Educate buyers on both their rights as well as the builder's rights when it comes to performing inspections with outside vendors – must coordinate with builder (it is their property, OSHA regulations) and that any list of items on the inspector's report is NOT binding on the builder to "fix"
- 14) Item to be "fixed" can sometimes take weeks or more, both during building as well as after closing. Builder waits until there are multiple properties that need the same item before having vender come out to do all at once
- 15) Builder's policies and even compensation changes! Never assume that "the way it was" a week ago is the same today.
- 16) Be aware that if your client is also a seller and that you do not have an Exclusive Right to Sell, the builder might be contacting the buyer to list their home with them or an affiliated company
- 17) Make sure buyers are aware that items added to basic home will not only increase cost but it might affect the property's ability to appraise for the new, higher sales price. Quite a few "upgrades" have little to zero impact on appraised value
- 18) The buyer should receive and review a public report from the builder prior to signing any purchase contracts.

These tips are not legal advice. It should not be a substitute for advice from professional counsel or the assistance provided by an agent's Designated Broker.