SHIFT TACTIC 12: BULLETPROOFING TRANSACTIONS

MAKING IT ALL THE WAY TO THE CLOSING
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In today's competitive market, it is becoming more common for real estate transactions to fall apart after a contract is signed. Why is that? As Martin Bouma, an agent who increased his business in Ann Arbor during the last major national market shift said, it's due to the tension created when owners feel like they are selling too low and buyers feel like they are paying too much.

When buyers and sellers have doubts (e.g., the price is not what they wanted), they are less likely to be agreeable in future negotiations. After all, each party feels as if they have already made a concession and now it's time for the other guy to give up something of value. As we all know, agreeing to a sales price is only the first negotiation. There are many other issues to negotiate in the contract-to-close period. It's a sensitive time that requires you to be on the ball and use your best negotiation skills.

How serious is the problem? Bruce Hardie, now regional director, said when he was a mega agent in Spokane, Washington, that 24 percent of all transactions in his market fell apart after the contract was signed during the shift of 2007. That's one out of every four transactions. Can you afford to lose one-fourth of your business?
The Challenge

Gary Keller, cofounder and chairman of the board of Keller Williams Realty Inc., describes the challenge in a buyers’ market. “Some buyers believe every step in the transaction is an opportunity to renegotiate without ethical, moral, or legal risk.” Fueled with the knowledge that there are plenty of other homes, buyers aren’t concerned about hanging onto the one they thought they would buy.

As a savvy real estate agent, you have to understand that in shifted markets a “yes” is more like a “maybe.” A “yes” on a contract in a buyers’ market is not as solid as a “yes” in another market. A signature on the contract can mean “yes for now, however, I might change my mind when the inspection or appraisal is done.”

The Solution

What can you do to minimize the number of transactions that fall apart?

1. Be aware of the most common problems.
2. Have good solutions and scripts.
3. Avoid problems by addressing common concerns before they arise.
4. Maintain good and frequent communication with all parties so you become aware of problems as early as possible (when there is time to address them).

“Keeping transactions together is about managing everyone’s expectations and being a person who does not throw gas on the fire.”

Martin Bouma
Ann Arbor, Michigan
Getting the Most Out of This Experience

There are often three types of people in a typical training class. Which one are you?

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<th>The Vacationer</th>
<th>The Explorer</th>
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<tr>
<td><em>Has to be there, doesn’t want to be there, and doesn’t know why they’re there.</em></td>
<td><em>A day in training is better than a day on the job.</em></td>
<td><em>Excited and curious about the new knowledge, skills, and tools they will discover in class.</em></td>
</tr>
<tr>
<td><strong>Doesn’t engage</strong></td>
<td><strong>Spends as much time chatting as listening</strong></td>
<td><strong>Listens attentively, then participates fully in discussions and exercises</strong></td>
</tr>
<tr>
<td><strong>Spends class time catching up on their emails</strong></td>
<td><strong>There to have fun—distracts the class with irrelevant comments</strong></td>
<td><strong>Asks meaningful questions and contributes compelling aha’s</strong></td>
</tr>
<tr>
<td><strong>Escapes by spending time in the hall on their phone</strong></td>
<td><strong>Returns late from break and lunch</strong></td>
<td><strong>Arrives to class on time and returns promptly from breaks</strong></td>
</tr>
<tr>
<td><strong>Holds on to limiting beliefs</strong></td>
<td><strong>Not purposeful in their learning goals</strong></td>
<td><strong>Adopts a posture of acceptance</strong></td>
</tr>
<tr>
<td><strong>Multi-tasks on their computer by working on side projects</strong></td>
<td><strong>OMG! Spends the day on their smartphone, texting and checking Facebook</strong></td>
<td><strong>Takes notes in their manual for future reference</strong></td>
</tr>
<tr>
<td><strong>Picks fights with trainer or other participants if they don’t agree</strong></td>
<td><strong>Isn’t paying attention</strong></td>
<td><strong>Respects the different learning styles and opinions of others</strong></td>
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Five Common Problem Areas

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As Charles Darwin said, “It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”
Buyer’s Remorse

“The future depends on what you do today.”
Ghandi

Second-guessing the decision to buy a house is known by a number of names—buyer’s remorse, cold feet, butterflies in the stomach, the jitters, etc. The basic problem is that buyers wonder if they’ve made a good decision and they wonder if they should try to get out of the deal before it’s too late.

When you think about it, this reaction shouldn't be a surprise. Buying a house is one of the most expensive purchases people make. They don't do it often and it's natural to feel uncomfortable with a type of decision you make infrequently, especially when the stakes are high. In addition, who likes to part with their own money? People love the idea of owning their own home, but they aren't so crazy about paying for it. One of the things you can do is help your buyers focus on how good they'll feel when they are in the new home that is a reflection of their success in life and allows them to fulfill their dreams. Since you've gotten to know your buyers, you should have no problem reiterating how the home meets their desires.

**TIP**
Help your buyers focus on the home rather than the purchase.

Provide an Antidote for Buyer’s Remorse

We all know that one of our most effective selling propositions is to position ourselves as the market expert. Once the contract is signed, the buyer’s agent has another opportunity to demonstrate expertise. This time you do it by informing the buyer about something that may happen in the future—buyer's remorse. You can take a direct approach with the following script.
I'm going to help build up your immune system and give you an antidote for a common affliction at this point in the home-buying process—it’s called buyer’s remorse.

Let your buyers know about things that will trigger buyer's remorse:

- News reports that make them absolutely sure they have made the worst decision of their life
- Friends who tell them they are nuts for buying a home now
- Well-meaning family members or friends who say, “You paid THAT MUCH for your house?”

What You Do

Prior to making an offer, do a Comparative Market Analysis (CMA). This will let your buyers know what the property will most likely sell for. The CMA is considered an industry standard for determining fair market value. When your buyers have data to show they are paying a fair price, they won’t have so many worries about paying too much. Mel Gentry, of The Gentry Group in Austin, Texas, reminds us to use recent data for the market analysis, especially when prices are shifting.

Once the offer is accepted, have a celebration with the buyers to anchor the decision. Top agents refer to it as “marking the moment of victory”. Moments of victory are memorable. Once you’ve had a moment of victory, it is hard to reverse the decision. In this victorious celebration you confirm all of the reasons why purchasing this home now is a good decision. Your celebration could be over a cup of coffee or it could be with a glass of champagne. Choose something that appeals to your buyers. There are a couple of things you can say right away to help "lock" the decision.

SCRIPT:

You know, this is a great buy __________ (buyer’s name)!

Nice job. This is a great decision!
Exercise: Mark the Moment

Document their great decision by writing it down. To control the interaction, you’ll write everything down.

1. Document how thoroughly you considered everything on the market.
2. Record why this house is THE ONE.
3. If buyer’s don’t come up with reasons right away, start things off.
4. Finally, when they come up with a reason why it’s a great buy, put a star next to it.

TIP

Give this moment your full attention.

Have good eye contact.

A reassuring pat on the arm, handshake, hug, or high five can reinforce the moment when done sincerely.
Here’s an example of what you might write during your conversation:

```
Buying our home at 123 Main Street is a great decision because:

- We previewed 50 properties online.
- We looked at 20 houses from the outside.
- We toured the 10 BEST houses.
- We are clear about what we want and don't want.
- We rejected a lot of homes because they were not priced right.

We decided this was our house because:
- We love the stone exterior.
- It's on a quiet street.
- The landscaping is beautiful.
- It has the three bedrooms we need, plus an extra one!
- The payments are within our monthly budget.
- The commute to work is short.
- We got it for the same price as other homes in the neighborhood, and ours is in better condition.
```

Some top agents even go as far as having their buyer’s sign and date the list.

**SCRIPT:**

“Sign this. I want you to remember why this is such a great day for you, how much work you’ve done, and what a good decision you’ve made.”

Make copies for each person. Tell them to keep it with them and advise them on what to do if they hear any of those scary things that make them doubt their decision.
SCRIPT:

“I want you to keep this with you and read it daily. If you have any moments of doubt, take two aspirin or eat some chocolate, read it again, and call me in the morning.”

Remind your buyers that thanks to the research you conducted together, they know more about their real estate market than their well-meaning family and friends (especially those in other markets). Reassure them that they made a good decision.

“You have to constantly resell the buyers on their decision.”

Martin Bouma
Ann Arbor, Michigan
Seller’s Remorse

Although we don’t hear about it as much, sellers can change their minds too. A neighbor might say, “You sold your house for THAT LITTLE?” Similar to buyers, there are remorse remedies for sellers.

- Review or do a new Comparative Market Analysis (CMA) including houses that are pending inventory in the same price range, and how long those houses have been on the market.

- Remind your sellers of whatever is motivating them to move (e.g. “Would you rather continue with your hour and a half commute to the office?”)

- Remind them of the good things about their new destination (e.g. “Aren’t you anxious to get into a new house with the additional bedrooms you need?”)

- Discuss the risks, including time commitment and cost of starting over. You can bring up the cost of making payments on their house when the money could be going to the next property or some other investment (depending on their plans).

Martin Bouma knew sellers in his tough Ann Arbor, Michigan market were selling at bottom prices. Martin says he used to react to low offers, but he learned to sit back and listen to his sellers vent their frustrations. What Martin has learned is that venting is necessary and sellers won’t listen to you until they’ve had time to express themselves.

Close as Soon as Possible

A final thing you can do to decrease the opportunity for buyers or sellers to change their minds is to encourage the earliest possible closing date, especially when prices are dropping. Buyers and sellers will have less time to second-guess themselves and listen to "advice" from others. Some agents have been known to offer cash incentives to anyone who closes early.
Buyer’s Remorse Summary

Issue: Buyers get cold feet.

Solutions

1. Warn your customers that some people get buyer’s remorse. Reassure them that they made a good decision and help them list the reasons why they made the decision.

2. Mark the decision to buy as a moment of victory and celebrate it.

Issue: Buyers change their minds after talking with family or friends.

Solutions

1. Remind your customers that they know a lot more about what is available than their well-meaning family and friends.

2. Review reasons why the house they chose fits their needs, wants, and budget.

3. Ask about the source of their concerns and help them through it.

4. Schedule the closing as soon as possible.

Handling Buyer’s Remorse

What do you say to prevent buyer’s remorse?

What works when your buyers change their minds about buying a house?

STOP & Think
Inspection and Repair

Both buyers and sellers need to be prepared for the inspection-and-repair process. Buyers view it as a time to get some money back. After all, they are concerned about paying too much when prices are falling. They also view it as a time to back out of the deal if they aren’t sure this is the home for them.

Whether you are working with the buyer or the seller, you need to acknowledge how they feel and help them understand the other point of view. Your goal is to keep the deal alive.

“In a shifting market we have to educate sellers a lot more and help them understand what could be coming at them.”

Brad McKissack
Denton, TX
Conversations with Customers

Sellers

**SCRIPT:**

“Mr./Ms. Seller, here’s something I just want us to be ready for – We know there were some issues people saw when they went through the house such as ____________ (mention specific concerns).

The inspector is going to pick those things up and it’s possible that a buyer is going to come back and ask us to take care of some of that stuff. Here’s what I want you to keep in mind. It could be $1000. It could be $2000 and I know that you’re in no mood to give in any further. I know that. I absolutely understand you have brought the price down. This is a great deal. You’ve done all the right things. Here’s one thing I want you to keep in mind that is likely to happen and you’ll have to decide. If you walk away from the deal over a few hundred or a few thousand dollars, essentially you’re buying the property back at the price you sold it for, hoping to make only a little more money. Will you buy the house back over $1000? Are you willing to buy it back, hoping you can get more in a short enough period of time that it’s worth doing? Or do you want to make sure this deal stays together?”
This situation is similar to flipping a house. You could say, “Would you have bought this property on the open market to flip it for $500 more, or $1,000 more, or $5,000 more?” The logical answer is “no.” People would not go through the purchase of a house if they could only make a few thousand dollars for their effort. You have to put the situation in perspective for them.

Another option is to have an inspection done before the house is put on the market.

**SCRIPT:**

“*Mr./Ms. Seller,* one option you can consider to give us an advantage is to have your home inspected yourself – before listing it. Worst case, you will know what you absolutely must address before you list. Best case, you’ll have a document that shows buyers what great condition your property is in. Even if you have to do repairs, you can document what you’ve done and add them to the inspector’s report as addenda and include the documents in the home information book when you go on the market.”
Buyers

You should be letting buyers know where you are in the home purchase process by preparing buyers for the inspection and repair process. As Bruce Hardie says, letting customers know what comes next sets expectations and reduces fear. Give names of outstanding inspectors, professionals who can also help generate trust with your buyers, and help aid them in making good decisions.

It’s essential to have good rapport and your customers need to trust you so they’ll take your advice. It’s especially important to support first-time home buyers. They have no prior experience with inspection reports. Let them know inspectors are paid to look at and document EVERYTHING they see, even the small stuff. The report is long. The purpose of the report is not to nitpick over every door that creaks. The most important reason to have an inspection is to uncover any major problems that are not apparent to buyers as they walk through the house. The inspection provides information so buyers know what they are buying. If foundation repairs are required or the roof needs to be replaced, buyers know what they need to negotiate once they have the inspection report in hand.

**SCRIPT:**

“Mr./Ms. Seller, we’re going to go do the inspection. The inspection will undoubtedly uncover minor things – they always do. They’ll be things that are true of any house that’s a few years old. The thing to remain focused on is, are there any major or substantive issues that we did not notice ourselves? I always encourage customers up front to keep focused on the big, functional, or value-driven items; not leaky faucets, a gutter that needs replacement.

“Here’s something we both understand, they are way below what they intended to sell the home or. You know how reluctant they were to agree to the price we offered. And we looked around the market, and this is a great price. The question we need to ask ourselves, and believe me when I say I’m not telling you what to do, but if we go back with any kind of request for substantial repairs, my question is, ‘Are you willing to lose the home for that $500, or $1000, or $2000?’”
Attend Inspections

Many top agents show up for the end of an inspection, especially in a buyers’ market. This moment gives them an opportunity to review the inspection report with their buyers. The best real estate agents learn about construction techniques to increase their knowledge base and improve the service they provide to buyers when it comes to discussing inspection issues. Top agents, who understand the issues, add value when they help buyers weigh the significance of each comment on the report.

You have several goals at the end of the inspection:

1. Know what’s on your clients’ mind
2. Keep small issues small
3. Provide information on vendor referrals (when appropriate)
4. Guide buyers through the next steps

To put things in perspective, buyers who get picky about little repairs should be reminded that every house has minor flaws and any house they buy will develop problems that don’t exist on the day they purchase the house. When they’re the seller, they won’t want to deal with every little problem their buyer finds.

*Don’t let the inspection become a reason to back out of the contract.*
Negotiation

“Negotiation is one of the things we get paid for.”
Bruce Hardie
Spokane, Washington

Before negotiating for repairs, it’s a good idea to find out how much the repairs will cost. It’s easier to agree to something when you know what the price tag is. Lynda Dimond, a top agent in Walnut Creek, California, says, “Sometimes buyers and sellers think a repair is a real big issue—it might be an electrical item, and then you get an electrician out there. They say it’s going to be $175. All of a sudden, it’s not such a big deal.”

When you represent the buyer, it’s a good idea to talk with the listing agent about what your buyers think they want to do before you make an official request for repairs. The listing agent wants the transaction to close as much as you do. Take the position that you and the listing agent are a team with the common goal of coming up with an agreeable solution. Agents can share the responsibility for negotiating repairs their buyers and sellers can live with.

Good, up-front communication about inspections can lead to a solid solution without the agony and wasted time and paperwork spent countering back and forth. Your attitude, while representing your customer’s interest, should always be, “Let’s make a deal!”

If you reach a point where buyers and sellers are digging their heels in, stop the adversarial positioning as soon as possible. If YOU want the deal to close, be the first person to make a conciliatory offer.

SCRIPT:

“I'll pick up one-third of that.”

“Let me help with the cost of that repair.”
Home Warranty

Home warranties are a great way to alleviate buyers' worries. Many top agents tell their sellers to expect to pick up that expense. If the seller won't pay for it, the buyer can, or as a last option, an agent can pick up the cost. A home warranty gives the buyer piece of mind knowing that if something goes wrong with a covered appliance or system, it will be replaced within the first year of ownership. Make sure you help your buyers understand what is covered and what’s not so they can assess the true value of the warranty.

“We provide home warranties on every listing we take. It’s a selling feature and a way of alleviating issues that come up down the road.”

Bruce Hardie
Spokane, Washington
Inspection-and-Repair Summary

Issue: Buyers overreact to the inspection report.

Solutions

1. Explain that all houses have problems. It is the inspector’s job to document everything he sees so your customer will have a better understanding of the condition of the house. That doesn’t mean every minor detail has to be repaired.

2. Attend the end of the inspection and explain the inspector’s findings.

Issue: Repairs are needed.

Solutions

1. Counsel your customer on the repair options.

2. Find out what it will cost to make the repairs. This information will allow both parties to make a well-informed decision.

3. Maintain a good relationship with the listing agent and use him or her as an ally to come up with a win-win solution.

4. Keep emotions out of the negotiations.

5. Agree with the seller on what repairs the seller will make prior to closing and make sure the repairs are complete on final walk-through.

6. Have the seller credit the buyer at closing for the cost of agreed-upon repairs.

7. Have repairs (and future troubles) covered under a home warranty.
Negotiating Inspection-and-Repair Issues

How do you deal with conflicts that arise around the inspection?

What are your best practices for resolving inspection issues?

________________________________________________

________________________________________________

________________________________________________

________________________________________________
Funding

What is the biggest disaster that can happen after you invest significant time and effort into the sale or purchase of a home? The biggest disaster might be funding that doesn't come through at the last minute. This problem can manifest itself in a variety of ways:

- The mortgage product is no longer available.
- The mortgage company goes out of business.
- The buyer no longer qualifies for the loan.

What's the number one key to avoiding funding problems? Make sure the buyer uses a reputable, trustworthy lender. There are things you can do to avoid funding disasters when you represent the buyer and things you can do when you represent the seller.

Buyer Side

Imagine this scenario: You represent buyers who plan to get a loan from their friend in the mortgage business. It’s a company you haven’t heard of. You know the respected mortgage companies in your area and this isn’t one of them.

SCRIPT:

“Just to protect ourselves, and to be sure that we don’t get to that closing table and find out we can’t deliver, on our responsibilities on the contract, and the negative repercussions that would come from that; let’s get backup funding with a parallel application at a mortgage company that I absolutely know will deliver for us. We can use your friend’s company but my mortgage specialist is willing to do a parallel application for you at no cost to you unless you use them.* They’ll take an application all the way through to approval with no fees, no anything unless it’s used. That’s going to be a great reassurance, isn’t it?”

*The best mortgage officers will do this for agents who regularly send them business.
Your buyers should always be preapproved for a mortgage before you take them out to look at houses. Don’t waste your time with buyers who are only prequalified. You don’t know what they can really afford. After they’ve signed a contract, you don’t want to find out they can’t afford the house they’ve selected.

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<th>Terms</th>
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<td>Pre Qualification</td>
<td>A buyer calls a lender and answers a few questions. If the buyer knows their credit score, and it fits their financing needs, the lender may base the prequalification on the buyer’s word. Prequalification means that if everything the buyer says is true, then the person can receive a loan for a certain amount.</td>
</tr>
<tr>
<td>Pre Approval</td>
<td>The applicant must complete a formal loan application and provide copies of tax returns, W-2s, pay stubs, bank statements, and other applicable information. The lender will pull a credit report rather than rely on a credit score given by the loan applicant. Initial approval comes through an automated system. If the applicant looks good (steady job, good debt-to-income ratio, clear indication of down payment funds), the lender will let the real estate agent know that the buyer is preapproved. Subsequently, an underwriter needs to fully approve a loan subject to finding a property.</td>
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To help your buyers through the mortgage process, check out the “7 Critical Points in the Mortgage Process for Realtors” by Robert Griffith, CEO of Primero Home Loans, in *Ignite Power Session 7: Win the Buyer*, available on [www.KWConnect.com](http://www.KWConnect.com).
Sometimes a lender may have slight reservations about your buyers, especially young, first-time buyers. Getting parents to cosign a loan can make a difference in getting the funding.

Once you've got a contract on a house, let the lender know right away. Follow up with weekly phone calls and find out where they are in the approval process.

Give your buyers the “Ten Commandments” list to make sure they don't do anything to jeopardize their financial standing.

THE TEN COMMANDMENTS
(when applying for a real estate loan)

1. Thou shalt not change jobs, become self-employed, or quit your job.
2. Thou shalt not buy a car, truck, or van (or you may be living in it)!
3. Thou shalt not use charge cards excessively or let your accounts fall behind.
4. Thou shalt not spend money you have set aside for closing.
5. Thou shalt not omit debts or liabilities from your loan application.
6. Thou shalt not buy furniture.
7. Thou shalt not originate any inquiries into your credit.
8. Thou shalt not make large deposits without first checking with your loan officer.
9. Thou shalt not change bank accounts.
10. Thou shalt not cosign a loan for anyone
Seller Side

Bruce Hardie has introduced a good practice for hard times. When his sellers counteroffer, Bruce stipulates that the buyers must get prequalified by his lender. As Bruce says, the cool part about that is it gives his lender the opportunity to get the business and Bruce has piece of mind knowing that financing will come through. Other agents representing sellers go even further and do a concurrent or parallel application for a mortgage with their preferred lender.

In a shifting market, many top agents will ask about loan terms. They want to avoid buyers seeking 100 percent loans due to the risk of the loan not getting approved. Other agents are unconcerned about loan terms as long as their trusted lender does a backup approval.

**Your Goal:** Get buyers approved with a lender you trust.

For more information on the ways funding can fall apart, see *SHIFT Tactic 10: Financing Solutions* on KWConnect.com.
Funding Summary

Issue: Buyers don’t get approved for a mortgage.

Solutions

1. Make sure buyers are preapproved for a mortgage before you start showing houses.
2. Suggest getting parents to cosign the mortgage.

Issue: Funds are not available at closing.

Solutions

1. Counsel your buyers to avoid doing anything that will have a negative impact on their credit, income, or assets.
2. Make sure your customers use a reputable lender, preferably someone you recommend.
3. Have your buyers get preapproved by two lenders. If the first loan falls through, they’ll have a backup.
4. Call the lender weekly for a progress report and ask if there are any problems.

Anticipating and Avoiding Funding Problems

What mortgage problems have you encountered?

What do you do to avoid funding problems?

What else can you do?
Notes
Appraisals

Appraisers must represent the best interest of their lenders. In a market where prices are falling, the lender is primarily concerned about giving a loan for a property that is worth less than the full amount of the mortgage. Appraisers are under pressure to make sure their lenders are not putting themselves at risk. Terry Moerler, an experienced and top-producing agent in Westlake Village, California, says appraisal forms in their area have space for appraisers to check whether property values in the neighborhood are stable, increasing, or decreasing. A neighborhood with declining values has a red flag for lenders, making it more difficult to get a loan. Appraisers are more likely to come in with a low home evaluation when they see a red flag.

In a market with declining home prices, low appraisals can be a common problem and agents need to have strategies to deal with the challenge.

What can the real estate agent do to make sure the buyer gets an adequate loan to make the purchase?

In a very professional way, you provide the appraiser with all of your maker data and your analysis of why your customer’s offer is an acceptable price. You also need to answer any questions the appraiser has about the property.

First, you need to find out who the appraiser is. If you are dealing with a mortgage company you know, you probably know who they use for appraisals. If you don’t know, ask. Say to the lender, “By the way, who is going to be doing the appraisal?”

It’s a best practice to develop good relationships with appraisers. As Bruce Hardie says, “All that work I’ve done for ten years helping appraisers do their job is serving me very well right now. They trust me. They know my data and they know I’ve helped them when I didn’t have to.”
Low Appraisals

When an appraisal comes in low, the mortgage company refuses to give a loan for more than the appraised value.

In some states the appraisal is a contingency which, if not met, gives the buyer a chance to get out of the contract. If the buyer does not opt out within the specified period of time after receiving a low appraisal, the buyer is required to make up the dollar difference and close as contracted.

Consider this scenario: A buyer is putting 10 percent down. The house appraises 15 percent under what the buyer is paying. To get the loan, the buyer has to come up with a bigger down payment.

What can you do as the buyer’s agent? You should anticipate such a problem when the down payment is less than 20 percent. First, a low appraisal allows you to go back to the seller and try to negotiate a lower sales price. If that doesn’t work, talk with your buyers about the need for additional funds.

Explore viable funding options:

- Additional money from the buyer for the down payment
- Financial gift form parents for additional money down
- Second mortgage
- Seller assisted options

### What to Give an Appraiser

1. CMA
2. Information about the property (to call attention to important features that could be overlooked)
3. List of things you did to determine a fair offer
4. Any other information the appraiser needs
Be Proactive

When you represent the seller, there are things you can do to make sure a house will appraise. You always want to do a thorough CMA to set an appropriate price. When there are no comps (e.g., custom home or no recent sales), have an appraisal done before you list the price.

On the buyer side, be aware of the same thing. Advise your customers in advance and let them know what might happen if the appraisal value is low. Know whether or not they'll be able to come up with additional funds for a down payment, if necessary.
Appraisals Summary

Issue: House doesn’t appraise for offer price.

Solutions

1. Give the appraiser information about the property before the appraisal is conducted. This will decrease the risk of important features being overlooked.

2. Do a CMA before your customer makes an offer and share the CMA with the appraiser.

3. Be an expert on pricing in the areas you serve.

4. Have an appraisal done on custom homes or ones where there are no recent comparable sales.

5. Find out if buyers will have additional funds for a down payment, if necessary.

6. Be in touch with the lender to make sure a good appraiser is used.

7. Meet the appraiser at the property and provide useful information.

8. Educate yourself about creative, yet viable, funding options.

Dealing with Appraisals

What appraisal problems have you encountered or heard about in your area?

How can such problems be avoided?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
Communication

The idea behind maintaining good communication is to make sure you are aware of and have an opportunity to deal with any problems as soon as they arise. You need to keep in touch with all key players:

- Escrow officer
- Other real estate agent
- Lender, including back-office personnel
- Buyers
- Appraiser
- Sellers
- Real estate lawyers

You want to be in touch with the escrow officer as soon as you have a signed contract. Touch base regularly to find out if the escrow officer has all of the required information. Do the same with the lender. As a buyer’s agent, you need to make sure the loan approval is moving forward.

In a tough market, top agents assume they have to do everything the buyer’s agent should be doing. In the contract-to-close process you could find liens on the title. In sales where there is a divorce or death, you may be surprised to find additional owners. You’ll need to be in touch with these other people.

Bruce Hardie says he does a preliminary title search when he lists a property. That way he becomes aware of problems early in the sales process and has time to resolve issues.

Surveys occasionally reveal discrepancies, for example, a fence being off the lot line. When problems arise, you need time to talk with any other pertinent parties and resolve the issue before closing.

Problems arise when people have misunderstandings or differing expectations. You can avoid these problems by never making assumptions. When in doubt, always ask. It’s also a good idea to get things in writing. Lastly, you want to communicate clearly and often in order to become aware of misunderstandings and rectify any problems.
Communication Summary

Issue: Key people have different expectations or understandings.

Solutions

1. Communicate clearly and frequently.
2. Don’t make assumptions.
3. Put everything in writing.

Issue: Liens or divorce create complications.

Solutions

1. Maintain frequent communication with all relevant parties.
2. Get the title search report as quickly as possible.
3. Review the title search report as soon as you get it. Identify problems and assist in the resolution of any issues.

Issue: Survey reveals problems.

Solution

Arrange to have the survey done early so there is time to address any problems.

Improving Communication

What questions should you ask to avoid problems in the contract-to-close process?

________________________

________________________
Seller’s Financial Situation

When representing buyers, Terry Moerler has recently come across seller’s agents who are new in the business and don’t ask enough questions of their sellers. Can you imagine making an offer on a house and later finding out the seller is upside down, can’t pass the title, and needs lender approval to make a sale? That’s a fast way for a deal to fall apart, especially if your buyer needs to move quickly.

“Never assume the seller’s agent has asked all the right questions of the seller.”

Terry Moerler
Westlake Village, California

When Terry’s buyer is interested in a house, Terry gets a property profile. The information she wants is available from the county recorder if she can’t get it from the seller’s agent.

<table>
<thead>
<tr>
<th>Information to Gather on the Seller</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. When the property was purchased</td>
</tr>
<tr>
<td>2. Amount of the loan</td>
</tr>
<tr>
<td>3. How much the seller owes the lender</td>
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<tr>
<td>4. Whether there is a second mortgage</td>
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</tbody>
</table>

If the seller is upside down, call the seller’s agent and ask about the agent’s communication with the lender. First, you need to confirm the lender will allow a short sale. Second, you need to know how to handle short sales or refer your customer to an agent who has experience. Short sales have a unique set of challenges and take longer than other transactions. You need to know what the issues are, what questions to ask, and make sure processes are moving ahead with the lender.

It should go without saying that if you represent the seller, you have asked all the appropriate questions and know your customer’s financial situation.
Seller’s Financial Situation Summary

Issue: Seller is upside down financially.

Solutions

1. Get information on the seller’s financial situation as soon as possible.
2. Obtain information from the county recorder if what you need to know is not available elsewhere.
3. Don’t assume the seller’s agent knows the seller’s financial situation.
4. If a property is a short sale, find out what the lender requires.

Identifying Short Sale Situations

What do you need to do to learn as early as possible if a seller is in a short sale situation?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
The Bottom Line

In a challenging market where there are fewer transactions, you need to spend more time with your customers in the contract-to-close phase. Deals can fall apart there after you’ve invested your time and money in the customer.

In a challenging market you need to take action to keep deals together:

1. Communicate more frequently.
2. Spend more time with your customers.
3. Handle or closely oversee the contract-to-close process.
4. Anticipate problems and take preventative action to avoid them.
5. Understand the mindset of buyers and sellers.
7. Never give up.

With fewer transactions than you are accustomed to having, you can’t afford to let them fall apart.

“Every single transaction is treated like a diamond.”

Martin Bouma
Ann Arbor, Michigan

It’s up to you to bulletproof the transaction!
Career Growth Initiative Power Tools:

The tools of the Career Growth Initiative are a synergistic system that fuel the Four Conversations with evidence.

**Vision Tools**

- **Listing Management**: A yearly plan for profitability through growth in market share.
- **Listings (Monthly)**: Monthly tracking with adjustments to help you achieve your yearly goal.
- **Pipeline (Buyers/Sellers)**: Identify on a daily basis whether your activities will turn your goals into reality.

**Value and Validity Tools**

- **Agent Trend**: Report that tracks your growth in market share and critical levers in your business to assess performance and opportunities.
- **Agent Language of Real Estate (LORE)**: Provides evidence of your value by comparing the growth of your business to that of your board, your subdivision, your Market Center, your Region, etc.
- **Local Expert**: The story of your expertise to underscore your validity to clients.

**Thriving Tools**

- **GCI**: Track your GCI against your expenses to identify your Break-even Day.
The Wall of Value

When you are able to quantify and communicate the benefits of the value you deliver, you will create a **Wall of Value** in your business that attracts listings and creates closings.

**Communicate Value**

Look for ways to share your Wall of Value to grow your business:

- Listing and Pre-Listing Presentations
- Buyer Consultations
- Marketing materials
- Conversations with allied resources

For more, go to the Career Growth Initiative page on KWConnect.com
Notes
Scripts

Buyer’s Remorse

AGENT: I'm going to help build up your immune system and give you an antidote for a common affliction at this point in the home-buying process—it’s called buyer's remorse.

AGENT: You know, this is a great buy!

AGENT: Nice job. This is a great decision!

AGENT: Sign this. I want you to remember why this is such a great day for you, how much work you’ve done, and what a good decision you’ve made.

AGENT: I want you to keep this with you and read it daily. If you have any moments of doubt, take two aspirin or eat some chocolate, read it again, and call me in the morning.
Inspection and Repair

**AGENT:** *Mr./Ms. Seller,* here’s something I just want us to be ready for. We know there were some issues people saw when they went through the house.

*Mention specific things.*

The inspector is going to pick those things up and it’s possible that a buyer is going to come back and ask us to take care of some of that stuff. Here’s what I want you to keep in mind. It could be $1,000. It could be $2,000 and I know that you’re in no mood to give in any further. I know that. And I absolutely understand you have brought the price down. This is a great deal. You’ve done all of the right things. And here’s the one thing that I want you to keep in mind, that’s likely to happen and you’ll have to decide. If you walk away from the deal over a few hundred or a few thousand dollars, essentially what you’re doing is buying the property back at the price you had sold it for, hoping to make a little more money. Will you buy the house back over $1,000? That’s the question we have to ask. Are you willing to buy it back, hoping you can get more in a short enough period of time that it’s worth doing, or do you want to make sure this deal stays together?

**AGENT:** *Mr./Ms. Seller,* an option you can consider to give us an advantage is to have your home inspected yourself—before listing it. Worst case, you will know what you absolutely must address before you list. Best case, you’ll have a document that shows buyers what great condition your property is in. Even if you have to do repairs, you can document what you’ve done and add them to the inspector’s report as addenda and include the documents in the home information book when you go on the market.
**Inspection and Repair (continued)**

**AGENT:** Okay, *Mr./Ms. Buyer*, we’re going to go do the inspection. The inspection will undoubtedly uncover minor things—they always do. They’ll be things that are true of any house that’s a few years old, like this one. The thing to remain focused on is, are there any major or substantive issues that we did not notice ourselves? I always encourage customers up front to keep focused on the big, functional, or value-driven items; not leaky faucets, a gutter that needs replacement, or a small amount of easily repaired dry rot.

Here’s the thing we both need to understand: they are way below what they intended to sell the home for. You know how reluctant they were to agree to the price we offered. And we looked around the market, and this is a great price. The question we just have to ask ourselves, and I’m not telling you not to do it, but if we go back with any kind of request for substantial repairs, my question is, “Are you willing to lose the home for that $500, or $1,000, or $2,000?”

**AGENT:** I’ll pick up one-third of that.

**AGENT:** Let me help with the cost of that repair.
Funding

AGENT: Just to protect ourselves, and to be sure that we don’t get to that closing table and find out we can’t deliver on our responsibilities on the contract, and the negative repercussions that would come from that; let’s get backup funding with a parallel application at a mortgage company that I absolutely know will deliver for us. We can use your friend’s company, but my mortgage specialist is willing to do a parallel application for you at no cost to you unless you use them. They’ll take an application all the way through to approval with no fees, no anything, unless it’s used. That’s going to be a great reassurance, isn’t it?
My Action Plan

Don’t put away this training guide without developing a plan to put what you have learned into action!

Review the key “challenges” listed below and assess your current ability to meet each challenge on a scale of 1–5.

1 = “I have no experience with this.”
2 = “I am not very good at this.”
3 = “I am pretty good at this.”
4 = “I am confident with this.”
5 = “I am an expert at this.”

For any rating of 3 or below, write down the action steps you will take to increase your understanding, build your skills, develop your confidence, see greater results, and take home more money!

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Rating</th>
<th>Action Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I mark the moment of victory when buyers sign a contract.</td>
<td></td>
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<tr>
<td>2. I am effective at handling buyer’s remorse.</td>
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<tr>
<td>3. Very few of my deals fall through because of buyer’s remorse.</td>
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<tr>
<td>4. My sellers rarely back out of contracts.</td>
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<tr>
<td>Challenge</td>
<td>Rating</td>
<td>Action Steps</td>
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<tr>
<td>5. I am good at helping first-time buyers understand the inspection process.</td>
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<tr>
<td>6. I am effective at counseling buyers to be within the norm (for my market) when making repair requests.</td>
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<tr>
<td>7. I work with other agents to negotiate repairs.</td>
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<tr>
<td>8. I am effective at convincing my sellers to make appropriate repairs.</td>
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<tr>
<td>9. I effectively educate my buyers and sellers about the inspection-and-repair process.</td>
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<tr>
<td>10. I make sure my sellers have a home warranty.</td>
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<tr>
<td>11. My buyers never do things to jeopardize their financial standing.</td>
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<tr>
<td>12. I get a backup preapproval any time there is a question about the buyer’s financing.</td>
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<tr>
<td>13. I have weekly communication with the lender.</td>
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<tr>
<td>Challenge</td>
<td>Rating</td>
<td>Action Steps</td>
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<tr>
<td>--------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>14. My transactions do not fall apart due to financing.</td>
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<tr>
<td>15. I am an expert at property values.</td>
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<td></td>
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<tr>
<td>16. My buyers’ houses appraise.</td>
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<tr>
<td>17. I have a good relationship with appraisers in my area.</td>
<td></td>
<td></td>
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<tr>
<td>18. I maintain good and frequent communication with all pertinent parties.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. I always know early in the process if the seller is in a short sale situation.</td>
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<tr>
<td>20. I stay on top of all the details in the contract-to-close process.</td>
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<td></td>
</tr>
<tr>
<td>21. Once a contract is signed, almost all of my transactions close.</td>
<td></td>
<td></td>
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<tr>
<td>22. I have set goals for next year for number of listings, transactions, etc. in the CGI Calculator with my MC leaders.</td>
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</tbody>
</table>
From Aha’s to Achievement

<table>
<thead>
<tr>
<th>AHA’s</th>
<th>What are your Aha’s?</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEHAVIORS</td>
<td>What behaviors do you intend to change?</td>
</tr>
<tr>
<td>TOOLS</td>
<td>What tools will you use?</td>
</tr>
<tr>
<td>ACCOUNTABILITY</td>
<td>What does accountability for this look like?</td>
</tr>
<tr>
<td>ACHIEVEMENT</td>
<td>What will you achieve?</td>
</tr>
</tbody>
</table>
Don’t Forget Your Evaluation!

To fill out the evaluation:

1. Go to KWUeval.com on any mobile device.
   
Select the course and instructor.

Share your feedback.

Select drop-down to scroll for title of this course

Thank You for Sharing Your Feedback