



A National Association of Exclusive Buyer Agents Home Buyer Report

Don't Do What We Did!

Interesting Mistakes Made By Home Buying Experts



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Introduction

Almost everybody has some experience or story to share about home buying. In some cases, those stories have such a significant impact on people's lives that it actually determines how they choose to make a living and contribute to others. Such is the case with many exclusive buyer's agents across the country.

Recently the National Association of Exclusive Buyer Agents (NAEBA.org) asked their members to share personal stories about their early personal home buying experiences. This short report is a collection of those experiences.

Caveat

The experiences of these members are not model behavior for home buyers; in fact, quite often the opposite is true. Some might say these stories are classic examples of do as I say, not as I do. But that, in itself, is worth considering. When you have a big decision to make, you can make the decision from your own experience and study, or you can get help from other people's experience. And the best experience sometimes comes from bad decisions.

Here, we present personal stories from people who are now nationally recognized home buying experts, but who were once regular home buyers. And, as you can see, these experiences often created new directions in their lives.

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The reason I became an Exclusive Buyer Agent is because of my experience when purchasing a home in Palatine, Illinois during the 1990's when relocating to work for Motorola as the Director of Competitive Intelligence in their Global Strategic Marketing Group. Motorola's relocation company set me up with an agent who had been in the business for many years. She was from the era when everyone represented the seller, and was still used to operating like that.

She did not communicate any strategies as to how she would try to get the seller to come down in price. Once she made a lame effort to get the seller to come down. She kept working me over to get me to come up in price, presenting the increased price as something that was still fair.

She did not show me the same exact model home in the same neighborhood, which I would have liked better, because she "assumed" it was out of my price range, being listed at \$40K more than the home I was interested in. That home had extra features, and the purchasers of that home (about a month after my purchase) ended up getting \$50K off, paying about the same price as the home I

purchased, but it was a better home.

She did not point out the old windows (nor did the inspector) that were on their last leg. Like most home buyers, I fell in love with the home's layout and did not fully compute the replacement cost of the windows (typically one of the more expensive things to do to a home, besides the roof and mechanicals), though I knew from a visual myself that they were old.

I was set up with an awful inspector and an awful inspection company who did not point out the many defects in the home, including the fact that only one heat and AC vent worked in a very large master bedroom (the other one had been blocked off years ago), almost zero insulation in the attic, pipes that were not the right type, water that poured down from the bathroom upstairs into the kitchen when the shower was turned on for more than five minutes, and much much more. Nor was a mold, termite or radon test suggested when I purchased.

Those type of inspectors are great, in order to get the deal done, for a traditional agent. They are NOT the type that I refer to my home buyer clients. I refer the most aggressive and detail-oriented with thousands of inspections under their belt and, when I tour with a client, I assess the window quality and tell them the approximate age of the mechanicals and roof by a visual, among other things.

The house turned out to be a total money pit, with about \$110,000 put into the home, that cost \$220,000 at the time. Though I sold it for \$410,000 less than ten years later, I would have preferred not to have had \$120,000 of expenses, some of which were upgrades.

Needless to say, I was not pleased with the experience and, about seven years later, I decided to start a company that did a much better job of home finding, negotiation, and making the best quality referrals that protect the home buyer's best interests.

A lot of buyers just accept whoever is referred to them by their companies (trusting that they would make a decent referral--wrong), or a friend, or perhaps use the agent who sent them the most refrigerator magnets. It is just not a good way to pick an agent. Your friend may not really even know what a good experience truly is, or what differentiates a good negotiator from a poor or average negotiator--there IS a big difference. The agent that they used may have been their only transaction that year! They may have been friendly but, in actuality, relatively incompetent. And, because they made more money when their buyer's price went up, they had no great incentive to try harder to get the seller to come down, as was the case with the agent I referenced. When buyers work with me, my incentives are aligned with their interests, not the opposite. So they know that I will work days longer to get the price down, as compared with a traditional agent, and use every technique in the book to do so.

Rick Hauser, Chicago, IL, Exclusive Buyer's Agent

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On the purchase of my first home 44 or so years ago, when I first viewed it, there was a garbage disposal and when I moved in it was gone. I called my agent (ha ha), who was a friend (ha ha), and asked her about it. Her reply I remember to this day.

"Too bad kiddo, I had to chip in on my commission, and I hope you don't think I am going to replace

it for you.” The house smelled of urine. They had several small children in a two bedroom home. It took a long time to get the smell out, but when I nailed that first nail in the wall to hang a picture, I cried. I was so happy to know it was my wall, and no landlord would ask me to patch it when I left.

Joy March, Seattle, WA, Exclusive Buyer’s Agent

Prior to becoming a licensed real estate agent, I purchased a home in April, 1995. I became licensed in September, 1999. It was not my first home purchase, but it was my first home purchase in Beaverton, Oregon.

The home was touted in the flyers and listing sheet as being “PGE weatherized for efficiency.” Portland General Electric was running a program at that time to assist homeowners in evaluating their homes. An energy audit was performed for free by PGE. Areas of the home were looked at and measured for proper sealing around windows and doors, if heat was escaping through the attic or walls for lack of insulation, etc.

Since the home was advertised “PGE weatherized for efficiency” my agent advised me not to worry about a home inspection. She told me if the home was insulated and advertised as PGE weatherized I did not need to worry about that. That was in April, 1995. In October, 1995, after having lived in the home throughout spring and summer, when fall came it was getting really, really cold. It was so drafty I called up PGE to find out what was meant by “PGE weatherized.”

Surprise, surprise when I was told the former owners only had the audit done. They were consulted by the PGE technician on what NEEDED to be done, but nothing was done. Their recommendations included a list of items that would have made the home PGE weatherized had they been performed. Since they were not, the home was off the chart when it came to the energy consumption.

At that time, I was a single mother of an 8-year old. The house was getting so cold I was unable to heat it. So, I closed off my room, his room and the back part of the house. I only heated the living room, kitchen and dining room. The home was electric baseboard heat, so I heated what I could to be comfortable in those areas. We slept in the living room, he on the love seat and me on the couch. It was a few years later when I was able to purchase replacement windows and have the home insulated correctly.

My agent, who was not an Exclusive Buyer’s Agent and worked for the listing office, did nothing to protect my interests. As an Exclusive Buyer’s Agent, I have this true tale in my memory. I know firsthand what adversities can manifest when the buyer’s agent is not advising their clients properly. I grew up in SUNNY Southern California. What did I know about the weather in Oregon? I did not know from insulation!

Carla Muss-Jacobs, Portland, OR, Exclusive Buyer’s Agent

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As it happens, I did have such an experience and it was a subtle influence on me choosing this profession. I never considered real estate because I did not like real estate agents.

Mistake One: I used an inexperienced traditional agent. I used a broker that was referred to me and he assigned me to one of his new agents. It was her first transaction and she told us at closing that she was so excited she was afraid she would wet her pants!

Mistake Two: Although we did have the home inspected and even though the inspection was conducted by a firm of engineers, the particular inspector assigned to us missed things that ended up costing us big bucks over the next ten years or so, including heating and cooling, drainage and water intrusion issues.

George Black, Johnson City, TN, Exclusive Buyer's Agent

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I did not find out until after I closed on my home that I should have asked the attorney to request the title insurance from the same title company that held the existing policy on the home I was purchasing. Instead, my closing attorney requested the title insurance policy from the company his firm normally used, which resulted in a new policy that was issued to me at the standard \$2.00 per thousand rate. If I had just known to request the "reissue rate" instead, I could have saved several hundred dollars on my title insurance!

Julie Tuggle, Charlotte, NC, Exclusive Buyer's Agent

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When my wife and I purchased our first property, a 54 acre farm with multiple farm buildings and a house, we were very young, both in college, and I was the sole bread winner. We found that we could not qualify for a loan because of our income and debt ratios. The seller, wanting to keep the deal together, offered to do owner financing through an instrument called a contract for deed, sometimes called a land contract. We were excited that we were going to have our first home and a place for our horses. He wanted 10% down which we only had a portion. Being the president of a local bank, he quickly agreed to give us a second loan on both of our vehicles which provided for the amount of money we needed to complete the down payment. The whole transaction was taken care of by the realtor and the seller's bank.

No problems at closing. All we had to do was go by the bank, sign the contract for deed and the notes for the two second loans on our vehicles. That was the first time we learned that the bank president was the seller. We began making our mortgage payments on time, as agreed. Luckily for us, we never missed any payments.

After three years, a new realtor, whose wife was a friend of my wife, wanted to place a real estate for sale sign on our property, even though we did not intend to sell it. Our farm was located along a busy state highway and there were hundreds of cars passing by each day. When I asked the realtor friend what would keep someone from coming by and buying the place out from under us, he replied that we would price the property so high that no fool would buy it. All he wanted were the leads.

Not knowing anything about real estate at the time, we agreed. About a month later the realtor showed up with a full price offer, which was twice as much as we had paid for it three years earlier. In

fact, we would net enough cash to buy a very nice new home in town (paying all cash) with enough cash left to buy ALL new furniture, new appliances, including washer and dryer, a TV, and we would still have cash left over. What a deal!

There was no problem until we approached the bank president and told him we were selling the place and wanted a payoff statement. The seller tried everything he could to convince us not to sell. Not knowing what the new buyer had offered, he agreed to match the price. When I told him how much I had sold the property for, he got really upset and did not believe us.

In the meantime, we found out that the contract for deed had never been recorded, which could have been a big problem had the taxes not been paid, or if there had been some other problem with the survey or liens on the property. As it turned out, all those things were okay. I had to have an attorney threaten to bring suit if he did not release the contract for deed so we could complete the sale. While pressuring the bank president, my attorney found out what the situation was. A search of the courthouse records revealed that a number of people had brought suit against him earlier because, when those buyers would fall 30 days behind on their payments, he would kick them off the property and keep their down payment.

This guy had sold the same property at least four times in 12 years, not recording any of the contracts for deeds. It was a cash cow for him. No wonder he was so upset. Selling the property and paying him off took away his income property.

I would never recommend anyone ever purchase any property with a contract for deed, or any other type of owner or private financing unless a standard Fannie Mae Mortgage and Deed of Trust is used, and that the closing takes place in an attorney or title company office OF THE BUYER'S CHOICE, and I would insist on having both a lender title policy and a buyer's policy from a reputable title insurance company purchased at time of closing.

We were very lucky, to say the least, that this first sale did not blow up in our face, not to mention that we made a lot of money at a time in our life that we really needed it.

Tom Hathaway, Memphis, TN, Exclusive Buyer's Agent

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My second big corporate move from a small town to a large city in 1987 was an introduction into big market real estate. I was introduced to the group of managers I would be working with and one of them had a wife that was a realtor. It seemed like a natural to work with my co-manager's wife. My relocation package had a timeline for the move and I wanted to get my family moved as quickly as possible. As we started to look at homes, I noticed that we always looked at her office's listed homes. When I would drive around after work and see other homes in the area I liked, she would have a reason for not showing those homes. The sellers had a sick child or relatives were visiting, but there was always something that would not allow a showing.

Frustrated on my own, I called a number on a sign for a home in the area I liked from a different real estate company and we went and looked at it. She was very critical and nit picky on the tour of that home. I settled on one of her office listings and we sat down to make the offer at her office. She actually brought the agent from her office that represented the seller in to tell me what the seller

would accept. We made the offer the other agent suggested and the seller accepted. I always wondered what the seller would have done if I had made an offer lower than what the seller's agent had suggested.

It was a few years later after another corporate move that I figured it all out. My agent received a bonus for keeping my deal in-house, so their office made all the commission and did not have to share it with another office. I did not get to see all the homes, the critical look that my realtor gave the homes was tilted toward her office listing and, finally, when we negotiated the offer, it was really the seller who my agent was representing. I never forgot how I felt and I knew there should be a better way for buyers to get somebody on their side.

Ed Bartlett, Spokane, WA, Exclusive Buyer's Agent

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When we bought our first home in 2003, we were represented by a traditional agent in buying a new construction home. She was a family friend. Although she was not the listing agent, she told us we would probably be okay without a home inspection since the home was brand new. Our inexperience made us think she was right. What could possibly be wrong with it? Well, for starters, in the area where the home was built there were no building codes, and the builder had a reputation for cutting corners, something that we did not find out until later, but our agent should have known.

Cole Currier, Branson Exclusive Buyer's Agent

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I was 24 years old and wanted to buy my first home. I found myself driving around looking at yard signs. I called on a yard sign that was in front of a house that I thought I could afford. It turned out, if I remember, that it was already in contract. But the listing realtor said he could still help me and he was very eager. He showed me a house or two. I found a for-sale-by-owner house that I wanted to see. The realtor talked to the seller and convinced him to work with him. We liked the home and made an offer. He took us out to dinner to celebrate getting the contract. Things did not work out because the seller did not want to go FHA after we were in contract. I think the appraisal brought up some FHA VC's. I actually met with the seller, who was foreign, and he convinced me to let him out of the contract. We ended up not buying the home.

I found myself out driving past houses with yard signs again and I called the listing realtor from a yard sign. We looked at the house and ended up getting in contract. The agent was really nice to us. We knew that she was also the seller's realtor, but it seemed like she was helping us so we were happy. We got close to closing and, due to circumstances, I lost my job. I told her and she was real helpful and encouraging. She said the seller would wait until I got another job. She called every couple of days and kept urging me to keep at it, that things would work out. I did not get a job for several weeks. I eventually called her and told her I wanted out of the contract since I still did not have a job. I was not worried about buying a home at that point. The seller finally relented. The realtor convinced me that I should let the seller have my earnest money since, after all, I did not proceed. I agreed, because it seemed like it would make the seller and the realtor go away. I forfeited my earnest money and the contract was null and void. Knowing what I know now, I bet that the contract had long expired and I could have had my earnest money returned.

James Deskins Columbus Exclusive Buyer's Agent

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After I graduated from college as a young engineer, I decided to purchase a house. At the time, the market interest rates were in the range of 16% for mortgages, however, the house I was interested in offered a blended rate where the seller's bank would average the current market interest rate on the home loan with the rate the seller was currently paying. That would create a 12% loan for a new buyer. That sounded good to me.

After I negotiated a purchase contract on the house, I followed up with the lender and they refused to give me the blended rate on the mortgage that they had promised. I expressed my disappointment about this to some friends at my office and an engineer named Bob in the cubicle across the hall asked me if I had gone to the bank, stood on the manager's desk and screamed at him. This engineer later turned out to be a brilliant entrepreneur. I did not end up standing on the manager's desk, but because of Bob's advice, I did go to the manager's office at the bank, raised my voice and demanded the program they committed to a few days prior. A few hours later the bank relented and I was able to purchase the house at the blended rate.

Not getting the bank's offer in writing was a mistake that literally could have cost me thousands of dollars. This was a well-learned lesson for me.

Jon Boyd, Ann Arbor Exclusive Buyer's Agent

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I bought my first investment condo from an owner/agent who did not disclose that he was an agent until after I signed the purchase contract. Also after the purchase contract was signed, the owner/agent told me that he just received a \$2,000 building painting assessment and would be willing to split the cost with me. Being a novice, I thought that sounded fair, so I agreed to pay half. At the closing, I paid some seller's closing costs that I questioned, but was told that it was typical. So okay, I paid those too.

After the closing, I realized that per the contract, the seller was responsible for all of the assessment and some of the closing costs that I paid. I felt cheated and stupid. I decided to get a real estate license just so I would be better informed. I had no intention of becoming a real estate agent. Now that I am an Exclusive Buyer's Agent, this first personal home buying lesson is a reminder for me to carefully read every word in any document that the buyer has to sign.

Eve Alexander, Orlando, FL, Exclusive Buyer's Agent

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Conclusion

The old business advice of “find a need then fill it” probably describes how many exclusive buyer’s agents came to be interested in real estate and providing unbiased guidance to home buyers. In the case of these home buying experts, their life experiences directed them to careers in protecting other home buyers.

If you are considering buying a home and are interested in expert advice and counsel there are Exclusive Buyer’s Agents in virtually all major markets including Hawaii, Mexico and the Virgin Islands. To find an Exclusive Buyer’s Agent to speak to about your home buying needs, visit naeba.org or call 800-986-2322.

We hope this brief report will help to make your home buying process a more pleasant and profitable

The National Association of Exclusive Buyer Agents was founded in 1995 to help consumers become educated home buyers. NAEBA is a nonprofit organization whose purpose is to be the “champions of real estate buyers’ rights and representation.” It has over 500 members worldwide. Starting in the mid-1990s, savvy buyers wanted the benefits of a real estate representative working for their interests exclusively. They turned to EBAs, Exclusive Buyer Agents, to do the job. NAEBA is an industry group dedicated to supporting EBAs in serving clients to the best of their ability. NAEBA offers industry standard certifications, ongoing education, client referral service, technology and information sharing. The NAEBA Code of Ethics pledges undivided loyalty to real estate buyers only. More information about NAEBA can be found at naeba.org.

