

CONSUMER GUIDES



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CONSUMER GUIDE: WHY AM I BEING ASKED TO SIGN A WRITTEN BUYER AGREEMENT?

If you're a homebuyer working with an agent who is a [REALTOR®](#), it means you are working with a professional ethically obligated to work in your best interest. As of August 17, 2024, you will be asked to sign a written buyer agreement after you've chosen the professional you want to work with. Here's what you should know about these agreements:

What is a "written buyer agreement?" What does it do? A written buyer agreement is an agreement between you and your real estate professional outlining the services your real estate professional will provide you, and what they will be paid for those services.

Why am I being asked to sign an agreement? Written buyer agreements became a nationwide requirement for many real estate professionals as a part of the National Association of REALTORS®' proposed settlement of litigation related to broker commissions. The requirement went into effect on August 17, 2024.

Are these agreements new? In some places, yes. Many states have required them for years, while some have not. As a result, it is entirely possible you or others you know have not used them in the recent past. Regardless, they are now a nationwide requirement for many real estate professionals.

Are these agreements negotiable? Yes! You should feel empowered to negotiate any aspect of the agreement with your real estate professional, such as the services you want to receive, the length of the agreement, and the compensation, if any. Compensation between you and your real estate professional is negotiable and not set by law. In the written agreement, the compensation must be clearly defined (e.g., \$0, X flat fee, X percent, X hourly rate)—and not open-ended or a range. Only sign an agreement that reflects what you have agreed to with your real estate professional.

How do I benefit from these agreements? These agreements clearly lay out what services you (as a homebuyer) expect your real estate professional to provide, and what your real estate professional will be paid. These agreements make things clear and reduce any potential confusion at the outset of your relationship with your real estate professional.

When do I need to sign an agreement? You will be asked to enter into a written buyer agreement with your real estate professional before "touring" a home with them, either in-person or virtually. If you are simply visiting an open house on your own or asking a real estate professional about their services, you do not need to sign a written buyer agreement.

Does this mean I have to pay my real estate professional out of pocket? Not necessarily. While you are responsible for paying your real estate professional as outlined by your agreement, you can still request, negotiate for, and receive compensation for your real estate professional from the seller or their agent.

Do agreements dictate a specific type of relationship I need to have with my real estate professional? No—you are allowed to enter into any type of business relationship with your real estate professional allowed by state law where you live.

Can I change or exit an agreement? Yes. You and your real estate professional can mutually agree to change your agreement. Agreements may have specific conditions under which they can be exited, so read the text of the agreement and speak with your real estate professional if you would like to change or exit your agreement.

Practices may vary based on state and local law. Consult your real estate professional and/or consult an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: OPEN HOUSES AND WRITTEN AGREEMENTS

As of August 17, 2024, many real estate professionals nationwide will be asking buyers to enter into a written agreement prior to touring a home. But what if you are just attending an open house? Here's what you should know:

I am attending an open house without an agent. Do I need a written buyer agreement in order to tour the home? No. If you are simply visiting an open house on your own or asking a real estate professional about their services, you do not need to sign a written buyer agreement.

Is an agent who is hosting an open house required to enter into written agreements with the potential buyers who attend the open house? No. In this case, since the agent is only there at the direction of the listing broker or seller, the agent is not required to have a written agreement with the buyers touring the home.

When will I be asked to sign an agreement with an agent? After you begin “working with” an agent and at any point before you tour your first house together.

What does “working with” an agent mean? A buyer is “working with” an agent as soon as the agent begins to provide services, such as identifying potential properties and arranging tours. Agents who are simply marketing their services or speaking to a buyer—at an open house or by providing a buyer access to a house they have listed—are not considered to be working with the buyer.

What does it mean to “tour” a home? Under the terms of the settlement, a “tour” is when a buyer who is working with an agent enters a home that is for sale or directs their agent to enter the home on their behalf. This includes when the buyer's agent provides a live, virtual tour to a buyer not physically present.

What is the purpose of written buyer agreements? Clarity and transparency. Written buyer agreements lay out the services your real estate professional will provide and what they will be paid. Buyers should not sign anything that includes terms they do not agree with or do not understand. You are in the driver's seat with these agreements, which are fully negotiable.

Where can I learn more about buyer agreements? NAR has created a dedicated resource on written buyer agreements [here](#).

Practices may vary based on state and local law. Consult your real estate professional and/or consult an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: REALTORS® DUTY TO PUT CLIENT INTERESTS ABOVE THEIR OWN

A **REALTOR®** is a special kind of real estate agent: one who follows NAR's strict Code of Ethics, including the first and primary pledge to protect and promote the interests of their clients. This obligation means that a REALTOR® cannot make decisions or provide representation in a way that puts their own interests or commissions ahead of their clients' interests.

What does it mean for a REALTOR® to act in a BUYER's best interest? A REALTOR® has an ethical duty to tell a buyer about every home available for sale that meets their criteria. That means that REALTORS® will let you know about all available homes, regardless of whether the seller or listing broker is offering compensation to your buyer's agent—even if compensation offered by a seller or listing broker is less than what you agreed to pay your agent in your written buyer agreement.

What does it mean for a REALTOR® to act in a SELLER's best interest? A REALTOR® should explain to their seller the benefits and costs of the various types of marketing that can be done for a listing, and how potential buyers might respond to such marketing. A REALTOR® is ethically prohibited from telling a seller that their home will be hidden from buyers unless the seller pays a particular type or amount of compensation.

What is wrongful "steering"? The REALTOR® Code of Ethics prohibits "steering" buyers toward homes because the REALTOR® will be paid more, or away from homes because the REALTOR® will be paid less. Similarly, the REALTOR® Code of Ethics prohibits a REALTOR® from telling a seller that buyers will be "steered" toward homes because the REALTOR® will be paid more, or away from homes because the REALTOR® will be paid less.

How do written agreements protect me from steering? As of August 17, 2024, you will be asked to sign a written buyer agreement before touring a home with the professional you want to work with. NAR's ethical rules have long encouraged REALTORS® to enter into written agreements with their clients because these agreements promote clarity and transparency. They also help protect you from wrongful "steering" by specifying the amount of compensation the REALTOR® will receive and the services they will provide. Since a broker working with a buyer receives the amount the buyer has agreed to, the amount of any offer of compensation is irrelevant to the buyer-broker's compensation.

Where can I learn more about buyer agreements? NAR has created a dedicated resource on written buyer agreements [here](#).

What can I do if I think a REALTOR® is violating NAR's Code of Ethics? If a REALTOR® acts in a way that places their interests before yours, this is a violation of NAR's Code of Ethics and should be reported to your [state or local REALTOR® Association](#) for investigation and potential disciplinary action.

Practices may vary based on state and local law. Consult your real estate professional and/or consult an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: WHAT VETERANS NEED TO KNOW ABOUT BUYING A HOME

The National Association of REALTORS® is proud to support those who serve our country on their journey to achieve the American Dream of homeownership. Veterans and active servicemembers often have unique needs when looking for a home, and agents who are [REALTORS®](#) are committed to helping ensure those needs continue to be met following the real estate practice changes that went into effect on August 17, 2024. Here is what you need to know:

I'd like to take advantage of my Department of Veteran Affairs (VA) Home Loan benefit. Am I allowed to pay for a real estate agent under VA rules? Yes. On August 10, 2024, the VA enacted a temporary policy allowing buyers with VA home loans to pay for real estate professional representation. NAR advocated extensively for this outcome to give veterans greater access to professional representation in their pursuit of homeownership. NAR's efforts include meeting directly with VA officials, engaging lawmakers, and gathering support from our industry partners, as well as submitting a [letter](#) urging the department to lift the ban.

Why is the policy only temporary? Will it be made permanent? The VA will decide if a formal rulemaking is necessary to make this policy permanent. NAR is advocating for this policy to become permanent through continued engagement with lawmakers and the VA, sharing examples of how this policy change is helping consumers.

Why am I being asked to sign a written agreement? Written buyer agreements lay out the services your real estate professional will provide and what they will be paid for those services. The practice changes require written agreements for many real estate professionals nationwide. You are in the driver's seat with these agreements, which are fully negotiable. You should not sign anything that includes terms you do not agree with or do not understand. For more information on written buyer agreements, NAR has created a dedicated resource [here](#).

How does my buyer's agent get paid? This is determined in your written buyer agreement. Methods of paying a buyer's agent may include, but are not limited to, the seller or their listing broker offering to compensate the buyer's agent, the buyer requesting that the seller pay the buyer broker as part of the purchase offer, or the buyer paying their agent directly out of pocket.

What has NAR done to promote access to financing for veterans?

- NAR has been a strong supporter of the VA Home Loan Guaranty program, which has helped American veterans obtain more than 24 million home loans.
- NAR continues to advocate for the VA to offer flexible and competitive loan products. For example, some veterans are still losing out due to VA's strict appraisal requirements for properties they insure.
- NAR continues to work with the VA and Congress to ensure that the descendants of certain veterans may use an unused home loan benefit.
- NAR advocates for allowing a veteran to sell their home to a buyer who can assume their existing interest rate.

Why should veterans and active servicemembers work with an agent who is a REALTOR®? REALTORS® are obligated under NAR's Code of Ethics to work in your best interest. Additionally, many REALTORS® have obtained NAR's [Military Relocation Professional \(MRP\) certification](#) to better prepare them to work with veteran buyers. Find a REALTOR® who has earned the MRP certification [here](#).

Practices may vary based on state and local law. Consult your real estate professional and/or consult an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: OFFERS OF COMPENSATION

As a home seller, you have a wide range of choices when deciding how to market your property. This includes whether you'd like to offer—or authorize your agent to offer—compensation to a buyer's agent as a way to attract potential buyers. Here's what you need to know as you consider your options related to offering compensation:

What is an offer of compensation and why make one? An offer of compensation is when you—the seller—or your agent compensate another agent for bringing a buyer to successfully close the transaction. Offers of compensation help reduce out-of-pocket costs for prospective buyers, which in turn may bring more potential buyers for the transaction. These costs can be especially significant for first-time buyers, lower- to middle-income buyers, or those from underserved communities.

Are offers of compensation mandatory? No. It is up to you to determine if making an offer of compensation is the best approach for selling your property. Agents who are [REALTORS®](#) are here to help answer your questions and guide you to make a decision that works for you.

As a seller, does my agent need my permission to offer compensation to a buyer's agent? Yes. Your agent can only offer compensation or make a payment to a buyer's agent if they have your written approval and signoff on the amount.

What types of compensation can I offer? There are many options available to you as a seller to discuss with your agent. These could include a flat fee paid directly to the buyer's agent or allowing your agent to share a part of their compensation with the buyer's agent. Beyond compensation, you could also consider offering a buyer certain concessions, such as covering closing costs, to make the total home purchase more affordable for them.

How will a buyer's agent know if there is an offer of compensation? Offers of compensation can be advertised in many ways. If you approve an offer of compensation, it can be shared through common marketing methods such as flyers, signs, brokerage websites, social media posts, or simply through a phone call or email. Offers of compensation cannot be listed on Multiple Listing Services (MLSs), online platforms that compile home listings from many different sources.

Do I have to advertise an offer of compensation if I decide to make one? No, it's up to you to decide. Advertising can help get the word out to bring more buyers to the table, but you can also choose not to advertise and instead negotiate the offer in a purchase agreement.

You mention concessions—what does that mean? A seller concession is different than an offer of compensation. It is when a seller covers certain costs associated with purchasing a home for the buyer. Concessions can make home ownership more accessible for buyers by reducing upfront expenses. These can cover things like some transaction costs or property repairs.

How do I know what option is best for me? When you work with an agent who is a REALTOR®, you are working with a professional guided by ethical duties under the REALTOR® Code of Ethics, including the pledge to protect and promote the interests of their clients. Your agent will work with you to weigh your options, answer questions, and develop a strategy you are confident in. You can read more about REALTORS'® duty to put client interests above their own [here](#).

Practices may vary based on state and local law. Consult your real estate professional and/or consult an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: NEGOTIATING WRITTEN BUYER AGREEMENTS

You've decided it's time to buy a home and want to work with an agent to guide you through the process. The next step is to interview agents and negotiate a written agreement that includes the services the agent will provide and the compensation they will receive. Here's what you need to know about negotiating an agreement with an agent who is a [REALTOR®](#):

When will I be able to negotiate? Written buyer agreements are required for many real estate professionals before you tour a home with them, either in-person or a live virtual tour. These agreements help ensure both you and your agent are clear about roles, responsibilities, and agent compensation. If you are simply visiting an open house on your own or asking a real estate professional about their services, you do not need to sign a written buyer agreement. Learn more about written buyer agreements [here](#), and learn more about open houses and tours [here](#).

What can I negotiate? Agreements with your agent are negotiable, including terms about the services your agent will provide, how much your agent will be paid, how long your agreement will last, and more. You and your agent will work together to reach an acceptable agreement that allows you to get the value and services you need in the homebuying process, while also enabling your agent to pursue fair compensation for their work. Remember: compensation is fully negotiable and not set by law. You should consult an attorney if you have any questions or concerns regarding an agreement.

How is my agent compensated? Agent compensation can take many forms, such as a flat fee, a percentage of the purchase price, or an hourly fee. Agents cannot agree to an open-ended amount or range of compensation such as "the agent's compensation will be whatever amount the seller is offering" or "between X and Y percent." You can also ask the seller to offer compensation to your agent, which can be sought in the purchase agreement. More info can be found in our offers of compensation guide [here](#).

What types of services can my agent provide? Agents may offer many types of services such as finding and showing you homes that meet your criteria, accompanying you to showings, sharing their analysis of available properties, negotiating on your behalf, and more. For more, read about the [179 Ways Agents Who Are REALTORS® Are Worth Every Penny](#).

How do I start the conversation? You may want to talk to a few agents to find the best match to help you on your homebuying journey. Start by asking questions about the options available to you. If you are working with a REALTOR®, they are bound by a Code of Ethics to have open and transparent conversations with you about your options. You can read more about REALTORS'® duty to put client interests above their own [here](#).

What if we can't agree? You don't have to sign an agreement that you don't agree with, and you or the agent can walk away from a negotiation at any time. Keep looking for the right fit—another agent may be able to better meet your needs.

Can we change the terms of the agreement after we make it? Yes. You and your agent can mutually agree to change the terms of your agreement. But your agreement and/or state law may govern when it can be changed or terminated. Read your agreement closely and speak with your agent if you would like to change or exit your agreement.

Practices may vary based on state and local law. Consult your real estate professional and/or consult an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: SELLER CONCESSIONS

As a home seller, you have choices when deciding how to market your property, including whether you'd like to offer concessions to attract buyers or close a deal. Here's what you need to know as you consider whether this approach is right for you:

What are seller concessions and why make them? A concession is when a seller pays for certain costs associated with purchasing a home for the buyer. Concessions could make your property more attractive to buyers or lead to a better or faster offer. Concessions also help make home ownership more accessible for buyers by reducing upfront expenses, so buyers with limited cash reserves may be able to stretch their budget further.

What are some examples of concessions I can offer? You have options. Concessions can include covering costs associated with a title search, loan origination, inspection, homeowners' associations, real estate taxes, or home repairs and updates. They can also be used to cover fees for professionals like agents and appraisers.

How do seller concessions work? Concessions can be advertised upfront or negotiated as part of a home purchase agreement. In the agreement, a concession is often written as a specific dollar amount. Seller concessions usually aren't binding until they are put in a contract like a purchase agreement.

What's the difference between a concession and an offer of compensation? Concessions can cover a variety of costs or fees for a buyer associated with purchasing a home, whereas an offer of compensation is specifically when the seller or their agent agrees to compensate a buyer's agent for bringing a buyer who successfully closes the transaction. Read more about offers of compensation [here](#).

How do I tell buyers I'm offering concessions? Concessions can be advertised publicly, shared on a Multiple Listing Service (MLS)—an online platform that compiles home listings from different sources—or discussed during purchase negotiations. Keep in mind that not all MLSs allow concessions to be advertised, and some only allow you to indicate whether you are offering a concession with a simple “yes” or “no.” If you choose to put a concession on an MLS, it must be written as the total sum of all concessions offered and can't be conditioned on the use of, or payment to, a buyer's agent.

Is there a limit to the concessions I can offer? Yes. The limit on the total value of concessions you can offer depends on the terms set by the buyer's lender and state law. However, any payment you offer toward the buyer's broker's fee is excluded from limits set by the buyer's lender and must be made off-MLS.

How do I know what option is best for me? When you work with an agent who is a [REALTOR®](#), you are working with a professional guided by ethical duties under the REALTOR® Code of Ethics, including the pledge to protect and promote the interests of their clients. Your agent will work with you to weigh your options, answer questions, and develop a strategy you are confident in. You can read more about REALTORS'® duty to put client interests above their own [here](#).

Practices may vary based on state and local law. Consult your real estate professional and / or an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: MULTIPLE LISTING SERVICES (MLSs)

When buying or selling a home, your real estate professional may use a Multiple Listing Service (MLS) to find homes for sale or market your property. Here is what you need to know:

What is an MLS? MLSs provide online platforms that compile home listings from brokerages in a given market. They enable agents to efficiently see available homes for sale and get helpful marketplace data and typically share listing information to national and local websites that advertise property information. There are many MLSs across the U.S., and each has its own rules to make sure its information is complete, accurate, and transparent.

What value does an MLS provide? MLSs allow real estate professionals to see, share, and promote homes for sale so they can be found by the largest pool of potential buyers. MLSs provide the most accurate, reliable, and detailed information about properties (both that have sold and are for sale), including listing price, address, features, disclosures, and square footage. MLSs also help promote fair housing and equal opportunity by giving real estate professionals and their clients access to consistent information.

As a buyer, how can an MLS help me buy a home? Using an MLS allows your agent to access many homes for sale and connect with agents working to sell their clients' homes.

As a seller, how can an MLS help me sell my home? MLSs are the most trusted source for real estate data because their information is verified by real estate professionals. Listing on an MLS will help a seller reach the largest pool of buyers and potentially attract the best offer.

Am I required to market my home through an MLS? No. You should discuss the pros and cons with your agent. If you decide to have your agent not list your home on an MLS, you may be asked to sign a document verifying that you as the seller have made this choice.

Can I make an offer to compensate a buyer's agent on an MLS? An offer of compensation is when the seller or the seller's agent offers to compensate another buyer's agent for bringing a buyer to successfully close the home purchase. As of August 17, 2024, offers of compensation are no longer allowed on MLSs. However, offers of compensation can still be made off-MLS and shared through common marketing vehicles such as flyers, signs, emails or other communication mechanisms. Read more about offers of compensation [here](#).

Can I offer concessions on an MLS? To attract more buyers, sellers may offer concessions, which are certain costs associated with the buyer's home purchase that a seller agrees to pay. MLSs may allow communications about a seller's concessions, but it depends on local rules. Read more about concessions [here](#).

How do I access MLS information? Many MLSs share data with websites that consumers can access. If you are a buyer, your agent will provide you with MLS property listings that may meet your criteria. For both buyers and sellers, when you work with an agent who has access to an MLS, you can discuss how the MLS can benefit you. Remember, agents who are a [REALTORS®](#) are guided by ethical duties under the Code of Ethics, including the pledge to [protect and promote](#) the interests of their clients. Your agent will help you to weigh your options and develop a strategy you are confident in.

Practices may vary based on state and local law. Consult your real estate professional and/or consult an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: FAIR HOUSING

Buying or selling a home is more than a transaction—it's fundamental to your long-term goals and financial future. Consumers and agents all have rights and responsibilities to promote a home buying or selling process free from discrimination. Here's what you need to know:

What is “fair housing” and how does it help me? The federal Fair Housing Act prohibits discrimination in housing and housing-related transactions based on race, color, sex (including sexual orientation and gender identity), national origin, religion, disability, or familial status. Local and state fair housing laws may prohibit discrimination on additional protected classes. The bottom line is that discrimination hurts all sides of a home transaction, closes the door on the American dream of homeownership, and perpetuates economic inequality. Homebuyers, home sellers and real estate professionals depend on strong fair housing laws and practices for our communities and economy to thrive.

How do fair housing laws apply to me as a buyer? You should expect to receive the same professional service in the homebuying process regardless of any protected characteristic. This includes equitable treatment by your agent, the seller, the seller's agent, appraisers, lenders, and others involved in your home search and purchase. You should also expect your agent to provide you with home options in your price range regardless of the racial or ethnic composition of neighborhoods.

How do fair housing laws apply to me as a seller? You cannot discriminate when selling your home based on the buyer's race, color, sex (including sexual orientation and gender identity), national origin, religion, disability, or familial status. You also cannot instruct your agent to conduct a sale any differently based on these prohibited reasons. That means you cannot advertise your home to just one or to a limited number of groups.

How does working with an agent who is a [REALTOR®](#) help ensure fair housing practices are followed? In addition to an obligation to comply with applicable fair housing laws, REALTORS® adhere to the highest ethical standards. the [REALTOR® Code of Ethics](#) obligates REALTORS® to provide equal professional services to all consumers. Among other ethical duties, REALTORS® must not discuss the demographic composition of a neighborhood, advertise a property in a way that indicates any preference, limitations, or discrimination for a prohibited reason. Read more about REALTORS'® duty to put client interests above their own [here](#).

Where can I report suspected discrimination in the homebuying or selling process? Report housing discrimination to the [Office of Fair Housing and Equal Opportunity](#) (FHEO) at the Department of Housing and Urban Development (HUD) and ethical violations to your agent's state or local REALTOR® Association (find an association [here](#)). You can also report concerns to a local nonprofit fair housing organization (find by ZIP code [here](#)). Fair housing laws prohibit harassment or intimidation if you report discriminatory behavior.

The Fair Housing Act is a federal law; many state and local laws provide additional protections. Consult your real estate professional, an attorney, and your state's housing authority for details about applicable fair housing laws where you are selling or purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: LISTING AGREEMENTS

If you choose to work with a real estate professional to sell your home, one of the first things you'll do is negotiate and sign a listing agreement with the agent you've selected. Here's what you need to know:

What is a listing agreement? A listing agreement is a contract between you and your agent that says the agent can represent you and market your property to potential buyers and their agents and establishes the sales price for your home. It will also lay out the type of professional representation and services your agent will provide and what they will be paid for those services. Agent compensation is fully negotiable and not set by law.

What are my options for agent representation? The options available may vary based on where you are selling your home or who you are working with. Some of the most common arrangements include:

- **Exclusive Agency Listing Agreement:** You work with just one agent and agree to compensate them if they sell your home. This allows you to retain the option to sell your home yourself without having to compensate your agent for the sale.
- **Exclusive Right-to-Sell Listing Agreement:** You work with just one agent, but you are responsible for your agent's compensation no matter who sells the property.
- **Limited-Service Listing Agreement:** You work with just one agent who provides a limited set of services, such as publicly marketing your home on a Multiple Listing Service (MLS)—an online platform that compiles home listings from different sources—but may not provide other services, such as arranging showings, providing input on purchase offers, or supporting the negotiation process.
- **Non-Exclusive Listing Agreement:** You work with one agent or multiple agents and agree to compensate the agent who ultimately sells your home.

What services might be included in a listing agreement? The listing agreement typically lays out the agreed upon methods your agent will use to sell your home. Your agreement might include information on how your property will be marketed. This could include listing on an MLS, offering a seller concession covering some costs associated with purchasing a home for the buyer, or offering compensation to a buyer's agent. Read more about MLSs [here](#), offers of compensation [here](#), and seller concessions [here](#).

Are offers of compensation mandatory? No. It is up to you to determine if making or authorizing an offer of compensation is the best approach for selling your property. Agents who are [REALTORS®](#) are here to help guide you on marketing strategies so that you can make a decision that works for you.

How do I know what will work best for me? When you work with a REALTOR®, you are working with a professional guided by [ethical duties](#) under the REALTOR® [Code of Ethics](#), including the pledge to protect and promote the interests of their clients. Your agent will work with you to help you understand the market and to weigh your options, answer questions, and reach an agreement that you are confident in. If you have any concerns about your agreement or don't understand it, you should consult an attorney.

Practices may vary based on state and local law. Consult your real estate professional and / or consult an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: TEN QUESTIONS TO ASK A BUYER'S AGENT

If you're ready to buy a home, you should feel empowered to find and work with the agent who is the best fit for your needs. Here are ten questions you should consider when selecting an agent:

- 1. Are you a REALTOR®?** When you work with an agent who is a [REALTOR®](#), you are working with a professional guided by [ethical duties](#) under the REALTOR® [Code of Ethics](#), including the pledge to protect and promote the interests of their clients.
- 2. What types of services can you provide me?** Agents may offer many types of services such as finding you homes that meet your criteria, accompanying you to showings, sharing their analysis of the market and available properties, negotiating on your behalf, and more. For more information about why you should work with a REALTOR®, read about the [179 Ways Agents Who Are REALTORS® Are Worth Every Penny](#).
- 3. How well do you know the markets where I am searching for a home?** Your agent must be licensed where you are buying a home. But they should also have the market knowledge to help you successfully find a home where you are searching.
- 4. Do you have experience working with buyers in my situation?** Many agents specialize in working with certain types of buyers, such as first-time buyers and [veterans](#). Some also earn the [Accredited Buyer's Representative](#) designation to gain specialized skills in working with buyers. Ask your prospective agent about their experience and any designations or certifications they have earned related to working with buyers like you.
- 5. Can you tell me about your approach to scouting properties?** Agents and brokerages across the country have different business models and use and provide various technology, tools, and resources to inform their search process. Discuss with your prospective agent how their unique approach will help you find the right home.
- 6. What will be included in our written buyer agreement?** Once you are working with your agent and before you tour a home together, your agent may be required to enter into a [written buyer agreement](#) with you that outlines the services the agent will provide you, and what they will be paid for those services. These agreements are [fully negotiable](#).
- 7. How long will we work together?** Talk with your prospective agent about how long you would like to work together and ensure you feel comfortable with that arrangement. This term could be set out in your written buyer agreement.
- 8. What are my options for paying you?** Agent compensation is fully negotiable and can take many forms, such as a flat fee, a percentage of the purchase price, or an hourly fee. The written buyer agreement will contain the amount of compensation you agree on. You can also ask the seller to [pay your broker's compensation](#) as part of your purchase offer or, in cases where a seller offers a [concession](#), you may be able to use the funds to pay your broker for the value and services they provided you.
- 9. Can you recommend service providers who can help me obtain a mortgage, make home repairs, or support other closing tasks?** Your prospective agent may have prior experience or trusted relationships with providers in the area where you are purchasing a home and can be a great resource for facilitating these introductions.
- 10. Do you have references I can speak with?** Many agents will be happy to connect you with satisfied clients they have worked with in the past who can speak to their experience.

Practices may vary based on state and local law. Consult your real estate professional and / or consult an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: TEN QUESTIONS TO ASK A SELLER'S AGENT

If you're ready to sell your home, you should feel empowered to find and work with the agent who is the best fit for your needs. Here are ten questions you should consider when selecting an agent:

- 1. Are you a REALTOR®?** When you work with an agent who is a [REALTOR®](#), you are working with a professional guided by [ethical duties](#) under the REALTOR® [Code of Ethics](#), including the pledge to protect and promote the interests of their clients.
- 2. What types of services can you provide me?** Your agent can help you with marketing your property, interfacing with buyer's agents, handling showings and open houses, negotiating the purchase agreement on your behalf, assisting throughout the closing process, and [more](#).
- 3. Are you familiar with the market where I am selling my home?** Your agent must be licensed where you are selling your home. But they should also have the market knowledge to facilitate a successful transaction. While prior experience with the market where your property is located is not a requirement, local knowledge could help your agent develop a strategy that resonates with local buyers.
- 4. What will be included in our listing contract?** At the outset of your relationship, you and your agent will sign a [listing agreement](#) that says the agent can represent you and market your property to potential buyers and their agents and establishes the sale price for your home. It will also lay out the type of professional representation your agent will provide and what they will be paid for those services. Remember that agent compensation is fully negotiable and not set by law.
- 5. How did you arrive at your suggested list price for my home?** Setting a strong initial asking price based on your agent's knowledge of the market is important for capturing buyer interest and securing the best possible offer. Your agent should conduct market research to determine an appropriate price that both attracts prospective buyers and ensures you receive a fair market value for your home.
- 6. How will you market my home?** Agents may use a variety of marketing methods to reach potential buyers, and they should walk you through the pros and cons of each option. For example, one tool agents use to market properties is a [Multiple Listing Service \(MLS\)](#), an online platform that compiles home listings from brokerages in a given market, to reach the largest possible pool of buyers and potentially attract the best offer.
- 7. How do I attract potential buyers?** There are many strategies that may help attract potential buyers. For example, [offers of compensation](#)—when you or your agent compensate another agent for bringing a buyer to successfully close the transaction—and [seller concessions](#)—when you cover certain costs associated with purchasing a home for the buyer—may lead to a better or faster offer by reducing out-of-pocket and upfront expenses for prospective buyers.
- 8. What do I need to do to get my house ready?** To prepare your home for listing, your agent may suggest investing in necessary repairs or other upgrades that may help enhance buyer interest for the property.
- 9. How will you vet potential buyers?** An important part of selling your home is ensuring that prospective buyers are financially prepared to follow through with their offer. Discuss with your agent how they plan to evaluate prospective buyers, which may include requiring a pre-approval letter to be submitted alongside the offer.
- 10. Do you have references I can speak with?** Many agents will be happy to connect you with satisfied clients they have worked with in the past who can speak to their experience.

Practices may vary based on state and local law. Consult your real estate professional and / or consult an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: BUYING YOUR FIRST HOME

So, you're ready to find your first home. But where do you begin? And what resources are available to help you? Here's what you need to know as you embark on your homeownership journey:

Who is considered a first-time homebuyer? The definition of "first-time homebuyer" might be broader than you think. For example, it can refer to a person who has never owned a home, a person who has not owned a home in the last three years, or a single parent who has only previously owned a home with a spouse. The definition may vary by program, so check [here](#) for the Federal Housing Administration's definition of a first-time homebuyer.

How do I find an agent? With the cost of housing at an all-time high, agents who are [REALTORS®](#) are here to help first-time homebuyers navigate challenges in the market and achieve the dream of homeownership. Agents may offer a wide range of services, such as finding available homes that meet your criteria, accompanying you to showings, negotiating on your behalf, and [more](#). Consider asking prospective agents [these ten questions](#) to determine if they are the best fit for your needs.

What is a written buyer agreement? In many cases the agent you've selected will be required to enter into a [written buyer agreement](#) with you before you tour a home together. This agreement will outline the services the agent will provide and what they will be paid for those services. These agreements are [fully negotiable](#), and you should feel empowered to advocate for the agreement that meets your needs.

What are my options for securing financing assistance? First-time homebuyers have multiple options for financing the purchase of their first home. Discuss with your agent the programs that might be available to you, including:

- **Conventional mortgage loans** are financed by private lenders, such as banks, credit unions, and mortgage companies. Mortgages typically require a down payment—you can use this [tool](#) to find down payment and closing cost assistance programs that you may be eligible for.
- **Federal loan programs** are available for eligible buyers through the Federal Housing Administration, Department of Veterans Affairs, and U.S. Department of Agriculture.
- **State-funded grants** for first-time homebuyers may be an option depending on your location. Contact your state's housing financing agency for more information.
- **Local governments or non-profit organizations** in your area may have programs available to borrowers that meet specific requirements.

Are there other ways I can lessen my cost burden? Some sellers may offer to pay certain costs associated with purchasing a home for you, which are called [concessions](#). You can also ask the seller to [pay for your agent's compensation](#) as part of your purchase offer. Both are options that may reduce out-of-pocket and upfront expenses, helping you stretch your budget further. Your agent can advocate for you during purchase negotiations on these and other terms.

What other resources are available? Agents who are REALTORS® and your state and local [REALTOR® Associations](#) can direct you to many other resources. For example, first-time homebuyers should consider [homeownership education and counseling services](#), which provide tools and information to help resolve financial roadblocks, develop a budget, and work on a plan to meet the financial requirements of homeownership. Your agent can refer you to a [HUD certified housing counselor](#).

How do I know what option is best for me? When you work with an agent who is a REALTOR®, you are working with a professional guided by ethical duties under the REALTOR® Code of Ethics, including the pledge to protect and promote the interests of their clients. Your agent will work with you to weigh your options, answer questions, and develop a strategy you are confident in. You can read more about REALTORS®' duty to put client interests above their own [here](#).

Practices may vary based on state and local law. Consult your real estate professional and / or an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: MORTGAGES AND FINANCING

Buying a home is one of the largest personal and financial decisions you can make. For many buyers, the process includes finding a loan that will help you pay for your new home over time. An agent who is a [REALTOR®](#) can help you learn about your options. Here's what else you need to know:

What is a mortgage, and how do I get one? A mortgage is a loan offered by a bank or lender that lets you borrow money to purchase a home and repay over time with interest. Mortgages can take many forms, but one of the most popular options is a 30-year fixed rate mortgage. Many factors can affect the mortgage options available to you, including your down payment, personal finances (e.g., credit score, income, existing debt, employment history), and other factors like government policies, current interest rates, and what lender you are working with. Certain buyers, like [first-time homebuyers](#) and [veterans](#), might be eligible for special financial assistance programs.

What types of loans are there? Factors like where you are searching for a home and how long you plan to stay in your new home will help determine which loan type best suits you. Some options include:

- **Fixed-rate mortgage:** Sets an interest rate and monthly payment for the life of the loan, which is typically 15 or 30 years.
- **Adjustable-rate mortgage (ARM):** ARMs may offer interest rates that are lower than you could get with a fixed-rate mortgage for a chunk of the life of the loan, such as five or 10 years. However, after that point your interest rates are subject to change approximately once per year based on market conditions.

What is a down payment, and how much will it be? Some lenders require buyers to pay a percentage of the home's purchase price up front, which is known as a "down payment." Your down payment can vary substantially depending on your mortgage agreement. Typically, if you pay more money up front, your monthly mortgage payment will be lower. Many local governments and non-profit organizations offer down payment assistance grants and loans if you meet certain requirements. Ask your agent or reach out to your local [REALTOR® association](#) for recommendations and guidance on what's available.

What is the difference between conventional and federal home loans? Conventional loans are financed by private lenders, such as banks, credit unions, and mortgage companies. They require stronger credit and higher down payments but may offer better rates. Federal loans are government-backed, meaning lenders carry less risk and can pass savings onto eligible borrowers who may not have pristine credit. Some federal loans include:

- **Federal Housing Administration (FHA) Loan:** [FHA loans](#) cater to first-time buyers and have flexible requirements and down payment options as low as 3.5%, depending on your credit score or debt-to-income ratio.
- **Department of Veterans Affairs (VA) Loan:** If you served in the U.S. military, you are eligible for a [VA loan](#) with no down payment and no mortgage insurance requirements.
- **U.S. Department of Agriculture (USDA) Loan:** The [USDA Rural Development loan](#) is designed for families purchasing a home in rural areas, requires zero down payment, and offers discounted mortgage interest rates.

Are there other ways I can lower my out-of-pocket costs? Some sellers may offer to pay certain costs associated with purchasing a home for you, which are called concessions. Certain limits apply to concessions—please consult our [guide to seller concessions](#) for more information. You can also ask the seller to [pay for your agent's compensation](#), which does not count towards concession limits, as part of your purchase offer. Both are options that may reduce out-of-pocket and upfront expenses, helping you stretch your budget. However, keep in mind that the current banking system does not allow for agent compensation to be financed through a mortgage. Talk to your agent about building a home purchase plan that works with your budget.

Practices may vary based on state and local law. Consult your real estate professional and / or an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: STEPS BETWEEN SIGNING AND CLOSING ON A HOME

Once you sign a purchase agreement on your new home, there are still several steps to complete before you can finalize—or “close”—the transaction. While the process differs in each state, here are the basics of what you can expect during the period between signing and closing:

What happens after I sign a purchase agreement? Once you have signed a purchase agreement, you will enter “escrow,” an arrangement that protects both buyers and sellers during real estate transactions. Escrow means that a third party controls payments between you and the seller in a separate account and will only release the funds once both you and the seller meet the terms of your agreement. An agent who is a [REALTOR®](#) can help you navigate this process.

What goes into an escrow account? Typically, a buyer puts money into the account to show they intend to close on the home, called “earnest money.” This may be a percentage of your purchase price or a set amount. The seller’s property documents will also be held in escrow by a designated person, such as an attorney or another agent. Once you close on the home, your money will typically be applied towards your down payment and other closing costs.

What do I need to do before I can close? If you are paying for your home over time, you will first and foremost need an approved [mortgage loan](#) before closing. Mortgage lenders typically require certain tasks be completed before close, such as a home appraisal and a title search which verifies the seller owns the home. Lenders may also require that you purchase homeowners or other types of insurance. Homeowners insurance is important because it will cover you for unexpected losses at your home, which can help you repair or rebuild after damage, replace your belongings, and/or cover medical expenses if someone is injured on your property. You may also want to consider other types of insurance, such as mortgage, flood, or title insurance, depending on your circumstances. If your down payment is less than 20%, you may be required to have mortgage insurance as well.

What is an appraisal? A home appraisal is a professional opinion of a home’s value by a [licensed or certified residential appraiser](#) that helps the lender ensure the purchase price is in line with the property value. Your purchase agreement might have a “contingency” on an appraisal—a condition that the market value and purchase price must align in order for the transaction to continue. A mismatch between a home’s appraised value and the purchase price could impact how much your lender allows you to borrow for your mortgage. Some lenders also have appraisers verify certain things like chipped paint or hand rails to ensure the home is safe. If you are not using a mortgage and are paying for a home “in cash”—money you currently have available—you still may make your offer contingent on an appraisal or do one independently, but it is not required.

Do I need an inspection? While not required, some buyers include a home inspection as a contingency in their purchase agreement. An inspection protects you from costly problems you may not have noticed until after moving in. An inspector will look for potential problems throughout the interior and exterior of the home, which could include tests for radon, lead paint, and asbestos. Your agent can help you [find a trustworthy inspector](#) and determine which type of inspection will work best for you.

How long will all this take, and when can I move in? These steps may take several weeks or more depending on your situation. Each part of the process operates on its own independent timeline, so the length of the process is influenced by many factors, such as when you schedule home inspections and how long it takes for your mortgage application to be approved.

What happens at close? You can expect to sign documents, exchange keys, and bring your cash to close—the amount of which can vary depending on your down payment, credits, and other fees for things like the inspection, loan processing, or costs related to purchased insurance policies.

Practices may vary based on state and local law. Consult your real estate professional and/or an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: AGENCY AND NON-AGENCY RELATIONSHIPS

When you are looking to buy or sell a home, you may hear about different types of relationships—agency and non-agency—that exist between buyers and sellers and the real estate professionals they are working with. These relationships are defined by state law and the options available to you vary widely between states, but here are the basics of what to think about:

What does it mean for a real estate professional to be my “agent”? A licensed real estate professional is your agent when you have hired them to represent you as you buy or sell a home. A seller’s agent has fiduciary duties to the seller, meaning their job is to work in the best interests of the seller, which usually means the best price and terms. Sellers usually establish this relationship in a [listing agreement](#). A buyer’s agent works with the buyer to represent their best interests throughout the transaction. Many buyer’s agents—those who are required as a part of the National Association of REALTORS®’ settlement of litigation related to broker commissions—will ask the buyer to sign a [written buyer agreement](#) establishing the terms of their relationship prior to touring a home.

What different types of agency relationships are there? There are several types, including:

- **Single agency**, when an agent represents only one side of the real estate transaction—buyer or seller.
- **Dual agency**, which allows an agent to represent both the buyer and seller at the same time. In states that permit dual agency status, there is usually a requirement for disclosure and for informed consent from both the buyer and seller. This is because of the potential for conflicts of interest.
- **Subagency**, when an agent works with the seller’s agent to help serve the seller’s best interests and to bring potential buyers to the seller’s property. A subagent has the same fiduciary duties to the seller as the seller’s agent, meaning they cannot help a buyer in any way that would be detrimental to the seller. States that permit subagency may require authorization from the seller and for disclosure to be provided to a buyer.
- **Designated agency**, when agents from the same brokerage—a real estate firm—represent both the buyer and seller in the same transaction. Brokerages may assign agents to work exclusively for the buyer and seller to avoid potential conflicts of interest. States that permit designated agency may require disclosure and consent from both the buyer and seller.

Is it possible to have a non-agency relationship? Yes. In non-agency relationships, the real estate professional provides advice or assistance but does not act on behalf of a buyer or seller and generally has no fiduciary duties to their clients. For example, one type of non-agency relationship is a “transaction broker,” also called a facilitator, in which a neutral third party facilitates and negotiates the terms of a property sale. State law determines if non-agency relationships are allowed.

Do I have to enter into an agency relationship? No. You and your agent can agree to any type of professional relationship that is allowed by state law.

Where do I find an agent? Find a REALTOR® [here](#) to help answer your questions and guide you to make a decision that works for you. REALTORS® have taken a [pledge to protect and promote the interests of their clients](#).

Practices may vary based on state and local law. Consult your real estate professional and/or an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: THE APPRAISAL PROCESS

If you are financing your home purchase, you will likely be required to get a home appraisal as one of the [steps between signing and close](#). Here's what you should know:

What is an appraisal? An appraisal is an opinion on a home's market value that helps a lender ensure the purchase price is in line with the property value. The process is led by a licensed or certified residential appraiser—an independent third party engaged by the lender to provide a professional judgment on the home's value. Appraisers do not represent the buyer or seller; their sole duty is to come up with a fair and accurate valuation of the property. While all appraisers follow a set of standards, [appraisers who are REALTORS®](#) have the added commitment to uphold the REALTOR® Code of Ethics.

Do I have to get an appraisal? If you are taking out a [mortgage](#) on your new home, your lender will usually require you to get an appraisal to help establish the “loan-to-value (“LTV”) ratio,” or the percentage of the home's price that you'll borrow. Higher LTV ratios are riskier investments for the lender, so generally they look for LTV ratios of 80% or less. If you are paying in cash, an appraisal isn't required, but it can still be useful to get a third-party opinion to make sure you aren't overpaying. In certain instances, the requirement for an appraisal may even be waived by either the lender or the buyer to make their offer more attractive to a seller.

What does an appraiser look at? Different appraisers may take different approaches. By referencing databases such as [Multiple Listing Services](#)—online platforms that compile home listings in a given market—appraisers can use recently sold properties that have similar characteristics, called “comparables,” to help come up with a reasonable value for your home. They will also look at the home's condition, recent renovations or improvements, amenities, location, size, and other characteristics. Whatever method an appraiser uses, it must be independent, un-biased, and backed up by evidence.

Do appraisals take place in person? An appraisal may include an in-person visit, but it is not always required. In some instances, hybrid and desktop appraisals are used where appraisers collect data remotely and speak with reliable third-party sources familiar with the property and surrounding area, such as current or former agents of the comparables being considered.

Is my agent allowed to communicate with the appraiser? Yes. Your agents and others involved in the transaction are allowed to communicate with the appraiser and provide property information. It is not only unethical, but it is also unlawful for agents to intimidate, persuade, or bribe an appraiser to influence the valuation, and an appraiser may not disclose confidential information at any time.

What happens if the appraised value is different from the purchase price? A mismatch between a home's appraised value and the purchase price can impact how much your lender allows you to borrow for your mortgage. You can negotiate to include an appraisal contingency—a condition that the value and purchase price must align in order for the transaction to continue—in your purchase agreement, but an appraisal contingency is not required.

Will I receive a copy of the appraisal? Yes. The Federal Equal Credit Opportunity Act requires lenders to automatically send you a free copy of home appraisals and all other written valuations on the property after they are completed. However, if you are granted an appraisal waiver by your lender, your lender is not required to send you a copy of the valuation report.

Can I request that an appraiser correct or update the appraisal? If you believe the appraiser did not consider important information about the property or available comparables, you can request a reconsideration of value (“ROV”) to ask that the appraiser reevaluate their analysis. Your lender will provide instructions on how to initiate an ROV, and your agent can help you gather the appropriate information to complete the request. If you believe an appraiser has reached an inaccurate or biased decision, you can also file a report with your state and federal regulatory agencies using the Appraisal Subcommittee's [Appraisal Complaint National Hotline](#), or a local nonprofit fair housing organization ([find by ZIP code here](#)). Find support and other resources [here](#).

Practices may vary based on state and local law. Consult your real estate professional and/or an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: HOME INSPECTIONS

[Between signing and close](#), a homebuyer may choose to have a new home inspected to make sure it is in good condition and safe for a new owner. Here's what buyers and sellers should know:

What is a home inspection? A home inspection is an assessment of a home's condition in which an inspector identifies potential problems in a home's structure, exterior, roof, plumbing, electrical systems, heating and air conditioning, interiors, ventilation/insulation, and fireplaces. An inspection may also include tests for [problems that can affect human health](#) like [mold](#), [radon gas](#), [lead paint](#), and [asbestos](#).

Are home inspections required? No, but a buyer can choose to include an inspection as a contingency—a condition that must be met for the transaction to continue—in their purchase agreement. This is because inspections can help inform buyers and flag costly problems they may not notice until after move-in. However, some buyers may choose to waive home inspections as a tool to make their offers stand out in competitive markets. There are also options somewhere in between, such as only asking for a seller to make repairs for major issues found during an inspection.

Who performs the home inspection? Members of the American Society of Home Inspectors (ASHI) or the International Association of Certified Home Inspectors (InterNACHI) are trained and certified to perform the inspection. The cost will vary depending on a property's size and how many additional tests are needed. An agent who is a [REALTOR®](#) can help you [find a trustworthy inspector](#) and determine the types of inspections to consider.

Who is responsible for inspection costs? Buyers are typically responsible for inspection costs. In some cases, sellers may choose to have an inspection before putting their home on the market to get more information about the condition upfront, giving them more control over repairs and preparing them for discussions with buyers. Sellers may offer to cover the cost of home repairs as a [concession](#) when marketing their property, or buyers could request the seller pay for inspections as part of the purchase agreement.

Can a buyer attend an inspection? Yes, it can be very beneficial for a buyer to join the inspector as they do their work. Inspectors can show buyers where plumbing or electrical details are located and help them understand the scope of any potential or identified problem.

How long does the home inspection take? The length of a home inspection will depend on factors like a home's size and condition, but will typically last at least two to three hours.

What are some of the common issues found during home inspections? Inspection reports educate buyers on the current conditions of systems and structures in a home, including recommendations on how to maintain a home and updates for future consideration. Inspectors may flag items that should be monitored or issues that have the potential to cause larger problems after move-in. These issues vary widely, but some common problems inspectors look for are structural or foundation problems, improper drainage that could damage the structure over time, faulty wiring that could disqualify a home from being insured, HVAC system issues, and safety issues such as tripping hazards or too few smoke alarms or carbon monoxide detectors.

What does it mean if a home is listed "as-is"? A home being sold "as-is" or "in its present condition" means that the seller is not making any guarantees about the home's condition and has decided they will not make repairs even if the buyer decides to get an inspection. Buying a home as-is comes with some risk, so talk to your agent about options that work best for you. Sellers should also talk to their agents about the pros and cons of listing their property as-is.

Practices may vary based on state and local law. Consult your real estate professional and/or an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: HOMEOWNERS INSURANCE

Understanding homeowners insurance is essential for anyone looking to purchase a home. Start looking at policies early—an agent who is a [REALTOR®](#) can help. Here's what you need to know:

What is homeowners insurance? Homeowners insurance covers you for unexpected losses at your home or property. It can include provisions to repair or rebuild the property, replace assets within the home, cover accidents that happen to you or someone else on the property, or even pay for living expenses if a covered incident forces you to live elsewhere temporarily.

Is homeowners insurance required? If you are taking out a [mortgage](#) on your new home, your lender may require you to have a homeowners insurance policy for the duration of your mortgage. If your mortgage is paid off, or if you've paid for the home in cash, no laws require you to maintain insurance. However, having insurance is generally a good idea to ensure your assets are protected.

How much does homeowners insurance cost, and how do I pay it? The cost of homeowners insurance depends on several factors, including your credit history (in some states), the house's age, square footage, condition of the property, and location. You may have the option to pay your premium on a monthly, quarterly, or annual basis. Some lenders collect the insurance premium as part of your monthly mortgage payment, place it in an escrow account, and pay the insurer on your behalf.

What does my insurance cover? There are two types of coverage provided by a homeowners policy:

- **“Named Peril”** coverage pays only if the damage is caused by a specifically named peril. The most popular policy, HO-3, covers the home structure and personal belongings for disasters including fire, hail, lightning, freezing, theft, and vandalism.
- **“Open Peril”** coverage pays in all instances except for when the damage is caused by an incident that is specifically excluded. HO-5 insurance policies may offer more extensive, open-peril coverage, but they often have higher premiums and more eligibility requirements.

How much will my insurer pay me? In the event of a loss, there are three types of reimbursement:

- **Actual cash value:** The insurer pays out the cost to fix the home and replace your personal belongings, minus any depreciation. For example, if you bought a new table 5 years ago for \$1,500, but due to normal wear and tear, it's only worth \$750 at the time of the covered incident, then your insurer will only pay out up to \$750.
- **Replacement cost value:** The insurer will reimburse the money needed to make repairs and/or purchase a comparable new model at today's prices without taking depreciation into account. In this case, even if you only paid \$1,500 for the table 5 years ago, if a comparable model is \$2,500 today, then you may be paid \$2,500 to replace the damaged furniture.
- **Guaranteed or extended replacement cost:** A guaranteed replacement policy means the insurer will pay the actual cost to replace a home at the time of loss, regardless of the policy limit. An extended replacement policy gives extra coverage above the policy limit up to a set percentage. For example, a home insured for \$500,000 that takes \$750,000 to rebuild would be completely covered with a guaranteed replacement policy. But an extended coverage policy at 20% would mean the insurer pays 120% (\$600,000), or \$100,000 above the limit.

Are homeowners insurance premiums tax deductible? If the property in question is your main home, then your home insurance is generally not deductible. However, people who run a business from their home or those intending to rent out their property may be able to claim a deduction. Additionally, if you suffered a loss to your property caused by a presidentially declared disaster, you may be able to claim a casualty loss deduction. Discuss your unique needs with a tax professional.

Practices may vary based on state and local law. Consult your real estate professional and/or an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: FLOOD INSURANCE

Flooding is the most common and costly natural disaster in the United States. Even a few inches of water can cause devastating damage. A licensed insurance agent can advise you on purchasing the right flood insurance to protect your assets. Here's what you need to know:

Does my homeowners insurance cover flood damage? Most [homeowners insurance](#) policies do not cover flood damage. While federal disaster assistance may be available to you when a flood occurs, it may be limited and is not guaranteed. The best way to ensure your assets are protected is to purchase flood insurance.

What is flood insurance? Flood insurance covers a property for damage caused by flooding, including from incidents such as heavy or prolonged rain, melting snow, coastal storm surges, blocked storm drainage systems, or levee dam failure.

Is flood insurance required? If you own a home or business in a “high-risk” flood area—any area with a 1% or higher chance of experiencing a flood each year, as [defined](#) by the Federal Emergency Management Agency (“FEMA”)—and have a federally backed [mortgage](#), your lender will require you to have flood insurance. However, even where your lender does not require flood insurance, it does not mean your home is not at risk. According to FEMA, wherever it rains, it can flood. Consult an insurance agent for guidance on your specific circumstances.

How much does flood insurance cost? The average cost of flood insurance is about \$1,000 per year, according to [FEMA](#). However, the cost can vary widely depending on many property-specific factors and the flood risk for each individual property. Your premium is also influenced by your deductible, or the portion of a claim that you must pay out of pocket.

What are my options for purchasing flood insurance? Depending on where you live, you have two options:

- **The National Flood Insurance Program (“NFIP”):** The NFIP, managed by FEMA, offers flood insurance to property owners, renters, and businesses in participating communities. In return for access to flood insurance, participating communities agree to adopt and implement local floodplain management regulations that help protect lives and properties from flooding. For residential dwellings, NFIP policies offer coverage up to \$250,000 for building repairs and up to \$100,000 for personal property; non-residential properties are covered up to \$500,000 for building repairs and \$500,000 for damaged contents. Check your community's status on [FEMA's website](#) to determine if you are eligible. You can also get an NFIP rate quote online [here](#).
- **Private Insurance:** Private flood insurance is provided by private companies rather than the federal government. Private insurers may charge comparable rates but offer more coverage than the NFIP, such as higher protection limits, policy enhancements, and payments for temporary living expenses if you are displaced. You can also supplement an NFIP policy with private insurance to extend your coverage further.

How long does it take for my policy to take effect? Typically, there is a 30-day waiting period from the date of purchase until an NFIP policy goes into effect. There are exceptions if you purchase flood insurance in connection with a mortgage loan. Private flood insurance can vary.

Practices may vary based on state and local law. Consult your real estate professional and/or an attorney for details about state law where you are purchasing a home. Please visit [facts.realtor](#) for more information and resources.

CONSUMER GUIDE: FIRE DAMAGE AND POLICY COVERAGE

The [REALTORS® Relief Foundation](#) is accepting support for victims of the devastating January 2025 California wildfires. Text RRFCAStrong to 71777 or visit [rrf.realtor](#) to make a donation by 1/31/25 to ensure 100% of your donation is earmarked for wildfire victims.

Most [homeowners insurance](#) policies cover fire and smoke damage, but some insurers may limit or not offer coverage if your risk is higher. You should contact an insurance agent or broker if you need separate fire insurance or have questions. An agent who is a REALTOR® can help connect you. Depending on where you live, your property may have varying degrees of risk of sustaining damage from a wildfire. Even if you aren't in a high-risk area, you should fully understand your insurance coverage in the event of a fire. Here's what you need to know:

Does my homeowners insurance cover wildfire damage? Standard homeowners insurance typically covers the structure of your home, other structures on your property (like a detached garage or shed), and your personal belongings in the event of fire damage. This includes fires caused by candles, grease, electrical malfunctions (e.g., faulty wiring), wildfires, and lightning. However, a standard policy may not cover all fire damage, including damage caused by nuclear hazards, arson, poor maintenance, or regular wear and tear. Please contact your insurance agent if you have questions.

What if my policy doesn't cover fire damage, or I cannot obtain coverage due to wildfires? Similar to [flood insurance](#), some private insurance companies may exclude or not provide insurance coverage in high-risk areas. It is important to shop around as some insurers may have more risk tolerance than others. For example, some insurers may be "non-admitted," meaning it is not licensed by the state but can still legally provide coverage, including for "difference in conditions" to help address any coverage gaps. These "surplus lines" brokers specialize in risks that admitted carriers will not cover. However, while offering specialized coverage, these companies are subject to different regulations and don't participate in state insurance guaranty funds which protect against insolvency, so it's important to ask questions and read the fine print.

To find a surplus lines broker, you may contact your state insurance department) or your current insurance agent who may be able to refer you to a surplus lines broker who specializes in your specific needs.

What do I do if my home is deemed ineligible for fire damage coverage? Some insurance companies may not cover damage caused by a fire if they consider your area to be too high-risk based on fire maps or risk scores. If your insurance company deems your home to be in a high-risk area there are some things you can do to help manage the costs. This includes contacting an insurance professional to discuss your insurance cost and needs, gathering and comparing quotes from multiple insurers, including surplus lines, and obtaining a wildfire-prepared certification from an organization like the [Institute for Building & Home Safety](#). You may also contact your state insurance commissioner who regulates the insurance companies in your state and may have additional information about fire insurance and risk maps.

What is a "FAIR" plan? If fire insurance is not covered in your policy, you may consider purchasing a [Fair Access to Insurance Requirements](#) ("FAIR") insurance policy. FAIR insurance plans are available in many states and are intended to protect high-risk homes that don't qualify for certain types of insurance on the private market. While FAIR plans are typically more expensive and have limited protections compared to private insurance, they can serve as a crucial safety net for those who can't find insurance elsewhere.

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