KANSAS ASSOCIATION OF REALTORS®

Dealing with Deal Killers

Student Handout - by Josh Cadillac

KAR will not provide printed class materials at the conference.

CUTCO®
Closing Gifts

YOUR KITCHEN GUY

Blaine Rodman
Independent Cutco Sales Representative
blainerodman@knivesforlife.com

Want to increase referrals and repeat business? Why not market yourself daily and remain top of mind with your clients by giving them a closing gift they will love and continuously use? Cutco – it's smart marketing no matter how you slice it!

Your clients will always remember who their REALTOR® is!

Dealing With Issues In the Real Estate Transaction

Handling issues with Title, Financing, Inspections, Appraisals, and Other Agents
And creating a smoother process for your customer

By Josh Cadillac
954-608-0931, www.joshcadillac.com
3264 S. University Dr., Miramar, FL 33025

Learning Objectives

At the end of this course, the student will be able to:

1. Explain the importance of seeing the real estate transaction from the customer's perspective.
2. Identify the elements of the transaction where we have control or input into the outcome.
3. Provide the customer with a brief overview of the importance of a Title and Title Search in the transaction.
4. List steps you can take if there is a lien against the property in the transaction.
5. Explain when a condominium rider should be used.
6. Explain to a customer who can be listed on the title.
7. Provide a customer a realistic expectation of the home inspection process.
8. Describe to a customer the most common used appraisal method for a home.
9. Explain what you as a real estate professional can do to ensure the appraisal itself is accurate.
10. Explain to the customer the difference between being 'pre-qualified' and 'pre-approved' and the importance of each.
11. Explain to a customers what Debt to Income Ratio is and what actions they should or should not take prior to closing.
12. Describe effective ways to communicate and deal with various 'challenges' in other real estate professionals.
13. Explain to a customer the impact of insurance on a home.
14. Explain the importance and impact on the transaction of ordering the survey.

Timeline

Introduction	10 min.
Chapter 1: Dealing with Deal Killers	15 min.
Chapter 2: Title Trouble	30 min.
Chapter 3: Inspection Issues	25 min.
Chapter 4: Appraisals Aggravation	25 min.
Chapter 5: Financing Frustration	25 min.
Chapter 6: Agent Apoplexies (Effective communicating)	35 min.
Chapter 7: Miscellaneous Mayhem	25 min.
Closing/review	10 min.
Total	**200 min.** **4 hours CE**

Introduction

These courses specialize in various aspects of real estate to make you an expert at making those areas close more frequently with **happier customers**. We do this by looking at what the leaders in the field do to make these things work for them. We also look at it from our customers' perspective to help you come up with new and innovative ways to meet your customers' needs.

In this particular class, we look at the things not directly within our own control. You can do everything else perfectly, only to lose a deal because of an issue with one of the big 5 'deal killers.'

We are going to work on the best strategies and talk about some of the things to best help you with dealing with these folks in a way that gets your deals to close. **In addition, we will try to handle things in a way that also preserve relationships with the vendors and make sure our customers are getting exactly what they are supposed to get.**

A.C.E.
ELITE DEAL CLOSERS

Table of Contents

Chapter 1:

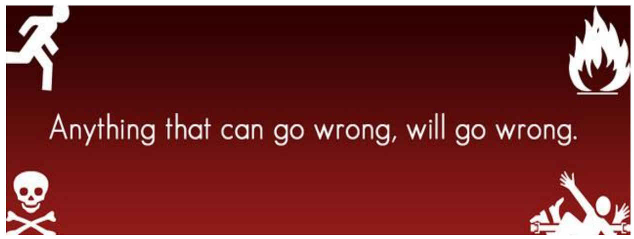
Dealing with Deal Killers

Through the ACE (accredited Closing Expert) series of courses we have dealt with many different aspects of real estate typically from the perspective of things that agents must do to not screw up their own deals and keep them from closing. In this class we are going to assume that you will not be the one screwing up your deal and instead it will be outsourcing that to one of several other deal killers that we deal with on a daily basis. These deal killers keep us from achieving a completed transaction and happy customers that make and sustain a successful real estate business. That is a big problem and must be handled well to keep you in business. We are going to try to give you best techniques to deal with these deal killers and potentially reduce their ability to negatively affect your transactions. You will never be able to make these things go away, as they are not in your direct control. What you can do is prepare to meet these issues in the best way possible to give you the best shot to not have them kill your deal.

There are a lot of moving parts in a real estate transaction and just about anyone of them could kill your deal, but we will focus on the big challenges, the ones that statistically are most likely to give you an issue. Maybe you have done everything perfectly. **You met the customer and immediately built rapport, credibility, and trust. You showed extreme professionalism and have educated your customers well. Your customer now knows the market well and can clearly see the great job you are doing for them and how different you are than all the other agents they have interviewed**. They watched you masterfully negotiate a great deal for them on a property they love even saluting your masterful use of negotiating tactics at one point with a standing slow golf clap. They feel super lucky to have found you. They think you are the greatest thing since sliced bread and have been intimating that you should marry their first-born child. You are a rock star in their world. Then someone else in the deal screws up and your star is tarnished with your customer, the deal doesn't close, your customer doesn't get their dream house, and you don't get paid. None of these are good outcomes.

So, who are these deal killers that get in our way and sabotage our customer relationships and closing? Here is a short list of some of the biggest ones:

- Title
- Inspections
- Appraisals
- Financing
- Other agents
- Miscellaneous
    - Insurance
    - Spouses
    - Kids
    - Other family members
    - Your customer
    - Survey
    - That jerk face Murphy and his stupid law



This list is in no way designed to be comprehensive. It is instead built to show you the things you need to most watch out for that routinely cause an agent's deals to derail. Knowing what they are will help us plan to deal with them prior to them becoming an issue. This gives you the ability to remain calm when they do come up and enact the plan you devised prior to this deal killer ever rearing its ugly head.

Preparation and a willingness to adapt is what is needed to keep these things from doing to you what they have done to most other agents. We may never be able to completely eradicate these problems, but we can limit how much they affect us. We can do all we can to "cut them off at the pass" by going into our deal looking for the potential problems and, rather than burying our head in the sand, have a preset plan to mitigate them. Deals will always die but if we can reduce the number, then we help our bottom line. Many times, deals die right near the closing. This means that we have done everything needed to get it to that point only to have all the work put in be a complete loss. Finding ways to vindicate that time expenditure with a closing is a major win both financially and from a morale standpoint.

We want to use our time well and never feel like time spent was wasted. In a situation where five agents' deals go into the title company to close and maybe only one will successfully close. We want that deal to be your deal. You need to have an advantage at beating the odds or at least turning them more to be in your favor. These practices are what will give you the best possible chances of being the deal that actually does close. In order to close though we need to look at the hurdles we need to overcome. Let's start with the folks that often wind up being the ones to close our deals. How can we keep title from killing our deals? I am glad you asked about that one first as that is what the next chapter is all about and if you had asked about something different it would have been very awkward.

Chapter 2:

Title Trouble

This Photo by Unknown Author is licensed under CC BY-ND

The importance of title law is hard to overstate here in the U.S. The United States has one of the strongest title laws in the world. To understand how to overcome issues it is probably best to understand just why it is so important. A title is what shows you to have legal ownership of a property with all the rights that possesses. This seems like a very “duh” statement, but it is actually really a big deal. The reason is that part of our ownership rights grants us the ability to leverage our ownership of the property in order to receive money. This money can be used to buy the property, as is the case when most homeowners buy they get a mortgage to pay for the property, or we can borrow against our home and use the money for any purpose we like. This is a big deal as more than three quarters of all small businesses are started with a loan against people’s primary residence. **So obviously mortgages and the ability to borrow against one’s home, are particularly important ideas to our customer.**

Making money available as inexpensively as possible is then in the best interest of our society at large. One of the fastest ways to lower the cost to borrow money is to reduce the risk to the lender. The way we do this is by pledging the property in a mortgage (basically telling the bank “hey if I don’t pay this loan you can take my property so that you don t experience a loss”). This obviously makes for a less risky loan than if the borrower had pledged nothing. What if the person that pledged the property as collateral did not really own the property? Or what if we were not sure if they owned the property? That would make it riskier again and thus we would need higher interest. This is why we have a title search and tile insurance policy to make sure the person pledging the property really owns it. Having strong title laws gives the lenders security that if the buyer receives legal title to the property and pledges those ownership rights for the full repayment of the loan that they will receive their money or the property in return.

So, what happens when you have done everything right and a title issue comes up? Do you run home crying for momma to tell her how the big bad title agent is being a big poopy head? The right place to start is to get a basic grasp on the main types of title issues that come up. If we can understand what the issues are called we can help the title company to effectively deal with them with our customer. It also gives us the opportunity to be the one to explain these things to our customer and this gives us another opportunity to reassure our customer of our knowledge of the industry which develops credibility.

One of the common places where issues come up is with lien searches. A lien is a method used to assure payment of a debt that is said to be owed. In Florida, for instance, all mortgages are considered liens against a property. During the lien search if there is a second or third mortgage, line of credit or any other money borrowed against the home it will appear as a lien. In addition to mortgages many other groups can file liens against the property besides lenders. Tax liens can be filled against someone's property by the IRS for failure to pay their federal taxes and the state for failure to pay their real estate taxes. Contractors file liens against real estate to confirm they will get paid when their construction work is completed. One of the most common liens that cause problems though are city liens that came from fines that were unpaid.

Many times, these liens are items that were settled but not removed from the property. This often means the title company is left to try to go back and get lien releases from "Leaky Bob's Roofing" for the roof they put on 10 years ago that they were paid for but never closed out and the company has been out of business for 8 years. (Who would have seen that coming with a name like Leaky Bob's.) Tracking these folks down can be a huge and time-consuming issue and make for stress and aggravation in your transaction for both your customer and you, regardless of which side you represent. Even though this is the seller's responsibility and therefore it means the seller will be the one wanting an extension it creates a situation that will allow your buyer to cancel the contract and get their deposit back. The buyer is not required to sign an extension. The contract does allow for additional time to correct title issues, but it doesn't mean the buyer may not seek some remuneration for granting the extension, if time beyond the contractual allowance is needed, especially if the seller had played hardball with them earlier in the deal. This compensation may be justifiable if moving deposits were lost or additional penalties for extending the buyers current lodgings are needed. As a buyer's agent, don't always be super quick to agree to an extension before going over it with your customer and all costs have been counted.

Municipal or city liens are another one where delays can be brutal. Often these fines can be incredibly old and may or may not have been addressed. If inspections or permits are needed to resolve the issues to allow for the liens to be released and paid this will take time. Permits get submitted and must be approved by the city after their review process which vary greatly depending upon the city. The way the city fines usually work is some amount per day until the issue is resolved. If they were fining $150 per day for the past 17 years for 4 violations each. My quick math skills tell that is exactly…… one really big lien. Don't freak out yet though. Once the issue the city has the violation for has been resolved the liens can typically be negotiated down to a small fraction of their original amount. For this reason it is important not to be overly concerned when you hear the size of the lien, and **to make sure to explain to your customer that this amount is not what the lien will typically be settled out for.**

Sometimes though a lien will exist, and the buyer may need to close, and despite diligent effort, some additional time is needed to close it out with the city. You will often see things like this in cities that have re-occupancy inspections. These cities often provide the seller with a list of items to correct to receive the re-occupancy letter and they will not sign off until they are done. Maybe a permit was required, and the inspector wasn't able to make it out or the approval process took a while or revisions were needed to the drawings submitted. There is always something. Either way, this process can really drag and so it is incumbent on you to do a few things:

1. Find out right away if a re-occupancy inspection is needed
2. Order the inspection as soon as possible
3. Start the work on getting any issues resolved right away
4. Communicate with all parties regarding the progress on the issues
5. Be prepared if it takes more time with potential solutions

One of the most useful solutions to allow the closing to occur and the seller to receive most of the funds in a timely manner without having to risk the loss of a buyer rate lock, expiration of mortgage approval, or appraisals is to escrow a significant amount of the sellers proceeds from the closing. These funds will be returned to the seller once the re-occupancy work the seller is responsible for is completed.

Both of these issues are best dealt with the same way. Ask the title company to order their lien searches as soon as possible. We want to know if and to what extent there is a problem so we can deal with it during the time allotted to us within the contract rather than needing extensions and thus requiring the possibility of the contract falling apart. It is also super important to keep everyone in the loop with the process of closing these liens. The customers do not know what's going on and if you don't tell them they will assume we are sitting at our desk watching cat videos on YouTube while eating string cheese rather than diligently trying to close their deal. We have to let them know for their piece of mind and to preserve their respect for what we bring to the table.

One important note here is that not all contracts are created equal. Some do not require the seller to close open permits. This is a big issue when buyers get to closing and they find out their agent didn't tell them that they would have to take the property with open permits. This might not kill this deal (although the buyers may look for any excuse to get out from this point forward) but it will probably kill any chance you have to get any future deals from this buyer in the future. The buyer needs to know if there will be an acceptance of responsibility for open permits on their end for signing the type of contract you brought them to sign. If you use the FAR/BAR as-is contract the buyer is responsible to take the property with the open permits unless there is specific language to the contrary. The seller in this case is only responsible to provide assistance (like signing permit applications), and nothing else. Other contracts limit the amount the seller is responsible for to get the permits closed. The answer here, as is always the case in our business, is to know what your contract is committing your customer to and then disclose, disclose, disclose, and when your done with disclosing disclose the fact that you disclosed to them.

A similar type of mistake that has the same type of results is not knowing how the special assessment payment works in your contract. Many agents think that if the y mark in their contract that the seller is responsible for the special assessment that this includes any special assessments by the condo or homeowner's association. This is not the case. The section in the body of the contract that discusses special assessments specifically excludes condo and HOA special assessments. The type of special assessment they are referring to is one from a public body like a city that does an assessment to put in new storm drainage. It is important to note here that the contract itself is not designed for condo's or HOA's. **An addendum is required for the contract to work for these property types**. For this reason, there will never be any condo specific language in your contract form. It will only be in the addendum. This means that if you want to make the seller responsible for a condo special assessment the only place where you could do that would be in the **condominium rider**. Many agents get to the closing table only to lose a customer and all their future deals because they did not know their contract properly.

Another issue that can kill your deal with the title company is when you do not get condo approval. In order for the title company to record the deed, a condo approval is required. I know this seems very obvious, but in interviewing title companies this was consistently one of their top three reasons that deals die. If you are not sure if there is an association approval required, ask the other agent. When you ask, make sure to do so in writing do not just depend on the MLS. Depending on the MLS gives you cover as the buyer's agent, but it does not keep your customer from potentially being inconvenienced and your relationship with them from being damaged. As a listing agent make sure to note on the listing agreement that the property is not part of an HOA prior to the seller signing it. If you are the buyer's agent and there is a delay due to an approval being needed that you were told wasn't you want to make sure you have proof showing that the listing agent or the association told you that an approval was not required. Be aware, there are some associations that exist but do not require owner approval to buy.

Another item that can really cause problems at closing is when the building or the association have liens against them in a condo. This is a situation where the unit itself has no liens but the building in which the unit is located has title issues. When a lien is placed on a building it affects all the units in that building. That is because as a unit owner you have a partial stake in all of the common elements of the building and therefore a portion of this debt belongs to them. A situation like this occurs if the association is in the middle of a large project and the contractor places their lien against the property to ensure payment as the project is completed. In this case a sufficient funds affidavit will be required to issue title insurance and close the deal. This gives the title company proof that the association has the money to pay for the project that is underway and thus not create an exception to the title policy. This 'sufficient funds' letter removes the liability from the title company and places it with the association, which allows the title company to write their policy in a way the lender will accept with no conditions.

If the association can't provide the sufficient funds affidavit, then the buyer will be required to sign a hold harmless to the title company to relieve them of the responsibility of the potential assessment the buyer is potentially agreeing to. Only a cash deal will work in this case and the buyer should have their liability fully explained to them as early as possible to keep there from being any surprises. Our job as agents is to eliminate all the surprises for our customers. We need to make them aware of any liability they are opening themselves up to, give them all of the information, give them advice, and then let them make the decision for themselves. Waiting till the week before closing to spring this on a customer is another great way to kill your deal.

According to the title companies I have talked to, many deals die because not everyone signed the contract. **If someone is on title, they must sign the contract**. This does not mean as long as someone on title signs we are okay. This means that everyone on the title must sign or you do not have an effective contract and you definitely are not having a closing. To remedy this check the tax record and confirm it matches with the signers and ask the title company to check out the deed (if you don't want to do this yourself) when you send the offer over to them. There isn't much more embarrassing situation then when you have your buyer all set for a closing, moving arrangements made, deposits placed, only to find out that the contract is no good and the other person on title doesn't want to sell. Talk about not getting repeat business.

When it comes time to sign the closing statement, I am told, there is frequently a tremendous amount of confusion by the buyers that they can't put whomever they want on the title of the property. Much like the above issue we just looked at, **in order for a buyer to be on the title they must be on the contract.** Things like "Oh I want my daughter to be on the title with me" sound simple enough but cannot be done without the proper paperwork. To add someone to the title at time of closing, that was not included on the original purchase and sale agreement an addendum will be needed. This can be a very simple addendum just stating that so and so is being added to the transaction as a buyer, but not knowing this and having it come up at closing certainly does you no favors in securing future deals with this customer.

Sellers often make decisions to add people to title of their property. When this is done improperly, it can cause all kinds of problems at closing. Sometimes sellers will put people on and then take them off of title with simple quit claim deeds without realizing that some of the person's baggage may have attached to their property while they were on title. This usually is the case with adult children that get added to the title on a property. This is often done with quit claim deeds that are improperly filled out or created and causes what those in the industry call in very technical terms "a big mess". To avoid this, **make sure to ask the seller if they have anyone else they have recently added or removed from the title of the property**. If there were any quit claim deeds get copies and have the title company review them. If you have customers that want to add their children to the title of their property make sure they consult a real estate attorney. Typically, they will add them with a quit claim deed to do so with a life estate rather than a simple quit claim deed. This accomplishes what the owner wants and insulates them from liens that could attach from the actions of the children added to title.

As you can see some of these things will kill the deal you already have and others of these will kill any future deals you would have gotten from a customer that is now disillusioned with your performance.

The simple solution to most title issues is to get the information to the title company for review as soon as possible. You want to identify issues as soon as you can to give you the maximum amount of time to resolve the issue during the time allowed in the initial contract period. You also want to make sure you understand and disclose any exposure to your customer. If you are not sure, don't just sit there and hope it all works itself out, ask someone and get some answers. **Lastly, make sure to ask your customer about the title history of the property** to make sure no craziness went on that you won't find out about till later. There will be more stuff to deal with later in the transaction that may kill your deal when we start discussing mortgages and lending in a later chapter.

Right now let's talk about the deal killer that kills many deals early on: **inspections**.

Chapter 3:

Inspection Issues


This Photo by Unknown Author is licensed under CC BY

One area that makes both listing and selling agent's palms sweat and actively cringe is the home inspection. This industry didn't really begin at all until the 1970's and now it is exceedingly rare to see any home purchased without one of these reports. We all know how these reports work. An inspector comes to the property and proceeds to poke, prod, test, and measure just about everything possible in the home in order to create a report 65 pages long detailing every reason why the buyer should back out of the deal and simultaneously break your heart. Many an agent has seen the customers who are completely in love with a property only to see them receive the inspection. You can watch the customers eyes as they read the report and see the look like someone just kicked their puppy. It is amazing how a report on a home the customer loves can so easily sour them on their dream house and leave them muttering, with a tear in their eyes, the words "say it ain't so." This is the reality of our business and often the first inspection report a customer sees makes them freak out and want to cancel the deal immediately. That is a deal killer if I've ever heard of one.

This brings us to two important questions, 1. Why are home inspectors so mean? and 2.Why do they hate us so much? The answer is simple they aren't necessarily mean, nor do they hate us….probably. The issue is a matter of motivation. The inspector gets paid a certain amount for their inspection, and it typically takes several hours to complete. There are a limited number of inspections an inspector can complete in a day and then they still need to create the report from that inspection. If an inspector worked full time every day doing inspections, they could probably make a pretty solid living. The issue is, not very many of them are that busy. However, if they miss something on an inspection report that then breaks, they can be held responsible up to the amount of their inspection if they are found to be negligent. So, to be clear, if they miss something, they have liability. If they list everything in the world that could ever break on a house from now till the end of time, they have no liability.

So, we lose our deal, but they keep their inspection fee. Not cool, right? This seems to be a misalignment of motivations for a vendor we work with. There is obviously a counter balancing force for this, which is, agents don't like to hire inspectors that kill their deals. They want to protect their customers but at the same time they don't want anyone that goes over the top. Yet as a listing agent I still have to deal with newer agents that hire the Dr. Kevorkian of home inspectors that try to put my deal in an early grave. Actually, inspectors that kill deals don't make anyone happy. The buyer doesn't like to be unnecessarily disillusioned with the property they were crazy about, the agents just got their hopes up only to have them crushed, and the seller just got their home eviscerated in writing. Nobody is happy. **So how do we deal with these folks and provide our customers with a realistic picture of things?**

First and foremost, discuss with your customer the motivation of the home inspector. They need to understand that the inspector has zero motivation to say anything good about the home. In fact, many times, to avoid liability, an inspector will be over-critical. Let your customer know that you have probably never seen a home inspection free of any issues. Even a brand-new home would have a bunch of things the inspector will find. Then let them know that the home they are buying (probably) is not new. We do this to prepare the buyer for a report that has things wrong on it. **We need to help the buyer adjust their expectations to enable them to respond to the home inspection with the proper context**. They do not see inspection reports every day like we do so they do not have anything with which to compare this. It is our job to set their expectations.

Much like the buyer, we need to let the seller know in advance that this is an area of exposure and if an as-is contract was signed a significant chance for the buyer to cancel or renegotiate exists. The seller needs to know this in advance because if we wait for it to happen they will be surprised and grumpy at us as opposed to prepared and content to know that they were made aware of this by their real estate professional. A way to possibly eliminate this issue as deals being canceled and renegotiations where the price can only go down are not things that a good listing agent enjoys would be to discuss a seller paid for home inspection in advance of listing the home. This allows you a few benefits:

- You are not surprised by issues
- You can make repairs in advance and disclose them
- Your seller's disclosure is more accurate and leaves less room for liability
- You can disclose the home inspection in the MLS with copies of repair receipts

This puts the seller in a much better position to not face a renegotiation when the buyer does their inspection. Usually, when the seller does the inspection and discloses it, the buyer opts not to even do one. If the buyer does do their own inspection though and then tries to get a credit for an item that was disclosed on your inspection report you can refuse to negotiate stating that their offer was based upon the disclosed information and they obviously made their offer in bad faith. This strengthens the seller's negotiating position in an area where all they can do is lose. A win is the price stays unchanged otherwise there is only ever one direction it can go and that is down. This method can minimize the negotiation time and concessions a seller makes to put them in the best possible position to avoid an easily foreseen situation and keep your deal on track and moving toward the closing table.

Another issue where inspectors overstep and agents try to leverage, are cosmetic repairs. The home inspection is designed to bring to light latent defects. A latent defect is one that is not readily apparent or hidden. Items that are not readily apparent would be the state of the roof or the age of the air conditioning. The crack in the tile in the middle of the living room floor that the buyer commented on while they were in the house is not a latent defect. If the buyer wants to negotiate this because it was on the inspection report they once again are guilty of negotiating in bad faith. They knew of the issue and made their offer aware of it and then want to renegotiate it later. If there is bad faith don't be afraid to call it out. It usually gets the other side to back down some and helps you find a middle ground where a deal can be reached.

The type of repairs a seller is responsible for on contracts that include repairs like the FAR/BAR are functional repairs and not cosmetic ones. What constitutes the difference between the two can often depend on which side of the transaction you are representing. The seller is not responsible for cosmetic repairs to a house typically in the contracts that specify a repair amount. So, on the listing side you are looking for as many things as possible to be cosmetic as possible and on the buyer's side you are looking for the opposite.

Many home inspectors also put into their report an amount estimating the value of the work to fix an item. These amounts can be wildly inaccurate. It is good regardless of which side of the deal you are on to have a feel for what things cost or to have a professional that can come and estimate the work that needs to be done to put real numbers to the exposure for the buyer and seller. When the report comes in the first thing you want to do is get an assessment of what things will actually cost and what things the seller may be willing to repair. The remaining items need to be discussed to see what the buyer is willing to accept and what if any credit the seller is willing to give. What is most important is to use your knowledge and skill to bring the two sides to a consensus if one can be reached. With an as-is contract the buyer can walk away at their sole discretion during the inspection period. This basically means that you are assured of a negotiation for this as opposed to other contracts where the maximum amounts are specified and it's just a matter of agreeing what things will be included.

Reaching an agreement on the home inspection items can be challenging. That is why it is necessary to bring all the tools we have to bear to create a reasonable middle ground and keep our deal alive. This is not a negotiating class, but this area requires negotiation skills. One tool that can be helpful is for the seller to offer to repair things rather than replace them. The buyer always wants a brand new whatever it is. On the buyer's side be careful that you are clear what items are being replaced and specify "new" if that is what is agreed to in your addendum. Just realize that an insistence on replacement of things makes your deal more likely to die. The other tool that can be helpful to mitigate the buyer's exposure and still minimize the seller's repairs and credits is to provide a home warranty. This can be done by any party in the transaction. If my buyers aren't happy with what the seller was willing to do or are worried about huge expenses with things breaking right away but still really want the house, I might suggest they get one of these. If the sellers want to reduce or eliminate the credit the buyer is asking for, they can provide one. Or either agent may pay for one to get the deal done or agree to split the costs. This could avoid a situation where the agents might need to contribute a larger amount to make a deal close.

We need to be clear about what work is being done and who is the one doing it. This needs to be in writing and signed by the buyer and the seller in the form of an addendum. The question becomes what do you do when we do the walkthrough and some or all of the agreed to work is not done? As the buyer's agent this is the part where you fall to your knees in gratitude that you did and addendum that clearly spelled out who was responsible for what with the repairs. If the work is not done you can threaten not to close and sue for specific performance. What typically winds up being the best way to actually get the deal to close is to agree to escrow an amount well in excess of the repair amount (example $3,000.00 repair withhold $5,000.00) and let the seller make the repairs after closing. Escrow is a great tool to get your deal done and still provide motivation for the proper parties to perform.

Having a full tool belt of methods to get past the home inspection, keep your deal off of life support, and at the same time make sure your customer knows you are looking out for them is critical to being the agent who loses as few deals as is possible to this deal killer in the future. We want to fight for our customer and make sure they are buying a good home in good condition, but we don't want an overreaction to the inspection report to lose a deal that they will regret later on. Go into your deal knowing that this hurdle exists and preparing your customers to meet it as well as you can. If you do this in conjunction with the other tools we have discussed here your inspections might come in like lions, but they will leave like lambs. On the listing side of the transaction there are two bites at the apple the buyer gets to potentially lower the price of the property. The inspection was one of them now let's talk about the other one: appraisal.

Chapter 4:

Appraisals Aggravation

This Photo by Unknown Author is licensed under CC BY

The person that really decides what a buyer can pay for a property is not the seller and most often it is not the buyer either. It is the appraiser that decides on the market value of the property, and from that the bank determines what they will lend on the home. Why do appraisers get so much power? It is because they are the property valuation experts. Their job is to follow a standardized format called USPAP (Unified Standards of Professional Appraisal Practice) and determine a valuation for a property based upon a few different methods of valuation. So, it is probably a really good idea to understand how they do what they do to better enable us to keep them from messing up our deals.

There are three commonly accepted methods of valuation and they are each applicable in different circumstances. The replacement cost method is the least common one used for lenders. If a property lacks comparable sold units and does not necessarily generate an income this would be the method that is used. This method adds the land value to the cost to rebuild the existing building from scratch minus depreciation.

The second method used by appraisers is also used when there are not enough similar comparable properties and it is called the **income approach**. This is for investment properties and looks at the type of use the property has and the income that it generates. If our property was a 30 unit residential rental property the appraiser will look at all residential income properties that have sold and determine a rate of return investors are buying these properties at and by doing that they can figure out the value of the property they are trying to appraise. This method has the advantage of letting them compare buildings of different size as it is concerned only with a comparison of the dollars invested vs the dollars returned. So, if investors are buying residential income property in similar condition to mine at an 8% rate of return then I know my property will be worth the net operating income divided by that 8% rate of return. If the net income was $45,000.00 and the market is expecting an 8% rate of return our property value will be figured $45,000.00/.08 = $562,500.00. This is how both appraisers and investors gauge the value of investment property typically.

Last but certainly not least is the **most common method of valuation appraisers use and this is called the comparable method.** This method requires the appraiser to find the most similar properties they can and make adjustments up or down to their value for any differences to determine exactly what a ready willing and able buyer would pay for a property based on what people have already paid. When you think about it, the best evidence for what someone is willing to pay really is what someone has most recently agreed to pay for something similar isn't it? Even the income approach is doing the same thing. It is looking at the rate of return people most recently were willing to purchase and extrapolating that out to another property. The reason why this method of appraisal is most common is because it does a particularly good job of showing the market value of things with strong data. The issue is that it requires adjustments to be made. While in theory it should be possible to determine what the value of a pool or fourth bedroom is in a given neighborhood is, it is not always so cut and dry. For this reason, appraisals can come in occasionally with a wide range of values., and that is not good for our deals getting done.

So, there are a few things to look at here when it comes to handling appraisals and appraisers well. One of the first things to look at is cutting this problem off at the pass by only making offers on properties that will appraise. This sounds simple but many agents just look at the asking price and base their offers on that. You need to look not just at what's available but at the comps that really matter, the closed ones. Active comps tell you nothing more than what someone got a listing agent to agree to list their property for. There is no necessity for that active comp to have any basis in reality at all. **Closed comps, on the other hand, tells you what someone agreed to pay for a property similar to the one your buyer is considering placing an offer on**. There is usually a discrepancy between the prices of the available market and the closed sales. Available comps are typically higher in price than the closed sale prices of the closed comps and that is because the asking price is usually negotiated down. So, basically, we need to look to closed comps to come up with an offer amount.

One caveat to this is, if you are in an appreciating market then you can see that prices have been trending up and the most recent sales are priced higher than the ones that occurred a few months before. This will allow you to offer a bit higher for the property but with the caveat that you can explain the higher valuation to the appraiser when they come to do the appraisal. We always have to be able to justify our price to the appraiser as it is the appraiser's job to justify their valuation to the bank. If we can't justify our price, how can we expect them to do it for us? Your offer always needs to have some basis in reality and the closed comps are where you will find that reality check.

What about with an unrealistic seller? If you have a property where the comps don't justify the sellers counter what do you do? This is the time to enlist the listing agent to help you. Start by telling them that you are diligently looking for comps to show the buyer the house will appraise, and you are having a hard time finding them. Ask the listing agent to send you the comps they used to come up with the list price that you can use to convince your buyers and help when the appraisal needs to be done. We want to do this deferentially as we want to keep the listing agent on our side. Often listing agents hold great sway with their customers on which offers get accepted and so this relationship is important on this deal and maybe future ones with the same agent.

You want to ask them to help you to try to get to their price. If done in this way there are a couple of things that could happen:

- The agent says no. They won't help. They are going to have appraisal issues and you may be able to do a deal after another offer falls through
- The agent helps you find comps to justify a higher price and you are able to show them to your customer to justify the seller's price.
- The listing agent can't find any comps and has to explain to the seller that they probably will not do any better than your offer.

Two of the three of these options give you an outcome that potentially leads to a closed deal. With the other one you have an option left but it requires complete transparency with your buyer. That would be to agree to the higher price. The contract has a financing contingency and if the property does not appraise the buyer can back out. You can use this right to force the seller's hand to renegotiate the price of the home. There are some risks to the buyer here that you need to make clear.

1. The buyer is stuck paying for the appraisal even if it doesn't close
2. The appraisal comes in and the buyer is stuck with the higher price
3. The seller is not required to accept the appraised value

The benefit of this method is we have an appraisal in hand that shows the market value to the seller and this can often be used to make the seller agree to the market value price rather than have to start from scratch with a new buyer and lose all the time (along with the carry costs of the property) they have invested.

One thing that has always been recommended is to meet the appraiser at the property where the appraisal is to occur (preferable with coffee and their favorite type of donuts). The common practice is to bring three active and three closed comps to back up the price listed on your contract. The reason for this is USPAP requires the appraiser to use three active and three closed comps to do their appraisal. Agents stop there but unfortunately appraisers do not. They know they may need to justify their appraisal one day to the bank that comes back and has a hard time selling a house they foreclosed on for the value their appraisal indicated. It would seem this would put the pressure on them to keep their appraisals coming in low, but agents complaining and wanting to contest the valuation they have given provides the counteracting pressure for appraisers to have a number they can stand behind. Based on this the Appraisers usually look at all the comps and not just the three provided.

More information is always better, and both you and the customer benefit… so, if you want to help them, do not just provide 3 active and 3 closed comps but instead provide the 3 active comps and <u>all</u> the closed comps. Show them the comps you feel most qualify and then show them the ones you disqualified and why. The appraiser will take your suggestions more seriously when they see you have done more extensive research and you are providing them with the justification, they need to disqualify the comps you don't want them to use. They have to provide this in their appraisal, so you providing it for them, makes their job easier and reduces the likelihood of your deal being a casualty of a low appraisal.

Here is a very shocking statement: sometimes appraisers get it wrong. We're all human and we all make mistakes, appraisers included. Occasionally they use distressed comps for non-distressed sales. Or they use a non-waterfront property to comp a waterfront one. Maybe they neglected to mention or adjust for the completely renovated condition of your property versus the all-original condition of all of their cited comps. As it turns out they are human and make mistakes too. When this happens, there is a process by which you can contest the results of an appraisal. This does require you to present comps and make your case why the comps you used are better than the ones provided by the appraiser. Once again you need to be aware and on top of your comps to assure your deal closes.

In summary, you do not need to do the appraisal yourself, **but in the best interest of your customer and your credibility, you do need to know how it gets done.** Know your comps and look at them prior to making an offer and when you do make an offer be prepared to request data from the listing agent to justify an offer that you can find comps for. Be ready to meet the appraiser with not just comps that you feel are most appropriate and want them to use, but the ones you don't and can exclude. If you know how to value properties, it puts you in a great position to deal with your appraiser in an intelligent way and this allows you the best possible chance to keep the appraisal from killing your deal… ***(which of course keeps the customer happy!)***

Now on to the great last-minute deal killer….**financing**.

Chapter 5:

Financing Frustration

This Photo by Unknown Author is licensed under CC BY-NC-ND

One of the biggest sources of last-minute distress and aggravation in a deal comes from the financing. There are always issues and conditions that come up, often in the eleventh hour that threaten to kill your deal. It often seems like the folks in underwritings chief job is less to check out the buyer's ability to pay and more so to check the state of your coronary system. I mean they have the file for weeks and they can only discover all these issues the day before closing? Why is that? Could the answer just be that they hate me? The reality is probably no, they do not hate you. What is the case though that before the file gets to the underwriters and quality control folks there are a bunch of other things that could be a problem that has to be gotten past before these guys ever get a look at the file. So, let's start at the beginning to try to eliminate the frustrations that arise from financing.

To make sure a financing deal ends well we should begin by making sure it starts well. **The best place to make sure our buyer gets their financing is to confirm in the beginning they can get the financing. We need our buyers to get pre-approved**. Note I said pre-approved and not pre-qualified. That is because a pre-qualification involves the buyer saying stuff to the lender. A pre-approval involves the buyer proving stuff to the lender. The buyer is going to need to document all of this stuff anyway so get it done in advance and minimize the time you spend in futility. I know prequalifying is nothing radical or super interesting but hold your horses there is more to it than just pre-approving them that goes on here. For starters, we need to be part of the pre-approval process and not just turn it over to the lender. We need to have a buyer consultation.

A buyer consultation is similar to a good listing presentation where the agent goes over the process and what could go wrong and what the agent will do if it does go wrong. **This is a chat that is**

designed to be as comprehensive as possible to make the customer aware of what to expect and to leave them with no surprises. This is a meeting that as an agent I want to schedule and have the mortgage broker come in on. This is my meeting. In this meeting we will not only discuss collecting the documents for pre-approval I will tell them what to expect and what to avoid. There are a bunch of mistakes buyers make that can absolutely wreck your deal and if you don't tell them then it is on you for basically killing your own deal. You are the real estate professional in the room, and the buck stops with you.

The things we need to discuss in this meeting are things like sourcing of funds. One of the items that kills finance deals frequently is the inability of the buyer to show where funds have come from. There are limits, with most loans, to how much of the down payment can come from gifts. If the money was cash someone gave you that is more than the maximum gift that is not going to work typically. If it is funds that have not been legally declared, you are probably also going to have a problem. So that big cocaine deal you were planning on to fund your down payment for your new home may have a few snags in it. Your buyer needs to have the funds in their bank account for as long as possible prior to closing and the ability to prove where the funds came from that they will use to close.

This Photo by Unknown Author is licensed under CC BY-SA

We need to let our buyers know to not make any large purchases prior to closing. This needs to be explained very specifically. Most (but not all) customers get that they should not go out and buy a new car prior to closing. Sadly, they are more surprised to realize that the car they just signed for that will belong to their daughter and she will make the payments on just killed their DTI. Or that the house full of furniture they just financed with Eldorado makes it so they cannot afford their mortgage payment anymore. **By the way DTI is exactly what most needs to be discussed with the customer.** What is DTI? Debt to Income Ratio. This is the ratio that often gets messed up when their debts go up (signing for their daughters' car) and their income stays the same. This is a way that buyers can kill their own deal without even realizing it and guess whose fault it is if they do not know? The mortgage broker? Let me give you a hint, it is the real estate professional they are expecting to help get them through their home buying process while looking out for them and helping them to avoid mistakes. Does that still sound like the mortgage broker to you? The answer is you! You are their agent and you need to be looking out for them. Even if it is repeating things the mortgage broker told them, they are your responsibility. Take it seriously and remember no furniture financing till after the closing date.

There is a large portion of the human race that considers the best method of dealing with bad news to be the dig yourself a hole in the sand in which to place your head and everything will work out technique. This method has obvious problems which are too numerous to even begin discussing here. Needless to say the buyer needs to understand they need to let you know about little pieces of bad news like "I lost my job" or "my hours were cut" or "you know all that nice overtime I was getting that I used to supplement my income and qualify for the mortgage? my work just issued a no more overtime order". These things materially affect their ability to get their loan and even if they could get the loan it makes it less likely they could afford it. We need to know bad news as soon as possible so we can make sure to stop doing things that cost them money, like inspections and appraisals, we can create an alternative plan, or we can get them out of the transaction. We are their advocate and they need to know that we need to be kept in the loop.

The buyer needs to understand that they need to be honest with us and the mortgage broker. If they put their job title down as vice president in charge of facilitation of difficult deposits at their bank only to find out that they are really in charge of clearing clogged toilets it will come back to bite us when the banks QC (quality control) folks go do the employment verification. Quality control is a part of the lending process and they are going to go check on the things the buyer has represented. In addition to Q.C., underwriting will also probably come back with a boat load of conditions that need to be cleared. These conditions are things (typically last minute) the lender needs to be happy that their risk of the buyer paying the loan back have been lowered as much as they can. These things are usually seen as a huge inconvenience by the buyer and this is the indication that their agent didn't prepare them well for this happening.

Telling the buyer in the customer consultation is not enough though. **You will need to remind them as the closing date nears that they need to expect conditions and be ready to get whatever it is the lender asks for**. Whether it be a letter from their boss or a DNA sample from their mother in laws pet iguana we need to get them what they need as quickly as we can to get their loan done and keep our deal from dying. Our customer needs to be aware and prepared for what will be required of them to keep them. If we fail to do this they may be upset, lose the deal you have for them, or be looking for a new agent. None of these outcomes are good so **make a strong customer consultation an important part of the home search process for the buyers you work with**. It will make you stand out as someone that knows what they are doing and be something they are not likely to be able to replace with another agent they might consider.

The last couple of issues we will talk about are not things that are handled in the customer but kill deals anyway. The first is not leaving enough time to get a loan commitment. If you put 20 days in the contract and you do not have one by day 20 then you are not performing under the contract. The technical term for that is "not good". You need to cancel your deal or get an extension, otherwise your buyers deposit is at risk. This means basically you may have killed your own deal. Nothing worse than self-inflicted pain. No one to blame but yourself. You need to get with your mortgage broker and have a loan commitment date in the contract that they stand behind and can commit to getting things done by. Ask them for each individual buyer you have as different folks may have different issues and need more time for an approval. Learn the mortgage brokers job as much as you can. Not so you can do mortgages but so you can better know how to help them get your mortgages approved.

The last of these is a little negotiating tool I like to use when I think there may be multiple offers on a house. This comes from my paranoia that sometimes lenders see the 45 days they have to close a deal and do not move on it right away only to then need an extension when they can't get it closed on time. What I will do is send the listing agent an offer with a 30-day closing on the contract and a signed extension for an additional 15 days. I will tell the other agent that I want to keep the pressure on my lender to get this deal closed as soon as possible but I know that often FHA deals take closer to 45 days than 30 to close. If I put the shorter date on the contract they will know they need to hustle because I send them a lot of deals and they keep telling me they can get them done this fast and don't want to lose me a deal. I don't want to commit the buyer to a timeline that may not be doable and at the same time I know the seller wants to close as soon as possible. This lets me show a shorter closing date on my contract and potentially gives me a leg up on the other offers received.

What I also tell the agent is that I will hold the extension for 15 days and never send it to the lender or title company unless it becomes necessary. This keeps the pressure on them both to close and shows the seller our good faith effort to get our deal done in the shortest amount of time possible. The benefit of this also is I show the listing agent that this is not my first rodeo (I know how things work) and I can be trusted to carry my share of the load and then some in the transaction. Listing agents hate having to work with an agent they are constantly having to follow up with and check on to get a deal closed. It is basically the workload of having both sides of a deal but having less control and only getting paid for one side. Rather than a way to kill a deal this is a technique for getting a deal that you otherwise might not have. **If we keep from letting the deal killers kill our deals and start getting more deals think about how that will affect your customers experience with us and our bottom line.**

Chapter 6:

Agent Apoplexies

I would love to tell you the number of ways here that other agents can kill your deal, but I don't think they make numbers that big. Needless to say, there are a lot. We can look at a few of the most common ones right here. There are a few types of agents that can be the poison that kills any deal. We group agents into these types as it also makes them a little easier to figure out which one you might be dealing with and then give them the support or feedback necessary to get the results all parties want, a closed deal with a happy buyer and seller. These agent types will have their own weaknesses and possibly strengths as well. Much like we do with our customers, it is up to us to identify who we are dealing with and how best to deal with the type of person they are. This is not a comprehensive list, but it does have the most routine offenders on it to help you deal with the issues they represent and often other "problem-agent types" can be dealt with using some of the same strategies.

The first type of agent that can be a deal killer is:

The new agent. These folks are new to the business, just got their license, and can be like a bull in a china shop to your deal. They don't know what they are doing yet, and for this reason they don't know what they may be screwing up. They do not know how to talk to their customers or manage their expectations, and this can lead you to a situation where your deal gets killed from something simple that was not foreseen by the new agent and disclosed to their customer so they could be prepared. Much like we discussed with the home inspection earlier, it is important to have conversations with the customer about potential issues and pitfalls prior to them becoming issues. If you don't the customer often becomes angry or distrustful of not just their agent but the entire purchase process. This often leads them being more interested in backing out of the deal. That is not good. How to deal with the new agent then becomes critical. When talking to an agent you are starting to work with ask them how long they have been in the business in a conversational way. If they admit to being new offer to help them through the transaction and take them under your wing. Most agents are nervous when it is one of their first deals and they are often not getting the support they need from their office.

By you offering to "pay it forward" and help them out it puts you in a position to do some things that you otherwise would not. Those things include:

1. **Let them know what things they need to make their customer aware of**
2. **Help them formulate the best way to explain things to their customer**
3. **Get a feel for where the buyers feeling are with the transaction**

All of these put you in a better position to make sure your deal closes all while making sure both customers are well represented. Also new agents tend to be excited to learn, usually have tons of energy, and are often excited to do the things that more veteran agents do not look forward to doing. This gives you the chance to instruct then delegate things to them which can be a nice benefit for the extra work that the new agent makes you bear.

The lazy agent: A huge potential deal killer. This agent does not want to do anything and tries to make *their* problems *your* problems. This can initially be mistaken as competence or skill as they do not seem to be in a rush to get things done. In reality, they are hoping that if they drag their feet enough someone else will do it for them. These agents can really sap your strength as it feels like you are in the deal all by yourself. At least with the new agent they are in there with you. They don't know what the heck they are doing or saying to the customer, and both the deal AND the customers on <u>both</u> sides suffer. The issues with lazy agents include:

1. Dates and deadlines can get missed
2. Their refusal to get off their butts can result in vendors killing the deal
3. It is quite easy to get roped into doing it yourself rather than dealing with them
4. Their laziness could sour their customer on the deal and them at any point and kill the deal

The best counter with lazy agents is great follow up mixed with an unwillingness to do the work for them. Something along the lines of:

Example - You: "Hey other agent, I know you need to get your condo application in in the next week or so in order for us to close have you done it yet?" Other agent: "No, I haven't had the time to get over there and no one will take it for me as my car is in the shop." You: "That's too bad. Rides sharing programs are a great way to get where you need to go when your car is in the shop. I just don't want there to be any delays that winds up costing your customer any money. Finding new customers is a lot of work I find it is easier to keep the ones I have happy. LOL"

That phone call, or something like it, occurs every day until the agent sends confirmation that the application was submitted. **You need to make up your mind to follow up with them a lot**. This is what this type of closing requires. Make up your mind that this is your job and it is okay. You can't let it bother you as it definitely WON'T bother them. They will just eat another bag of chips and binge watch something else on Netflix in their pj's. With this type of agent, you do not want to ever volunteer to do it for them as they will make you responsible for everything. I know the control freaks out there are excited now because they can make sure it is done the way that only you can but that is a formula for frustration and burn out. One potential place you have to help yourself out by using the lazy agent's nature against them is in the way you write your emails. Write your emails in such a way that they can easily be shared with the other agent's customer. The agent is lazy and doesn't want to rewrite what you just stated so clearly in your email. It might mean they have to clean the cheese residue off of their fingers from the aforementioned chips rather than just forwarding it to their customer. This gives you a method to keep the parties aware of what is going on and helps enlist the other sides customer to keep their agent moving. Hold the other agent accountable and if all else fails contact the broker and ask them to light a fire or assign another agent as it is the brokers' tail that is on the line if the customer gets harmed.

The uncommunicative agent This is an agent type that really makes me a grumpy panda. How the heck can anyone think it is alright to not be reachable when a major financial transaction is going on where they are the representative for one of the parties in that deal? Their entire job is to communicate with the other side to facilitate the transaction. Most of us would love to tell these agents just how much they suck but we cannot get them on the phone. Sometimes they are not entirely unreachable, but they will only respond in the communication format they prefer. If they like email they won't answer their phone. If they like to text, they won't pick up the phone and probably never check their inbox either. These guys kill your deal by not being able to provide information and help in a timely manner to deal with issues that routinely come up in a deal.

Side note: If you are that type of agent, stop it now, **your customers deserve better!** You are a professional which means you need to behave like one that takes their profession seriously. Check your email signatures. Do they ALL have your phone number in them? You want people to contact you so you can use your skills to get your deal closed. Don't make the other hardworking people in the industry waste their time trying to figure out how to contact you. It is disrespectful of their time and signals you are not a person to be taken seriously in the field.

How do we deal with the uncommunicative agent? There a few things we can do:

1. The first thing to do is **let the customer know that you are trying to reach them**. One way to do this is to BCC your customer on your communication with them.
2. Another thing to do is to CC all parties involved in the transaction on all communication with the other agent to create a paper trail and make them not want to look bad in front of all the other people on the deal.
3. The most important thing to do is follow up routinely. If I don't get a response in 48 hours I will send an email CC-ing all parties and BCC-ing my customer saying something like "I just wanted to follow up on my email from two days ago. I have not seen a response as of yet. Did you send it? I want to make sure it didn't go to junk or something." This gives the agent a way to save face and at the same time holds them accountable.
4. If there is no response to this message they get another one the next day along with a phone call and a text message.
5. If there is still no response, I contact the broker of the other agent and show them my paper trail.

6. If the broker won’t speak with me I have my broker contact them.
7. If that doesn’t work we ask the attorney to send a letter to the other broker.

These are the steps to put the pressure on and keep it on the uncommunicative agent. We will probably use some of these same steps again with other agent types as well.

Stubborn Agent: This agent knows what’s best regardless of the facts and won’t listen to anyone else. This agent type always makes me think of a saying my father used to tell me: He would say “son it’s not what you know that gets you into trouble, it’s what you know that isn’t so.” Why these agents are difficult is anyone’s guess. Maybe they got made fun of on the playground as children or weren’t hugged enough. It doesn’t really matter as these folks may be standing in the way of your deal closing. These are the agents that have a value for a property in their head and will not let their customers accept one penny less despite the fact that it has been on the market for 28 months and 6 appraisals have come in at $20k less. Or maybe you tell them that the a/c unit needs to be replaced and they keep trying to repair it despite the fact that we have done three walkthroughs and it is broken every single time. This agent insists on going FHA on the loan, even though you know the condo will not qualify, and their customer can afford to go conventional.

These agents pick hills to die on that do not help their customer. Most stubborn agents fall into one of two categories:

1. The agents that are overprotective: they think they need to be stubborn to protect their customer well. Maybe they are insecure about their ability to negotiate and so they try to make up for that shortcoming by being intransigent. Rather than helping their customer though in fact they are hurting them. One of the best ways to work with these agents is to appeal to the fact that what you are suggesting is in their customers best interest and explain it to them well, so they understand it.
2. The other option is an agent that is stubborn because of pride. This agent may have told his customer they could get a certain price or terms or whatever and does not want to lose face, or they just don’t like to compromise because their world revolves around themselves. The best way to work with an agent like this is to find terms to give them that allow them to frame things as a win for their side. An example would be giving them the price they want but asking for a contribution to closing costs. The number they want to see on the paperwork they get but the net to your side is the price you wanted. Or if they will not replace the a/c have them provide a home warranty to protect the buyer for the next year. This is less expensive than an a/c and allows them to say their customer never had to replace it. Sacrifice your ego and find ways to give them a win even if it is a Pyrrhic victory for them.

Finding ways to move these agents form their dug in position starts with figuring out which of these two types they are and secondly coming up with the strategy you will use to bring them to the table to make the concessions that make a deal possible and also keeps them from dying.

Ignorant Agents: These are like new agents, but they lack the excuse of being new to the field. These agents don’t know what they’re doing but they have not known what they are doing for a long time, so they technically have experience….in not knowing what they are doing. These agents need a strong hand just like new agents do. You will handle these folks in pretty much the same way. The only difference is these folks often haven't learned because they don't want to learn. So that means they will not be interested in you teaching them. This is the type of deal where you need to try to write your emails to them with the idea that they will be read by the other agent's customer. These agents don't know what they are talking about so when you send a solid, clean, and clear explanation to things they often can do no more than pass it along to their customer to read. This gives you a chance to make your case directly to their customer and often winds up with you earning those customers trust and respect. This makes closing a deal far more likely.

Angry Agents: These agents are just no fun. There is a disease phenomenon in real estate that tends to infect agents that have been in the business for a while and it is called "Fight Syndrome". This disease's symptoms include:

- Get angry with little or no provocation
- Yelling
- An inability to temper one's response
- The need to fight over every little thing
- A tendency to demean and belittle other people
- Not considering the effects of their responses on the long-term results of their deal

We are in a stressful industry and some folks just start to crack under the pressure. Anger is often an emotional response to stress, and some folks are really emotional. There are a few ways to handle the angry agent:

1. Get on their side: If you are not the responsible party for their anger this can often be effective. If they called you up to yell at you about the lender or title company you can commiserate with them and then try to calm them down. Something like "yeah lenders are always needing more time than they say they do, but you know what a lot of mortgages get closed every day. I'm sure between the two of us we can get this figured out."
2. Try to calm them down: If the person they are upset at is your vendor, this makes it harder. Often, they are mad at them and by extension you as well for bringing them into the deal. The best course here is to tell them why your vendor is your vendor. I know, for instance, that if someone was to complain about my title company I would tell them about all of the minor miracles and deals that almost died they saved for me and how I will get with them to make sure the issue is resolved.
3. Take it: Sometimes you just need to take one for the team. If they need to yell and scream and you have the ability to take it then you can do so. This can often result in making the other agent feel bad later about how they behaved toward you. Once they calm down you can say okay, I've heard your points how do we move forward from here? I was thinking….. Their guilt makes them more willing to listen and adopt things from your plan to resolve issues.
4. Remove yourself from the conversation. They start screaming on the phone and you immediately hang up. If they call back your first question before they start is "can we move forwards as adults here or do you need some more time?" or the "I will not be

spoken to that way. Can we move forward as professionals?" If they start yelling again hang up again. No one has the right to abuse you. You can do what is suggested above and choose to listen to save your deal, but you are not required to do so. This behavior is bullying and bully's only respect someone when they stand up to them. This method sets a precedent for how this relationship will move forward and often winds up with your customer respecting you more.

Angry or not we need to find a way to get our deal done and keep it alive. So, we can try to get on their side, appease them, wait them out, or stand up to them but closing our transaction needs to be the goal. These methods are just tools to get there.

Chaotic Agents: These agents are constantly running from crisis to crisis trying to put out fires because they can keep track of what is going on. They have so many unread emails they can't catch up, so they stopped paying close attention to their emails at all. Where did I put their deposit check again? Oh, that closing was today? These agents cannot manage their time and the mistakes they make, all the time, threaten your deals closing on a daily basis. Chaotic agents deal with, live, and have grown accustomed to chaos. Their method of dealing with issues is based on what is the noisiest crisis at the moment. So, all we need to do to make sure they are on track is to be the noisiest crisis they have going right now. That just means we need to keep the pressure on them to comply with their timelines. We have to be the squeaky wheel, so we get the grease and our deal closes. The way to deal with these folks is:

1. To be very structured yourself. We need to be structured enough for both us and them. A great CRM or tracking software is a huge help with this.
2. Having a highly organized email and file system also goes a long way to squeezing out ways where they can screw your deal up.
3. Follow up with them frequently. Become the squeaky wheel and take the role seriously. You can be nice while simultaneously being a pain in their butt. Once again, the key is to make doing what you want them to less painful than not doing it.
4. Enlist the other folks in the deal to help you keep the other agent, and your deal, on track. Regardless of which side of the deal you are on, you want the contact information for all parties involved with maybe the exception of their customer (for ethical reasons).

Lots of really great people lack structure and need help. Don't be upset by these folks. Look at it as part of the job and give them the help and structure they need to get both of you a closed transaction.

Arrogant/Know it all agents: These agents are more of a nuisance than they are a deal killer, but they definitely make you less likely to want to work with this type of agent in the future. So, my caution here is different. For many agents that take their work seriously and start to become cynical this is what happens to them. Do not let this happen to you. This comes from thinking too much of ourselves and too little of others. If you become this way you will develop a reputation of being hard to work with and agents will shy away from deals you are working on. This kills deals for you before they even get a chance to be deals. No matter how well you do, stay humble, be easy to work with, and always be willing to pay it forward. Now as to how to deal with these agents:

1. Earn their respect: Most agents are accustomed to working with agents that do not do a very good job. Why is that? Because a lot of agents fall into that category. Show them you are different and deserving of respect. You do not have to be in the industry for a long time to do this. Just make sure your offer and all things you do have the I's dotted and the T's crossed. Have your broker or mentor review before sending. Show them you are an equal and not an underling with your actions.
2. Be humble and let them know you are willing to take instruction if you are new. This is the inverse of what I suggested doing with new agents. Be willing to take their advice and be grateful for it.
3. Play to their ego. Offer to learn from their infinite wisdom and genius and bask in the glow of working closely with someone as amazing as them to get this deal done.
4. Pop them one right in the nose….(figuratively. Do not start punching other agents) Sometimes these agents are just bullies that need to be stood up to so that you can be treated as equals. I had an agent that I was having a miserable time with and finally we had it out on the phone. He told me something like " I have been a broker for x years and done x deals and close this much business each year, my response was basically I have been a broker longer, done more deals, closed more business, written numerous books on the topic, taught real estate all over the country, am a licensed general contractor, licensed home inspector, mold accessor and remediator and if we are done measuring ourselves (yes I actually said that to him) can we get down to closing this deal and getting us both paid? From that point forward he was one of the most pleasant people to work with. He just needed to be stood up to for him to respect me enough to work with me in a way that got us past the issues with the deal and got it closed.

There are a lot of other kinds of agents we haven't talked about here: the helpful agent, the professional agent, the controlling agent, the awesome agent, and the analytical agent just to name a few, but these other agent types, while sometimes ranging in difficulty to work with, tend to take their work seriously and be deal closers rather than deal killers. We have looked at several tactics to keep certain agent types on track and some of these tactics are duplicated for different agent types because they are powerful tools that can be effective in a variety of circumstances. Learning to gauge the person you are working with, and which of these tools will serve you best, is a factor of experience and paying attention. Do not treat every agent the same as we are all different in our own way but have your various tools in easy reach to assess and deal with each person as they come. This gives you the best opportunity to help your customer, helps you and the other agent to get paid, and is one more technique that keeps your deal from being the victim of a deal killer.

Chapter 7:

Miscellaneous Mayhem

While there are many more deal killers we could discuss, in this chapter we will go over just a few of them that have the potential 'deal killer' reputation. So, let us just jump right in with one of the sneakiest deal killers out there. This is one that had not been much on an issue for most of my career, but recently has been responsible for the death of a few agents I know - deals dying. **We are talking about insurance.**

Over the past several years energy efficiency requirements have made for major changes in the way homes have been built and the materials used in building them. In addition, the high velocity wind code in parts of Florida has caused increased rigor in how buildings are built and reinforced. The result has been a wide variance in insurance pricing for similar size homes. Newer homes are less expensive to insure (despite the fact that they are more expensive to build and repair) than older homes. The difference in the price to insure in recent years has grown wider and wider. This has gotten to the point where the insurance premiums for older homes are so high that they adversely affect the DTI and make it so buyers can't afford many older homes in their pre-approved price range. There is no way to affect this really. You can put in for the maximum number of credits, change the windows, etc. but there is still going to be a wide gap in insurance pricing. **The way to avoid this deal killer is to be aware of it prior to showing homes and to make your customer aware of it as well. The customer needs to understand that homes prices are not the only variable in the purchase process.** There is a difference in the amount of maintenance an older home may need as well as a higher insurance cost for an older home.

Spouses can be great…until they're not. When things get bad enough, we have this thing called divorce that makes for all kinds of real estate fun (copious sarcasm applied). In these situations, you may be working with someone, get them pre-approved, show them homes, get a contract, pass all of your inspections, get the mortgage approved, and then have the deal die when the buyer finds out that their soon to be ex-spouse has to sign at the closing. Yes, even if they are getting divorced, the spouse has to sign all the way up until there is an agreed to and signed petition of divorce. As you can imagine this makes for a very grumpy customer that has no real way out of the deal at that point. Pretty straight forward way to avoid this one and that is to let the customer know how this works in advance. That way they can time things so they are free from previous "encumbrances" and can purchase without having the spawn of the devil they were previously hitched to getting on the title. **Explaining this to them also once again positions you as the real estate professional in the room, and also someone looking out for their best interest.** *If you have customers that feel like you are looking out for them, don't be surprised when you always have customers.*

Kids can be a big deal killer. While we don't discriminate because of kids…kids have this tendency to grow up. Parents also have a tendency to grow older as it turns out. This is when kids graduate from the reason to need more bedrooms to deal killer Extraordinaires. **Many times, we may need to look out for our older customers,** they may realize they are not as sharp as they used to be and defer to one or more of their children for big decisions. Or they feel like they still have it, but their grown children brow beat them into feeling like they are not. One way or the other, there are a lot of ways for the children to get involved in your deal and screw it up. One of the ways to avoid this is when dealing with customers that are not "spring chickens" is to ask about their children in conversation to see what the relationship is like. If they in any way indicate that one or more of their children "help" them with financial decisions, it is a good idea to circle them into the conversation with their parents as soon as possible.

Children tend to be very protective of their parents and often think anyone that they didn't select themselves is out there trying to take advantage of their parents. For this reason, you want it to be your idea to loop the children (who are more familiar with their parent's financial situation) into the discussion to make sure their parents are being well taken care of. This is one of those "an ounce of prevention is worth a pound of cure" situations. If you can get out in front of this by getting the children involved sooner rather than later then you become the agent that is looking out for their parents and that gets you some priceless good will.

There are a lot of other situations where kids play the spoiler, but often there is not a lot you can do. This can occur when you are dealing with the adult spoiled and or entitled child. This is the one that has no positive input and maybe is just looking to cash in on an inheritance. These folks are not very nice people and often are abusive to our customers. If you see any signs of abuse always report it, as that is a real problem. People like this can kill your deal and there is not a lot you can do to stop them. If the situation is bad enough reporting them and trying to get some protection for the parent(s). **Do the right thing** even if it does not get you anymore business. It is the right way to live life. There are too many other kid situations to get into, but most of the time what you want to do is get them on your side as soon as you can and it will go a long way toward keeping you in the game.

We are kind of on a family bent here with these last few so let's keep it going with other family members as deal killers. This usually happens when someone in the family was an agent 30 years ago but is the resident family 'real estate expert.' This person usually loves this role and all the respect that comes with it. The best way to handle this person is not what our normal tendency might tend to be. Most agents want to fight and disagree with this other expert (who usually has no clue what they are talking about) to show that they are the expert and not the family member. The problem is that as soon as you leave the family member still has access to your potential customer and you do not. Do you think after you just made this person look bad, they will be singing your praises to your potential customer? Let's go with "no". The way to deal with this person and keep them from killing your deal before it even starts is to get them on your side. Listen to what they say and play to their ego. Something like, "Wow! That is very smart. You must have been exceptionally good when you were doing this business. Why did you ever get out? You'd be making a fortune now with ideas like that." Yes, I know this may be soul crushing especially when they say particularly stupid or no longer relevant things, **but your customer comes first, not your ego.**

Something similar can be the case when you get someone that is very experienced form a different state and property type. One I see often is someone that is a longtime investor in the northeast that has all sorts of opinions on exactly how the deal needs to get done. They think that real estate laws are more federal and less state specific than they are. This means that their vast experience is less valuable than they think it is. This type of customer is often a bully with their information and treat us as incompetent. Our job with these folks is often to provide really strong push back when they are wrong. Real estate investors do not like making mistakes and if you are right, and can prove it, they often will give you more leeway and respect. Sometimes getting the attorney involved to back up what you are saying is the key to be taken seriously and keep your customer from killing your deal.

Example: You may have to wait quite a while to get the opportunity to do this but when you do make sure you have your facts down cold and then hit them with it hard. I have a customer from New York I have been working with for many years and every time there is a contract or a negotiation, he always wants to negotiate the most useless stuff for Florida. He is from New York though and those things matter. He and I go to war on this stuff all the time, but he comes back because I perform well for him and know my stuff. After years of waiting I finally got my chance. He chose to fight over a ridiculously small and useless contract item that I advised him not to do. We had a deal except for this one thing. He chose to fight, and the buyer changed their mind and lost the deal. The attorney also told him after the fact that it didn't matter. He told me I was right, and he should have listened. It finally cost him a deal. Now though our relationship is much more equitable as he knows that I know what I am talking about.

Your customer can take on the role of deal killer often. Buyers' remorse is a big way that can happen. You put the property under contract and all of a sudden the buyer wants to go see it again and you can tell that they are second guessing their decision. If left unchecked this can make the buyer direct you to cancel their offer. There are a few ways to handle this. One way is to not use an as is contract. I normally always recommend to use the as-is contract as it gives the buyer more flexibility to get out of the contract if they want to, but if you have a very indecisive buyer you may want to opt to put them into a contract that has pre agreed repair amounts and no ability to cancel at “the buyers sole discretion”. Admittedly, this would not be my first choice for how to handle a vacillating buyer. My first move would be to highlight for them the reasons they liked the property and the long-term financial benefits they will get from buying the home. This means you need to pay attention and make note of the reasons they like the house and be prepared to talk about and expound on them, and you need to know what the financial benefits of owning real estate are and be able to educate your customer on them.

Another very painful example of my own customer killing my deal comes from a story that I wouldn’t have believed could happen if it didn’t happen to me. I was partnering with an agent to help this couple find a house. They found the house, put it under contract for $280k , put down a $12,000.00 deposit, got through the inspections, had the appraisal come back at $295k. Things looked great. We got to the day before closing and the buyer’s wife says she will not sign. The reason she won’t sign is…she doesn’t like the house. She waited till the day before closing to tell us all this (including her husband). I spent 2 hours on the phone with her trying to convince her to close and the title company spent an hour and a half doing the same thing all to no avail. The buyer lost $12k deposit and there was nothing we could do to stop it. This one taught me to make sure you are checking with both partners to make sure they are on the same page with the house they are buying. Seems simple but when neglected the results are quite painful, and long lasting. This happened years ago, and I am still talking about it.

Surveys are not often deal killers, but they sometimes cause delays which can lead to renegotiation and potential loss of the deal. The thing that can cause issues with the survey is if there are encroachments, typically the property being purchased has encroached on someone else’s property. For some reason, the 1000 sq. ft. addition that one third of was built on the neighbor’s property makes the bank less excited to lend on your property. Also, easements can be an issue if they are excessive. Most survey issues can be dealt with given the time needed. **The way to minimize this one’s impact is to request it to be ordered as soon as possible to give everyone as much time as possible to resolve any issues that might come up.**

That jerk face Murphy and his stupid law. This deal killer never ceases to impress with his ability to be both unexpected and creative in his ways to jack up your deal. I can’t even begin to go over how many different ways a deal can go sideways from unexpected events so instead I will tell you a true story to illustrate what I mean. My broker and I were partnering a deal one day with some high-end customer looking to buy a condo on the ocean in one of the most high-end areas of south east Florida. He was on the road showing them property and I was back at the office coordinating the showing times with the various listing agents that had to accompany us to show for all the buildings in this area. I received a call from my broker telling me to quickly come to the property to get the customer as while they were in the building showing the unit some had jumped from one of the upper floors to commit suicide. They had already closed the parking lot where the jumper landed, and he didn’t want the customers to be questioned by the police or delayed. Pretty crazy right? A Showing gets screwed up by someone committing suicide. That is not the craziest part. Turns out the jumper landed on my broker’s car and totaled it. Seriously, you can’t make this crap up. At least I’m not that creative.

My broker had the choice to react the way many agents do and throw a temper tantrum that Murphy was messing with him again or adapt and make things move on as seamlessly as he could. He chose the latter and kept this deal killer from wrecking his deal. Basically, you need to expect the unexpected. Be ready for things to go sideways and when they do to bring the full force of your mental facilities and creativity not to complain but to adapt and overcome. This gives you the best chance to save your deal, makes you a better person for customers and other agents to work with, and will also give you a much healthier way of dealing with an industry full of unforeseen deal killing frustrations.

Conclusion

Deals die. It's a fact. Accepting that is part of staying sane in our business. But all deals that die do not need to die. As Dylan Thomas once wrote "do not go gentle into that good night". Just because some deals are doomed to fail doesn't mean we shouldn't fight like hell to save everyone we can. We need to learn to be fighters. Not with other agents but instead for our customers and for our deals. Finding clever and creative ways to save your deals not only gets you paid but also gets you respect from other professionals in the industry. Be the person your title agent recommends to their family member when they are looking for a property. You only have one reputation, and it is a culmination of the actions people see you make. Don't let your focus be just bringing in customers to build a business for yourself. When you build a reputation as an innovative deal closer, customers will start seeking you out. Build the kind of business you can be proud of and be the kind of agent that is always striving to be the best version of themselves on a daily basis.