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Famous Realtor® Quotes That Have Killed Investor Dreams

The following is just a sampling of the feedback that I have heard from realtors® via mentor students or by actual email they have sent in response to an offer they made on an REO. If I hadn't seen many of these in writing, I wouldn't have believed them either.

“Your offer is at 17% of the property’s value – are you a jerk? I will not make this offer to the Asset Manager.”

Actually the offer was at 65% of the average comparable value in the neighborhood. Perhaps the realtor® actually meant 15% of the final judgment amount. At any rate, the agent should have made the offer anyway. The real twist of fate came a couple of months later when he called the student back and asked if his offer **“was still good”**. If you are wondering, the student did buy the property and sold it for a profit. The agent reduced the final listing price to reflect the student's offer so he could rightfully say,

“We sold every listing at full listing price or higher”

“Your offer is so ridiculous I am not showing it to the Asset Manager”

This is an ethics violation and appropriate action should be taken by the Asset Manager and the Board of Realtors against this individual. After all, why should the agent/broker decide what is in the best interest of the Asset Manager? The next step is to completely filter out offers that come from other agents so the commission split isn't necessary. After seeing the free-fall of some REO prices, the listing agents should have showed the Asset Managers every offer they received.

Actually the problem of a property selling below what another agent offered is more common than you think. The proof can be seen in the public records after the sale has closed and the losing agent checks to see the winning bid. He finds it is lower than his offer and calls the listing REO agent/broker and gets the following answer –

“The Asset Manager accepted a stronger offer”.

Gee wiz, how much stronger offer is there than a cash offer with Proof of Funds at a higher price?

“Every REO we sell goes for the listing price or higher so don't make an offer below the listing price or I won't accept it”

Who was it that anointed this realtor® King or Queen of the Universe? The beauty of this statement is that it is so absurd it smells! I asked a broker friend to give me the MLS® price history of 18 properties we had purchased as REO's in

the previous 30 - 45 days. The original offering prices and final sales prices were real eye-openers. Many of the prices we paid were from 10% to 40% of the original offering prices. I only showed ten of these to the group because of time constraints, but one broker in the audience said he didn't believe it and walked out. What an irony it was that he had been invited by the same broker that had given me the price histories and she is who he came with!

Too often people live in their own tiny worlds and can't believe that anything else exists outside of what they can see in front of their faces or what they are told is true by others. I won't say the government is a prime example, but the public has been misled more than a few times.

“Your offer is insulting!”

This sounds like what a six-year old would say, not a grown woman. Am I to believe that if this agent was going to make an offer on a property for herself that she would offer full value? If she represented me in a transaction as a buyer's agent, I wouldn't want her to make an offer for me where she and the seller's agent were high-fiving each other when it was accepted. If any realtor® takes any offer as a reflection of their personal worth, they should go into another profession immediately.

Now just maybe I am reading something into her statement, but perhaps what she is really thinking:

Life isn't fair, here is this %#\$*&@^\$ investor who has never had to do all the work I did to get my license and all the work to keep it, and he makes more money than I do! Then he insults me by making an offer that I make a few bucks on and he will make thousands of dollars – life isn't fair!”

Perhaps, just perhaps, if she came over to the investor side of thinking she would stop the petty antics and start doing her own real estate investing. If you didn't know it, some of the most successful investors are real estate brokers who broke the bondage of shallow thinking that “All investors are somehow subhuman life forms that take advantage of others to make a profit.” This thinking has been portrayed by a few self-serving individuals who want to protect their territory and keep their agents in bondage.

“I have a listing that the Asset Manager has just given me the OK to list. I am going to allow you to put in the first bid and get it. Just put it in at \$XXXXX and I'll just list it for a day or so.”

A couple of days later a call comes from the agent that goes like this –

“I had a whole bunch of offers come in and you will have to go to \$XXXXX plus \$5,000 (or \$10,000 or more) to get it”.

The unsuspecting investor raises his bid and waits to hear with this feedback:

“You will have to go higher to get it so give me your last and best offer!”

“How could you have given out the lock box number, that’s illegal?” It isn’t illegal and it isn’t betraying any trust. Investors only make money by selling properties and once we have them under contract we want to market them ASAP. That is SOP (Standard Operating Procedure) for investors. In over 3,000 home sales between Bill and me, we have never had a vandalized property from a lock box we gave out. Besides, have these people even seen the condition of these houses? If someone wanted something in the property all they have to do is break in like they do whenever they want! Get over it, grow up and get a life.

“The Seller is non-negotiable on the price so don’t even consider making a lower offer” This was on a former listing price of \$69,000 which later came through as a price reduction to \$40,000. It begs the question “Does he really mean it or not?” since the price dropped \$29,000 in one downdraft. Credibility is important in our industry and I would suggest you don’t put that in unless you mean it.

“I am getting multiple offers – sometimes 20 or 30 on each deal so don’t even bother to offer anything less than full list price” This is one we hear often and it is, in fact, true for a few of the first-day listings. Actually, all but one or two of these offers are real. The others are a couple of groups of investors trying to get a property under contract to flip it to another investor and make money. Despite what you may think, there is nothing immoral or illegal about doing this. The problem comes when the investor who does get the deal, can’t close and the property goes back to the agent to start the sales process all over again. The blame is spread over all investors because the Asset Managers trust the agents to actually close the deals. If the agent can’t get it done, the Asset Manager will pull the property and give it to another agent or send it to a private auction. This embarrasses the agent (at least it should) and takes money out of his pocket. However, the agent is also at fault in many cases by telling the buyer the price is a great deal when it isn’t. Only later does the investor come down off his “purchase high” and realize the price he paid is FMV+. If the investor doesn’t close, he loses his deposit and the only winner is the agent who gets his commission out of the forfeited deposit.

As a knee-jerk reaction to investors who don’t close, agents/brokers have taken various steps to limit an investor’s ability to buy an REO - here are some of the more absurd restrictions:

You have to make the LOC irrevocable (I love this one – how many lenders make their loan commitments irrevocable?”).

Deposit has to be the greatest of 10% of the offering price or \$10,000.

Higher deposit for cash transactions than financed deals and they don't do financing.

Inspections must be complete before any offer is made.

Buyer must make the deposit before you make the offer.

Buyer can't see the Addendum until they have a cashier's check in hand for the deposit.

Buyer must accept code liens and violations that the seller is normally responsible for.

Buyer pays closing costs (title insurance) and seller chooses the title agent.

And on and on.....

The reality of these restrictions is that fewer serious investors are bidding for deals. This may sound great to the agents because of less work and to other investors to limit competition, but it also limits competitive pricing and hurts the final value Asset Managers see. Also, there continues to be the haunting question of how a few investors keep getting deals from the same REO agents on a continuing basis while offers from co-brokers for more money are rejected.

I saw this vividly at a meeting of a board of realtors® in Miami when I asked the question how many in the audience had it happen to them. Specifically, “Have you ever, as a buyer's agent, made an offer for your client for an REO where it was not accepted and you later learned the property sold for less?” The response was overwhelming when about 25% of the 200+ in attendance raised their hands.

The answer is very simple, the threshold where a listing agent can sell a property to a buyer direct and get paid more than by splitting the commission is as low as 51% of the buying agent's offering price! For example, assume the listing price of a property is \$80,000 @ 5% to the listing agent = \$4,000 commission. If another offer comes in for \$85,000 from a buyer's agent, 50% of 5% of \$85,000 = \$2,125 commission to the listing agent. If the listing agent sells the same listing at a 5% commission directly to another buyer for as little as \$50,000 he will net \$2,500 – still more than splitting with another agent. What would common sense tell you to do?

This hasn't been an essay to disparage the honorable profession of real estate investing or realtors®. Rather it should have been taken as a culmination of experiences that we have had to cope with in order to get our offers to be looked

at and shown to Asset Managers. We believe we would be buying more properties at these prices if the Asset Managers saw the offers.

If both “sides” of the realtor®-investor conflict could better understand the motives of the other, we could be on the way to a synergistic relationship where everyone is a winner. Realtors® have an ethical and fiduciary duty to get the highest possible price for their sellers. Investors have the financial responsibility to get the lowest possible purchase price to make a profit. These goals are mutually exclusive of each other, both can't happen all the time unless the listing agent grossly underpriced the property, or the investor has a rehab or rental opportunity in mind to build the equity in the property. So there you are, you figure it out as to who is wrong and who is right – I believe neither is wrong, we all need a better understanding of how to better work together.

To your limitless success,
Dave Dinkel