



Know Your Real Estate Experts Agents

Buying your first house can be as daunting as it is exciting. Fortunately, you'll receive lots of expert help, but even the experts can be hard to sort out. Print out this glossary to use while you're learning from experience.

Real estate agent: An individual licensed by the state to represent a seller or a buyer in a real estate transaction.

All agents work for a broker or a brokerage firm, unless they have their own brokerage license. Agents may accompany you to visit a lender, show you properties, and coordinate the real estate team during purchase negotiations, including the lender, appraiser, closing agent, and title company.

Agents are known by many terms; some describe professional distinctions while others describe the specific role of an agent in a transaction. An agent who writes up and presents a buyer's offer is called the selling agent, even if he or she also listed the house for the seller and will be paid by the seller. Unless they specify that they're exclusively representing the buyer (and you should ask), it's assumed that agents also represent the seller.

Realtor®: An agent or broker who is a member of the National Association of Realtors and who thus abides by NAR's code of ethics. While NAR membership may inspire buyer confidence, finding a good experienced agent who's the right fit for you is key, even if they are not registered with an association.

Subagent: An agent or broker who assists another agent in representing a buyer or seller in a purchase transaction, or who brings a buyer offer to another agent that results in a sale. For example, if your agent shows you homes that other agents have listed in the local Multiple Listing Service, he or she will receive a portion of the seller agent's commission at the time of sale—which obligates your subagent to the seller, even if he or she is also working for you.

Dual agent: A real estate agent who represents both the buyer and the seller in a particular sales transaction. Dual agents receive payment from both the buyer and the seller, making a conflict of interest almost unavoidable. An agent who's acting as a dual agent should disclose this information to you; in fact, in some states disclosure is a legal requirement. But even disclosure doesn't guarantee protection from conflict of interest: if an agent introduces you to a seller he or she also represents, the agent is legally bound to disclose to the seller anything you tell them.

Brokers

Real estate broker: An individual or firm that holds a state brokerage license and serves as an agent of the buyer or seller.

Like other agents, brokers receive a commission—typically a percentage of the selling price of the home, usually paid by the seller. The difference between brokers and other agents is that while they are required to have a sales background, brokers must take additional courses and pass a brokerage exam. This doesn't necessarily make them preferable over real estate agents or Realtors. It does allow them legally to run their own office.

Buyer broker: A real estate agent or company that exclusively represents the buyer. Buyer brokers don't list properties or represent sellers, as regular brokers do, so potential conflict of interest is avoided. Their commitment is to locate the best properties to show the buyer, including those for sale by owner, and negotiate the best price and terms for the buyer during negotiations with the seller.

Buyer brokers are paid by the buyer, who agrees not to use another agent during an agreed-upon period, usually 30 to 90 days. If you purchase a house within this time, you will owe the buyer broker either a percentage of the selling price, an hourly rate, or a flat fee. Although buyers agree to pay the broker, buyer brokers instead often receive a percentage of the seller agent's commission.

The Loan Process

Institutional lender: An individual or institution such as a commercial bank, savings and loan, or mortgage company that lends and invests money for customers. Institutional lenders are the leading source of real estate loans.

Loan officer: An authorized representative of a lending institution who is empowered to act on the lender's behalf, within specified limits.

Mortgage banker: A company such as a commercial bank that uses its own money to provide loans for the purchase of real estate. Like mortgage brokers, mortgage bankers match lenders to potential borrowers. Mortgage bankers may also service the loan, meaning they'll collect your monthly payments, but they're more likely to sell their loans to investors on the secondary market, such as Fannie Mae, Freddie Mac, or insurance companies.

Mortgage broker: An individual or company that matches lenders to loan applicants who meet the lender's criteria. Mortgage brokers, who are paid by the lender, don't use their own funds; they do accept loan applications, process the paperwork, and present the files to another institution (typically a bank or savings and loan), which then underwrites and processes the loan.

Other Players

Escrow company: A licensed and bonded company, used in most states, that serves as a neutral third party at the request of the buyer or buyer's agent after a seller accepts a buyer's offer. The company receives all funds, ensures the proper execution of all documents, and ensures that all of the conditions established by the lender, seller, and buyer are met. The escrow company is charged with holding your earnest money between the time of your offer and the closing. Whether the buyer or the seller pays for escrow costs is usually determined by regional custom, but this can be negotiated. It's recommended that you use an independent escrow company.

Inspector: An individual who's hired to inspect a home for structural defects and potentially for toxic substances, including asbestos, radon, pests, or the presence of lead in paint or water. Structural inspections aren't required by law, but they're highly advised to protect you from unexpected costly repairs. Include a clause in your offer stating that purchase is contingent upon an inspection of the house and property. Not all inspectors are licensed; if you do use an unlicensed inspector, look for an engineer, architect, or other specialist who has structural experience. Inspections are usually conducted within two to five days after the buy/sell agreement is reached.

Real-estate attorney: An attorney who specializes in real estate issues. It's always wise to invest in a real estate attorney to help you through the most important transactions and, especially, to be present at closing so he or she can advise you on confusing document language. Absolutely hire an attorney if you're considering a house that's financed by the seller or is an assumption, if you're working with a dual agent, or if the property is involved in legal complications of any kind. A real estate attorney costs about the same as an escrow officer and can be used in place of an escrow officer closing. Your lender should not charge you additional attorney fees, since nearly all lenders have in-house attorneys. If this happens, negotiate the fee's removal or keep shopping.

Title company: The firm that ensures that the property title is clear (otherwise known as title insurance) and sometimes handles other closing matters. Title insurance essentially guarantees that you actually get what you paid for. The agents or your escrow company may have a preference for a certain company. This isn't generally cause for concern, but they should disclose any relationship to the buyer. The most noticeable difference between title companies is price. You have the right to go with a less expensive company, but this must be done when you open escrow.