



Arbitration Agreement Limits Buyer's Rights

By Tom Brown, CRS

Real estate columnist

In Minnesota only a handful of real estate transactions result in a dispute after the close of the sale. Of these, more often than not, buyers initiate a grievance to resolve matters pertaining to the representations made by their sellers. These disputes are settled in a courtroom unless the parties have previously agreed to an alternate process called binding arbitration.

The Residential Real Property Arbitration program is a voluntary, optional means of dispute resolution endorsed by the Minnesota Association of Realtors®. Real estate agents are advised to present this option to buyers and sellers at the time of signature on the purchase agreement. It's endorsed to be a quicker, cheaper and simpler means to settle a dispute when compared to the process offered by our courts.

But there is one important catch that buyers should consider before signing the arbitration agreement: *when parties agree to it they relinquish their future right to settle differences in court.* This caveat begs the question: why would anyone volunteer to limit their rights when they are unaware of any potential dispute?

Arguments handled in our courts are made public. Those settled under arbitration undergo hearings which are closed with findings that are private and the rulings are unpublished.

It is arguable that binding arbitration may provide justice in a minor dispute such as a leaky water heater, but is it in a buyer's best interest to assign the settlement of an enormous dispute in the hands of so few whom serve as arbitrators?

Buyers are excited as they sign a purchase agreement because they are pondering the prospect of a better standard of living. At that very moment, however, they should pause and consider binding arbitration to be a voluntary option. The Arbitration Disclosure and Agreement is a separate form; failure to sign it has no effect on the purchase agreement. Without limiting anyone's rights, this option may be considered by all parties at a later date when they recognize the sheer size of a dispute.

When asked to review the Arbitration Disclosure and Agreement, buyers may wish to consider it - and then put down their pen.

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