

# Understanding the Buyer Brokerage Contract Helps Protect You

## Understanding Buyer Agency – Part II of III

The Buyer Brokerage Contract is the written agreement that establishes an agency relationship between you (the buyer) and the real estate brokerage (and its agents). When you sign the agreement, you agree to be represented by only the agent you'll be working with and all other agents in the same brokerage.

The Buyer Brokerage Contract sets out duties and responsibilities of both parties. Your agent must provide you with information about the property and guide you through the transaction. Buyers have obligations under the contract as well. In signing the contract with a brokerage, you agree that all agents in the office can find suitable properties and help you negotiate the terms of any Purchase Contract. You need to provide information to enable the brokerage to search for properties that make the most financial sense for you. Finally, you need to inform the brokerage of any properties you're interested in viewing. The buyer's responsibilities under the contract enable the buyer's agent to do the best job s/he can for you.

### Agency relationships

You'll also find a section in the contract about agency disclosure. This authorizes the buyer's agent to act as a dual agent and outlines the duties the agent owes to you in a dual agency situation. A dual agency situation could occur if you're interested in making an offer on a property listed by your agent or another agent in the brokerage. In this case, the agent and the brokerage act for *both* you and the seller and can't fulfill all of the fiduciary duties owed to both parties.

In a dual agency situation, the agent doesn't owe a duty of confidentiality and will disclose to you and the seller all defects and information known about the property that may affect its value. The only information that the agent will *not* disclose to the seller is the minimum or maximum price you (the buyer) are willing to pay. The agent will also not disclose any information about the price the seller will accept or the reason they're selling. Further, in a dual agency situation, the agent will not disclose to you or other buyers the terms and conditions of competing offers on the property.

### Paying your agent

Another important part of the Buyer Brokerage Contract is the section that determines the brokerage's compensation. Real estate commissions are negotiable in Canada and you and your agent have to agree on a suitable amount of compensation. Usually, the contract will state that the brokerage will receive either a portion of commission offered by the seller's brokerage or a fee that is negotiated between you and your agent. If the seller's brokerage doesn't offer a portion of commission to your buyer's agent, you may want to take that into consideration when making an offer. Some agents might ask for a deposit on their fee to be held in trust and applied to any commission payable or refunded to you if the contract expires.

### Ending the contract

The Buyer Brokerage Contract is in effect until the expiration date negotiated between you and your agent. The contract can be renewed or extended if you and your buyer's agent need more time to search for a property or close a deal.

The Buyer Brokerage Contract is a legally binding agreement but it can be amended or cancelled under certain circumstances. For example, if you or your spouse are suddenly transferred, talk to your agent about terminating or amending the contract. Make sure to ask your agent about any ongoing obligations on your part if the contract is terminated.

### Ensure your buyer's agent is a REALTOR®

Remember, not all agents are REALTORS®. In addition to complying with provincial laws, REALTORS® belong to the local real estate board and subscribe to the strict Code of Ethics and Standards of Business Practice of the Canadian Real Estate Association. This ensures you will receive the highest level of service, education and integrity.

### Still have more questions?

Stay tuned for "Understanding Buyer Agency, Part III".

Source: Alberta Real Estate Association

