

14

Reasons FSBOs Should List with You—But Quick

You can win reluctant listers' business if you paint an accurate picture of the complex world of real estate sales.

The *S* in *FSBO* could stand for *stubborn*. After all, it may feel as if you've hit a brick wall when you try to counter FSBOs' perception that they'll save money by not listing with you. (According to the NATIONAL ASSOCIATION OF REALTORS®' 1991 *Homebuying and Selling Process*, 46 percent of FSBOs wanted to avoid paying a commission.) Take heart. There are plenty of reasons—14 in fact—that prove they *need* your professional services.

When you present these arguments, though, don't alienate, scare, or put the sellers on the defensive. You'll be most effective offering about five of them during a face-to-face discussion. (An in-person meeting lets you gauge the sellers' receptiveness to your arguments and lets you position yourself as a problem solver once you point out the intricacies of the real estate game.)

By Chip Morrison

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COMBINATION

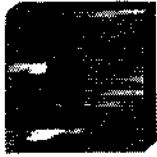
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FSBOs shouldn't go it alone, because often they



Lack the knowledge to price their homes competitively.

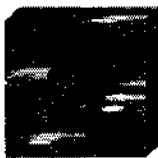
Inexperience may lead owners to overprice their homes. While property languishes on the market, sellers incur expenses for advertising, taxes, interest, insurance, utilities, and so on. And they sacrifice time preparing for showings and waiting for prospects who might not keep their appointments.

Undervaluing represents the flip side of the ticklish pricing game. Many sellers aren't familiar with property transfer expenses, prorating, and other closing costs and will agree to accept what started out to be a satisfactory price. At settlement, however, they may net much less than they anticipated. In addition,

- Sellers aren't always aware of changing market conditions that may make their home more valuable than they think it is. For instance, the cost of lumber—and therefore existing homes—in my area went up because of a hurricane the year before. In addition, today's buyer's market may soon be a seller's. If a market has been depressed, sellers might calculate a low asking price, not realizing, as you would, that the market might be shifting in their favor.

- Sellers may make a handsome profit over what they paid several years ago but still not realize optimum value from the sale because of inflation.

- Buyers won't buy until they believe the selling price is justified. And many FSBOs don't have the data to prove that. You, on the other hand, can demonstrate such things as yearly appreciation by emphasizing the value of individual features and pointing to neighborhood trends.



Aren't objective about their homes and may not know how to stage them professionally.

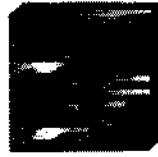
Perhaps they don't see some of the physical characteristics that will turn buyers off. Although you can empathize with sellers' nostalgia, you won't allow emotion to thwart the sale. You'll show off the home to its best advantage by explaining what it takes to get buyers emotionally attached to it.



May spend money on needless repairs to improve their property.

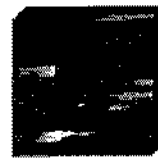
In some cases, repairs or modifications, such as repainting (What if sellers pick the wrong color?), could lose a sale. Explain

that what should be repaired, painted, or changed is best determined by your experience and objectivity in regularly dealing with buyers.



May lack negotiation skills. Owners may not be prepared to negotiate price, terms, amenities, and the personal items that will or won't be included in the sale, especially if their emotional attachments get in the way. They may also lose buyers if they decide not to counter a low first offer because of a knee-jerk reaction that their home is worth much more.

In addition, FSBOs can lose their bargaining power if they follow up with buyers after a showing. The buyers might think the owners are desperate to sell.



May not know how to get financing.

Although buyers are supposed to arrange their own financing, you probably help them with the loan process by recommending three competent lenders. On their own, buyers may not find a loan they qualify for, and the sellers have to start the sales process all over again. Meanwhile, they've wasted valuable time by taking their home off the market.



Are inexperienced in handling objections.

Fielding objections professionally and effectively may be one of the most difficult of all selling techniques. Demonstrate that you know what objections or roadblocks buyers may raise and how you'll respond. For instance, if a buyer asks how big the lot is, the seller might answer, "One-third of an acre." The buyer could simply reply, "I'm going to look for something bigger." Case closed.

A salesperson would answer the question by asking, "How big a lot are you looking for?" If the prospect replies, "Three-quarters of an acre," you could say, "This lot is smaller than that, but we can put in more grass to give it the appearance of a larger yard. Would that satisfy you?" You may have renewed the buyer's interest.



Lack advertising experience and exposure.

Writing newspaper ads takes experience to ensure a ringing phone. If you can, show sellers a record of what types of ads draw response in your area. In addition, point out that newspapers and fair housing groups are paying increased attention to legally incorrect ad copy. You can help sellers avoid using language that could get them into trouble or alienate prospects.

UNSETTLING SETTLEMENT QUESTIONS

Perhaps most important, show FSBOs you can offer them a variety of advertising options—including TV, billboards, and four-color home guides—for which they may not have a budget. You also acquire buyers from your company's advertising.



Have to change their schedule and personal life drastically. Ask sellers, Are you willing to sacrifice

vacations and weekends? Are you prepared for the volume of calls you might receive at all hours and the appointments that might not materialize? Will you be able to leave home knowing you may miss the buyer?

If you feel comfortable mentioning it, point out that the selling process can cause friction between spouses. But the sale of a home doesn't have to be an unpleasant experience.



Have job conflicts and aren't always available. Often, one or both of the decision-makers are working or

out of town at times convenient for showing or negotiating. One spouse may not feel comfortable negotiating or showing the home without the other spouse and might therefore lose a potential buyer.



May not have experience dealing with contracts and other forms as well as settlement re-

sponsibilities. Many sellers haven't had the training to prepare a sales agreement that's enforceable. For instance, they might not think to include an acceptance date on the contract, so they end up with an unenforceable document and a buyer who refuses to close. They may also use a preprinted form that doesn't include all the particulars relevant to their sale and ne-

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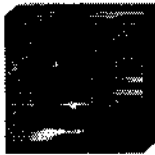
hen you're showing FSBOs that they need a professional to sell their home, alert them to some of the myriad settlement questions—these may vary according to local custom—they may ask or be asked, perhaps for the first time:

- Are you sure of the property's legal description? Will a title policy or abstract of title be used? Which is cheaper and faster? How do you update it? Who will record postclosing adjustments, such as deeds and title changes, and who will make sure the title gets mailed to the buyer? What closing company or attorney will be used? Where do you get the abstract?
- Is there existing property insurance? Should you assign the policy to the buyers, or should they get a new policy?
- Is a survey or mortgage plat necessary? Who orders it and how? Who pays for it? Can it be obtained in time for the closing? How can encroachments, easements, or appurtenances be cleared up? Do they cloud the title?
- What process can you expect if a loan will be assumed? (This differs according to the type of loan.)
- How do you prorate escrows for homeowners' association dues, taxes, insurance, and interest adjustments? Who pays the difference if escrow comes up short? If it's over, who gets the difference? If new financing is obtained, who gets the present escrow? Is there a penalty on the old loan? If so, who pays? Who pays the transfer tax?
- Should there be one attorney, or should each principal have representation? Who pays for the attorney?
- What are closing costs? Who pays for them? How much are they, and how are they computed? Most important, who coordinates all of this?
- Who takes care of recording the necessary instruments, such as the warranty deed after closing? Who will transfer the loan papers, assign the insurance, get the title policy issued, or bring the abstract up to date?
- Who will see to it that contingencies and concessions are scheduled, coordinated, and cleared before closing? Who will see that those contingencies are written into the contract? What happens if they're not fulfilled or removed?
- How do you coordinate the possession date? If buyers ask to move in before settlement, what might some of the consequences be? What happens if the sellers have already moved and the deal doesn't go through? Finally, who will advise buyers of their responsibilities, such as bringing a certified check in the proper amount to the closing table?

Perhaps the most unpleasant aspect of homeselling for FSBOs is that their FOR SALE sign may invite trouble

glect to get it reviewed by an attorney.

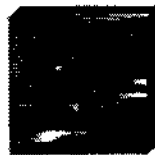
Once the agreement is drawn up, things may get even more complicated as the date of settlement and transfer of ownership approaches. A myriad of details and processes must be initiated and followed up so that there aren't any errors or delays or a lost sale. Let sellers know that many salespeople and brokers use full-time transaction coordinators just to keep on top of this detailed work. (For some of the settlement issues you may want to bring to FSBOs' attention, see "Unsettling Settlement Questions," page 15.)



Lack a source of serious, qualified prospects. Many FSBOs conduct limited marketing—bulletin board notices and classifieds—perhaps relying on friends and neighbors for leads. Show them you

cull buyers from a larger and constantly renewing pool of prospects based on your farming activities and referral network. And unlike FSBOs, who have only one house to sell, you can offer buyers more property possibilities, which brings more buyers to you.

In addition, owners typically don't have the experience to determine buyers' needs and wants and qualify them. Explain that by suggesting alternative financing, for example, you can help seemingly unqualified buyers become qualified. You can also show buyers how to reschedule assets and debts to make inroads with lenders.



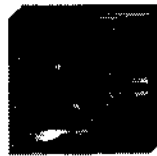
Must contend with lookers and other strangers. Real estate ads shake out many lookers and curiosity seekers who aren't qualified. With prequalifying experience, you're more likely to home in

on prospects who are financially able to buy and who are interested in a specific type, style, size, and location of home.

Another downside for FSBOs in selling their own home is that they have to give their address to callers. But some prospects may be turned off when they see the exterior and drive away before viewing the interior. Tell FSBOs that you don't give out addresses for that reason. As their salesperson, you can prequalify prospects, drive

them to the property to build rapport, and, if appropriate, prep them about a problem exterior so that they aren't surprised.

Perhaps the most unpleasant aspect of homeselling for FSBOs is that their FOR SALE sign may invite trouble. Unfortunately, thieves have posed as buyers to look for valuables, which they can later steal when no one is home. You reduce that risk by prequalifying callers to be as certain as possible they're legitimate.



Don't realize buyers may also have a problem selling their home. In fact,

a lot of FSBOs take their home off the market assuming that the buyers' home

will sell. But they don't know whether that property is priced right or whether it's in showable condition. Point out that besides protecting the sellers' interests in this regard, you can suggest trades, exchanges, guaranteed purchase plans, contingent agreements, or equity advances to help buyers help themselves.



May receive insincere offers from speculators or bargain hunters.

Speculators may take unfair advantage of FSBOs, who may have sold only a few homes in their lifetime, through the purchase price, expensive terms, a delayed closing offer, and improperly prorating the escrow, insurance, and taxes (such as having the sellers pay property taxes for the year even though they closed on the property in January). They may even get the sellers to pay closing costs that are customarily paid by the buyers.

By presenting these arguments to FSBOs, you may position yourself not only as their salesperson but also as their consultant, which may lead to an ongoing business relationship. Your job isn't just to make a case but to educate them as well. Didn't someone once say that an educated consumer is a loyal consumer? ♦

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