

Bankruptcy:

Seller: "I'm going to file bankruptcy instead."

Investor: "Bankruptcy can seem like the easiest way out, and I get that. Some people don't understand that bankruptcy can negatively impact your credit for years to come. This can prevent you from buying a car or house. Certain jobs will even withhold employment if you have a bankruptcy on your record."

Foreclosure:

Seller: "We are just going to let it go back to the bank."

Investor: "I understand why you'd be looking at that option; however, most people don't realize just how negatively that affects you for the next seven years. There might even be tax consequences. I've worked with homeowners for years in situations like yours, and I always advise to find a way to avoid foreclosure if at all possible. Thankfully, there are always options, and we try to make it very easy for the seller."

Short Sale:

Seller: "Short sales sound like way too much work. I'd rather not have to do that."

Investor: "Short sales are a lot of work, so I hear you there! Thankfully, my company has been doing short sales for ten years, and we have it down to a science. Yes, there is some effort on your part to get the paperwork the bank needs, such as financials, together. After that, we handle everything. We even have a team member whose sole job is to call the bank and make sure everything is going smoothly. After the paperwork from you, we handle the rest!"

List It:

Seller: "I think we will just list the property" or "I think we will try to list it again."

Investor: "I can see why you would go that route. You should decide if agents setting showings at all times of the day and evening, plus inspections, appraisals, and the buyer's financing are worth the headache. Agents can be great, but they will typically cost you 6 percent of the sales price, and the transaction can take a few months. Between the time on the market, your loan payoff, any repairs needed to sell to a buyer, and the agent costs, the costs required will be something you'll need to evaluate. If you sell as-is to us, there are no repairs, and we close quickly."

Rent It:

Seller: "I think I will just rent it out."

Investor: "Renting out the property can be a good idea if you know exactly what you are doing. Getting enough rent to cover the mortgage, taxes, insurance, and utilities is key, as is screening the renters with applications and credit checks so you aren't getting a deadbeat tenant. Renters also expect the owner to cover all repair costs and to have a move-in-ready place, which will require repairs up front. Even professional landlords I know complain about their renters; you have to have all of your ducks in a row for it to work."

Stay in My House:

Seller: "Can't you just buy it and let us rent it back from you?"

Investor: "I totally understand that moving isn't fun, and leaving your home is difficult. This sounds like a great option, but unfortunately, my company does not do this due to policy. It's simply too much liability. Most investors feel the same way, and some lenders who find you sold it and stayed in the property may have problems with the situation as well. Getting out from under this problem property will be a huge weight off your shoulders; believe me, I hear this all the time at closing."

Don't Trust You:

Seller: "How can I trust you?" or "How do I know this isn't a scam?" or "Aren't you just trying to steal my property?"

Investor: "I can see how having a stranger contact you about selling

sets off red flags, but I can assure you that I do this for a living. We have helped over a hundred sellers in similar situations sell problem properties, and the testimonials on my website are 100 percent real. We want to find a win-win deal for you, and our number one goal is to help you through this process. I'll do everything I can to help you, just like I have with everyone I've worked with for the last ten years. Does that sound good?"

Attorney Review:

Seller: "It all looks fine, but I'll need my attorney to review this first."

Investor: "Absolutely! That is no problem whatsoever. I want you to feel very comfortable through this entire process and ensure you understand what is happening and what you are signing. I use a state-approved contract that goes through many reviews by the Department of Regulatory Agencies and the Real Estate Commission (as well as a bunch of lawyers), and I'm confident that your attorney will like what he/she sees."

Price (the most common objection):

Seller: "I was hoping to get more out of this property," or "Can't you pay more?" or "[Insert unrealistic price here] is my price to sell."

Investor: "I understand that you feel that your house is worth \$200,000. I've looked up all the sales activity in your neighborhood and found these three comparable—applies to apples properties sold for \$160,000, \$155,000, and \$165,000 in the last six months [show comps]. Factoring in the repair budget of \$35,000 to sell at the top of the market [show repair budget], you'll see how we arrived at our offer price of \$125,000. Our goal is to help you with the property, so you can get a fresh start and walk away from the house, and this is how we can make it a win-win sale."

If you are in this business long enough, you will hear all these examples and fifty more. The key is to address the concerns head on and let the seller know you hear them and are listening, then directly address their objection with a real-world explanation.

Techniques for Negotiating with Different Types of Sellers

Different sellers need different approaches to help them out of their unique situations. Here we will review some of the most common types of sellers,

their motivation for selling, and how to negotiate with them so everyone comes away a winner.

Divorce

The obvious factors to a divorce sale are two adults who no longer want to live in the same house, where one party can't afford the house by themselves. Usually, one party calls you—let's just say the wife—and wants to sell. She still needs the signature of her soon-to-be-ex to sell, so you may feel less like an investor and more like a counselor going between the two parties to get everyone on board.

Sometimes a party will stall, stomp their feet, and throw tantrums to prolong the process. Negotiation here is simple—solve the problem, get the best price you can, and get both parties on board. One uncommon motivating factor here might be a court mandating the sale as part of the divorce decree. Basically, the judge says, "You have to sell for \$200,000 so all parties can get paid and move on with their lives." If the court-mandated price is above your MAO, it is pretty much a dead deal. Negotiating with the court is like trying to knock down a brick wall with your skull.

Motivating Factors: Unwanted house that can't be afforded by one party alone, court order mandating sale, possible vacant property

Best Offer Terms: Quick or long close depending on the situation, rent-back if you are comfortable, seller can leave whatever they want

Bankruptcy

This opens a few cans of worms, and I don't want to get into legal advice territory here. Chapter 13 is a re-structuring of your debts, while Chapter 7 is a liquidation of the debts to pay the debtors. Either way, 7 or 13, it's going to add months to your timeline and your headache. Getting the sellers on board in talking to their attorney or trustee and going through the process of getting the court's permission to sell can be an uphill battle. The more you know about the bankruptcy process in your state, the better you will be able to negotiate and overcome objections. Knowledge is power, and having a good bankruptcy attorney on speed dial doesn't hurt either.

Motivating Factors: Need for a fresh start, can't afford the property anymore, court or trustee order mandating sale, possible vacant property

Best Offer Terms: Cash, quick close, helping with the bankruptcy process

Pre-foreclosure

I talked quite at length earlier in this book about folks in foreclosure. Negotiating with them is straight-forward. The more rapport and trust you've built, the better. Going from them not wanting to open your mail to their agreeing to a short sale can be a long process. Two big factors here include whether they have equity or not and the obvious time crunch before the foreclosure auction. A good investor who knows what she is doing can knock on the door of a pre-foreclosure on a Monday and buy the property on Thursday before the foreclosure auction on Friday. Knowing about your state's foreclosure timeline, laws, and redemption periods will go a long way in being able to help the seller. If there is equity, negotiate as normal. If there isn't equity, a short sale will be the best option for the seller.

Motivating Factors: Inability to afford the property, foreclosure sale scheduled zero to four months away, no longer making payments, possible vacant property

Best Offer Terms: Cash, quick close, help moving, short sale expertise, seller can leave whatever they want, knowledge of the foreclosure process

Bank Owned/REO

Ninety-nine percent of the time in the situation of an REO, you will be dealing with an agent who is listing the property. The good thing about negotiation here is that the party you are talking to has no emotional investment in the deal since the real decision maker is the asset manager at the bank. Sometimes you don't even talk to a person when submitting an offer; you just fill out a form online and upload your contracts. If you don't like people or emotions involved, this might be for you. Figure out your MAO, start under it, and let the bank come up to meet you at or well below your MAO. The asset manager simply runs the numbers, and if the deal works for the bank, congratulations. If not, expect a counteroffer. If you are in a hot market, you'll likely go up against multiple investors, so your highest and best offer from the start is expected. In my REO days, I've dealt with up to thirty-seven offers on one property. The asset manager said, "Pick the top five and upload those," and she picked one a few hours later.

Motivating Factors: Bank wants to get property out of their inventory, listing agent wants to get paid, property vacant

Best Offer Terms: Cash, quick close, waive your inspection, pay your own closing costs

Landlord

When a tired landlord calls you and doesn't want to deal with the property after their third tenant in a row trashed it, you can be the best solution to their problem. "I'm sick of this place. Just make it go away." These are most likely out-of-state landlords. They have to find local contractors to clear the property out and fix it, and they have to get it re-rented from across the country. Many landlords in this situation are so beaten down by problem tenants that they often don't care if they sell it for what they paid ten years ago. These super-motivated landlords are quite easy to negotiate with. There are, of course, the hard-nosed, super savvy landlords who want to get every dollar of equity out of the property. Convince them that you are the go-to problem solver for sellers in their situation, and back that up by keeping your word and maintaining professional demeanor.

Motivating Factors: Unwanted property, vacant property, can't afford the property, out-of-state owners

Best Offer Terms: Cash, quick close, waive your inspection, seller can leave whatever they want

Probate

This is when Uncle Herb dies and his property is left to an heir, multiple heirs, or nobody. Those parties want to sell the unwanted property, and this is where you come in. You'll need to understand the local probate process where the deceased person's assets get transferred to a person or entity so they can then be sold. Not just any relative can sell Uncle Herb's house; they must go through the right channels and file paperwork with the probate courts or through a probate attorney. If you took ten calls from probate leads, all ten would probably be in a different stage of the probate process so understanding the steps is key. Some might not know what to do, but you know they want to sell. Going above and beyond and hooking them up with a good probate attorney or getting them county paperwork goes a long way in building rapport and trust. Many new inheritors see the property as a burden since they are saddled to paying maintenance, taxes, insurance, etc. and want to get the deceased's debts paid off as quickly as possible. There are, again, others are attached to the property—and, of course, the equity in the property—and negotiating with them can be difficult. Trust, helping them through the process, and showing them the concrete numbers on comp and repairs usually goes most of the way to get them into your win-win deal.

There are times where the executor of the estate is an attorney, and

negotiating with attorneys is always fun. Keep their client's best interests at the forefront and be professional. You might turn a rough negotiation into a win-win, and then that attorney could refer you more probate clients looking to offload a house quickly. That's a win-win-win!

Motivating Factors: Unwanted property, vacant property, can't afford the property, out-of-state owner

Best Offer Terms: Quick close, seller can leave whatever they want, helping with the probate process, having a good probate attorney on speed dial

Negotiating with Agents

Real estate agents have what's called a "fiduciary duty" to their client, where they're obligated to watch out for their clients' best interests and monetary stake in the property. They're also seeking to please their client, who often wants to "sell as quickly as possible" or "get an offer from a cash buyer." Since you aren't dealing directly with the seller and you can't be sure they are telling the seller the whole story, it can be a rough process. Some agents withhold information from their seller to try to get a higher price from another buyer; games like this give agents a bad reputation. I try to stay on the agent's good side and show them that I can be the solution to their client's problems. Of course, all the effort in the world won't help when you are dealing with an unreasonable agent, and sometimes communication breaks down. Most agents think they know more than everyone else, including seasoned investors. When things break down with an agent, it can sour the negotiation. If you think an agent is withholding your offer from the seller or doing something shady, don't hesitate to call the managing or employing broker at his company.

Motivating Factors: Wants to save the day, wants best deal for their client, wants to get paid

Best Offer Terms: Whatever will solve their client's problems, letting the agent double end the deal and earn both sides of the commission

Renegotiating the Deal

You made your offer, overcame objections, negotiated back and forth, and came to an agreement that works for both parties. Good work! Then something happens—a wrench thrown in the gears of your smooth deal. These wrenches usually appear in the form of an unexpected lien or unseen issue with the property. When a pricy issue comes up, you'll want to get the

seller back to the negotiation table and renegotiate the price or terms. This isn't you going back on your word; this unforeseen issue has made the good deal a bad deal.

Let's say you uncover an issue with the property you didn't know about when you made the offer. It could be mold, radon, structural issues, oil tanks bad septic, a broken sewer, twelve raccoons living in the attic, water damage etc. There's often no way to see these things on your initial walkthrough and they happen quite a bit. Thirty percent or so of my deals need to go back to the negotiation table after an issue is uncovered. Getting the seller to renegotiate price in these instances is fairly easy with concrete evidence of the problem and a bid in hand. Say you found some gnarly mold in the basement when you went back to do a more thorough inspection while under contract. You could get a bid and then show it to the seller: "Jim unfortunately we found some gnarly black mold in your basement that we didn't know was there when we made the offer. That obviously would have affected our first offer because of the need to mitigate the mold and clean it up. This is clearly a health hazard and needs to be taken care of. We have bid in hand from XYZ Mold Remediation for \$5,500. Would you be willing to reduce the purchase price by that amount so we can tackle this problem and then we can move forward to closing?" Highlighting the new issue with backup evidence will be the best way to break through to the seller, who has probably already mentally spent the money they were slated to get at closing.

Sometimes the issue isn't all about price or a price reduction. It might concern terms, the need for a longer closing than initially thought, or getting the seller to cover an item with their insurance policy. I'm currently in the middle of two deals where I got the seller to replace the roof prior to closing through their insurance company. It was an easy sell because instead of them taking the monetary hit at closing, their insurance covered it.

You might broach the subject as follows: "Jim, I had my roofer check out your roof a bit more closely than I could from the ground the other day. Your roof has bad hail damage [show report and bid]. He works with insurance companies daily for this kind of thing. Could we get the roofer to replace under your insurance company with a claim instead of having to renegotiate the price to reflect his bid of \$7,500? I've worked this with other sellers, and it involves a quick call to your insurance agent."

Since Colorado has had three major "hail events" in the last five years, if your roof is ten years old, it's pretty much guaranteed the insurance company will

Finding and Finding Great Deals

replace it at this point. I've never been told no by a seller when I approach it this way since insurance covering the issue is much easier to swallow than a \$7,500 price reduction or the deal blowing up.

Negotiation is a fine art honed by real-world experience. I don't know many people naturally gifted in this skill or who learned it by reading a hundred books on negotiation. Get in front of people or on the phone and steel yourself to all the nos that will eventually lead to more consistent yesses as you get better. Becoming an expert negotiator will only benefit you throughout your life, from real estate to buying your next car to dealing with agents and lawyers. Build rapport, gain trust, and go forth and solve problems.