CHAPTER 7

WORKING WITH BUYERS: THE SELLING OF SUCCESS

There are really two distinct sides of any real estate transaction: the buying side or the listing side.

In 1998, when I first earned my real estate license, I was told that I had to knock on doors, make cold calls, and do open houses to get business. So I volunteered on my first week in the business to do an open house and I met a nice young couple. They had a one-year-old and another baby on the way. The husband had a job, and the wife was laid off at the time, but they definitely seemed very motivated to purchase a home. So I was excited to have a client that wanted to work with me to buy a home.

They weren’t interested in the home they looked at for the open house. It was over their budget and too big for them. So I researched
a good 15 to 20 homes for them, and we set up appointments over the next three weeks to view every one of them. We finally ran across a property that they were really interested in. It was time to write my first offer.

I met with my manager and told her the situation. She gave me the forms to fill out for the contract, and I filled in all of the blanks. When it was done, my manager looked at it and said, “Where’s the pre-qualification letter from the lender?” And I said, “I didn’t know we needed that.” She replied, “It’s one of the first steps you need to take before you work with a buyer. You should have had the pre-qualification letter done beforehand.” We had to delay the actual presentation of the contract because we needed to call the lender the next morning.

We called the lender the next day, and my client gave them all the financial information the lender needed over the phone. The lender called us back a couple of hours later and said, “Sorry, but your buyer is not qualified to buy a home at this time. They had a bankruptcy and a car repossession within the last 12 months, and that disqualified them.”

So I wasted countless hours showing homes to these potential buyers—time away from my family—assuming that this family could buy a home, only to find out that they weren’t qualified. I promised myself that I would never do that again. That was a big life lesson I learned, and I now know that I need to put together a good process when working with buyers.

Today, my first objective in working with buyers is to meet with them for a one-on-one fact-finding appointment. The goal of the fact-finding appointment is to determine whether or not this is, first and foremost, a qualified buyer, to get a good idea of what they are looking for, and to establish their timing and motivation for buying.
Many buyers out there want to buy a home, but life gets in the way and they may be ahead of themselves. Or some people should have bought a home five or ten years ago and were never shown just how to do it.

I tell my buyers that purchasing a house is not an event that you just show up to; it is an actual process. And the first step of that process is to come into my office, and meet with me. I am not resistant to meeting clients at their homes if that is more convenient, but by having them come to my office I find that I am better able to control the environment, and there are fewer distractions.

When I sit down with them for the one-on-one appointment, I follow a two-page sheet that collects some basic information: their name, email address, cell phone, and contact information, and then I have a list of 15 questions. Some of those questions include: Why do they want to buy a home? What areas do they want to live in? Is the school district something that is important to them? How many bedrooms do they need? What are their future family plans? How long do they anticipate staying in that property?

These are just some of the questions that I ask, which are important. I have had buyers come into my office who quickly become non-buyers when they grasp that they are not ready to buy a home or realize that they don’t really know what they want in a home.

The objective is to get a good feel for what they are looking for and to make sure that I am not wasting my time working with a non-motivated buyer. If they aren’t prequalified, I go through the prequalifying process with them. Many times, buyers will go out and find a house first, then try to get pre-qualified. As I mentioned earlier, that is really the wrong way of doing it. You want to make sure that a buyer is prequalified and that they are living within their
means. Many buyers are able to qualify for a much higher loan that would strap them financially on their month-to-month cash flow.

Once I get a good feel for that and we have the prequalification done, then I will move forward with an extensive home search that meets their criteria. I want to give my buyers total control of the home-buying process by giving them all the homes that are currently for sale and that meet their home-buying criteria. In the past, if there were 30 or 40 homes that were available, we were trained to only show them eight or ten of those homes, under the belief that if you show too many homes to a buyer, they become confused, and a confused mind takes no action. I think that is the wrong approach. I give my clients information on all the available properties out there that meet their criteria, and let them go ahead and do the drive-bys first. Pictures that are posted online sometimes doesn’t show the commercial exposure or the rundown, boarded-up house that is across the street. I tell them that when they drive by, they should look at the house and ask themselves, Is this somewhere I could call home? Is it a neighborhood that I feel comfortable living in? If it passes that test and it is something they want to get in to see, then I go ahead and set up an appointment.

Before I show them a property, I tell them, “We’ll walk through every property that you want to see. When we go through these properties and you feel at any point that the house is not going to work for you or you just don’t ‘feel the love’ for the home, you’re not hurting my feelings by saying ‘Willie, stop, this is not the house for me.’” I make it very clear that at any point in time if they feel the house is not for them, then we need to move on to the next property. That is the process I use when working with buyers.

To review: at that first buyer appointment, walk them through all the steps of the buying process (refer to www.freewilliestuff.com...
for the buyer process flow sheet I use). Complete the buyer profile to determine if it is a go. If it is, sit with them and go through your buyer’s presentation and show them the entire process of buying a home—from initially meeting with you, to viewing properties, to signing the contract, to getting their attorney, their inspector, and lender, right down to the closing table. Do a thorough job on all the significant things you want to focus on and getting them prequalified, making sure you search multiple listings and for sale by owners to show the right properties to them, and then negotiating the best price on their behalf.

After the presentation is done, have them sign a buyer agreement. The buyer agreement is something I find a lot of real estate agents don’t do. Seventy-five percent of buyer agents don’t have their clients sign a buyer agreement because they are afraid of rejection or afraid that the buyer won’t sign, so they go ahead and show them properties without it.

That is a big mistake, because when I work with a buyer, I want to make sure that buyer is committed to me. If I am going to invest a lot of time and energy finding them the best home at the best price, then I want to make sure they are totally on board with me. That buyer agreement is an agreement between that buyer and myself that states we are going to be working together over the next six to twelve months. Whether the property is listed with the multiple listing agent or if it is a for sale by owner, that buyer has agreed to pay me a commission. Most real estate agents would never list a property without a listing agreement. So I don’t understand why agents wouldn’t sign a buyer client to a buyer agreement.

Once they find a home, the rest of the process goes pretty smoothly. We write up the contract and have an attorney review it to make sure it is in the buyer’s best interest. Then we go ahead and get the inspec-
tions done. A home inspection is something that I always go to with my buyers, and if I can't be available, then I will have my licensed assistant go to the inspection on my behalf. Even if the buyer feels that there is nothing wrong with the home or it is a newer home, I encourage them to get an inspection done, because you never know what will come up once they own that home. I don't want them coming back to me upset because they bought a home that has black mold in the attic or has a furnace that doesn't work properly or worse yet, a home that has pests, such as termites or carpenter ants.

Often, people don't want to do septic inspections because they feel if the owners have had the septic tank for a long time, then it is running fine. And it does cost $300 or more to get a septic inspection done. But I have had buyers thank me afterward because the septic system did have something wrong with it, and they were able to get the seller to give them a credit at closing in order to fix it after the closing.

When the inspections are completed, I make sure there is nothing else that must be negotiated. Every once in a while, there might be a bad roof or a furnace that is not working correctly. If that is the case, I will have a professional come in and give the buyer an estimate, and we will try to negotiate by having the seller repair it or by giving us a credit, at least providing a partial payment for what it would cost to replace it.

When a buyer asks me, "What do you think we should offer for this house?" I will answer, "We should offer them a fair price, and the fair price is going to be determined by me doing a cost market analysis on that property." If it is a three-bedroom ranch, then I am going to look at all other three-bedroom ranches in the area to determine what those homes sold for. That will give us a good idea of
what the current market value is on that home. I always have them offer on the lower end of the range, and then go from there.

One of the strategies that I like the best in negotiating a price is having the buyer write a letter or tape a video email to the seller, letting them know why they selected their home, how they felt the minute they walked into it, and how excited they are about purchasing their home. I have had them submit pictures of their family with the offer, to show them their sincere interest, including a note that says something like, “We have been looking for a safe neighborhood like this. Your home has a pool, it has everything that we wanted in a home, and as soon as we walked through your house, we felt this was the perfect home for us. This is why we hope that you will accept our offer.” I call it the “buyer love letter” and it works pretty well, especially in multiple offer situations.

One time, I took a buyer I was representing to go see a farmhouse. It was a nice home. The people that lived there had lived there for 40 years, raised their family there, and were well known in the neighborhood. They were downsizing and moving to Florida. My buyer loved the house and wanted to purchase the home. But another buyer from New York City was coming up and offering $10,000 above their offer.

Since I was able to actually present my buyer’s offer in person, I also brought a letter from my buyer. “They really loved your home.” I said. They’re a nice young family just starting out and I know you have a higher offer, but if you would really consider their offer I think you’ll be selling it to a great family.” The seller took our offer, $10,000 less, because they wanted a nice family to take over their home.

Over the years of negotiating home sales, I have come to realize that not all real estate transactions are business transactions. There is definitely an emotional transaction taking place as well for sellers,
especially those who have lived in their homes for 20-plus years, raised their families there, and hold many memories in that home. Selling their home is a big step in life. It is an emotional transaction for them. It isn’t just about the money. But on my end it is more of a business transaction. My job is to get the buyer the best price that I can for the best home that meets their needs without getting my emotions in the way. That is why they hired me.

If you are a new agent, working with buyers is a solid sales pillar of any real estate business. Like I said, buyers represent “now” business and in many ways are more profitable than listing homes. The reason is that when you list homes, you must spend a lot of upfront money in marketing, time, advertising, and expenses, and six months down the road that property may still never sell. When you are working with a buyer, basically you are investing your time. And you can get paid a lot sooner if you find a motivated buyer who is already prequalified. If you find the right properties for them, you could be under contract within a week and, hopefully, have a commission check in your pocket four to six weeks down the road. However, when you list a property, it can take double or triple that time to get paid if and only if that property sells. So that is the benefit of working with buyers.

A great advantage to working with buyers is they tend to know others and have friends who are also in the market to buy homes. This is an excellent way to obtain new referrals. Their reticular activators are at a peak state, creating an opportunity to obtain referrals. From my experience, the goal is to receive two referrals from each buyer while you are servicing that buyer. In addition, staying in touch with these buyers will pay off because eventually these buyers will outgrow their homes or look to relocate down the road. That is why it is essential to communicate with the buyer not only during
the sales process but also after the sale of the home or the purchase of
the home in order to get their repeat/referral business in the future.

There is a saying real estate agents have: “buyers are liars.” It stems
from the feeling that buyers will work with a real estate agent only
until they get frustrated with the process, because if there is no com-
mmitment to them and no agreement in place, the buyer is free to use
any real estate agent. Or if they are online looking at a property, they
may go ahead and buy a house on their own or with another agent.

If you use the process that I outlined in this chapter, following
it step by step, buyers are in fact, not liars. Buyers can be good and
profitable clients. If used correctly, buyer clients will be very lucrative
for your business and will give you repeat and referral business for
years to come.