

House-Hunting Without a Broker: 5 Things to Consider Before Going It Alone

By Amy Zimmer | February 16, 2016



MANHATTAN — Armed with abundant data about apartment listings and open houses from websites like Streeteasy, an increasing number of house hunters — especially first-time buyers — are opting to search alone and skip brokers.

Many believe it can give them a leg up in the process, thinking the sellers' broker might favor their bid for a higher commission or that the seller could save on the commission if only working with one broker.

Brokers, obviously, disagree, claiming those perceived advantages typically don't pan out in reality.

Instead, these broker-less buyers might be hamstringing themselves — and potentially inflating prices by making overly aggressive bids, many say.

Here's what to consider before deciding on whether or not to work with a broker.

1. Buyers don't pay broker fees.

In the rental market, it's standard practice to pay a commission to a broker when you sign your lease.

The sales market is different. Buyers don't pay their brokers, the sellers do (which is why there's also a rise in "For Sale By Owner.")

Sellers typically pay a commission of roughly 6 percent, usually split between the owner's and buyer's brokers.

2. Commission is usually determined before a sale.

Broker-less buyers won't necessarily save a seller commission since the seller and listing agent usually agree upon a percentage before putting a home on the market, whether there are two brokers or the listing agent ends up representing both sides.

"In 90 percent of cases you're not going to get a listing broker to reduce their commission to something that would be meaningful to a buyer in terms of a price reduction," Larry Link, president of the Level Group said.

And just because a seller's broker might earn more, doesn't mean that broker will push for that deal, said [Jeff Gordon](#), a broker with [Platinum Properties](#).

"It's not my decision whether to take your offer or not. It's the seller's," he said.

3. The listing agent will always favor the seller.

Without a buyer's broker, the seller's broker works in a "dual capacity" role — but still has a bigger responsibility to the seller, many explained.

"While they have to communicate fairly and honestly to all parties, they don't have to share all the information [with the buyer] if it's not in the best interest of the seller," Link said. "They have a fiduciary duty to the seller. They have to listen to what the seller says and be loyal to the seller."

As a result, buyers end up feeling like "they're getting screwed in some way," he added, noting he's recently seen more buyers coming to his firm in the midst of negotiations once they realize this — but by then it's often too late since a contract's been signed.

It's a tough spot for the listing agent, too, explained Gordon.

He recently had a listing for a \$520,000 studio on West 23rd Street in Chelsea, where a broker-less bidder won the "best and final" round with an "aggressive" offer. (Two of the eight bidders were not using brokers.)

Gordon set her up with an attorney and mortgage banker. She ended up "taking her sweet time" and getting a different banker without telling him, and the deal ultimately fell through.

"Had she been with a buyer's broker from the start, that pressure I had to exude on her would have been on her broker," he said, believing that would have been an easier process.

4. Many listing agents take offers more seriously when the buyer has a broker.

Many inexperienced buyers, brokers said, don't realize they need their paperwork ready, including a mortgage pre-approval letter.

They often don't have a team that a broker lines up to close a deal, including a real estate attorney, mortgage banker and engineer for apartment inspection.

"You're pretty much a spectator until you get an agent because an agent is going to get you to that closing table," said Eydie Saleh, of Mirador Real Estate, who noted that broker-less buyers "often give these sweet notes about how much they love the property" but not important documents, like proof of funds.

When she represents buyers, she makes sure their paperwork is in order.

"I make them look as good as cash," Saleh said, adding that she also helps coach clients on how to pass a co-op board and uncover important information in board minutes.

Many recent clients of hers are house hunters, who tried but failed to buy on their own. They usually assume it's because their bids were too low, but when Saleh reviews their communications with seller's brokers, she usually spots something that likely "turned off" the listing agent, making them doubt it would be a "sure thing."

[Timur Mone](#), of Platinum Properties — who estimates that half of the people showing up at open houses are coming without brokers — said that "brokers prefer to work with other brokers."

"All the questions are channeled into one medium, instead of getting lots of phone calls directly from buyers — at midnight," he said.

5. Negotiating directly with a seller's broker may give you less leverage.

The broker acts as a helpful buffer during negotiations, said Link, who advises his clients to "walk around with a neutral stance" to maintain leverage in negotiations even if they love the space.

Instead a lot of broker-less buyers act too enthusiastic and put offers on the spot, said Mone.

Plus, buyers without representation have to disclose all of their financials to seller's brokers during the bidding process, which can be tricky if you can actually afford more since their duty is to get the highest price for the seller.

"You're shooting yourself in the foot," Mone said.