

Understanding Agency Relationships: Creating a Company Policy on Agency

If your company doesn't have a written agency policy, use the following guide to help you develop one well before the sales meeting. You might also want to let your sales associates discuss what types of agency relationships they would prefer the company to offer.

In formulating an agency policy for your company:

1. Review the types of agency relationships permitted in your state, and evaluate the pros and cons of each. Among those to consider are:

Exclusive Seller Representation. Representing only sellers, not buyers. Salespeople who work with buyers do so as subagents of the seller.

- **Advantages:** offers a traditional way to practice; minimizes possibility of liability from actions of other firms since they are acting as buyer's representatives
- **Disadvantages:** does not meet increasing desire of buyers to be represented; creates a high probability of undisclosed dual agency when subagents are used

Exclusive Buyer Representation. Representing only buyers, not sellers. The company does no listing, and licensees do not act as subagents of a seller.

- **Advantages:** minimizes possibility of dual-agency conflict; promotes more natural relationship with buyers
- **Disadvantages:** creates limited client base; introduces compensation issues over who pays buyer's rep

Seller and Buyer Representation, with Disclosed Dual Agency for In-house Sales. Representing both buyers and sellers. If a buyer client is interested in a property listed with the company, then the parties are asked to consent to a dual-agency relationship. This means one or more of the company's sales associates will represent both parties, with full disclosure to all.

- **Advantages:** reduces possibility of undisclosed dual agency; allows for maximum number of services provided
- **Disadvantages:** neither buyer nor seller has full representation in a dual agency

Single Representation. Representing both buyers and sellers, but not both in the same transaction.

- **Advantages:** allows for full representation of clients; offers maximum number of services
- **Disadvantages:** may create the need to refer potential clients elsewhere; may be difficult to move back and forth from being a buyer's agent to a seller's agent

2. Determine what policy is best for your company. Consider:

- Market opportunities
- Revenue impact
- Training and experience of licensees

3. Put your agency policy in writing, and implement training for all sales associates.

4. Determine when and how exceptions to the policy will be handled.

5. Always uphold the policy.

[Component 9: What Sellers' Subagents Can, Can't Do for Buyers Explanation Sheet](#)

This information provides general legal information and should not be relied upon as legal guidance. Before acting, both the relevant laws and legal counsel should be consulted. This information should not be construed as specific legal advice nor as an opinion on particular facts, cases, or situations.