

It may not be America's favorite pastime, but fishing for FSBOs can be very rewarding and is a proven lucrative market for REALTORS®. Even if you aren't sure the FSBO market is for you, you may want to test the waters, especially when you consider the number of FSBOs in the sea.

In a recent Sunday real estate section of the Springfield newspaper, there were 55 city homes listed "For Sale By Owner." Most reports show that approximately 70 percent of FSBOs will eventually decide to sell their homes through a REALTOR®. Using that premise, 38 of those 55 will eventually be looking for a REALTOR® to sell their homes.

Take the plunge

Conceivably, if you approach 10 FSBOs, seven will eventually list with an agent. So if you play your cards right, you should have a whale of a chance to list at least a couple of those seven.



Fishing for a New Market?

Try catching the FSBO



REALTOR® Frank DeLuca, President of C-21 Green Acres in LaGrange, thinks those numbers are about right. "FSBOs were my forte when I began in the business. I would say that out of 10 approaches, you should be able to get six appointments and two actual listings. From that you should be able to get at least one sale."

The fact remains that FSBOs can be quite catchable if you know how to fish for them. After all, the FSBO already has his mind made up. He wants to sell his house. And he either already has a house in mind to buy or he is looking for one.

Sink, swim or float

IAR Legal Hotline attorney Christine Ludwiszewski warned that many REALTORS® may be using doctored-up listing agreements in setting up one-time showings with FSBOs. These agreements are very hard to enforce and would probably not hold up in court.

Instead, she suggests entering into a letter agreement with the seller indicating that he is giving you permission to show the property. "This letter agreement should be on your letterhead and include names, the address of the property, dates the agreement is active, including an expiration date, and how much commission is to be paid at the time of close. It's ok for the sales associate to draft this (and not be accused of practicing law without a license) because it is a contract between the seller and the sales associate. Of course if he's representing a broker, the sales associate should

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FSBO (Fizz-bō) n. For Sale By Owner; a species of homeowner who chooses to sell his home himself, without the services of a REALTOR®.



get the broker's permission first." Another

area Ludwizewski has heard problems about through the Hotline is that a sales associate cannot advertise a FSBO house without the written permission of the owner. This permission can be as simple as a one-sentence contract. Oral listings are enforceable in Illinois if you can prove the terms, but in the case of advertising, you must have written permission.

Evolution of the FSBO

According to DeLuca, the super-sophistication of the FSBO began about a year ago. "They're more sophisticated in their signage; they're creating feature sheets and even faxing them to the brokerage firms. They realize they lack the MLS, and they're inviting brokers in to see their listing, so they'll be included in the REALTOR'S® inventory. They are holding open houses which are tagged onto broker tours and even providing lunch for the group. They first get free market analyses from several agents to decide on a price and then they go by owner. I've also noticed a number of books on how to sell your home yourself at the local bookstore. And if they're stocking it in the bookstore, there must be a demand for it."

Sharlot agrees. "FSBOs have told my sales associates that they bought books on how to sell. They tire quickly, though, when they realize how time-consuming the process is and how expensive it is to advertise. No-shows are extremely bothersome, and they can't understand it when someone says they love the house and then don't even make an offer. Well, no one is going to tell you to your face that he hates your home. What they don't realize is that the REALTOR® is the perfect go-between. Buyers will tell their REALTOR® anything honestly. Even if someone does make an offer on a FSBO home, the work doesn't stop there; many sales fall through after the offer is accepted."

Going to market

DeLuca said, "I think the FSBO market is good for any sales associate. The only caution is that sometimes sellers are more knowledgeable about their area than a brand new sales associate would be. They have done the research and really know their marketplace. By the time they actually put the 'For Sale' sign in, they have a lot of ammunition."

"I think FSBOs are a great market," said Sharlot. "Sales associates should also be doing cold-calling, too. (Randomly calling houses in a given area to find out if they'd like to list.) In our North Shore Board area, there is

heavy competition. It's not that easy up here when you're just starting out. We're usually the last ones to change; there's a lot of 'old' money, and new sales associates need to be very knowledgeable and not just rely on a well-known family name or an established company name. All I can say to a new sales associate is to keep farming, keep farming, keep farming. It takes at least five years to build up a good farm."

The big one that got away

You need to keep track and pursue all the for sale by owner homes in your farm area. You should already be driving through the area on a regular basis and checking the homes for sale ads in the local papers. The one week that you don't could presumably include the big one that got away in terms of FSBO homes.

One way to go about a random cold call is suggested by Danielle Kennedy in her book "Double Your Income in Real Estate Sales." She suggests the following approach: "Hi, Mrs. Smith. I'm _____, a local REALTOR® with a problem. I have a buyer who has seen everything that is up for sale in the neighborhood, but so far he has not come across the right house. I know this is really a shot in the dark, but are you, by chance, getting ready to sell your home?" Notice how the words 'this is a shot in the dark' give a humble, no-obligation tone to the communication. This is an important element

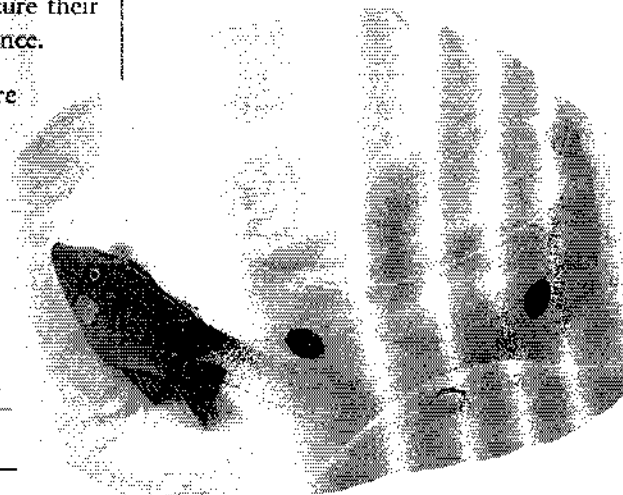
Well schooled... a profile of today's typical FSBO

Today's FSBOs are getting more sophisticated and, above all, money conscious. Let's take a closer look:

FSBOs are sophisticated: They buy books on selling real estate, conduct research, consult friends and imitate REALTORS®. Remember, though, imitation is the highest form of flattery.

FSBOs are much more prepared: They develop brochures and fact sheets on the property, including taxes and utility cost estimates, and send mailings to neighbors, friends and even brokers. They hold open houses (with refreshments), and manicure their lawns for the best appearance.

Above all FSBOs are money conscious. They want to save having to pay a REALTOR'S® commission. Many are cooperating with buyer's brokers.



to employ when making investigative prospecting calls."

Keep casting your line

Let's say that you call on a FSBO four times before deciding he's not worth the time and will never use a REALTOR®, and your competitor calls him five times, with the fifth time being the day after an unsuccessful open house when the FSBO is frustrated and seriously wondering why he ever decided to sell his house on his own. Who's going to net the listing? The REALTOR® who cast his line one more time.

"I think you should keep in contact with them about once a week," said DeLuca. "If you have a contract with the by owner seller that allows you to show the house, then show the property and keep them informed of what's happening with the MLS and what has sold that was similar to theirs."

Sharlot added, "You don't want to drive them crazy; once or twice a week is enough contact. Offer your help; offer them a sign-up book for names of those going through the house. Do something that might make you stand out from the rest."

The best time to set the hook

Most experts agree that you shouldn't try to convert the FSBO to a client upon your first meeting. Don't rock the boat by appearing over anxious. Your first goal should be to get your foot in the door. Get to know a little about each other slowly. Offer suggestions on selling his home or obtaining financing and get reports on how his open houses have gone, etc. If you stay in contact, then you'll more likely be able to read his frame of mind, plus he'll remember your name should he decide to list.

You should try to establish a mutually-rewarding relationship with the FSBO. In exchange for your help in making suggestions to spruce up the property, ask for names of those who've looked at the house but didn't buy. They're of otherwise no use to the seller, but could prove an invaluable source of leads for you.

The typical FSBO starts out very fresh, upbeat and confident about selling his own home. He is rejuvenated

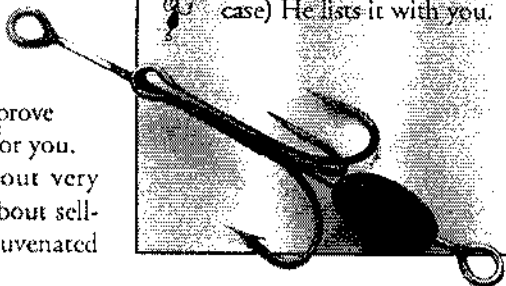
with the influx of lookers as soon as his home hits the market. However, after a few weeks of placing advertisements, handling calls, setting appointments, no-shows, and open houses with little or no serious buyer interest, he begins to doubt this major undertaking. That's when it's time for you to dive in.

Start with something like, "I realize how much time and effort you've put into selling your house. It must be very frustrating. Let me show you how I can help you."

It takes guts . . . four possible endings to the FSBO fish story

Don't be intimidated by a FSBO. There are only four things that can happen with a FSBO seller, and none of them mean the end of the world:

- 1) He ends up being one of the three out of 10 who is fortunate enough to sell it himself.
- 2) He takes it completely off the market (Even so, don't abandon ship yet. Many FSBOs just take it off the market for about 90 days to regain their bearings and then either jump in headfirst again or cruise with a REALTOR®. Your best bet is to see if you can find out exactly why he pulled the house off the market and then contact him again after a period of time, approximately 2 1/2 months.)
- 3) He lists it with somebody else, in which case, you can start trolling for the next FSBO. Or . . .
- 4) (And let's hope this is the case) He lists it with you.



Angling for an angle

What you can do to compete for a FSBO is to spell out what you, as a REALTOR®, can do for him. Show that what you do will save time and hassle, and will be well worth whatever commission amount you agree on. MLS services are a given benefit, and for most, one of the main reasons to choose a REALTOR®. But how else can you sell yourself? Remember, today's FSBO is extremely money-conscious, and you may have to do some convincing to lure him to your side.

Many FSBOs don't realize the commitment involved in selling by themselves. Show them that, as a full-time REALTOR®, you'll be able to handle the time commitment better than they can doing it part-time, many while still working a full-time job and preparing to move to a new house. You're skilled at negotiating, having encountered many offers and counteroffers before, and have prescreened buyers who are serious from those who are merely curious.

DeLuca related one of his FSBO stories: "A friend interviewed me and a couple other REALTORS® before going by owner. He tried on his own for about three weeks before turning it over to me. We listed it and closed a month later. What my friend found was that he was discouraged not by the quantity of prospects, but by the quality. And if he had realized how much went into it, he never would have tried to sell on his own. And this is a college-educated, marketing-oriented person."

Throw out your anchor

When those seven out of 10 FSBOs do decide to list, make sure you're the one they think of first. You can do this by giving the FSBO some hard copy . . . an anchor, if you will.

Leave something behind, such as your personal sales brochure, with your credits and credentials. It's something solid that says you're serious about real estate, and you can be successful in selling their house. As soon as they begin to have their doubts about selling by themselves, they'll be likely to remember your name. And you'll be waiting patiently with your listing agreement in hand. ■

by Deborah Herr, assistant editor