

REV UP!



MODULE 06

Working with Buyers
Getting Your Offers Accepted



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WELCOME TO REV UP! 06

IN MODULE 05, YOU LEARNED:

- Buyer representation agreement
- Agency Disclosure
- Purchase and Sale Agreement
- Contingency Addenda
- Buyer and Seller Disclosures
- Counter Offers
- Multiple Counter Offers

IN THIS MODULE, YOU WILL LEARN:

- The Steps in the Buyer Process
- Buyer Qualification and Consultation
- The Art of Showing Homes
- Purchase Agreement Concepts
- Buyer's Market vs. Seller's Market
- Getting Your Offers Accepted



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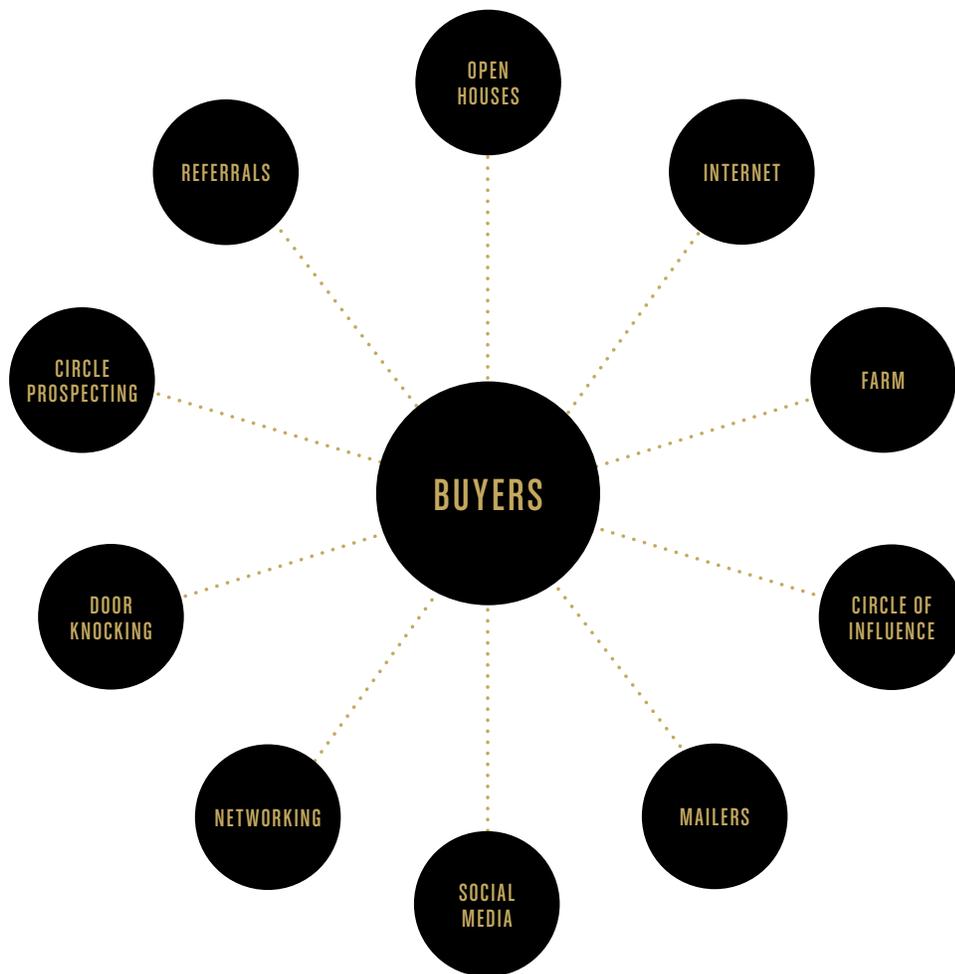
AFFIRMATION
I know my value and only work with realistic, qualified and motivated buyers and sellers.

”

FINDING AND QUALIFYING BUYERS.

CIRCLES OF OPPORTUNITY: ATTRACTING BUYERS

Use the Circles of Opportunity outline as a tool to build your initial database. There are many sources of buyer leads. Select 2 or 3 to begin with and work with your manager, coach or mentor to implement a lead generation system for each.



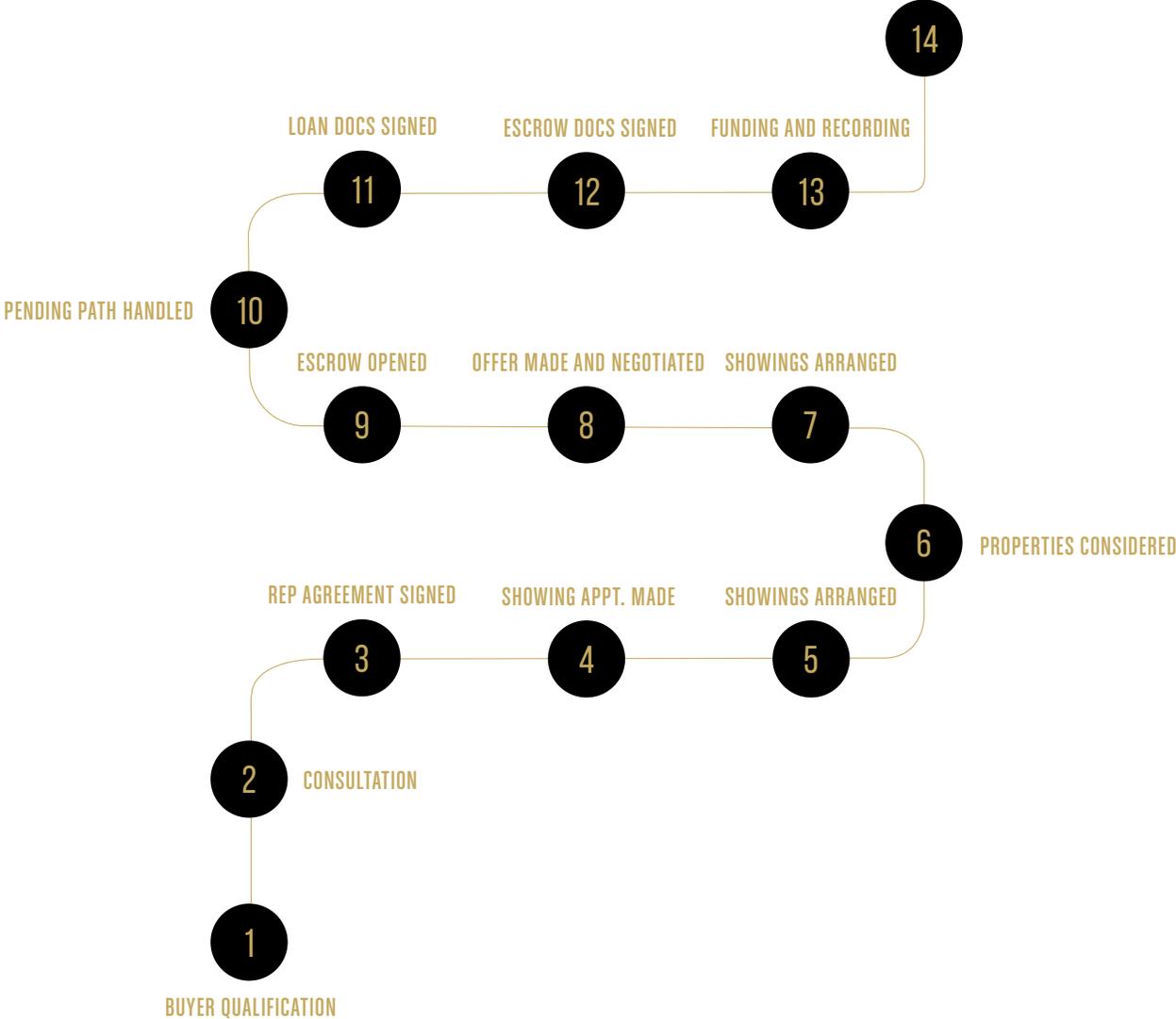
Circles of Opportunity.

THE BUYER PROCESS.

1. Buyer qualification
 - a. Prequalify and buyer receives three lists "homework"
 - b. Initial meeting with lender
2. Consultation with you
3. Representation agreement signed
4. Showing appointment made
5. Showings arranged
6. Each property considered or eliminated
7. Property selection
 - a. Property selected or
 - b. Criteria revised
8. Offer made and negotiated
9. Escrow opened (*earnest money deposited*)
10. Steps in the pending path handled
11. Loan documents signed
12. Escrow instructions/documents signed
13. Funds released and sale is recorded
14. Buyer takes possession

ON TO THE NEXT ONE...

BUYER TAKES POSSESSION



START HERE.

BUYER QUALIFY AND CONSULTATION.

STEP 1A:

Prequalifying: Ready, Willing, and Able

Once you find people who are thinking of buying, you must be sure they meet the following criteria:

Ready?

Can they make a move now?

Check for:

- Lease expiration date
- Home recently sold or within 30 days of closing.

Do they have their financing in order?

Check for:

- Down payment
- Deposit

Willing?

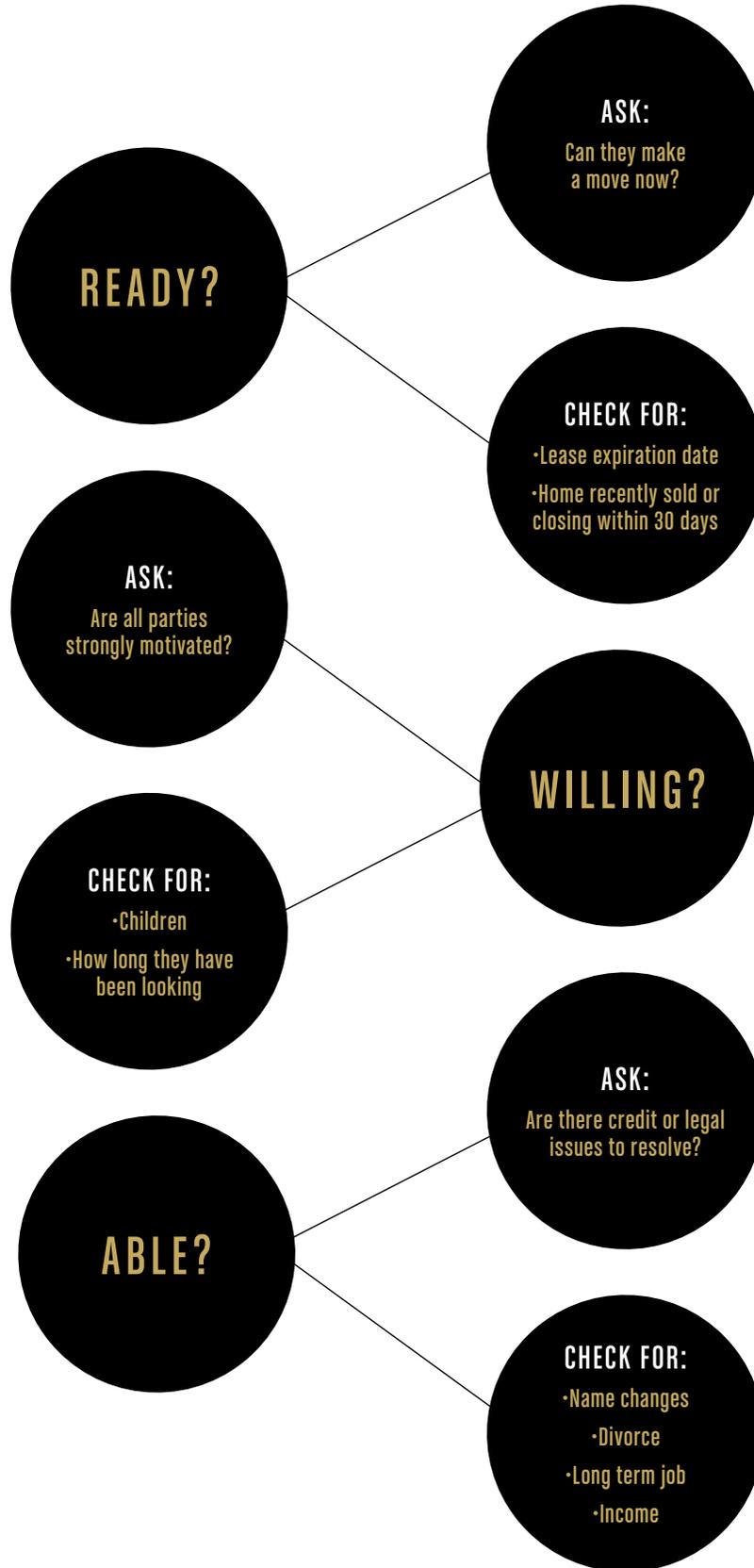
Are all parties strongly motivated?

Able?

Are there credit issues to resolve? Have they been on the job long enough? Make enough money? Are there any legal issues to resolve?

Check for:

- Divorce
- Name changes



Ready?

- Do you currently own your home? If so, do you plan to sell it before you buy?
- If you plan to sell, is it on the market? If so, have you accepted an offer? If yes, when is it scheduled to close escrow? Are there any contingencies still to be met? If so, what are the contingencies and time frames?
- If no offer, then how long has it been on the market? (*Get details, like price, listing agent info, etc.*)
- If not on the market, then what has to happen before you put your home on the market? Do you plan to sell it by owner, or list with a broker?
- If leasing, when does the lease expire?
- Will you be paying all cash? If yes, are the funds readily accessible or will you need time to secure them?
- If financing will be sought, how much do you plan to use for a down payment?
- Do you have a mortgage lender? If yes, have you been in touch with him or her recently for pre-approval?
- If yes, was it a full loan approval or a preliminary? May I speak with your loan officer on your behalf?
- If no mortgage lender, do you have someone at your bank or credit union that you will use? If no, may I make a recommendation?

Willing?

- Ideally, when would you like to be in your new home?
- How long have you been looking?
- Is there anything that might hold you back from moving forward?
- Do you have children? If so, how do they feel about your possible move?
- Who are the decision makers? Are there any friends, co-workers, or family members who will be helping you decide? If so, who?

Able?

Listen carefully to clues that your prospects might leave in statements they make.

- Recent divorce
- Credit issues
- Recent job losses or changes
- Recent long distance moves

TIME UNTIL PURCHASE

Before you put people in your car and invest your valuable time and resources, be sure the odds that your buyers can and will buy are in your favor. The only way to know for sure is to ask a lot of questions, then give your prospects a quick "grade:"

A= LESS THAN 30 DAYS

B= 30 DAYS TO 6 MONTHS

C= GREATER THAN 6 MONTHS

Assuming your buyer has scored an A+ or B+ (*the rest will be educated on why they must wait and then you will follow up regularly until they become that B+ or A+*) you must take charge and lay out the game plan.

THE "HOMEWORK ASSIGNMENT"

You will schedule your first consultation meeting with the buyers after you have sent them to the lender for prequalification. Use the following dialogue and "homework assignment." This will make your job much easier and get the buyers' thoughts out of their heads and onto paper.

You: **"The next step in the process is to meet and determine exactly what you are looking for. Plus, it will allow me the opportunity to get you acquainted with my team and our system for finding just the right property for you. Sound good? When is a good time to meet in my office?" (*Set date and time.*)**

You: **"Great! I'm really looking forward to meeting you (*or seeing you again*). I know you'll be very impressed with the systems we have for finding just the right property for each of our buyers. In order to make our meeting extremely productive, I am going to give you a little 'homework assignment,' okay?"**

Buyer: **(*Usually laughs*) "Okay! And what is that?"**

- You: "Grab a piece of paper or something to write with. Got it? Okay, here we go. I want you to make three lists. The first list is the must-have list. In thinking about your ideal home and property, any feature that you absolutely must have will go on this list. Now, the second list is the bonus list. These are features that you would love for the home or property to have, but you can live without and/or add later. The third and last list will be the knock-out list. I sometimes call this the no-no list. This will be the list of features that you find absolutely unacceptable. Got it?"
- Buyer: "You bet. I got it."
- You: "Wonderful. Now, a word of caution here: be careful how many items go onto the must-have list and the knock-out list. The longer these two lists get, the more difficult it is for me to search and find the right properties."
- Buyer: "That makes sense. Thanks."
- You: "Like I said, I know you will be very impressed with my buyer system and this will be great fun working together. I will see you this **(day)** at **(time a.m./p.m.)** and be sure to bring your lists."

"I want you to make three lists. The first list is the must-have list. In thinking about your ideal home and property, any feature that you absolutely must have will go on this list. Now, the second list is the bonus list. These are features that you would love for the home or property to have, but you can live without and/or add later. The third and last list will be the knock-out list. I sometimes call this the no-no list. This will be the list of features that you find absolutely unacceptable."

STEP 1B:**Initial Meeting With Lender**

The first step in the process for non-cash buyers is loan approval. This should be taken care of as soon as possible; especially before you and your buyers spend much time looking. A few considerations:

Wrong price range:

- a. Too high and the disappointment may lead them to decide not to buy at all, or worse, they 'fire' you and hire someone else
- b. Too low and while they are delighted with the good news, both of you (*especially you*) have wasted valuable time and resources

Timing:

- a. Too soon and they fall in love with a home that becomes impossible for them to have.
- b. Too late and you are at risk of being fired. After all, they expect you, the real estate professional, to know the process.

In module 08 we will review the different loan types, your role in the process, and how you can best support the lender and the buyer through the process.

Once the lender has met with your buyer and full loan approval has been secured, subject only to final underwriting and appraisal, you and your buyers are ready to continue together.

STEP 2:**The Buyer Consultation**

The buyers are meeting you in your office for the first appointment. Why?

- Safety and Security (*make sure they are legitimate*)
- Professionalism (*we do not meet doctors or attorneys in coffee shops.*)
- Control (*as the consultant, you establish the ground rules*)

Here are the points you will cover in the buyer consultation meeting:

- Verify loan qualification (*or strong pre-approval*)
- Review buyers' home search criteria
 - a. Discuss each item on the three lists they made
 - b. Learn "why" on all must haves and knock-outs
- Learn all you can about your buyers
 - a. Background
 - b. Culture
 - c. Family
 - d. Lifestyle
 - e. Who makes the buying decision

- Introduce the buyer to your team
 - a. Other agents if applicable
 - b. Office Manager
 - c. Coach or Mentor
 - d. Lender
 - e. Escrow
 - f. Title
 - g. Transaction Coordinator
 - h. Inspector(s)
 - i. Repair
 - j. Real Estate Attorneys
- Educate the buyer about the process from now to close of escrow
 - a. Review "pending path"
 - b. Discuss agency/representation and benefits to the buyer
 - c. Handle questions and concerns about the process
 - d. Set showing and selection expectations
 - e. Familiarize with sample contracts, addenda, disclosures
- Secure buyer loyalty (*representation agreement signed*)
- Schedule showing appointment

Let us delve into the consultation with more detail where needed regarding the **verification of loan approval**. It is vital to confirm that the lender has given your buyers the "green light" to proceed. Be sure you and the buyers are aware of any hurdles that may impede their ability to secure financing. Examples of this, and there may be others, include the following:

- a. Unrecorded judgment liens
- b. Unpaid or late child support
- c. Not enough time with a new employer
- d. Self-employed and not enough 'track record' to verify stability

Let your buyers know that lenders frequently request further documentation during the pending phase (*accepted contract to close*). This is not unusual, and the faster they comply, the smoother the closing will be.

Reviewing buyer's home search criteria can actually be quite fun and help you bond with your buyers. How they handle their 'homework' assignment will give you clues as to their personality style(s):

- a. Homework is arranged and categorized, color coded, detailed, and in a notebook: Analytical (*or C in DISC*)
- b. Homework is handwritten on lined, three-hole punch type paper (*like you would use in school*) and neatly organized into columns or three separate pages: Amiable (*or S in DISC*)
- c. Homework is hastily written and sometimes messy, on scrap paper or even napkins, as it was forgotten until just before the appointment with you: Influencer (*or I in DISC*)
- d. Homework is neatly handwritten or typed, organized into the three categories, but usually everything fits on one sheet of paper and the criteria items are short and to the point: Controller (*or D in DISC*)

Discuss with the class how each of the personality styles will likely handle the homework and how best to review the criteria with them, based on their personalities. Remember—people usually buy in pairs (*or small groups*) and rarely have the same personality styles.

Begin with the items on the must-haves list. Review each one with them and ask:

- a. "Why is this important to you?" (*Listen carefully.*)
- b. "If I find a home that does not have this feature, will you want to see it anyway?"

Discussing each feature or item and the why will give you tremendous insight about your buyers. You will help them be more objective in the event their *must-have* list is long. Through thoughtful questions and discussions, it is often possible to move a *must-have* feature to the bonus list, making your job in finding a suitable house that much easier—not to mention the lessening of stress for the buyers. As a part of your review of the three lists with your buyers, you will end by discussing those items or features on the "no-no" or "knock-out" list. Follow the same pattern of review:

- a. "Why is it important to you that the property *must not* have that feature?" (*Listen carefully.*)
- b. "If I find a home that has that particular feature, will you want to see it anyway?"

Again, sometimes a feature on the knock-out list gets eliminated altogether or at the very least will not keep you from showing an otherwise appropriate home.

Learn all you can about your buyers while reviewing the three lists. You will learn a lot about your buyers' backgrounds, culture, family, and lifestyle without requiring separate or specific questions. Simply pay attention. Remember, the two eyes and two ears rule. Listen carefully and be observant, ask open-ended questions, listen to the words they use while answering, and observe body language.

Caution: sales professionals frequently make the mistake of focusing on one of the two buyers because of similar personalities and/or that particular buyer is more highly motivated than their partner.

For example, let us say you are working with a husband and wife. The husband is really excited about every aspect of the process, nods vigorously and enthusiastically agrees with every suggestion you make. Meanwhile, the wife is saying very little, avoiding eye contact with you and her husband, and displaying closed body language; holding her arms close to her body or even keeping arms crossed protectively. Rather than focusing primarily on the good energy from the husband and neglecting the wife, try to spread the enthusiasm to the wife. Unless the husband has all of the say in their relationship, the wife will figure out a way to thwart (*or sabotage*) the purchase. You must ensure that all parties are on board if you want a successful transaction.

Introduce the buyers to your team. We do not mean literally bring each of the people you work with into the meeting. Sometimes you will be able to personally make introductions to your office manager, transaction coordinator, and in-house escrow officer; but, more often than not, the people on whom you rely to help will not be available to meet your buyers during consultation.

Create a nice flier or brochure that highlights each of the vendors and support people so your buyers know how well taken care of they will be, and how important this is to you and them.

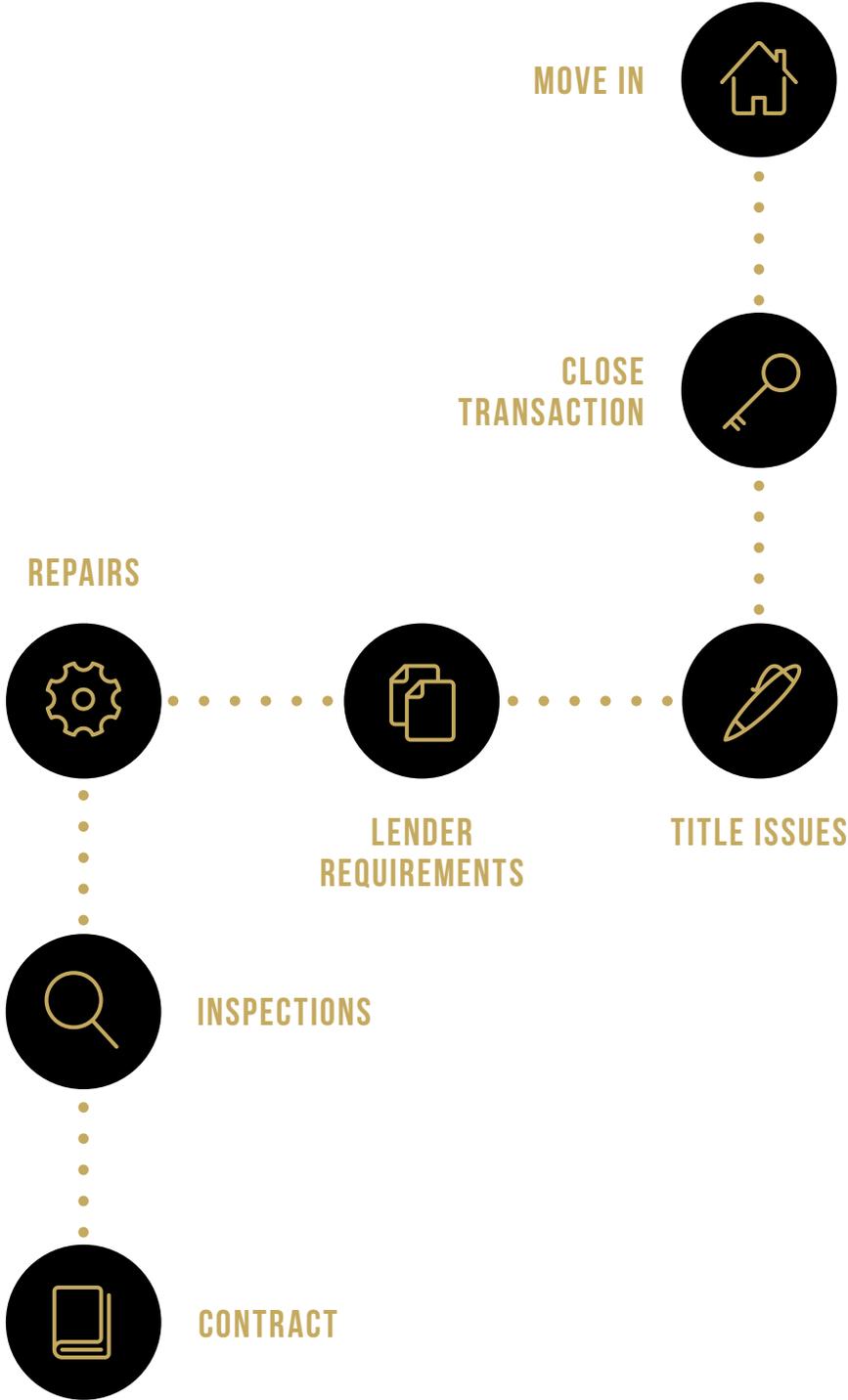
Educate the buyer about the process from now to close of escrow. There are multiple steps along the pending path and many times there are hurdles, potholes, and detours. That is why we use the phrase "pending path" and the visual aid showing a winding road and the potential obstacles we all must deal with between acceptance and closing. While you certainly do not want to frighten the buyers and cause them undue stress over events that have not occurred yet (*and may not occur*), we have found that not covering these very real possibilities with buyers has almost predictable negative results often to the demise of the transaction itself.

Hopefully you have been sprinkling lots of comments about representation throughout your presentation by saying things like the following:

- a. "I am going to help you negotiate the best possible price and terms."
- b. "I will act as your advocate."
- c. "My job is to help you get through the process and the paperwork quickly and successfully."
- d. "I will explain every step in the transaction and make sure you're always in the know."
- e. "I will communicate with you regularly throughout the transaction."

You can avoid the risk by simply saying something like this while showing the pending path:

"This flier illustrates what we in the industry refer to as the pending path. A lot of people think that once we find the home and have successfully negotiated an acceptable offer that our work is finished. Actually, once you and the seller are in agreement, that is when the greatest amount of work begins. Most of it is done behind the scenes and you will not even be aware of it. However, occasionally, we come across something that might cause a delay, such as repairs or a title issue that was not public record to begin with. If something like that comes up, our Transaction Coordinator and I will communicate with you right away and help you through it. Our job is to make the transaction as smooth and stress-free as possible."



The Pending Path.

STEP 3:**Representation Agreement Signed**

There are agents and brokers who routinely work with buyers without a written loyalty agreement; this is known as "buyer representation". However, everything you do for your buyers, from beginning to end, is done on contingency; meaning you do not make a profit until the title changes hands.

The buyers expect you to work tirelessly on their behalf until they are in their new home. We believe the expectation goes in both directions.

It is all in presentation. Make a big deal out of it and it becomes a big deal. Treat it like it is all in a day's work, and the buyers will follow your lead.

Securing buyers' signatures on a representation agreement is fairly simple:

"Let us move to the paperwork that allows me to represent you. I will give you an overview of each section (or paragraph). It is actually pretty straightforward, but if you have any questions, please let me know."

Do not attempt to interpret legal ramifications, or give legal advice. You are only describing what each paragraph or section handles. When in doubt, direct the buyer to legal counsel.

STALLING TACTICS (TRUST ISSUE)

There are several objections to signing a buyer representation agreement that you will need to anticipate and be prepared to handle.

"I'D LIKE TO SLEEP ON THIS"

- You: "It sounds like you need time to make sure the agreement is acceptable, is that right?"
- Buyer: "Well, kind of."
- You: "Can you share with me what concern or concerns you might have in moving forward?"
- Buyer: "Nothing really. It is just that we want to run it past our attorney *(or parents)* first."
- You: "Oh, of course. That makes perfect sense and is a good practice to have. May I make a suggestion?"
- Buyer: "Sure..."
- You: "How about if I write in here that you may cancel the agreement in writing within forty-eight hours for any reason. That way, I can get started on your home search without delay. Would that work for you?" *(The tactic is to get them over the fear hump and offer an out that requires no more than a phone call to activate.)*

"How about if I write in here that you may cancel the agreement in writing within forty-eight hours for any reason. That way, I can get started on your home search without delay. Would that work for you?"

"I PROMISED (*NAME*) THAT I WOULDN'T SIGN ANYTHING"

- You: "Interesting. Can you share with me the reason?"
- Buyer: "Sure, it is just that (*name*) is my (*relation*) and I trust (*him/her/them*). They told me not to sign anything and I promised I would not."
- You: "Okay. I understand. Tell me, did this person share with you why you should not sign anything?"
- Buyer: "I think they had a negative experience sometime in the past by signing a contract with an agent who then did nothing for them and threatened to come after them for the commission if they bought from someone else."
- You: "Oh, my! That is a shame. Luckily, you will not have that issue with me. May I explain why?"
- Buyer: "Sure, go ahead."
- You: "As we have already discussed, my team and I work systematically on your behalf to locate, negotiate, and get you into the right home, at price and terms that are acceptable to you. Was there anything in my presentation that is missing for you?"
- Buyer: "No. You seem to have a great process for your clients."

You: "Thank you. I am very proud of my team and my system. I take my business very seriously because I depend on great people like you for continued business and your referrals. If I behave otherwise, I would not be in business very long, would I?"

Buyer: *(Laughs)* "No, you would not."

You: "So, I would like to be your agent. Working with my team of professionals and me, we will put your best interests first and do everything within our power to locate, negotiate and get you into just the right home. Are you ready to get started?"

"... I am very proud of my team and my system. I take my business very seriously because I depend on great people like you for continued business and your referrals. If I behave otherwise, I would not be in business very long, would I?"

"I WANT TO WORK WITH MORE THAN ONE AGENT"

(This is the flawed belief that a small army will increase the odds of finding the home they want.)

You: "Are you thinking that working with more than one agent will increase the odds of you finding just the right home?"

Buyer: "Yes, that is correct."

You: "I can understand where you are coming from. Before I got into real estate, I might have thought *(or did think, if it is true for you)* the very same thing. The opposite is actually the truth. May I explain?"

Buyer: "Well, sure."

You: "A lot of people don't know that real estate professionals work on contingency, meaning we don't make a profit until you take title to your new home."

Buyer: "No, we did not know that."

You: "It is true. So, we must do everything within our power to increase the odds that our buyers will buy, since this is our livelihood. Does that make sense?"

Buyer: "Yes, it does."

You: "Good. So, when you work with more than one agent, they are all aware of it. Knowing that the odds are against them, the agents do not work as hard for you. On the other hand, we work extremely hard for our clients who agree to work exclusively with us. Does that make sense?"

Buyer: "Yes, I had not thought of it that way. That does make sense."

You: "Great! I would like to be your agent. Working with my team of professionals and me, we will put your best interests first and do everything within our power to locate, negotiate and get you into just the right home. Are you ready to get started?"

"Good. So, when you work with more than one agent, they are all aware of it. Knowing that the odds are against them, the agents do not work as hard for you. On the other hand, we work extremely hard for our clients who agree to work exclusively with us. Does that make sense?"

Notice how the objections and scripts for handling follow the steps of I.V.E.C. You, the agent, respond to the buyers' objection by acknowledging and asking a question to investigate. Get to the real objection, which is almost always based in fear.

Next, you validate the buyers' concern. This does not mean you agree that they are correct in their thinking. Quite the contrary, you need to deliver the truth and help them see why it is in their best interest, but you must make sure they feel safe first or that metaphorical shield will remain up. If so, nothing you say will be heard. Your words will bounce off that "shield" like so many arrows.

Only after you have validated their concern will you educate. Notice, however, that with the exception of one objection (*not signing anything*) the education is only delivered after asking for permission.

Once the information that pertains to your buyer's concern is delivered (*education*), you must close. Get to yes. You must ask for agreement. Human beings rarely "close" themselves.

"WHERE DO I SIGN?"

You must ask for agreement. As you can see from the scripts, there are many ways to do it:

- **"Are you ready to get started?"**
- **"Will that work for you?"**
- **"Sound good?"**
- **"Are you ready to move forward together?"**

STEP 4:**Showing Appointment Made**

After the buyer signs a loyalty agreement or buyer representation agreement, you will set your first appointment to show them a few homes. Set the expectations before they leave your office.

- a. You will show no more than six homes at a time. Let them know that, because of your system, most buyers find just the right home in fewer than six. Your system is that good.
- b. Between each showing, you will ask them to evaluate what they just saw.
- c. Once they decide on the property for which to make an offer, know how you will prepare said offer.
- d. Ask how best to communicate with them during your time working together: email, text messages or phone calls.
- e. Give them a buyer packet that includes samples of your purchase agreement, disclosure documents, and contingency addenda, if applicable.
- f. Make sure they have your Realty ONE Group home search app and any applicable links to your website.

THE ART OF SHOWING HOMES.

STEP 5:

Showings Arranged

Using the buyers' three lists (*particularly the must-haves*) search your Multiple Listing Services (MLS):

- Price range
- Minimum and maximum bedrooms and baths
- Other must-have features

Set up an automatic search in MLS:

- Buyer email notification—once per week maximum

Contact your database with buyers' criteria:

- Do not disclose buyers' identity
- Send blanket email request
- Follow up by phone with your top ten percent
- Ask for referrals

Other sources:

- Social media—consider posting your buyers' needs
- Your website—consider adding a "Current Buyers" section (keeping your buyers anonymous)

SHOWING TECHNIQUES

Do:

- Call ahead—verify availability with listing agent
- Ring the doorbell and knock loudly
- Announce yourself upon entering and lead the way, initially
- Encourage the buyers to explore
- Watch and listen to the buyers for signals
- Ask for feedback: "How do you feel about this one so far?"
- Turn on lights and open window coverings if necessary
- Return lights, window coverings, or anything else that was changed, to how you found them before leaving
- Leave your business card
- Leave a note if you are out of business cards

Don't:

- Insist on accompanying the buyer into every room. Give them space
- Insult their intelligence by stating "this is the kitchen."
- Disagree with them. This is their purchase, not yours. How you feel about the property does not matter
- Defend the home or the property. Instead, seek understanding: "tell me how you would change this if it were yours"
- Skip a home that you have arranged to show. Say this: "the owners are expecting a showing today. Out of courtesy, let us run in and take a quick peek at the front part of the house, at the very least."
- Show any more homes until the buyers have eliminated this one from further consideration

STEP 6:**Each Property Considered or Eliminated**

It is tempting to plow through your list of showings, but in order to avoid having the buyers make a decision by not making a decision, you must keep them focused and on track from the beginning. After the first home, ask: "Is this the one?" Even if it is, the buyers will likely want to see more.

After the second home, hold up the MLS data sheets for home #1 and this home. Ask: **"If there were absolutely no more homes on the market to choose from and you had to choose one of these, which one would it be?"** Why? The goal is to eliminate one of the homes altogether, getting the buyer highly focused on the obvious choice when it becomes clear. Advantages to this approach include the following:

- Eliminates or greatly lessens the number of homes you need to show
- Keeps the buyers moving forward through the decision making process
- Makes it easier for the buyers to say yes to making an offer when it is time
- Gets you paid in a timely manner.
- Helps you determine if any of the buyers' criteria has changed

TIPS:

- a. Listen. Pay attention. Ask questions.
- b. Remember to summarize the needs, summarize the benefits and ask for a decision.

STEP 7A:**Property Selection: General Buying Signals**

- They talk about where they would place furniture or how they would use a room
- You hear positive exclamations such as:
 - a. "Wow!"
 - b. "Oh my!"
 - c. "Now this is more like it."
- They ask questions they have not asked at other properties such as:
 - a. "Do you know if this house has other offers?"
 - b. "What are the property taxes for this house?"
 - c. "I wonder what our payment would be for this?"
- They ask to go back through the home again

Non-verbal Buying Signals

- The buyers exchange glances—looks that say "This is good!"
- Lingering in the home or particular room
- Sitting on the furniture, usually the living or family room
- Touching any part of the home
- Touching their chins and nodding
- Starting to take notes, if they haven't before
- Not taking notes, if they were before
- Measuring

HOW TO MOVE THE BUYER TO MAKING AN OFFER

If you have been paying attention to the buying signals, you will just need to ask a few questions:

- "Is this the one?"
- "How do you feel about this home?"
- "Would you feel comfortable living here?"
- "Well, it looks like this is it. Am I right?"
- "Where would you place your armoire? Your sectional? Your king size bed and master bedroom furniture?"
- "Which bedroom will be (*Johnny's*)? (*Suzy's*)?"
- "Would you like to go somewhere, have a cup of coffee, and talk about it?"

When It is Time to Make an Offer, Ask Closing Questions:

- "Are you ready to make an offer?"
- "Shall we make an offer on this one?"
- "Should we pencil it up and see what it looks like on paper?"

Securing a Decision Consists of:

- Summarizing the needs
- Summarizing the benefits
- Asking for the decision

Summarizing the Needs:

"If we think back to when we started, you said you are tired of not having a guest bath, and the houses are so close that you are feeling hemmed in. **(Name)**, you wanted to start your woodworking hobby again. **(Spouse name)**, you indicated that with your children getting older, you wanted them to have separate bedrooms and that with all your trips to the airport, you were tired of the long drive."

Summarizing the Benefits:

"This home has the extra three-quarter bath for guests to use, leaving your master bath private. It has about four-hundred feet to your nearest neighbor which will give you the elbow room you wanted. **(Name)**, you said that the walkout basement would be perfect for a workshop. **(Spouse name)**, there will be a bedroom for each child and the driving time to the airport is fifteen minutes less than from your present house."

Asking for the Decision:

"Now, in order to give you plenty of time to finalize details on your present home, how would a ninety day closing date work?"

STEP 7B:**Criteria Revised**

If after a few showings you become aware of a change in the buyers' criteria (*something suddenly becomes a must-have when it was previously on the bonus list*) you must set an appointment or take the time right then and there to review the three lists. Go back through every feature and ask the buyers to think about that feature in relationship to the homes they have seen so far. Ask **"Is this feature still on the list? Do we need to move it to the list?"**

What if the buyer stalls? Ask (*use I.V.E.C. if necessary*) **"What is holding you back from making an offer?"** Usually, like all other objections, it is something based in fear. Fear of jumping in too soon, fear of missing a better property or fear of getting in over their heads. It is wise to remember this is the single largest purchase we usually ever make in our lives; it can be very scary.

"What is holding you back from making an offer?"

Use everything you know about communication to help ease the buyers' minds and assist them in feeling comfortable moving forward. For example:

- You: "What is your main concern?"
- Buyer: "I do not know. It does not seem like we have looked at enough houses. What if there is something better out there?"
- You: "I hear you. You are thinking that if you go with this one, you may be missing out on an even better property, right?"
- Buyer: "Right!"
- You: "I understand your thinking. Here is the challenge, though, if you will indulge me. **(Buyer nods.)** Let us say we keep looking based on that assumption. A few days go by, or even a week. You come to the conclusion that this, indeed, is the best fit and we discover that it sold immediately after you saw it. How will you feel about that? **(Pause to let that soak in. Listen to their response.)** This is the reason that I have the system that I do, which includes having you make three lists and why I carefully and meticulously review those lists with you. I want to be sure I have done all I can to know your needs inside and out. That way, the very best matches are what we see first. Does that make sense? Are you ready to move forward with this property?"

"I understand your thinking. Here is the challenge, though, if you will indulge me. (Buyer nods.) Let us say we keep looking based on that assumption. A few days go by, or even a week. You come to the conclusion that this, indeed, is the best fit and we discover that it sold immediately after you saw it. How will you feel about that?"

GETTING YOUR OFFERS ACCEPTED.

STEP 8: KEY AREAS OF THE OFFER TO PURCHASE

Your office manager, broker, and/or mentor will carefully review all aspects of the purchase agreement, related addenda and disclosures for your particular state and local area laws and regulations. For our purposes, this section is universal and intended to help you know the key areas of all purchase agreements:

Your buyers' lender should already have fully qualified the buyer and together decided which financing vehicle to use: **FHA, VA and Conventional Loans**. You will declare their loan type when making an offer. If points are charged for the current interest rate (*or the buyer desires to buy down the interest rate*) you will need to decide who pays points. Remember, however, that points are a term.

Encourage every buyer, regardless of their own expertise to hire a professional home **inspector** and any other types of inspectors who may help determine the status of the property's condition. Aside from the usual look at plumbing, electrical, and structural systems of the house, discuss with your buyer hiring specialists. Examples of this are termite, pool and spa, lawn sprinkler systems, soils engineering, roofing contractors, etc.

TIP:

- a. Don't forget the big picture. Always act in your client's best interest.

Repairs: Once the inspection(s) is/are complete, review the results with your buyers and make a cursory list of repair and/or replacement items with them. Next, discuss which items are non-negotiable and must be handled by the seller. Encourage the buyer *not* to give the entire list to the seller as a repair request, but rather to concentrate on the really important and/or costlier items for the seller, while agreeing to handle minor and inexpensive repairs on their own. Often, buyers' agents will share the entire list with the listing agent, noting that "the buyers' inspection identified all of the following items or issues, but is only asking for..."

Property condition disclosure(s): Most listing agents procure these documents from the seller as part of the listing process, but if you and your buyers are not in possession of them at the time you make an offer, make sure the buyers are aware of what disclosures they can expect to receive and when.

Environmental disclosure(s): The same advice for these types of disclosures as above.

TIPS FOR WRITING "WIN-WIN" OFFERS

Unless the market is an extreme buyers' market, the following truth should be shared with every one of your buyer clients. This helps them understand the reality of the real estate market and encourages them to be realistic in their expectations.

"You will get price or terms, but not likely both. Which is more important to you? Would you rather pay a lower price for the home and take care of your own financing terms, or would you rather have help from the seller with your financing terms?"

The most likely offer to get accepted is the one that comes closest to meeting the seller's asking price, with a minimum of additional requests and/or conditions, and a timely close of escrow.

Plan strategies with your buyers. If they are planning to ask for personal property items, major repairs or corrections, or make the offer contingent upon something occurring in the future (*e.g. the sale of the buyers' current home*). Discuss the pros and cons, as well as how to structure these items in the offer itself, and your plan for presenting to the listing agent.

TIP:

- a. Always include a buyer cover letter that summarizes the qualifications of the buyer and highlights the offer.

BUYER COVER LETTER: A RELATIONSHIP BUSINESS

Keep in mind that people make buying and selling decisions emotionally and then justify said decisions with logic. This knowledge is critical at all times, but especially if your buyers are in a competitive market and you know the subject property will likely receive several offers. Give your buyers as many chances as you can to gain the seller's favor. There are a couple of excellent strategies to accomplish this:

Arrange a meeting with the sellers while the buyers are previewing the property. Admittedly this is tricky to pull off, but if a second viewing is scheduled over a weekend, the sellers may be at home. Do not object to their presence. As a precaution, take the sellers' reasons for selling into account before doing something like this; it could backfire if extreme unhappiness exists such as in a divorce or financial hardship.

Write a cover letter to submit with the offer. Include information about your buyers' qualifications but really emphasize the things they love about the house and property. Brian Buffini tells the story about a couple who owned prime property near the ocean in San Diego and who dreaded the thought of someone bulldozing their prize winning rose bushes. The agent representing a developer bragged only about how valuable the land was and what grand plans the developer had to create estate lots for fabulous, spectacular homes. Meanwhile, Brian came in with a lower offer and explained to the seller how much his clients loved the rose bushes and planned to keep them in tip-top condition. Although Brian's offer was lower, the seller accepted it and all because of the rose bushes.

TIPS FOR COMMUNICATING WITH THE LISTING AGENT

Before buyer brokerage it was customary for the selling agent to present the buyers' offer directly to the seller, with the listing agent in attendance. Not only that, it was expected that the selling agent would provide the seller with a net sheet (*estimate of closing costs*) as part of the presentation. In those days, we called the listing agent and arranged an appointment to meet them in the seller's home. Times have changed. However, please note that if your buyers want the offer presented directly to the property owner, they have that right.

1. Read the agent remarks in the MLS listing data for instructions on how to submit an offer. Many times a listing agent directs you to a specific email address or to an online offer submission system or portal.
2. Many listing agents are easier to contact by text message. If you have a question or two before you submit an offer, consider sending a text message.

TIPS FOR HANDLING DIFFICULT OR UNREALISTIC PEOPLE

Difficult Agents

Many agents sabotage negotiations by engaging in a war of egos with a difficult agent on the other side of the transaction.

Remember who you are representing. **Ask yourself, "Is this behavior in my clients' best interest?" (Or) "What do I have to do or say in order to be successful on my clients' behalf?"**

Sometimes, in spite of your best efforts, the agent on the other side of the transaction makes it difficult to be effective on behalf of your client, by displaying one or more of the following behaviors or attitudes:

- Rude
- Aloof
- Non-communicative
- Bullying
- Criticizing
- Belligerent
- Condescending
- Dishonest

What can you do? First, take a deep breath each time a bad behavior is displayed; you must stay calm. Our first response is physiological. If you recognize what is happening to your body (*heart rate increases, breath shortens, blood pressure rises*) you can take immediate steps to regain normal mannerisms. Tightening up and getting angry in response will not serve you or your client. Do not match your response to that of the other agent. Here is a typical exchange that gets out of hand:

- Bad Behavior agent: **"You have not been in the business very long, have you?" (*Rude, condescending*)**
- Victim agent: **"Yes, I have. What makes you think I have not?" (*Defensive*)**
- Bad Behavior agent: **"Your offer. You left out (*fill in the blank*) and you should know better than to write (*information*) in section (*fill in the blank*) like you did." (*Condescending again*)**

You can see where this will go. It quickly spirals downward into a no-win argument that will inevitably affect the buyer and seller as well as the agents, especially if the transaction is not accepted and/or does not close. This kind of behavior could be considered malpractice. Instead of the interaction previously depicted, use the steps of Investigate Validate Educate Close (*I.V.E.C.*) whenever possible.

- Bad Behavior Agent: "You have not been in the business very long, have you?" (***Rude, condescending***)
- I.V.E.C. Agent: "Hmm, it sounds like I may have missed something in the offer. Did I?" (***Stays calm and investigates the underlying issue***)
- Bad Behavior Agent: "You sure did. Not only did you leave out (fill in the blank) you also..." (***Continues the aggressive behavior***)
- I.V.E.C. Agent: "Okay. How about if we go over the offer together? If I missed something or did something in error, I certainly want it to be corrected. After all, it is in both of our clients' best interest." (***Does not take the criticism personally, stays focused on the client***)
- Bad Behavior Agent: "Well, okay. I am sorry if I offended you. I just get so frustrated with agents who do not fill out an agreement properly." (***Calming down, relieved that the other agent is not fighting back***)
- I.V.E.C. Agent: "No problem. I understand and I want to do what is right by our clients. Now, tell me again, where did I miss something?"

Now the "shield" has come down; meaning the aggressive posturing and subsequent defensiveness that would have occurred in a typical encounter subsides and cooperation can take place. This can be challenging to do sometimes, especially when the ego is involved. Ask yourself this question whenever you feel attacked and feel the inclination to defend yourself: do I want to be right or do I want to earn a commission?

INVESTIGATE

VALIDATE

EDUCATE

CLOSE

I.V.E.C. Technique.

"DIFFICULT BUYERS"

What about the difficult and/or unrealistic buyer? Using the steps of I.V.E.C. can help in just about every situation. Try it at home with your spouse and your kids, too. You may be pleasantly shocked.

Buyer: "There is no way I am going to make an offer at full asking price. Sellers always overprice, knowing the offer will be lower. My plan is to offer at least \$20,000 under the asking price."
(Unrealistic in your market)

I.V.E.C. Agent: "It sounds like you are concerned about paying too much for the property, right?"
(Investigates to identify the real issue, which is likely fear)

Buyer: "Well, certainly. I mean, the last thing we want to do is pay too much."

I.V.E.C. Agent: "Absolutely. I am a consumer too, and I do not want to pay too much for anything either. However, may I take a minute to address this?" *(Validates the buyers' fear and makes a truthful statement that equalizes both sides and humanizes the agent, plus asks for permission to educate)*

Buyer: "Well, I guess so. But I am still not making a full price offer." *(The "shield" comes up again)*

I.V.E.C. Agent: "Do not worry. I am not here to make you do anything you are not comfortable doing. My job is to help you locate, negotiate, and have a smooth, successful transaction. Let us take a look at the market data." ***(Agent, anticipating this, shows printouts of current MLS research depicting current number of homes on the market in the area. The printouts also depict price range, number of properties in pending status, days on market, number of sold properties in the price range, and area from the past three months.)***

I.V.E.C. Agent: ***(Continuing)*** "Do you see that in the past three months _____ homes were on the market and out of that number, (#) sold and (#) are in escrow? That means that if no other homes were to come on the market, there are only (#) months of inventory left. Also, on average, the final sales price to asking price ratio was (#) %. That means the sellers are pricing their properties pretty close to where they should be for our market. Does that make sense?"

Buyer: "Well, yes. I guess it does." ***(Not happy, but realizes that the facts do not lie.)***

I.V.E.C. Agent: "So, do you see what would happen if we make offers \$20,00 lower than asking price?" ***(Does not answer, lets the buyer answer.)***

Buyer: "Yes, our offer would likely be rejected, would it not?"

I.V.E.C. Agent: "Yes, you are correct and that would only frustrate our efforts to find just the right home for you." ***(Trial close)***

Buyer: "Yes, I guess it would."

I.V.E.C. Agent: "Okay, let us get started. And when we find the home you choose, we will revisit the market data again. Sound good?"

UNDERSTANDING REAL ESTATE MARKETS.

BUYER'S MARKET VERSUS SELLER'S MARKET

The kind of market you are currently experiencing will certainly influence the terms and ultimate outcome of a buyer's offer. You must always know and be prepared to show your clients the data that helps them understand the current state of the market you are in.

- Active listings in the area
- Price range
- Pending sales
- Days on market
- Sold listings

BUYER'S MARKET (EXCESSIVE INVENTORY/LOW DEMAND)

If the available inventory in a given area and/or price range is selling sluggishly (*in more than 120 days or so*) you are likely experiencing a buyer's market—one in which there are plenty of available homes for sale, and with very little competition for those homes. Effect on negotiating: positive for buyers, negative for sellers.

SELLER'S MARKET (MINIMAL INVENTORY/HIGH DEMAND)

Just the opposite of the buyer's market, if the available inventory in a given area and/or price range is selling quickly (*in less than ninety days or so*) you are likely experiencing a seller's market—one in which there are plenty of available buyers and not enough available properties to meet the demand. This situation often results in multiple offers made for a single property and sales prices that end up above the initial asking price.

BALANCED MARKET

A balanced market is one in which a healthy number of properties are available at any given time (*and price range*) and receive offers within 120 days or so. It is also considered a balanced and economically healthy market if prices are increasing at approximately four to five percent per year.



PRESENTING THE OFFER.

IN PERSON

- If possible, contact the listing agent by telephone and explain the buyers' request.
- Arrange an appointment with the listing agent to meet the property owner, usually at the home, but sometimes at the listing broker's office or seller's place of employment. Let the listing agent be your guide
- Confirm all attendees
- Prepare cover letter about the buyers; although you will cover the information in person, this is a "leave behind."
- Bring hard copies for all parties in attendance: cover letter, offer and any addenda, lender qualification letter, earnest money check, etc.

BY EMAIL OR OTHER ELECTRONIC FORMAT

- Check the MLS agent remarks for instructions
- Alert the listing agent via email, phone or text regarding your offer.
- Scan all related documents to send: cover letter, offer and any addenda, lender qualification letter, earnest money check, etc.
- Be sure to keep copies of all correspondence in your client activity file.

OPENING AND CLOSING ESCROW.

STEP 9:

Escrow Opened (Earnest Money Deposited)

After successfully negotiating your buyers' offer, it's now time to send the properly signed and initialed offer and related addenda to your transaction coordinator and escrow officer. Oftentimes, the Transaction Coordinator will send the paperwork to escrow, but always remember that ultimately you are responsible for the accuracy and handling of the transaction. Depending upon your state law, the buyers' earnest money will be deposited at this point.

STEP 10:

Steps in the Pending Path Handled

Now your work really begins. You and your Transaction Coordinator will want to use a transaction checklist and note *all* deadlines noted in the contract for:

- Loan Approval
- Inspection(s)
- Repair Requests
- Other Contingencies
- Closing
- Possession

Follow up systematically on time frames, deposits, etc. Do not rely on your Transaction Coordinator to do this for you. Keep your client informed every step of the way. What if the seller and listing agent miss your deadline? Simply report this fact to your buyer and ask, **"What would you like to do now? Your offer has expired. We can notify them and give them more time or we can notify them that you plan to find another home."**

STEP 11:**Loan Documents Signed**

One of the most crucial aspects of the transaction is the buyers' loan (*sometimes plural: loans*) and making sure that the lender's requirements are met in a timely manner in order for final loan approval and loan documents to be ready for signing before closing. There are often hurdles along the pending path that pop up with regard to the buyers' loan(s):

- Re-checking credit reports and major purchases discovered since the first credit check. This discovery can sometimes cause your buyer to be outside of the maximum debt-to-income ratios, thus causing them to no longer qualify, which in turns results in a failed sale (*at best*) and/or lost earnest money deposit (*bad*) and/or lawsuits filed by the seller for damages (*at worst*). Be sure to consult with your buyers early on about not making any major credit purchases until after closing.
- Requests for documentation regarding deposits
- Requests for documentation that explains past debts, income gaps, paid judgment liens, etc.

Keeping abreast of any lender requests, along with making sure the buyers are complying in a timely manner (*gentle but frequent follow up*) will greatly enhance the likelihood of a smooth, uneventful closing. Once all documents have been submitted to the lender's satisfaction, full loan approval will be granted. Once full loan approval is granted, the actual loan documents (*deed of trust and other Reg Z documents*) will be created and made ready for the buyers to sign. Sometimes these loan documents are signed together with the other closing documents at either the title company, escrow office or the attorney's office. Other times, they are signed separately in the lender's office or elsewhere as arranged.

STEP 12:**Escrow Instructions/Documents Signed**

As was stated above, sometimes the loan documents are sent to the title company, escrow office or attorney's office to be signed alongside the other escrow documents. Each state is different. In Module 05 (*The Residential Purchase Agreement*), Module 08 (*Financing The Sale*), Module 09 (*The Listing Agreement*) and in Module 12 (*Closing The Sale*), you will learn all of the nuances in your particular area and state.

Just remember that the purchase and sale agreement, along with all related addenda, are the closing escrow instructions. Whoever is coordinating the closing for the buyers and sellers must follow the contract. They do not have the legal authority to deviate in any way from what the buyers and sellers have agreed to in writing. Also, it is worth noting that at no time do the sellers or buyers have legal authority to deviate from what was agreed to in writing. In such cases, it is an attempt to re-negotiate the terms of an already agreed-upon contract. Neither party is obligated to accept the other party's request. Each situation is different, however, so be sure to consult with your broker.

STEP 13:**Funds Released and Sale is Recorded**

Once the escrow closing officer (*or attorney*) is satisfied that all documents have been properly signed and dated by all parties to the transaction, the lender releases the loan funds and after all expenses have been accounted for and the sale proceeds have been released to the sellers, the sale (*deed*) will be made public record (*recorded at the county recorder's office*).

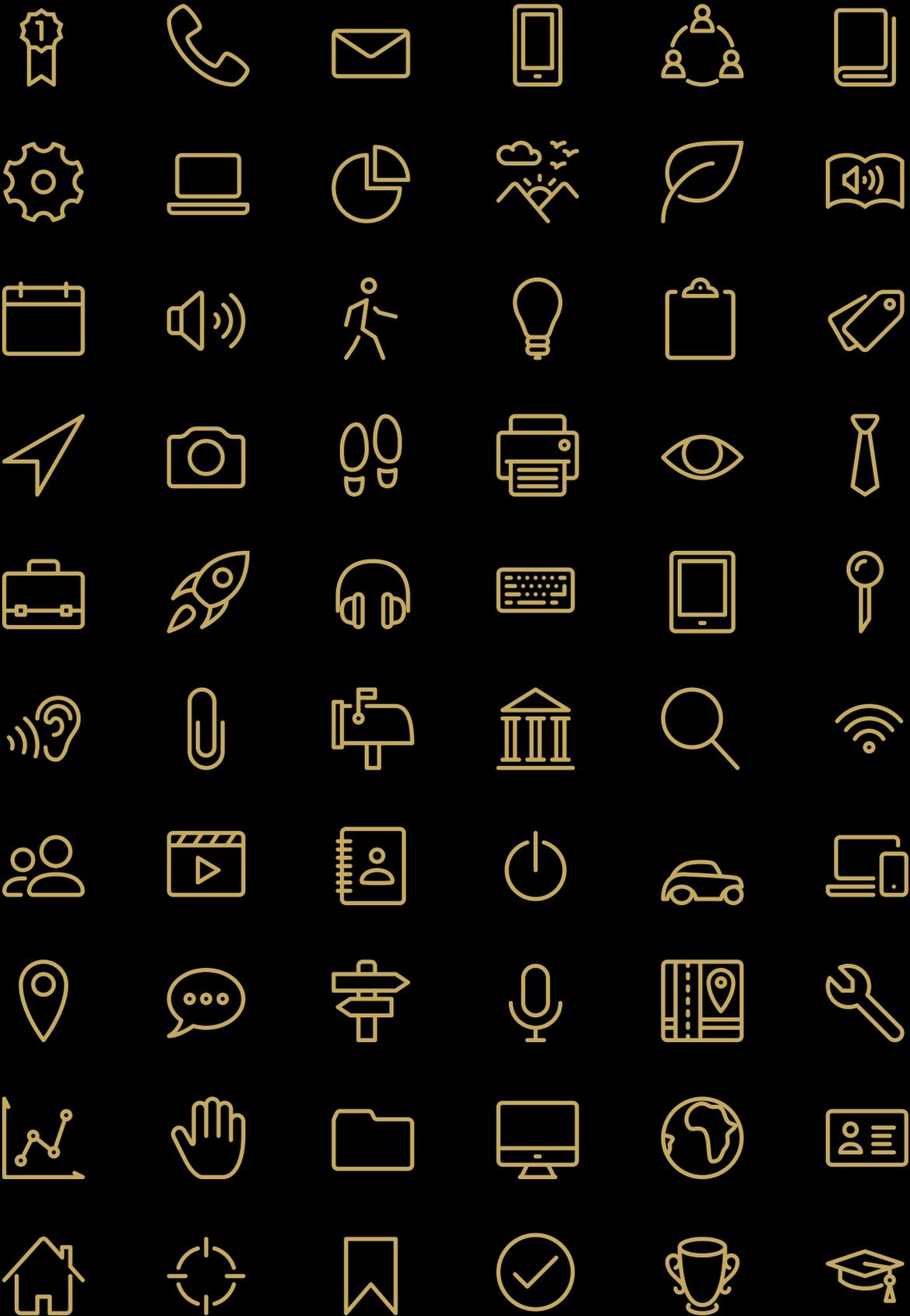
STEP 14:**Buyer Takes Possession**

If you and your Transaction Coordinator have been following a checklist, you have already made prior arrangements to pick up keys and/or garage door openers in anticipation of the buyers taking possession. There are several ways this is accomplished:

- Listing broker gives permission to retrieve house key from lock box and given to buyer
- Extra keys and garage door opener(s) are often left in a kitchen drawer or other drawer or cupboard for the buyer to retrieve once inside the home
- Listing broker or sellers may give all keys and garage door openers to the escrow closing officer (*or attorney*) for retrieval after funding and recording has been verified

It is important to note that plans for possession (*keys and garage door openers*) must be coordinated in advance of closing. Last minute scrambling makes for a stressful experience for all, especially for your buyers.





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