

## **9. Real Estate Broker's Failure to Supervise Agents**

### **Background**

A prospective buyer contacted a real estate agent about existing and new construction properties. The agent proposed a new construction house and suggested her cousin, an unlicensed contractor, as the builder. This information was not disclosed to the buyer. The agent served as dual agent in the transaction.

The house was never fully completed. After 500 days of construction defects and performance problems, the buyer cancelled the agreement. Funds from a construction loan secured by the buyer were misused. Subcontractors were not paid.

### **Issues**

States require real estate agents and brokers to disclose their duties to consumers with whom they work in real estate transactions. The agent failed to disclose that she and the contractor were cousins and that she had a business relationship to list and sell houses built by the contractor.

The broker failed to supervise the agent and to verify that the agent provided the proper disclosures to the buyer. Had the agent acted consistently with state requirements and the broker properly supervised her, the losses experienced by buyer could have been avoided.

### **Outcome**

Dr. Musil prepared an Expert Report. The case settled.