SELLSTATE

# Professional Agents
# Annual Business Action Plan Development

## Setting Realistic Goals
## To Achieve Success

To help attain the American Dream.

# PROFESSIONAL AGENTS ANNUAL
# BUSINESS ACTION PLAN DEVELOPMENT

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# WORK SMART: BUDGET FOR SUCCESS

Experts offer advice on finding a budgeting process that works for you and sticking with it. Use this blueprint, and the accompanying budget tips, to get you started.

*By G. M. Filisko | January 2008, feature article, realtor magazine*

If you think you're doing just fine without a budget — or maybe not earning enough to need one — consider this cautionary tale from Brian Buffini, CEO of Buffini & Co., a Carlsbad, Calif., coaching organization.

"One of the first sales associates I ever coached had been in the business for 20 years and was among the top 25 producers at a company with 1,200 sales associates," explains Buffini. "I asked what he spent on his business each month, and he said probably $4,000 to $5,000." But as Buffini peppered him with questions about specific expenses, the numbers weren't adding up. So they sorted through the salesperson's checkbook and listed his monthly costs.

"His average monthly expenses were $10, 400," explains Buffini. "He was off by half, and that's more common than not. It's only when markets slow down that true spending levels are exposed. Sales associates really need information on how to budget, and it's much more doable than they think."

There's no universal method of budgeting. Some practitioners do little more than look at what they made and spent last year and make adjustments for inflation and perhaps for changes in market conditions. Others base their budget on their sales goals for the year — determining what they'll need to spend to get there. Still others tie their budgets to what competitors are spending.

What's important is to find a process that works for you and stick with it. Use this budgeting blueprint, and the accompanying budget tips, to get you started.

## 1. Project Your Income

It's difficult to decide whether to start the budgeting process with income or expenses. Unless you have a trust fund, what you can spend depends on what you make. On the other hand, the more you spend on marketing yourself and your listings, the more clients you'll get and the more homes you'll sell — at least in principle.

For experienced associates trying to project income, "it's generally been safe to take what you did last year and increase it by 15 percent to 20 percent," says Joeann Fossland, a personal and business coach in Tucson, Ariz. With the market's peak come and gone in many areas, however, the best way to project income may be to look at historical trend lines — both yours and the market's.

By analyzing your production for the past several quarters and tracking trends in your market, you can detect how much your sales have increased or decreased and determine what income goals to project.

For example, if your local economic forecast calls for home prices to fall by 2 percent in 2008, this should be reflected in your budgeting, either in lower income or by the need for more sales to realize the same income as last year. Even in a changing market, you can project income increases, as long as you also have a plan for producing more leads on a consistent basis that can be turned into the sales you need to meet your budget projections.

Another key budgeting point: Don't forget to include all sources of income in your budget — referral fees, broker price opinions, property management fees, and speaking engagements.

If you're a new associate, ask your broker and other salespeople for guidance on your market's average first-year income. There's not a generally accepted rule on how long it takes to make your first — or your second — sale, says Fossland.

## 2. Calculate Every Business Expense

"The single largest budgeting mistake sales associates make is having their home and business expenses coming out of the same account," says Buffini. "That's a real mess. Do one budget for home and one for business."

Begin by projecting every expense for each budget. To get started on the business side, Lorne Wallace, president of Lone Wolf Real Estate Technologies in Cambridge, Ontario, a maker of budgeting software for brokers, suggests compiling your expenses for the past 12 months and "throwing them down on paper as your next 12 months' numbers. It's not perfection; it's just getting started," he says. If you're new to the business, experts recommend that you ask your broker what expenses are reasonable in your market.

Once you have all your costs from last year on paper, divide them into categories. Begin with fixed expenses such as desk fees, MLS dues, and car payments. These expenses will be the same whether you sell 20 houses next year or two.

And don't forget to budget reserve funds for both your home and business, says Buffini. He suggests building up at least three months of living expenses and at least one month for your business. "The biggest feedback I've heard in the last year has been, 'Thank goodness I had reserves when the market adjusted,' " he says.

Then add variable expenses, those that change based on what sales goals you're trying to meet and how many listings you have to promote. Marketing and advertising are two biggies, but you can't simply throw in big dollar amounts for each. Break those categories down according to each type of expense, such as client gifts and drip mail campaigns, and budget precisely for each.

Projecting costs as specific line items is critical if you want to be able to review the effectiveness of all expenditures later. If you know that you spent 25 percent of your advertising budget on print advertising, for example, but only got 10 percent of your calls from that source, you can calculate your return on expenditures and adjust accordingly.

One variable expense many sales associates forget is repair and replacement costs for technology, says Fossland. One option is to determine how frequently you need to replace each major tech tool. Then divide the cost (plus a factor for inflation and an add-on for repairs or warranty programs) by that number. Once you have a figure, put aside a portion of the needed amount every month. In this way, you'll have the money to stay current with technology even if you're having a slow year.

Also include insurance and retirement savings, says Fossland. These expenses are critical for independent contractors and should not be cut, even in slow times.

Another variable cost that often gets overlooked in budgeting is education.

Education includes tuition for courses needed for continuing education requirements as well as funds to attend association conventions and hire a personal coach. Education is another cost that's tempting to cut when the market is slow. However, when the going gets tough is not the time to go it alone.

**Tip:** Think outside the box. One budget method that can help you evaluate your projections more objectively is a technique called zero-based budgeting. Using this method, you begin your budget from scratch each year rather than taking last year's expenses and just adjusting them. Advocates believe zero-based budgeting forces you to think through every expense rather than assuming that all of last year's costs were, and are still, needed. By forcing yourself to rejustify every expense, you may find both savings and areas where spending more will produce the greatest return on your money.

## 3. Review and Adjust Your Budget.

Once you've got numbers in place, "take the 10,000-foot view," says Wallace. "Step back and ask if the budget makes sense."

Have you over- or underestimated some costs? Did you remember to adjust for annual cost increases? Is your budget realistic? For example, if your income budget is, say, $100,000, but you've never earned more than $75,000 in gross commission income, you either have to reassess your estimate or have a concrete business plan that sets out clear strategies for increasing your net.

If your projected income won't cover your projected expenses, you may decide to cut costs. If so, rank every budget item as an A, B, or C expense, recommends Buffini. A expenses are needs, or things you can do nothing about—like desk costs, he says. B expenses are needs you have choices about. If you say you need coffee, does it have to be Starbucks? C expenses are wants. You'd like to buy a new car this year, but the one you have is working fine so it could last one more year.

"The first expenses to cut are the C's; then move on to B's as necessary," he says.

When there's a need to cut, Buffini also recommends raiding your home budget first so you can invest in your business. **"Your business is the golden goose. Too often, the golden goose isn't getting fed because somebody just bought something at the mall and that means you can't afford to hold a client party,**" he says.

Tip: Prepare for the unexpected opportunity. In addition to creating a reserve in your budget so that you'll have funds to cover essential business costs, consider adding some opportunity funds. Such undesignated funds give you a chance to try a newly discovered idea or act on a business opportunity without waiting until your next year's budget. "I often see associates who discover new ways to market themselves but don't have the funds to experiment," says Fossland. "It's important to have some undesignated funds. If you don't need them, you'll just end up with reserves."

## 4. Monitor Your Budget Regularly.

A budget is a work in progress. Once you've created it, you need to check your actual expenses against budgeted expenses regularly to see where you're spending too little or too much. "At the end of each month and quarter, ask, 'Are we on or off track?' " explains Fossland. "If you counted on money coming in from a niche marketing campaign and it's not working, what course corrections do you need to make?"

Though some people say it's OK to review your budget annually, Buffini also advocates a monthly review. "You can really get yourself into trouble quickly," he says, "so if you let it go for three to six months, you can get way off track." Monitoring shouldn't take more than 15 minutes each month, he says. Expect to spend several hours creating your initial budget, however.

One mistake many associates make when they do their regular checkup, says Fossland, is that they compare their budgeted expenses only against their actual expenses. You also have to evaluate what's working to bring in sales and leads.

"Analyze which of the media or prospecting tools are giving you the best return, and then adjust your numbers to leverage what's already working," she says.

For example, if you're getting better-than-expected results from a quarterly ad but mediocre results from a monthly postcard, consider sending the postcard every other month and using the money you save to run the ad monthly, rather than quarterly.

# MONEY SAVERS: BUSTING A BLOATED BUDGET

It's always good to save money, especially when times are tight. Check your budget for these often unnoticed money wasters.

Don't give it to the phone company. Consider going totally mobile. That way you can be reached at only one number and you save on services for call rollovers. Another option—shift to a voice over Internet protocol service like Skype if you have out-of-town clients; costs start at $3 a month. Send text messages to share information with clients who use it; packages of several hundred text messages can cost only a few dollars a month.

**Think monochromatic.** If you typically use two colors on your business cards, stationery, or brochure, you can save by printing in only one color. (It doesn't have to be black.) A recent estimate at a Quik Print franchise found that one-color printing cost about 30 percent less than two-color and two-color cost 73 percent less than four-color. Save more by buying card stock and printing on your color printer.

**Pay promptly and save.** File bills weekly by their due date and pay them at least twice a month to avoid interest and late charges. Negotiate with your suppliers for a discount if you pay in less than 30 days.

**Get your own express delivery account.** It's free, and you'll save up to 10 percent on shipments as well as the gas you use going to a mail service center.

**Use open source software.** Look at accounting programs such as Gnucash, Web pages, and a variety of business applications through Freebyte.

**Barter.** Give your accountant a free home evaluation in return for doing your taxes. Stage a seller's home in exchange for babysitting or produce from the garden.

# QUESTION LOW PROFIT, LOW PRIORITY ACTIVITIES

Sometimes to implement the concepts in my systems, you have to make room for them in your business plan. In my career and now in coaching some of the top agents in North America, it has been proven that an agent must free up time and energy doing low-profit, low-priority, and sometimes down-right stupid activities.

As I have mentioned many times, I would go for “low-hanging fruit.” I would do everything that I possibly could to be engaged in the activities that made me the most amount of money at the least amount of cost in the shortest amount of time. While doing this, I also tried to provide the highest perceived value to my customers and the community.

Below and the following pages is a list of activities that I personally cured in my own business or have cured in other top agent’s careers. I know that some of these are “sacred cows” and some of these are promoted heavily by speakers and institutions. Please understand that sometimes when you hear a speaker promote an idea it might conveniently coincide with a product that he or she sells. At best, that product or idea is only a small percentage of a top agent’s arsenal. At worst, it can be contrary to an agent who is looking to increase net profit! At the risk of receiving a million E-mails arguing with me, here goes the list that I believe will help you side-step some of the activities currently in real estate should be a low priority (or completely eliminated).

1 **Signing up for expensive lead generation that you do not follow up on.** There are many who tout billboards, full-page ads, and other very expensive modes of advertising and promotion to create leads. The problem is many agents do not have the question list necessary to properly counsel a buyer or a seller on the phone. Agents need to be able to differentiate a client currently “in play,” a client who should receive a calendared call back, or a client who only qualifies for a standard database solicitation. If you have trouble following up with clients and you do not have a client A, B, and C program then please do not pull the trigger on expensive promotions until that system is in place.

2 **Jumping up like a Pop-Tart™ to take care of client’s needs.** Please remember top real estate agents do not get paid until closing. A real estate agent does control the quality of the client he or she agrees to work with. However, some people spend so much time working bad leads that they do not have time for new lead and also takes the energy necessary away from solving the problems of clients who need and deserve it. Therefore, one of the activities we have to stop is working with clients who do not “jump through” the necessary “hoops” to be helped. Earlier, I mentioned the use of questions for a buyer and a seller. If a buyer or seller is not allowing you to ask questions so you can help in achieving their goals then the necessity of counseling a buyer or a seller needs to be

explained to them. If they still do not understand the rationale of probing questions, then you will have to give them a list of valuable things that will happen when they agree to participate with your counseling methods. If they turn down both of those offers, it is time for you to turn the client over to someone in your office who is not as fortunate to have so many leads. Walking away from non-cooperative buyers and sellers can only happen once you generate enough consistent leads. In my opinion, this is job one.

3 **Taking on stupid business.** Right now, one of the most "stupid" activities in real estate is taking on transactions that will not close. These are over-priced listings from under-motivated sellers and non-financially qualified buyers who are also under-motivated. I would recommend that these short sale leads be referred out and/or not acted upon. Sellers must be willing to complete a short sale questionnaire.

A) Is the seller willing to throw any amount of money into the mix?

B) Did the seller lie on the original loan application?

C) Are you only handling one short sale lender? This means that either there is enough money to pay the first and you are doing the second, or you are doing a short sale on the second with the same lender owning the first. If you are doing a short on the first and also with the second with two different lenders, then the chances of closing are minimum.

D) Will the seller allow easy and consistent access to the property with a lock box?

E) Does the seller have concern for their future credit rating? This might be the most important! The bottom line is there is very little reason for a seller to do a short pay unless they are looking to mitigate damage to their credit. If they already have horrible credit or they do not care, you are dealing with a seller who might become non-cooperative in the short sale process.

F) Are you dealing with a short sale lender who has a record of approving short pays? I know this changes every day; however, if you are trying to do a short sale with a lender who consistently declines short sales, then this is not worth your time. There are many other activities that increase the profit in a short sale, but not taking the bad ones is probably the most important!

4 **Buyer house calls.** I actually know real estate agents who are still going to buyers' homes to meet with them, prior to working together with them! Buyers

are the least profitable aspect of any business plan so they should be screened with more probing questions and offered less personal time in the beginning relationship building stages. A buyer must answer questions over the phone, become pre-approved by my team lender, agree to meet with me at my office, then sign a buyer-brokerage agreement before I will show them properties. Of course, the value regimen that I offer buyers is extensive so this has not been a problem in implementing with a buyer who is truly motivated.

5 **Working low-motivated sellers.** In this market, a seller has to have a reason to sell. In my seller counseling questions, you will find that I ask that question several times until I find an answer that makes sense to me. Many sellers do not like to tell you why they are selling, because they think it will give you a leg-up in the negotiations. You must realize that you work for free until closing. Your potential seller must not only have the ability to sell but also a reason to sell before you become involved. Stop talking to sellers who are unrealistic about today's market, unless they have a true reason to sell. As a corollary, I would take over-priced listings in a tough market if the seller needed time to become realistic and have a definite date in which they need to move (i.e. a true motivation to sell).

6 **Start getting in the habit of walking away with buyers who have minimal down payments and mediocre credit.** In case you have not caught this yet, I feel that buyers are the worst business segment of real estate. If you take the worst of that group, you will find that you will never become a top producer. In my opinion, if you take buyers who have FICOs in the high 600s and down payments of 10% or more, you are dealing with the minimum ability buyer. Anything less would cause me to refer the transaction. Get in the habit of walking away from buyers who do not have the ability to perform in this market. Some of the greatest satisfaction that I have ever received was working with a buyer who did not have credit or money for a down payment but did have massive motivation. It might have been much harder to find them a property and close it, but it provided great satisfaction. Unfortunately, this is not about obtaining satisfaction by going the extra mile, but it is about doing the activities that are the most profitable in the least amount of time. Poorly qualified buyers are not on the list.

7 **Getting ready to get going.** One of the tragic activities is the "getting ready" process that many agents believe they need to prep for. They need to understand contracts, have a website, have the right wardrobe, have a vehicle that can transport a family, have a great office, have an inventory of lockboxes, have their files in order, have their…well, you fill in the blanks. I have seen agents take years to get ready in this business. If you got your license today, you should be knocking on the doors of expireds tomorrow. It is a simple concept -- the only thing that is truly necessary in this business is to find a seller who wants to sell, put a sign up, create buyer leads, and work with the buyers who are sincere and

qualified. It is a simple business plan that anyone could implement tomorrow. It is time to start generating leads and stop "getting ready to go."

8 **Dealing with inexpensive properties.** Simply put, we get paid a percentage of the sales price. Selling inexpensive properties probably involves the same time investment as properties with a higher price tag. Raising your price point is a necessary endeavor every year. If you do not have the time to contact all of the FSBOs, contact the most expensive ones. If you do not have time to contact all the out-of-state owners in your area, contact those with the highest assessed value. Here is a revolutionary concept -- expensive listings attract buyers with more money. Those buyers with more money will buy more expensive listings. Those past clients who own more expensive properties will cause you to have listings in the future with above average sales prices. Start pointing your seller lead generation systems to more expensive lead generation systems today!

9 **Hanging out with other REALTORS®.** Here is a philosophy that absolutely amazes me! Why hang out with REALTORS® when you can socialize with people in your family, friend groups, church, and service organizations? REALTORS® will probably not buy and sell through you! Start understanding where your business and personal time should be spent. Not only will it make bigger difference in the lives of your family, friends, and charitable activities, but it will also increase your business.

10 **Hiring assistants who only give assistance.** This has always been huge for me, since I have an assistant for nearly thirty years. I was just like everyone else who hired an assistant to answer the phone, prepare listing presentations, and facilitate transaction coordination. I soon found that management carries a price. Assistants who do not produce leads are not effectively increasing net profit. I looked for things that an assistant could do to increase the number of buyer and seller leads that were brought my way. This was also the reason that I could pay my assistants more than anyone else and always attracted the best. When an assistant is processing a new listing, it is simple for him or her to send that new listing to the expireds in that exact area letting them know that a big push in their area is coming and now would be the time for them to put their property back on the market. It is easy for an assistant as they go through the closing checklist to make sure a testimonial letter is received and posted to the appropriate section of your website. Also they can make sure referrals have been requested from that satisfied client. My checklists contained numerous activities that I would engage my assistant in to generate additional leads, leveraging my own activities.

Sellstate Goal Setting Guide
Develop Annual Financial Goals

| A) Income | **Last Year** | **Realistic Goal** | **Projected Increase** |
|---|---|---|---|
| **Income Total** | $ | $ | $ |
| From Listings | $ | $ | $ |
| From Buyers | $ | $ | $ |
| **Transaction Total** | # | # | # |
| From Listings | # | # | # |
| From Buyers | # | # | # |
| **Average Commission Total** | $ | $ | $ |
| From Listings | $ | $ | $ |
| From Buyers | $ | $ | $ |

| B) Expense | **Last Year** | **Realistic Goal** | **Projected Increase** |
|---|---|---|---|
| Auto | $ | $ | $ |
| Membership Dues, Fees | $ | $ | $ |
| Phone | $ | $ | $ |
| Internet | $ | $ | $ |
| Office Supplies | $ | $ | $ |
| Advertising Media | $ | $ | $ |
| Marketing (postcards, | $ | $ | $ |
| Other | $ | $ | $ |
| Total Expense | $ | $ | $ |

C) Income vs. Expense $_____________ $_______________ $_______________

*If you have no previous history seek help from broker for office averages.

# Developing Listing Action Steps to Achieve Goals

**Listing Goals**—(In order to reach my goals, I will need to following listings from most categories considering areas of strength)

| ACTION STEPS | Last Year | Realistic Goal | Projected Increase |
|---|---|---|---|
| 1 Farming | | | |
| 2 Advertising, newspapers, magazines | | | |
| 3 Past clients referrals | | | |
| 4 Website | | | |
| 5 Open Houses | | | |
| 6 Post card mail outs | | | |
| 7 Circle of influence phone calls | | | |
| 8 Past client phone calls | | | |
| 9 Past client mail outs | | | |
| 10 Expired listings | | | |
| 11 FSBO'S | | | |
| 12 Yard Signs | | | |
| 13 Other | | | |
| 14 Other | | | |

I can accomplish these goals by myself Yes________ No_______
If you answered "No", it is important to identify who can help you with your goals and then schedule a meeting.

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# Developing Buyer Action Steps to Achieve Your Goal

Buyers Goals--(In order to achieve my goal I will need buyers from most categories considering areas of strength)

| ACTION STEPS | Last Year | Realistic Goal | Projected Increase |
|---|---|---|---|
| 1 Data Bases | | | |
| 2 Farming | | | |
| 3 Advertising, newspapers, magazines | | | |
| 4 Past clients referrals | | | |
| 5 Website | | | |
| 6 Open Houses | | | |
| 7 Circle of influence phone calls | | | |
| 8 Post card mail outs | | | |
| 9 Past client phone calls | | | |
| 10 Past client mail outs | | | |
| 11 Sign Calls | | | |
| 12 Other | | | |
| 13 Other | | | |
| 14 Other | | | |

I can accomplish these goals by myself Yes________ No_______
If you answered "No", it is important to identify who can help you with your goals and then schedule a meeting.

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## AAD PROGRAM
## Creating Monthly Income for Life

| | Realistic Agent Goal | Average Monthly Income per Agent | Total Monthly Income |
|---|---|---|---|
| Annual Agent Asset Goal | $ | $312.50 | $ |

## Agents Asset Development Action Steps to Achieve Goals

| ACTION STEPS | | Next 12 Months |
|---|---|---|
| 1 | Phone call to sphere of influence | |
| 2 | Use Sellstate Post card mail out recruitment templates | |
| 3 | Customized e-mails | |
| 4 | Real Estate School Attendees | |
| 5 | Attend real estate functions | |
| 6 | Use Sellstate Recruitment Brochure | |
| 7 | Consider agents worked with an deals | |
| 8 | Search top producers websites | |
| 9 | Research MLS performance leaders | |
| 10 | Look for opportunities to congratulate agent performance | |
| 11 | Create relationships first | |

# STRATEGIC AAD PLANNING TIPS

The Agent Asset Development (AAD) Program, designed exclusively for the benefit of Sellstate agents, promises to be one of the greatest tools in the industry to accumulate wealth and build long term financial security.

The simplicity of the program is one of its key features. An introduction between an agent and your broker/manager is the one simple step that helps secure your success. The level of your success is dependant upon the number of agents to whom you introduce the program. Remember, every new Sellstate agent you sponsor into the Sellstate family is provided the same great opportunity to enhance his or her financial portfolio. One of the great features of the AAD program is that the income generated will be paid for life and because it is a **corporate sponsored program,** it is guaranteed.

It is a simple fact that the more agents with whom you discuss the program, the greater the chance of achieving your goal. You have to invest the time if you truly want to reap the financial rewards offered by the program.

There are a number of simple steps you can take to help yourself achieve your maximum potential. First and foremost, familiarize yourself with the program using the material and brochures provided to you by Sellstate. The following tips may also serve to help you:

1. Start by contacting those within your sphere of influence including agents you have met, representatives of mortgage and title companies, home inspectors, attorneys, accountants, etc. Explain the program to them. This will serve as an excellent opportunity to obtain referrals.

2. Attend networking functions where you can meet other agents, such as those sponsored by your Real Estate Association, the Chamber of Commerce, training and education courses, etc.

3. Treat the entire process as a business. Use your contact management to create a database of potential agents to sponsor. Send out information to them on a regular basis.

4. Inform your contacts about all the other great tools Sellstate offers, such as free websites and email. Invite them to attend a Sellstate Corporate training session where they can observe first hand one of the superior training opportunities the company provides.

5. Remember, this is the best time of the year to introduce Sellstate's AAD program t other agents as many competitors penalize their successful agents by rolling back their commissions at the beginning of the year.

Sponsoring agents is all about building relationships and trust. Do not be discouraged if it takes some agents a longer time to see the benefits of joining Sellstate. Not everyone is the same – some people need more time to make decisions.

Sponsoring agents can be both financially and personally rewarding. Seeing agents that you sponsored into the system building wealth and a better life for themselves and their families and knowing that you are responsible for introducing them to the Sellstate system will provide a measure of self satisfaction.

*(This income is guarantee for life as long as the agents sponsored into the system remain with Sellstate and have closings).

# DEVELOPING A CENTER OF INFLUENCE

Use the following list to "jog" your memory for additional names of contacts. Ask yourself if you know anyone who is at all involved in any of the following. Write name next to each, if none, cross them out.

Accountant
Advertising
Aerobics
Airline
Alarm Systems
Animal Health/Vet
Apartments
Appraisers
Architects
Art
Athletics
Attorney
Automobile
Baby-sitters
Banking
Barber
Bartender
Baseball
Beauty Salon
Beeper
Bible School
Boats
Bonds/Stocks
Bookkeeping
Bowling
Brokers
Builders
Cable TV
Camping
Carpet Cleaning
Cellular Phones
CPA's
Chiropractors
Church
Cleaners
Colleges
Computer
Construction
Consulting
Contractors
Cosmetics
Country Clubs
Credit Union
Day Care
Delivery
Dentists
Dermatologists
Doctors
Dry Wall
Electrician
Engineering
Firemen
Fishermen
Florist
Furniture
Gardens
Golfing
Groceries
Gymnastics
Hair Care
Handicapped
Handyman
Hardware
Health Club
Health Ins.
Horses
Hospitals
Hotels
Hunting
Insurance
Investments
Jewelry
Laundries
Lawn Care
Libraries
Limousines
Loans
Management
Manufacturing
Mechanics
Medical
Mortgages
Motels
Museums
Music
Mutual Funds
Newspapers
Nurses
Nutrition
Office Machines
Office Furniture
Optometrists
Orthodontist
Pediatricians
Pedicures
Pensions
Pest Control
Pets
Pharmacies
Phones
Physician
Plumbing
Podiatrist
Pools
Preschools
Printing
Property Mgmt.
Rentals Agencies
Resorts
Restaurants
Roofing
Satellites
School
Secretaries
Shoe Repair
Siding
Signs
Skating
Skiing
Skydiving
Soccer
Softball
Software
Spas
Sporting Goods
Surgeons
Tailors
Teachers
Telecommunications
Tennis
Theaters
Title Comp.
Training
Typesetting
Universities
Video
Waste
Wedding
Wine

# BUSINESS PLAN FOLLOW-UP TIPS

*Article published in Realtor Magazine*

As we've all witnessed and experienced, the economy is in constant flux—day-to-day, week-to-week, month-to-month—and the real estate industry feels each and every shift.

You need to be prepared to shift with it, just as you would with the fluctuating needs and goals of your clients.

While you're thinking about your business plan for next year and setting your production and personal goals, keep in mind that the end of the year could look drastically different from the beginning.

Once you've evaluated where you've been and established where you're headed, schedule and consider these follow-up strategies:

**Revise Your Budgets.** The key way to avoid spending more than you make: stick to your budget. Account for advertising, supplies, travel and other variable expenses. You won't find yourself in a bind as long as your spending stays in line with your production.

**Modify Marketing Strategies.** If you know exactly where your business is coming from, you know exactly where your marketing dollars go furthest. As you track your rate of return on advertising, community sponsorships, web campaigns and other marketing options throughout the year, you'll know when it's time to shift funds toward more effective strategies.

**Amend Your Schedule.** Create a schedule and block out appointment slots, including personal commitments, in the earliest draft of your business plan. Revisit it often. You'll be better prepared for unexpected obligations as the year goes on.

**Adjust For Average Sale Price.** It's easy to overestimate or underestimate the market. At the end of each quarter, recalculate your average sale price based on year-to-date transactions so that you know exactly how many more or fewer transactions you'll need to hit your mark.

**Refine Goals.** Realistically forecast your growth so that you see and feel progress.

Write your annual business plan with future updates in mind, and you'll avoid missed opportunities to maximize your time, money, and energy.

# DEGREE OF SUCCESS DEPENDS ON ORGANIZATION AND TIME MANAGEMENT

Real estate professionals constantly look for an edge on their competition to survive in a business where 80% of them fail in their first year, according to the National Association of REALTORS®.

One way to succeed is to be highly organized, which leads to greater productivity and higher sales and allows professionals the time to focus on customer service and to show more homes to clients. FranklinCovey, the global leader in effectiveness training and productivity tools, recommends that real estate professionals set long-and-short term goals with measurable results and deadlines.

"No matter what tools they choose to use to increase productivity, real estate agents should take the time to plan 20 minutes prior to the start of the week and 10 minutes daily to make sure they have captured specific goals for sales calls, listings, meeting and other tasks," said Jeff Anderson, vice president of product development at FranklinCovey.

Organizational tools available to real estate agents range from traditional paper planners, personal digital assistants (PDAs) and software to help them be more productive and reach their goals.

FranklinCovey has conducted numerous focus groups with real estate agents and found that most relied on both paper and technology. For example many paper users stated they used an online multiple listings service (MLS) and mobile phone, while many who favor technology nonetheless still like to print out information.

Real estate agents told FranklinCovey that paper is essential for quickly taking notes while on the road or when unexpectedly meeting potential clients. Meanwhile, paper users need to use technology when accessing MLS information away from their offices.

For real estate agents who use either a combination of technology and paper, or strictly a paper planner, companies such as Day-Timer and FranklinCovey offer an array of paper planners to keep track of contracts, notes and schedules.

FranklinCovey has introduced a line of supplemental pages including a Response Log to capture all responses to a specific listing, a Transaction Manager to note information on financing, timing, reports and inspections, as well as all communications with the client and a Prospect Log to note contact information about prospective clients. Also offered is a Client File, to note information on clients and a Communications Tracker that acts as an extension to both the Real Estate Client File and Transaction Manager forms.

*Source: Franklin Covey*

# PROSPECT FOR PROFIT

To prevent procrastination and ensure you will have a steady stream of new clients flowing into your office, you need a prospecting plan that you work day in and day out.

*By G. M. Filisko article published in Realtor Magazine*

"Every top sales associate in this country spends one to four hours a day generating new leads," says Walter Sanford, owner of Sanford Systems and Strategies, a coaching and training company in Kankakee, Ill. "If you don't do that, get out of the business."

Tough talk, yes, but Sanford speaks the truth about the power of prospecting. It's the lifeblood of your business, even in good markets. And in the slower sales environment of 2008, prospecting is essential if you want a steady flow of clients. Yet, there's no task that causes even a gung-ho salesperson to pale faster than an afternoon of prospecting.

"Prospecting is hard work, which is why most sales associates don't want to do it," says Dirk Zeller, a coach and CEO of Real Estate Champions in Bend, Ore. "But it's the most profitable way to generate revenue because you're primarily investing your time."

To prevent procrastination and help ensure you'll have a steady stream of new clients flowing into your office, you need a prospecting plan that you work day in and day out. You need to know whom you'll prospect, what you'll say to them, and when and where you'll make your calls.

It all takes time, patience, and discipline, but the rewards are worth the effort. "In 2007, 16 of my 19 personal coaching clients had the best year they've ever had," says Zeller. "They were significantly up in production, and that's the result of an effective system of prospecting and lead generation."

The good news is that creating a workable prospecting plan is easier than you think. Here are some simple steps to get those leads flowing.

# STEP-BY-STEP PROSPECTING PLAN

## Step 1: Decide whom and how many.

Before you make one call or send one newsletter, you need to understand that prospecting is all about the numbers. In order to determine how many prospecting contacts you need to make each month, you should know what percentage of those contacts will either do business with you or send business to you.

“When you look at a typical business plan of champion sales associates, you’ll see they know how many contacts they need to make in order to secure a certain number of closed contracts,” says Zeller. A good rule of thumb is four contacts to get one contract, he suggests, but track your own conversion rates for a more accurate figure.

Before you apply your conversion rate, divide your income goal by your average commission check to determine how many units you need to sell. Then apply your conversion rate to that number. For instance, if your income goal is $100,000, and your average commission check is $5,000, you’ll need to sell 20 units. If one of every four leads results in a contract, you’ll need to make 80 contacts to achieve 20 contracts (assuming each contract results in a sale).

Once you know how many prospects you need to contact, you can break down your number into daily or weekly segments to make your goal more manageable.

But if percentages are the underlying principle of prospecting, you also have to keep in mind that not all prospects are equal. “Your best bet is calling your past clients and your sphere of influence,” says Zeller. “Call them with frequency. With your past clients or sphere of influence, you will probably have a higher conversion rate so you won’t need as many leads as cold-calling.”

If you don’t have a large sphere, consider calling people who’ve demonstrated a high level of motivation in the recent past, such as expireds and FSBOs. Also, look at referral business relationships — home inspectors, for example — and call them regularly.

The next step on the prospecting hierarchy, and one where conversion rates are probably lower than for past clients, are your warm prospects. These leads come from a targeted list of people who have received your marketing piece or who are otherwise a part of your designated farm. Restricting your prospecting to one group, whether that group is chosen by geography, profession, or price point, allows these people to get to know you better through more frequent contacts and helps extend the impact of your marketing dollars.

Only after exhausting all other prospecting options should you cold-call, says Zeller. Not only is cold-calling complicated by the federal do-not-call regulations but "the ratio of how many calls you have to make to generate leads gets progressively worse," says Zeller.

## Step 2: Choose your tools.

Although prospecting may conjure up an image of a harried salesperson clutching a phone book, today's prospecting arsenal is much larger.

"Do a little of everything because different prospecting techniques will generate different prospects," says Richard.

Here's Richard's rundown of the best uses for some common prospecting tools.

- Postcards are best as high-impact contacts with strangers.
- Web sites that allow consumers to search MLS listings are best for attracting buyers, since most begin their home search on the Internet.
- Phone calls are an ideal way to maintain your relationship with past clients and nudge them to provide referrals or become active again in real estate. Keep in mind, however, that federal do-not-call rules prohibit a business from calling consumers unless it's done business with it in the last 18 months.
- Newsletters — both electronic and paper — build relationships with prospects and past clients to generate referrals.

Today, some sales people are using the Web's social networking tools to reach out and build relationships with prospects. Whatever tools you use, says Zeller, track your results. "The most important thing you can do is to track your leads by source and decide which prospecting tools work best.

## Step 3: Put in the time.

A plan on what tools you're going to use. But a plan is only a useless list unless you actually carry it out. So get cracking. To get that prospect tide flowing, follow the lead of Emmanuel Fonte, a sales associate at John L. Scott Real Estate in Bellevue, Wash. Fonte, the company's rookie of the year in 2006, has a written prospecting plan and works it two hours a day, rain or shine.

Part of Fonte's secret is his decision to prioritize his prospects and spend more of his time on those most likely to produce business.

Prospects whom Fonte has categorized as A-listers, those most likely to produce business for him, get a monthly phone call or handwritten note as well as three other things of value, such as a postcard highlighting energy conservation, each month.

B-list prospects get several phone calls each year, along with things of value at least once a quarter.
C-list prospects get at least one phone call each year. All three groups also get Fonte's monthly e-newsletter and a monthly printed newsletter.

"I try to meet at least two A prospects each week for an hour-long meeting," says Fonte, "and I try to get face-to-face with all the A prospects at least every six weeks, eight weeks at the max. It might be getting together for coffee; sometimes it's just dropping by their office. I follow up with a thank-you card the next day."

Chris Heller is another man with a prospecting plan. "I prospect from 7:45 to 10:30 a.m. each day," says the salesperson at Keller Williams Realty in Encinitas, Calif. "It's as much a part of my schedule as everything else, and nothing replaces it."

Heller calls three primary groups — expired listings, FSBOs, and past clients and his sphere of influence.

"I call the expireds first thing," he explains. "They're getting calls from lots of sales associates, and I want to be among the first to call."

Next up are FSBOs, but there are fewer in his market right now, so those don't take long. Then he moves onto past clients and his sphere of influence. "I hit a minimum of 10 a day, and it's not a social call," he explains. "Other sales associates have a hard time calling because they don't like being viewed as a sales associate, but that's exactly how I want to be viewed. These people think of us as their neighbor or their kid's friend's parent, but I want them to see me as being in real estate."

Heller's professional approach helped him increase his business by 10 percent in 2007, even though his market was down more 30 percent.

## Step 4: Don't give up.

One big reason many sales associates avoid prospecting is their fear of rejection. But Heller doesn't understand that concern.

"That's sort of silly in my mind," he says. "You get rejected by your kids all day long. You ask them to clean their room, and they say no. So why are you worried about what people you don't know say?"

Fonte understands the fear, but he considers rejection the prospect's loss, not his. "I've had fear, and I know I'm going to get rejected," he says. "But if it's someone I don't know, I don't take it personally. If people knew me, they'd be silly not to hire me. I feel bad that they didn't get the opportunity to know that."

Preparing physically and mentally before making calls helps you perform with confidence and takes the sting out of the almost inevitable rejection.

Fonte stands up when making prospecting calls because "there's an energy that happens, and I believe I project that," he says. "I close the door of my office, put on my headset, and talk with my hands, pretending that the prospects are right there in front of me."

Your own version may involve high-energy music, positive affirmations, or an inspirational quote on your computer monitor. Do whatever works as a way to remind yourself of the value of positive thinking in achieving your goal.

Another way to keep rejection from becoming personal is to make it a numbers game. Keep track of how many rejections you get. Then focus on reducing that number from, say, nine in 10 to eight in 10. Try to focus on your goal, not the rejections. Fonte's goal is two appointments a day, so "I keep going until I get my two yeses; I don't focus on the nos," he says.

Test new mailing copy and practice new phone script approaches with friends. Test each new approach for a specific amount of time to see if it improves your conversion ratio. You'll find what works best and feel like you're making progress — a great way to counteract rejection burnout.

Although he's been in the real estate business less than three years, Fonte credits his early success to his ability to do something as important as prospecting every day. "Before going into real estate, I was a professional musician. I think that subconsciously, I adapted the same principles of practicing consistently to real estate."

It's time for you to make beautiful prospecting music like Fonte and others do by being as dedicated as they are to the art of finding new clients.

## 4 Tips for Making Your Plan Work

### Tip 1: Track contacts by groups to fine-tune your conversion stats.

General conversion numbers may help you reach your goals, but tracking your prospecting calls by group — people in your yoga class or owners who live in a certain subdivision, for example — you can gain a better understanding of which groups respond most positively to your contacts. Prospecting by group also allows you to tailor your message to each specific group.

"Target customer segments, such as FSBOs, expireds, relocating buyers, investors, first-time buyers, seniors, newlyweds, or parents who need to buy housing for their college student kids," suggests Dan Gooder Richard, owner of national marketing company The Gooder Group in Fairfax, Va. "Then give thought to what motivates them. Why do they list and sell? What keeps them up at night? Your answer to those questions is what makes the phone ring."

### Tip 2: The message makes the sale.

Just contacting prospects won't pay off if you can't immediately demonstrate that you understand their needs. Focus on consumers' problems and fears, then help them find a solution, says Richard. Are your first-time buyers worried about qualifying for a loan? Your prospecting tool should show them how the mortgage loan process works and how you will help them. Want to appeal to downsizing seniors?

Work with a tax expert to provide information on capital gains deductions and how to figure what your gains are after a sale. Build an instant database by promoting your problem-solving information in your initial contact and asking prospects who want to receive it to give you their phone or e-mail address.

Not sure what to send? Check out REALTOR® Magazine Online's Handouts for Customers page.

## Tip 3: Don't get distracted by success.

It's easy to find excuses for not prospecting if you have several active clients on tap, but remember that if you don't keep the prospect pipeline filled with new leads, you'll end up with no work when the current deals close. Even if you have to cut down on your phone prospecting, try to compensate during busy periods with more mailings or other lead generators.

## Tip 4: Build rapport to beat rejection.

There's no magic bullet to stop rejection, but you can lessen its frequency, says Richard. Focus on these easy ways to connect:

- Family-ask about the kids and their activities.
- Occupation-what problems does the prospect's job share with yours?
- Recreation-talk about their favorite team or hobby.
- Dream-what's your dream home?

# MONEY SAVERS: LOW-TO-NO COST WAYS TO GENERATE PROSPECTS

- ✓ **Speak now or forever lose an opportunity.** Host free seminars at your office, or offer to do them for local community and business organizations such as the Chamber of Commerce or your community college. Choose topics addressing consumers' biggest concerns today, such as how to avoid foreclosure, how to avoid paying private mortgage insurance, or buying opportunities in a slower market. Promote the event on your Web site as well as on the site of the event's sponsor. You also can use the event as a reason to call people in your database.

- ✓ **Do business by doing good.** Over and over, experts recommend devoting time to a worthy event because it works. Whatever cause you choose, meeting with people who share a positive experience helps solidify your position in your community. Volunteer for something you're passionate about so that you're at your best.

- ✓ **Blog all about it**. Many real estate professionals have built names for themselves by creating a blog. Several real estate sites, including REALTOR.com, allow real estate professionals to create a blog at no cost. If you use a paid service, shop around; fees for both purchasing a domain name and hosting the site can vary dramatically. You should spend no more than $150 to purchase a domain name (although many reputable vendors charge between $10 and $35) or about $20 per month for hosting fees, depending on the storage and bandwidth you purchase. The key is to post at least several times each week on hot topics so that readers have a reason to keep checking in.

- ✓ **Sit pretty.** Though many sales associates groan about open houses, there aren't many other no-cost opportunities that put you in front of a steady stream of potential buyers. Either hold your own open houses or offer to fill in for another associate who needs help.

- ✓ **Let consumers do your prospecting for you.** Ask for a testimonial from recent clients, and then add it to your next farming postcard or e-newsletter. Testimonials add credibility and reinforce that you're the sales associate who helps clients walk away happy.

# WORK SMART: TURN CUSTOMERS INTO CHEERLEADERS

Build a system to stay in touch and reap referrals.

*By G. M. Filisko October 2008, Realtor Magazine*

As you walk out of the transaction closing, you breathe a sigh of relief. The papers are signed; the client is happy; all you have to do is pick up your commission check.

Not so fast. From the day the deal closes, your follow-up plan to get referrals should be firing on all cylinders. Any top performer will tell you that ongoing cultivation of customers and clients is the key to long-term success in real estate. According to the 2007 NAR Profile of Home Buyers and Sellers, 43 percent of buyers and 41 percent of sellers found their sales associate through a referral from a friend or relative. That’s a figure that would make or break most sales associates’—even top performers’—profitability.

What makes referrals so valuable? Ed Hatch, CRB, CRS®, a trainer and coach based in Gambrills, Md., explains: "When people come to you based on a referral, they know you as someone they already trust—as Ed, not just a voice on the phone or a picture on your Web site."

That’s been true for Jeff Matlock, a sales associate at Crye-Leike, REALTORS®, in Goodlettsville, Tenn. "Most of the time when people call me from a referral, the people who’ve referred me have already sold the prospects on my services, and I don’t have to spend time doing interviews," he says. "When they call, it’s pretty much a done deal, and I’m going to get the listing."

Referrals are not only easier to acquire than new business but also cheaper. "It’s a whole lot less expensive to maintain the attention of people who know you, like you, and trust you than to get the attention of people who don’t know you," says Hatch.

Teri Herrera, CRB, CRS®, a sales associate at John L. Scott Real Estate in Bellevue, Wash., agrees. "New business requires advertising dollars," she says. "Referral business is free because clients are walking advertisements, and they have a much broader exposure base than you could ever afford to have."

## How to build a referral business

Here's how to build a referral business that grows your client base and increases your profits.

## Ask early and often.

"If you don't let people know that you need referrals, don't assume they'll magically deduce it," says Susan RoAne, president of The RoAne Group in Greenbrae, Calif. Even if clients really like you, they may not understand how valuable referrals are to your business.

The best and most immediate source of referrals is current buyers and sellers, says Hatch. "There's a phrase we all use—top-of-mind awareness. Whatever's on the top of your mind falls out of your head and into your mouth, and you talk about it. So when clients are immersed in a process, like buying or selling a home, they're probably talking about it to everybody. That's why I have my sales associates, in a purposeful, proactive way, ask their current buyers and sellers about referrals even during listing presentations and when they're showing homes." (See "Referral Dialogue You Can Use Today" at REALTOR.org/REALTORmag for more tips on how to ask for listings.)

After you've made your initial referral request, make it again and again. "When you tell clients once, they're happy to do it, but it's not important to them," says Hatch. So every couple of weeks, remind them. "The key is not pushing so hard you annoy them," he says.

## Ask everybody.

Talking to clients immediately after closing is an obvious referral opportunity, but don't stop there. If you're professional about it, everyone you know is a potential source of referrals. "My daughter goes to a private school, and I've done several million-dollar sales for people whose children go there. I also have horses, and I'm not shy about letting people in the show circuit know that the next time they're looking for an equestrian property, they should call me," Herrera says. "My dentist and doctor also have my business card. You can't be shy or uncomfortable about letting people know what you do for a living."

## Create an ongoing contact plan.

Asking for referrals as the opportunity arises is great. But it's also essential to make referral building a regular part of your marketing activities. You need to continue to remind friends and past clients you don't see on a regular basis to refer you to their friends, family, and coworkers. As Hatch suggests, you need to stay top of mind to keep getting the business. Here's how.

If you don't already have a database that contains every past client and customer, start one. Then make time every week or two to add new contacts and update information on current ones. Should you add parties to the transaction that you didn't represent to your referral program? "That's a little sticky because you also don't want to destroy your reputation within the industry and your relationships with other sales associates," says Herrera. "But you can make contact in a way that's professional and nonthreatening."

Herrera does that by sending a friendly letter to both the buyers and sellers at the end of every transaction, along with a CD on which she's stored all the transaction documents. In the letter to the party that Herrera didn't represent, she says, "It's been a joy to work with you and your sales associate. We've included all the transaction documents for your records. If you have any questions about your new home, please don't hesitate to contact us." That technique has worked. "I've received business from that because many people never heard from their sales associate again after the transaction," she says. "But they have my CD."

## Keep the contacts coming.

Once you've got a basic list in place, prioritize clients by their referral potential, just as you do contacts when you create a prospecting plan, suggests Hatch. "Designate your current, card-carrying fan club—the people who've already given you at least one referral in the last year—as A clients," recommends Hatch. "B clients are those you've sold a house to in the last seven years who might have sent you a referral in the past but not recently."

Concentrate the majority of your effort on A clients, he says. Send out a personal letter with information of value every month. And call or visit these sources at least quarterly. What about B clients? "Go back and reestablish your relationship with B clients," recommends Hatch. "Treat them like A clients for a year. If they make a referral in that time, they stay on your list. If they don't, they're off."

Herrera's system is similar to Hatch's, but she skips the step of categorizing customers and clients. "From a referral standpoint, every client is an A client," she says. Herrera maintains contact by sending material of interest, like an update on interest rates or changes in the law, to former clients and customers two to three times a month. She also does two mailings a year asking specifically for referrals.

Still, nothing beats the personal touch. "The best referral builder for me is that I try not to let more than a couple of days go by without taking a previous client out to lunch," says Herrera. "That helps us relate on a one-on-one level." She also hosts several client appreciation events each year, ranging from an Academy Awards party at a private theater to a harvest party in the fall on her own property—complete with a hog roast and games for the kids.

Such events inevitably lead to conversations about real estate, says RoAne. "In the course of small talk, people will say, 'I'm in touch with my old neighbor, who's thinking of selling.' That would have never happened through e-mail or snail mail."

Handwritten notes and personal phone calls are a daily part of Matlock's referral business plan. "I write two or three personal handwritten notes each day," he says. "I just go through my list of past customers, and if I know it's someone's birthday or I've seen someone in the newspaper, I'll write a note. Sometimes, I'll contact a person five times before contacting another one once, but eventually I get through the list. I also call as many as 10 people on my client and customer list each day. And, occasionally, I'll take people out to eat."

## Show your appreciation.

When you find out from prospective customers that they came to you through a referral, make sure you thank those who sent the business your way. "I call to thank the person immediately and back that up with an e-mail, and then we send a small gift," says Herrera. Her gifts range from movie tickets to gift baskets, depending on the size of the referral and whether it's the first or fifth referral from the same person.

"I'll also keep the referrer in the loop by saying, 'By the way, I'm meeting with John and Mary on Tuesday. Thank you again for the referral.' Or, 'I just want you to know that we sold Mary's home tonight. Again, thank you for the referral,'" explains Herrera. "That makes people feel important and want to refer to us again."

Also remember that to get referrals, you must offer them. "The biggest mistake people make in a referral plan is thinking that it's all about us," says RoAne. "It should be a give and take."

Davis offers an example. "I was talking to a friend who sells Pampered Chef products. She asked if we'd sponsor a show, and we agreed," says Davis. "She didn't ask me if I knew of anybody else who might want to sponsor a show, but I voluntarily got on the phone calling other people to hook her up with another show."

## Assess your payoff.

As with any system, your final step in referral building is to see if what you're doing is working. "We track calls as they come in to see if the business came from a referral or another form of marketing," says Herrera.

What's a good level of referral business? "You want 50 percent of your relationships to be referring to you each year," says Hatch. "If you do the right things, your referrals will keep growing."

## 3 Tips for Getting More Referrals

### Tip 1: Impress; don’t beg.

You can avoid being a pest by sharing information that positions you as an expert instead of simply asking for business, says Darryl Davis, a speaker and sales trainer in Wading River, N.Y. For example, if friends, family, or past clients put down less than 20 percent when they bought their home years ago, you can remind them how private mortgage insurance works and let them know they may not need it anymore. "Keep sharing your knowledge so that people say, ‘Gee, she knows her stuff,’" says Davis. "Once friends and family recognize your knowledge, the questions and phone calls will come."

### Tip 2: Watch how you make contact.

Although e-mail messages and phone calls are easy ways to keep up contacts with past clients, make sure you follow federal laws that govern phone and e-mail contact with consumers. Federal do-not-call regulations prohibit businesses from calling consumers on the do-not-call list unless they’ve had a business relationship with those consumers within the past 18 months or received an inquiry from the consumer in the last six months. The federal CAN-Spam Act permits you to send an unsolicited e-mail so long as the e-mail meets requirements of the act, which include a clear identification that the e-mail is an advertisement or solicitation, a legitimate postal and e-mail address, and an opt-out mechanism, providing the consumer has not previously decided to opt out of receiving e-mail from your company. (Search the Letter of the Law archives of REALTOR.org for more details on these laws.)

### Tip 3: Keep those gifts legal.

The Real Estate Settlement Procedures Act prohibits payments, in any form, for the referral of business. Therefore, when you host customer appreciation parties or give customer gifts, make sure they aren’t predicated on past referrals or the promise of future referrals. If they are, then those events or gifts have violated the terms of Section 8(a) of RESPA.

## Money Savers: Referrals on a budget

**Try these no-cost and low-cost tips for generating referrals.**

**Shave your gift budget.** Acknowledging referrals is what matters, not the size of the gift. If times are tight, hand-deliver a bouquet of grocery store flowers tied with a beautiful ribbon or a dozen bakery—or better yet, homemade—cookies instead of a restaurant gift certificate. You might also want to give gifts only for multiple referrals. If you do scale back on gifts, however, don’t cut back on showing your thanks through personal phone calls and handwritten notes.

**Take the food out of face-to-face meetings.** The whole point of face-to-face meetings isn't to eat or drink. It's to build relationships. So be creative in your get-togethers. Invite people for a healthy lunchtime walk or a game of tennis on the park court. Say something like: "I'm going to be in your area tomorrow during lunchtime, and I'm trying to fit in a daily walk to stay healthy. Would you like to join me?" Or if you ride your bike each evening, use the same dialogue to invite people to join you.

**Stay connected electronically.** While there's no substitute for the personal touch, social networking sites such as LinkedIn, Facebook, and YouTube are a great way to supplement one-on-one contact, especially with younger clients. Update your profile on LinkedIn and you can immediately e-mail it to all your registered contacts. Or create a clever holiday video, upload it to YouTube, and send it to clients. It's much more memorable than another card.

**Give back to others.** Hosting and participating in charity events not only helps a good cause but also provides a great reason for you to reach out to past customers. Ask if they'd like to contribute to your rummage sale for the homeless or sponsor you in a breast cancer walk.

**Leave a trail of cards behind you.** Be sure that every place you do business—the sandwich shop, the dry cleaners, the barbershop—has a stack of your cards beside the cash register.

# HOW TO ASK FOR REFERRALS

It's the most common way that buyers and sellers choose their real estate practitioner. So what's stopping you from asking for more referrals?

Even as the Web has become the preeminent home-search tool for consumers, referrals are still the No. 1 way buyers and sellers find their real estate practitioners.

When asked how they found their real estate agent, 43 percent of all buyers and 41 percent of all sellers said they were referred by a friend, neighbor, or relative, according to the NATIONAL ASSOCIATION OF REALTORS® 2007 Profile of Home Buyers & Sellers.

Only 11 percent of all buyers and 22 percent of all sellers used their previous agent, which was the second most-popular response.

The numbers are compelling, but they don't make it any easier to ask family and friends to send business your way. That's why we consulted some top sales coaches to provide conversational direction for your referral dialogues. The next time you feel tongue-tied about asking for referrals, practice these simple scripts to up your confidence—and your business.

## 1. Ask for referrals from a current customer.

**The situation: After you've had several positive business interactions with customers or clients, it's a great time to ask them to tell their friends and family about you.**

**You:** "I have a favor to ask you, but only if you're comfortable with it."

**Seller**: "Sure, I guess so."

**You:** "It's been my experience that while we're working together on selling [or buying] a house, most of my clients discuss the experience with their friends, relatives, and people at work."

**Seller:** "Oh, I talk to people about it all the time."

**You**: "That's great. During those conversations, has anyone you're talking to mentioned that they are also thinking of buying or selling a property."

**Seller:** "Yes, a couple of people have."

**You:** “When that happens, I would really appreciate it you would tell the person about me and why you chose me to be your sales associate. Also tell them to expect a call from me within the next 48 hours. Then, with their permission, I need you to call me with their name and number so I can make that call. OK? Are you comfortable doing that?”

**Seller:** “Sure, I’d be happy to do that.”

**You:** “That’s great. I really appreciate it.”

## 2. Ask for referrals from family and friends.

The situation: You're at a family function or a gathering of friends—or maybe you've just run into an old buddy at the grocery store. When the topic turns to real estate or your job, it's a prime opportunity to remind that person you can provide top-notch service to people your friend knows.

**You:** “By the way, if anyone starts talking to you about an interest in buying, selling, or investing in a home, it would be really helpful to me if you’d tell them that you have a friend who’s a great real estate salesperson and would love to help them. And you know I’ll give them the extra attention that I give every one of my clients.”

**Family/Friend:** “Sure, I’ll do that.”

**You:** “Thanks. I really appreciate it. And if they’re interested, ask if it would be OK for me to give them a call to talk, will you?”

**Family/Friend:** “OK.”

**You:** “By the way, what are your real estate goals for the next year?”

**Family/Friend:** “Well, I’ve always wanted to buy a house to fix up, rent, and get some money coming in for my retirement.”

**You:** “That’s a great idea. This is a great time to find some terrific buys. Have you done anything about making that dream come true?”

**Family/Friend:** “Nothing yet. It’s just something I’ve been thinking about.”

**You:** “Why don’t you let me buy you breakfast on Saturday so I can tell you more about how market trends may work in your favor over the next year. You can also tell me more about what sort of property you want so that I can keep an eye out for a deal you might be interested in.”

**Family/Friend:** “That sounds great. It’s a date.”

## 3. Plant the seed for a future referral.

The situation: You've just run into an old colleague or friend. Make small talk appropriate to the situation before you mention your business and ask for the referral.

**You:** “By the way, do you know I sell real estate? I’ve been doing it for [fill in the blank] years.”

**Acquaintance:** Oh really.

**You:** “I was just wondering if you've talked with anyone recently who might be interested in buying or selling a home?”

**Acquaintance:** “Hmmm, I can’t think of anybody off the top of my head.”

**You:** "That’s OK. But if you do hear of someone in the future, will you keep me in mind? I’d really like to get the chance to work with anyone you know who’s looking to buy or sell. Please just give me a call or drop me an e-mail if you hear of anything."

**Acquaintance:** “Sure, I’ll do that.”

**You:** “Just to make it easier for you to share my contact info when the subject comes up, may I give you a couple of my business cards?”

**Acquaintance:** “Sure.”

*Source: Ed Hatch, CRB, CRS®, trainer and coach, Gambrills, Md.; Susan RoAne, president, The RoAne Group, Greenbrae, Calif.; Darryl Davis, speaker and sales trainer, Long Island, N.Y.*

# HELPING BUYERS THROUGH TOUGH TERRAIN

## In the new financing landscape, buyers need more support from you. Get a crash course in financing to learn how you can ensure buyers can come up with the money to buy the home they've chosen.

*By G.M. Filisko August 2008, Realtor Magazine*

As credit standards tighten and financial markets struggle to find the bottom, home buyers' ability to get an affordable mortgage has never been a more critical component in the real estate transaction.

The easy mortgage money is long gone. Today, most lenders require at least 10 percent to 15 percent down for conventional loans, along with a good credit record and proof of the buyer's income before making a loan. The challenge is especially great for first-time buyers who don't have the equity cushion of long-time owners.

Many sales associates rely heavily on mortgage specialists to handle financing from start to finish, but David Fialk, CRB®, CRS®, broker-owner of Choice Realty Co. in Iselin, N.J., advocates that you do more—for both the buyers' benefit and your own. "I go through a half-hour review session with all the buyers I meet for the first time," he explains.

After a preliminary information exchange, Fialk gets frank with the buyers. "Depending upon their price range and down payment, I calculate their monthly mortgage payment based on the average interest rate in our area and ask if they're comfortable with that big a payment each month," he says. "Then I ask their income to make sure it warrants a payment like the one we've just discussed. I also make sure they contact a mortgage rep so that I get a preapproval letter in hand."

Let's face it, unless your buyer clients can get financing, you waste your time and theirs in helping them find the perfect home. As a listing salesperson, you lose valuable selling time on the market while a buyer negotiates with a lender, only to have the loan fall through.

What should you do to ensure that buyers can come up with the money to buy the home they've chosen? We're here to help with a crash course in financing. We've also provided some mortgage calculation pointers to assist you in helping the borrower understand the costs of mortgages and homeownership.

- 4 Steps to Smooth Financing
- Low-Cost Ways to Rescue A Deal
- Quick Tips Clients Will Appreciate
- Mortgage Math Made Easy

## 4 Steps to Smooth Financing

### Step 1: Know the (Credit) Score

While a frank discussion like the one Fialk describes is essential in selecting a price range for homes to show, it's a lot harder these days to estimate how large a mortgage loan buyers will be able to secure. For decades, real estate salespeople have relied on a few handy rules—like pegging home price to three times a buyer's annual income—to determine an appropriate price range.

Another rule used to be 28/36—your mortgage payment could be up to 28 percent of your gross monthly income, and your total debt couldn't be more than 36 percent of your gross monthly income.

Unfortunately, "it isn't quite as black and white as it used to be," says Mark Steele, president of Howard Hanna Mortgage Services in Pittsburgh. "One big factor that's changed mortgage lending is the widespread use of automated underwriting software, which is required for lenders to be able to sell loans on the secondary mortgage market. This software takes certain things into account, like credit scores, that weren't considered before."

"Everything now is more credit score–driven," agrees Ron McGuire, president of Tucker Mortgage LLC in Indianapolis. Credit scores, sometimes called FICO scores after Fair Isaac Corp., which developed the most widely use scoring system, rate buyers' creditworthiness.

Another system called VantageScore was launched in 2006 by the three major credit rating agencies. How high a credit score is will directly affect how much someone will be able to borrow and at what interest rate.

Factors that can bring down buyers' credit score include using most of their available credit by maxing out their credit cards and applying for credit at many places within a short time period. And though it might sound counterintuitive, having few lines of credit with low use also can have a negative effect on credit scores because such behavior leaves lenders with little information from which to judge the buyers' ability to repay debt.

FICO scores range from 300 to 850. VantageScore ranges from 501 to 990. "Any [FICO score] above 720 is considered good," says McGuire. "Once you get below there, you have a price adjustment like a higher interest rate or points."

"Roughly 50 percent of consumers have a FICO score of 700 or above," says Brad Blackwell, executive vice president and national retail sales manager for Wells Fargo Home Mortgage in San Francisco. "Any number of factors determine a credit score, the biggest being the amount of credit you've used and your record of paying that credit back on time."

If buyers' credit scores are low, offer tips for raising them. "The best way for buyers to improve their credit score is to pay their bills on time, even if they can afford only the minimum payment," says Blackwell. "If they can afford more, they should pay down their debt, which will improve their score."

Another common problem: "People don't think they need to pay back their student loans," says Steele. "If you don't pay back your student loans, you can't get a mortgage loan. It's that simple."

## Step 2: Get Out in Front of Underwriting

Now that the entire mortgage landscape has changed, the most foolproof way to ensure buyers can borrow the money for the home they want is to encourage them to get prequalified before they start looking. Or is it preapproved? If you're not sure of the difference, you're not alone.

"Typically when lenders prequalify, they ask buyers their income, how good their credit is, and, based on the information they verbally receive, they calculate how much of a loan the buyers qualify for," explains Blackwell. "The loan officer will write a letter to the buyers saying, 'By my estimation, this is how much you qualify for.'"

Unfortunately, that estimate is only as good as the information the lender's been told. Even if buyers are above board, they may not be aware of a problem in their credit report that prevents them from getting the loan amount or interest rate necessary to purchase the home you've helped them find.

"A preapproval is a more powerful tool for understanding how much buyers can qualify for and for showing to prospective sellers so that they know they have qualified buyers," adds Blackwell. "With a preapproval, lenders will pull a credit report, at times verify income, and based on the information, essentially preunderwrite the loan to determine the buyers' qualifications. They won't give a final approval, but a preapproval is much stronger than a prequalification."

During the actual loan underwriting process, lenders comb through buyers' finances to evaluate the risk of making the loan. In addition to the credit score and debt repayment, lenders also look at income and other assets.

"Lenders like to see two years of employment history," explains McGuire. But that doesn't necessarily mean at the same job. "We look more at the buyers' time in the line of work to be comfortable they'll be able to earn that income in the future," says Blackwell. "If they've been in a job only one year but show a track record of being in that line of work, generally we'll be comfortable with that."

The days of stated income loans—for which buyers simply told lenders their income without lenders' verifying the amount—are over. "If buyers are self-employed, we'll review at least two years of their tax returns, which we'll average to get an income figure.

Buyers can also use other income sources to qualify for a loan as long as it's substantiated for two years," says Blackwell.

Liquid assets such as savings accounts and stocks also factor into loan underwriting. "Underwriters like reserves, usually of two to three payments of principal, interest, taxes, and insurance," says McGuire. "If it's a borderline file and the buyers have reserves, the loan will get approved. If they don't, more than likely they'll be rejected." Negotiating with sellers to have them pay buyers' closing costs is one way for buyers to have reserves, he suggests.

## Step 3: Understand the Lingo

Although many sales associates rely on lenders to guide buyers through their loan options, understanding the nuts and bolts of today's new lending world helps you help buyers.

Factors that could influence the buyers' loan terms are the loan amount itself, the length of the loan, and the loan-to-value ratio (how much of the total value of the home is being financed). Lenders typically price loans based on risk, explains Blackwell.

For example, large loans might have higher interest rates both because more money is at risk and because of liquidity issues in the marketplace. Also, making a 5 percent down payment might mean a higher interest rate than putting 20 percent down, again because more money is at stake relative to the value of the home.

"If buyers are considering an adjustable rate mortgage, be certain they understand what their monthly payment may look like at the first adjustment period," says Bob Dorsa, president of the American Credit Union Mortgage Association in Las Vegas.

Although many people are shying away from ARMs today, equating them with subprime problems, that may be too conservative a position. "Look at buyers' situation any time you're talking about an adjustable rate," says Steele. "There are safe adjustable rates that don't adjust every month. Most 5/1 ARMs offer a fixed rate for five years and then adjust every year. That may be good if this is the buyers' first house and they plan to stay for less than five years and don't base their decision solely on their ability to sell them. That can save them a quarter, a half, or three quarters of a point on their interest rate."

Buyers also need to understand how a 30-year or a 15-year fixed rate loan term affects payment amounts and total loan interest costs. Today, the interest rate difference between the two has shrunk because there isn't as much demand for a 15-year mortgage as in the past. But buyers will still build equity faster with a 15-year mortgage and pay a lower interest rate than with a 30-year loan.

Also, advice buyers to ask about points, which are upfront fees based on a percentage of the loan amount. A lender charges points to originate the loan and as an offset for lower interest rates. One point equals one percent of the loan amount.

"Buyers can pay points if they want a lower interest rate," says Blackwell. "They should calculate how long they'll be in the house and determine whether it's worth it to pay points to get a lower interest rate."

## Step 4: Know Where the Reliable Money Is

If you've recently had transactions fall through because lenders quietly faded away without notice or wouldn't make a commitment weeks after the loan application was filed, you know how important having a list of reliable lenders can be.

Make sure buyers know how to pick a lender who'll be at the closing table as planned. "Even if buyers tell me they're already working with a lender, I provide them with a printed list of four lenders we know from previous transactions whose support staff is just as good as the mortgage representative and whose products are competitive," says Fialk.

Tighter loan availability may also present opportunities for brokerages that operate their own mortgage operations. Just don't forget to disclose any relationship you have right up front.

"Buyers should ask to see a lender's financial statement," advise Dorsa. "If there's any hesitation in providing the information, it might be a red flag." McGuire also suggests checking with state attorneys general and the Better Business Bureau to see if any complaints have been filed against a lender.

Experts say the best sources of financing today are through established financial institutions, like banks and credit unions, which offer both conventional and government-insured loans such as Federal Housing Administration loans and Veterans Administration loans. "No down payment loans are pretty much gone, but there are loans you get with 3 percent down, most notably FHA loans," says Blackwell.

"In our market, the FHA hadn't been invoked in years," says Steele, "and it now represents 40 percent of what we're doing." That increase can likely be credited to the program's higher loan limits, for which NAR lobbied extensively.

In most counties, the FHA is only permitted to insure loans that don't exceed 125 percent of the median home price. In designated high-cost areas, the loans can go up as high as $729,750 which is 175 percent of the $417,000 permanent conforming loan limit for Fannie Mae and Freddie Mac. This high cost limit is in effect only for 2008, but NAR is working to make it permanent.

When the Department of Housing and Urban Development released its latest median home prices in March, the number of homes that could qualify for FHA loans grew. Keeping up-to-date on FHA changes and other mortgage developments is critical to building trust with clients. That trust and openness about buyers' financial picture, Fialk says, will enable you to close transactions in today's tight financing market.

## Low-Cost Financing Sources That Can Rescue a Deal

You're working with wonderful buyers, but they're just shy of meeting all the financial requirements to purchase a home. Here are sources and strategies that may help.

**Consider seller financing.** The use of seller financing—in which the seller agrees to take a promissory note from the buyers for the purchase of the sellers' home—has dropped because fewer sellers can finance the sale of their current home and buy another, says Mark Steele, president of Howard Hanna Mortgage Services in Pittsburgh. However, if buyers are creditworthy, it doesn't hurt to ask whether sellers have the means to swing a seller-financed transaction.

**Suggest leasing with an option to buy.** A lease-option agreement allows buyers to rent a home with the promise of a sale at a certain price while they gather a down payment. Often the sellers agree to apply a portion of the monthly rent toward the down payment. If a seller's home is languishing on the market, this might be a good way to secure an eventual sale and help a buyer.

**Keep an eye on credit unions.** Credit unions are often a well-kept secret, but they can be an economical source of financing. "Credit unions can afford to make loans at below-market rates because they get a better yielding investment than they can get from U.S. Treasury bonds," says Bob Dorsa, president of the American Credit Union Mortgage Association in Las Vegas. Most credit unions service their own loans and occasionally even run "specials" on loans, says Dorsa. For a free, eight-minute DVD explaining why Realtors® should be confident referring buyers to credit unions, go to the association's Web site at www.acuma.org.

**Turn to IRAs.** Remind buyers to investigate whether borrowing from their Individual Retirement Accounts can help generate cash for a down payment. "Borrowing isn't a bad way to come up with a down payment if the retirement plan permits buyers to do that and they can repay the loan," says Steele. IRS rules also permit you to withdraw up to $10,000 penalty free once in a lifetime to purchase a home. However, you must be either a first-time buyer or someone who has not purchased a home in at least two years. Otherwise IRA withdrawals for home purchases are subject to a 10 percent penalty. And while buyers won't pay a penalty if they meet the withdrawal requirements, the amount withdrawn or borrowed will be taxed as income.

**Tap family members.** Many loan programs allow buyers to use gifts from family members for a down payment or closing costs. "It's an excellent way to get a down payment," says Steele, who notes that some programs such as the FHA place restrictions on how much can be given and how the funds can be transferred.

**Know all the programs available.** In addition to FHA financing, HUD offers the Homeownership Voucher Program, which helps first-time buyers with mortgage and other homeownership expenses. Many states have local housing authorities that help buyers purchase with low down payments.

## Quick Tips Your Clients Will Appreciate

**1. Score a free report**. By law, every individual is entitled to one free credit report a year. If you don't feel comfortable asking buyers their credit score or if they decline to share it with you, at least suggest they check their own score at one of the three major credit rating agencies—Experian, Equifax, or TransUnion. Even if their score looks good, suggest buyers check for errors that might affect the rating.

**2. Consider lock-in benefits.** Most lenders will allow buyers to lock in their interest rate once they're approved for a loan. That's usually a wise move. "The only times buyers may not want to lock in their rate is if they aren't going to close for several months or they think interest rates will go down," says mortgage executive Ron McGuire of Indianapolis.

**3. Factor in the premium.** "If borrowers have less than a 20 percent down payment, remind them to factor in private mortgage insurance, which might add up to another half-point to their interest rate," says Dorsa. "Some lenders will increase the rate by one-half of a percentage point to pay the premium, while others will pass the premium on to the borrower with the hope that at some point, through appreciation, the loan-to-value ratio will drop below 80 percent and the PMI will be removed."

**4. Look for backups, guarantees.** Suggest that buyers investigate backup financing sources, and ask whether lenders will guarantee funding. Wells Fargo, for one, offers a guarantee that it will close by the date specified in the contract or pay the buyers' first month's mortgage. At Howard Hanna Real Estate in Pittsburgh, "if a sales associate gets in a problem with another lender, we'll step in and close a deal in one day where that's required," says Mark Steele, who heads the company's mortgage services division.

## Mortgage Math Made Easy

The Internet is full of mortgage calculators, making it easy for buyers to determine how large a mortgage they can afford and what their monthly payments at different loan amount will be. (Sites with good mortgage calculators include Bank of America, Homefair, and Wachovia. Be sure that the payment amounts include taxes and insurance as well as loan principal and interest.)

If buyers haven't done these estimates online, you can also suggest using some standard rules of thumb to estimate how much of a home they can afford.

- Monthly mortgage payments (including property taxes and insurance) should not exceed one-third of monthly gross income. The ideal range is between 28 percent and 33 percent of gross month income

- Total monthly debt payments (including your mortgage payment) should not exceed 36 percent of total gross monthly income.

- The price of a home should not exceed 2.5 times total gross income.

But before buyers can start plugging in numbers to a calculator, they need a clear picture of their current financial picture. Use these lists as a guide to help them get a better grasp on their finances:

**Monthly Income**
- ✓ Take-home pay/all family members (including regular overtime and bonuses):
- ✓ Child support/alimony:
- ✓ Pension/Social Security:
- ✓ Disability/other insurance:
- ✓ Interest/dividends:
- ✓ Other:

**Total Monthly Income=**

**Monthly Debt**
- ✓ Potential mortgage payment:
- ✓ Auto loans:
- ✓ Credit card minimum payments:
- ✓ Child support/alimony:
- ✓ Student loans:
- ✓ Other loans:

**Total Monthly Debt=**

## Comparing Fixed Rates and Adjustable Rates

When your customers are at the point of researching potential loans, one common comparison is between a fixed-rate and an adjustable-rate mortgage. Here's a sample comparison.

**FIXED RATE**
- ✓ Potential purchase price of home: $400,000
- ✓ Potential down payment: 50,000
- ✓ Total loan amount: $350,000
- ✓ Interest rate: 5.75% for 30 years

**Monthly Payment: $2,042.00**

**ADJUSTABLE RATE**
- ✓ Potential purchase price of home: $400,000
- ✓ Potential down payment: 50,000
- ✓ Total loan amount: $350,000
- ✓ Interest rate: 5.25% for 5 years/adjusting annually after

Monthly Payment for first five years: $1,932.71

**Short-term savings with an ARM:** $109.29 monthly; $1,311.48 annually; $6,557.40 over the five-year
ARM term

## Should You Pay Points?

Points are fees calculated on the loan amount and paid to the lender at the closing. One point is equal to 1 percentage point of the loan. In many cases, lenders charge upfront points in return for a lower interest rate. But is it worth it? Assume you can reduce the interest rate on your loan from 5.75 % to 5.25 % by paying one point. Here's a quick calculation your buyers can use.

Potential purchase price of home: $400,000
Potential down payment:  $50,000
Total loan amount: $350,000
Cost of one point to buy down the loan: $3,500
Monthly payment with no points at 5.75 % interest: $2,042.00
Monthly payment with one point at 5.25 % interest: $1,932.71
**Savings by paying one point up front: $109.29 monthly; $1,311.48 annually; $39,344.40 over a 30-year loan term**

*G.M. Filisko is a freelance writer for REALTOR® magazine. You can contact magazine staff at narpubs@realtors.org.*

# LISTING ABCs

## What does it take to convince skeptical sellers that you are the right salesperson to market their home? You need disciplined research and preparation skills to analyze the market, assess pricing options, and plan an effective marketing campaign for the home.

*By G. M. Filisko, Realtor Magazine*

Any real estate pro will tell you that listings are as good as money in the bank, even these days when property inventories are often plentiful in most markets. But there's an important distinction to make with today's listings, says Tom Ferry, CEO and head coach at TomFerry-yourcoach in Newport Beach, Calif. "The key now is taking salable listings, managing sellers' expectations, and doing smart marketing to generate buyers," he explains.

So what does it take to convince skeptical sellers that you're the right salesperson to market their home? You need disciplined research and preparation skills to analyze the market, assess pricing options, and plan an effective marketing campaign for the home. Sound daunting? Putting all those elements together is easier than you think. Here are the resources you need to get started:

A Step-by-step guide to get you from the appointment to the signed listing agreement
Listing tips that will give you an edge
Presentation money-savers: Ideas for cutting your budget without skimping on quality
Listing scripts: How to confidently respond to common seller concerns

## The Listing Appointment: A Step-by-Step Guide

Listing success requires self-confidence and selling savvy — the ability to listen to sellers' concerns, to think on your feet, respond effectively to any objections, and not to shrink from asking for the business.

### Step 1: Lay the groundwork before the appointment.

You've prospected like a pro, and a potential seller indicated a willingness to meet with you. Gain an early advantage by using your appointment call to accomplish two other goals. First, ferret out if the sellers are motivated. Start with basic prequalifying questions. Why are the sellers moving? How soon do they need or want to make a change?

"The intention behind prequalifying at this early stage is to discover a client's real motivation and give you information to tailor your presentation to their concerns," says Ferry. You want to answer questions such as: What are the prospects' concerns about selling their home? Are they financially strapped? Do they need to move to a new job quickly? Are they selling because of an addition to the family? Are they simply downsizing and thus willing to wait until the price is right?

The whole goal on the appointment phone call is to get information so that when you go out on the listing appointment, you know the areas you need to cover.

A prelisting phone call is also a perfect time to find out what sellers want from you, ask, what are the top three things you'll be looking for from me as your sales associate?' That gives you the opportunity to focus your presentation on those main points, For instance, if they say it's important for a sales associate to deliver the lowest closing costs, be sure that'll turn into a commission question during the presentation."

A big question that will eventually come up in every listing presentation is price. So knowing what the prospects think their home is worth before you visit can be very valuable. "If sellers tell you what their house is worth before the listing appointment, you know what to expect. "If they say $500,000 and you know it's $400,000, be prepared to address that."

On a logistical note, Floyd Wickman, founder of the Floyd Wickman Team LLC in Easton, Mass., says it's important to try to ensure you'll have enough time for your listing presentation. "You can say, 'I've got an earlier appointment, and I don't like to rush anyone. Do you expect to be home all evening?' If the answer is yes, say, 'OK, expect me between 6 and 8 p.m.,' and get to the appointment at 6 p.m."

Also, ask if all of the decision makers — all owners, plus any family or friends that must be consulted — will attend your presentation, advises Wickman. Without all the players present, you won't be able to get the listing agreement signed at the appointment.

## Step 2: Prep listing materials for the appointment.

Once you've prequalified sellers, your next step is preparing a presentation that will make any seller ready to sign with you. Although there's not one right answer about what to include in a winning listing presentation, Ferry recommends the following:
A brief introduction explaining your services to sellers and how a real estate practitioner adds value to a transaction

- ✓ A summary of your qualifications and those of your team and your office
- ✓ A sample marketing plan for the home
- ✓ A marketing piece that shows how you're different from competitors, including your track record for closing sales.
- ✓ Other possible additions are testimonials from past clients, a sample marketing piece for the home, and tips for sellers on preparing their home for sale. (For ready-to-use tips that you can customize, see Handouts for Customers)

Include a lot of information on what you will do to get the home sold. I include samples of places they'll find their home on the Internet, an explanation of the marketing you'll do in the first 180 days, information on preparing the home for sale, and an explanation of how you'll stay in touch with sellers. Include information on your team members and their roles. Include documents you'll need sellers to fill out before their home goes on the market, such as a seller disclosure form.

One component that's essential to almost every listing presentation is a competitive market analysis. This compilation of market data about what homes similar to the prospective listing have sold for and how long those sales took is vital for educating sellers about pricing and days on market. Your CMA should feature a snapshot of several similar homes on the market, the average price per square foot of each, pending and recently closed transactions in the area, and days on market to close a sale. In markets with long days-on-market stats, you may also want to provide information on expired listings to remind sellers that if they're not realistic about pricing, they could end up on that list.

Most sales associates still rely on data from their MLS and public records along with their company's statistics and trend reports for pricing data. Other options are valuation sites such as Zillow. Know what they say, even if you don't agree with the estimate. Your sellers will certainly have been there.

## Step 3: Present your case.

Finally, it's showtime. Since first impressions are a big part of how sellers feel about you, try to relax and begin your presentation on a positive note. "I give the sellers a nice handshake and a warm greeting, introduce myself, and compliment them genuinely on something about their home," Goldwasser says. "I'll say, 'I love your front yard.' Or 'I love the white stone on your home.'" Occasionally, finding a sincere compliment is a challenge. Once, Goldwasser says, he walked up to a home that was a wreck, but he thought fast and greeted the sellers by saying, "I love your corner lot."

Next, ask for a tour of the home so that you can build rapport and assess its salability. Ferry recommends asking sellers what they consider the most desirable feature of their home, what they might change, and whom they think is the ideal buyer for their home.

The tour is also a perfect place to learn more about sellers' opinions so that you can incorporate new ideas into your presentation. You want to get from sellers as much information as you can so that when you sit down at the table, you know where you need to spend your time. You'll use the tour to confirm their goals and ask again what they think the house is worth. Try to learn whether they've had other sales associates give listing presentations. If so, you know you'll have to present a good case for your pricing since some salespeople will overprice the house to get the listing..

After the tour, ask if you can sit down and talk about the sellers' plans. Wickman recommends asking the sellers for permission to explain how you like to work so they're not chomping at the bit to discuss price. "You can say, 'Before we begin, I'd like to explain how I like to work. Would that be OK?'" Part of your explanation should cover what you'll do to market the home, why your approach is better than other alternatives, and why the sellers should choose you to represent them. Ferry recommends saying something like, "Here's how I'll expose your home to the highest number of potential buyers."

Explain your qualifications, but don't oversell, say experts. "Sellers don't care about you, but about whether you can sell their house.

When you get to "the P word," pricing, handle it professionally but firmly. Use the following dialogue: "I know you told me you think your house is worth $500,000. With your permission, I'm going to show you some data to help us determine an accurate price for your home. Then goes through each comp, asking for the sellers' agreement every third or fourth home: "This house is two blocks over with your same floor plan, and it recently closed for $405,000. Do you see that house?"

If sellers claim their house is nicer, don't back down. Say, 'I understand your house has some nice upgrades. However, that house had similar upgrades. I'm going to mark this as a star comp, very similar to your house within the last 30 days.'" Take care not to be derogatory about the sellers' home, but be sure to point out pluses and minuses of their home's location and condition compared to other homes that sold — and didn't sell — recently. Also, explain to sellers that other factors, such as the sale's terms and timing, will affect the price they can expect to receive.

If you've done your job well, they'll ask what you think their home should be priced at, and I'll give them my number.

The other big stumbling block for many sales associates is commission. Although the practitioners we interviewed say they're getting far fewer challenges to their commission than they did when markets were stronger, you need to be prepared for that question and have a response ready. Your answer is simple. Tell sellers, 'I'm a full-service sales associate, and I get a full commission. If you want a salesperson who will work for less, I can refer you to some.' "

Offer a range of services and fee structures, few sellers will take you up on the less costly options. "Usually, you just say, 'I'm full service. I get the results I showed you in the beginning by marketing aggressively and getting people to the property.' If they push, tell them I have a variable commission program. Then explain the different levels of service and their costs. "Once they see that we take services out to lower our costs, you will rarely have anybody go for anything other than full service.

Once you have agreement on price and fees, ask for the listing. Be direct and don't make your request too complicated. Say, 'You have a lovely home. I'd love to do business with you. If it's all right with you, can we get started on the paperwork. (See "Listing Dialogues that will Get you the Business" for more tips on what to say when.)

Take one more tour of the house to point out work that needs to be done to get it ready for sale. "Be direct," says Wickman. "I recommend saying, 'If you'll show me around your house, I'll look at it from the buyers' point of view while taking some notes. If I see anything that needs updating or repairs, do I have your permission to bring it up to you?' Sometimes you don't have to say anything. You can just fuss over a defect, and sellers will say they have to fix it. You can then say, 'I would.'"

Knowing your listing ABCs is essential in today's market, but so is one other crucial element. Your positive outlook will go a long way toward showing sellers you're the best person to sell their home.

"The most important thing you can do to get a listing is to have a good attitude. Be confident and show them that you can get the job done and that you'll be there for them through the entire process. You'll get the listing.

## 3 Listing Tips That Will Give You an Edge

**Tip 1: When you can, present last.** When you can, present after your competitors, advises sales coach Tom Ferry, especially if you don't consider your listing skills to be top-notch. "Being the last presenter gives you the opportunity to say something like, 'Now that you've interviewed a few other great sales associates, we can talk candidly about what you liked and didn't and what you feel will cause your home to sell based on what you've learned.' You can become the counselor rather than the salesperson."

**Tip 2: Send stuff ahead.** Most practitioners and trainers favor sending a prelisting package before your appointment.. Where opinions diverge is over what and how much to send ahead. "One group says the more information you put in, the better. Personally, I'm not a fan of that idea. I've heard of clients who were overwhelmed by huge prelisting packages," says coach Tom Ferry. Floyd Wickman agrees, recommending that you leave sellers wanting more. "I include a teaser, such as 'I've got a five-step program that will get your house sold,' " he says.

**Tip 3: Build in a preset price reduction.** While all our practitioners agreed that arriving at the best price the first time is the goal, sometimes you have to be a little more flexible, especially if you're in a market where prices are in decline. Try including an addendum to your listing agreement that includes an automatic price reduction in 30 days. The agreement needs to be contractual, because you are spending your money and time.

## Money Savers: Listings on a Budget

Although you should never skimp on business tools that may help you earn more money, there are ways to save money and still get a top-notch listing presentation.

**Print it yourself**. A good laser printer from Dell, HP, or Canon, which can cost as little as $300, will save you big on third-party color printing of brochures and other glossy elements of your listing packages without sacrificing a professional look.

**Save on those stamps**. Sending your listing presentation via e-mail not only saves money on a courier or your time and gas but also demonstrates your tech skills. You'll need a copy of Adobe Acrobat 8 ($299 for the standard version) to create PDF versions of your listing package, but the expense is worth it to preserve the look and layout of elaborate elements such as brochures. You can also post the PDF on your Web site.

**Use what you have in a new way.** If you don't want to invest in new software to create listings, you can still go high tech by using your current software programs creatively. For example, some contact management software programs come with listing templates. Presentation programs such as PowerPoint also can work well for presentations that incorporate lots of graphs and charts. With a little patience, you can create color charts and headlines with even a word processing program.

**Choose substance over flash.** "Even if you have nothing but a yellow legal pad and statistics on your market, you'll be OK, Listings aren't about the show. They used to be, but not today. Today, they're about having the facts and knowing your market.

# LISTING TECHNIQUES FOR ANY MARKET

If you are a skilled listing agent, you know that getting the signature on a listing contract is a true art form. Each potential listing is a different canvas with a vast array of colors and bushes to build a masterpiece. Your skill as a talented listing agent is to know what bush to use with what color to achieve the outcome necessary to complete your work. Sometimes you can spend days or weeks on your masterpiece, other times in a flury of inspiration, the completed work can be done in just hours. In all instances, the outcome is to create work that meets the needs of the seller and can entice a buyer to buy the work of art.

So how do you create the masterpiece? How do you work with sellers and convince them that you are the DaVinci or Picasso of the real estate world? Is it even possible?

Most real estate listing systems work solely on the premise to listen to the sellers needs, agree with everything they say and get them to sign the 30 or 120 day listing agreement no matter what the price or condition. But having a listing that won't sell isn't worth the listing. Having an overpriced listing is asking for trouble from the seller, other agents and lowball buyers. Sure it looks good that you have 30 listings, but having 30 listings over valued does nothing but inflate the market and devalue other competitively priced listings. There are exceptions… if you are listing a 3 million dollar home just to have the listing, for the exposure, for the prestige… then list the home, but don't expect it to sell unless it too is price right.

There are many real estate agents who believe a CMA is the heart of the listing, and although it is important to the overall presentation, it can also be the one component that can kill a competitive listing price. Use the CMA as part of complete listing presentation package and always have additional properties or a completely different CMA in case your gut feelings change during your presentation.

## Tips for getting the listing

**First Impressions:** You probably already know that the first impression is the most important, so take advantage of it. Not all sellers are impressed by your designations or well tailored suit; for some, it is how you present yourself and your "bedside manor". Create a personal connection with the seller even if you have known them or worked on getting the listing for some time. Take a few minutes to understand the needs of the seller before you get into your presentation. Look for a common bond that can be shared and briefly touched upon when making your first impression. They have a dog – you have a dog; they like baseball – you like baseball; they like hiking – you like hiking; find something that can be shared as common, then it will be easier to lead to your presentation. This process sometimes can take awhile, but you need to get the seller to the 'comfort zone' before moving forward.

**Be Prepared:** "The best laid plans…" will change, so you need to make sure you are prepared for nearly any situation; those that you are not prepared for become a learning experience and your arsenal of preparedness for the future. So how do you prepare? HAVE A LISTING PRESENTATION! This is a step by step, pre-scripted presentation with pictures, statistics, suggestions, tips, detailed information on the home sales process and a 'what happens if section so you can address many of the main issues before they become issues. Your listing presentation should be briefly about you, partly about you listing and mostly about what you are going to do for the seller and how; from listing to close. This detailed plan leaves little room fro error or misunderstanding. Answer any questions that may arise as they come up – don't make them wait until the end of your presentation… and make sure you keep them in their comfort zone during the presentation or you may lose them.

**Ask Questions:** This is not how's your mother or where do you keep your lawnmower? Start by making as statement and ask the seller to agree. How? This granite countertop is a great selling feature, don't you agree? I work exclusively with sellers to help them sell their home, this lets me dedicate my time to you – isn't that better?

It's not a good idea to keep saying… Right? Right? Right? In your conversation, but an occasional interjection for assurance can help keep the seller on your side. It will be easier to get the seller to agree to sign a contract if they have had no objections (or few) throughout your presentation.

Is that it? Not quite… there are many other factors that can influence the seller's decision to list with you. Learn techniques to overcome objections use client referrals and build your marketing collateral for listing success every time. These tips and more coming in future newsletters.

## Q: How do I get a Listing Appointment?

A: If you have no lead for a listing appointment, take the following steps:

1 Call everyone you know in your sphere of influence and ask them if they or someone they know is considering selling their home – if so, get their name and follow-up. If that doesn't work.

2 Start knocking on doors in your farm area and introduce yourself. Ask if they or someone they know is considering selling their home; if so, get their name and follow-up. If that doesn't work.

3 Go to community events, special events, art fair, country fairs and all other public forums and start passing out business cards and personal brochure and introducing yourself – always asking if they or someone they know if interested in selling their home. By the end of the day you'll have met a lot of people, passed out a lot of business cards and should have more than one contract for a listing appointment. You're in sales… go sell!

# PRICING THE HOME RIGHT

At the time of listing, every teal estate agent has several choices to make, but the most important to the seller will be the price of the home on the market. The single most important factor in any real estate transaction is the price. Yes, you want to make your client happy and get the listing, but agreeing to a price that is impossible. If you price the home too far out of the market, you will not get showings. The mot critical part of the home marketing is the first 2 weeks when you're letting the world know the home is for sale.

Your client relationship should be built on an understanding that:

1 You are the industry professional

2 You work in the real estate industry fulltime

3 You constantly monitor the fluctuation in the local and national markets

4 That any listing price must be flexible and negotiable

5 That the seller must ready to adjust to market conditions

6 That the seller agree in writing of the conditions

If your seller is not aware of these simple rules, you have already lost control over the listing. Sure, the seller owns the home, but they are using a real estate professional for reason. You are the listing agent because the seller believes that the degree of professionalism, knowledge, skill and negotiating abilities are the bet that meet their needs. Establish the ground rules so the seller knows how you work and what to expect.

Just like you should have a list of all the services performed throughout the listing and sale of their home, you should have an agreement stating a reassessment of the sale price is necessary every 30 days. If you are not sitting down with an offer for your seller in 30 days after listing the home, then you should be sitting down with them to get a price adjustment.

**So how do you price it right to begin with?** Sometimes listing a home seems like a crap shoot – you roll the dice, get a number and hope someone else rolls that same number… again and again and again. It shouldn't be! Although there is no exact science to the 'perfect' pricing of a home, you should use your experience, market analysis, sellable feature adjustments and taxable values to determine your price. Some agents prefer to give a range during a presentation, but even the range can be misleading. If you've done your homework, the margin of error should only be 1% from the listing price.

**Give your seller an exact listing price.** "Mr. and Mrs. Seller, if you list your home today at $$$$$$ the probability of it selling in the next 30 days significantly outweighs other homes in your market area." Or "The highest probable price will place your home along side other homes that have been on the market for a long time. Pricing your home at $$$ $$ will generate more interest and possibly bring offers to your table." Giving an exact price assures the seller that you can make a decisive and clear decision, not weigh it on a probable range. You may be wrong, but you've already laid the groundwork for market corrections.

**What if the home doesn't sell in 30 days?** Don't wait 30 days! If you see in the first week that other agents are not showing the home, get feedback and let your seller know. If you run an ad and get little interest, let your seller know right away. In doing so, you're preparing your seller for the price adjustment discussion long before the 30 days are up. If you have prepared the seller, then he or she is brutally aware of the recent activity, comments from other agents and potential buyers.

**Let your Seller know the listing process.** As part of your listing presentation, you should have a list of all of the services you provide to the seller as part of the home selling process. In doing so, you may also wish to explain each of them briefly so they fully understand the work that goes into each process. Telling them you will put their home on the internet is not enough. You need to let them know that by listing with you, their home will be listed on the top 40 home search websites, but it could take up to 2 weeks for their home to be listed and filter through the internet. This is just one example, but listing your services and how the services work can actually help build your client relationship.

## Q: WHAT IF I FORGET SOMETHING DURING A LISTING PRESENTATION?

A: It's always best to have a listing presentation for your appointment that you have memorized and can paraphrase if necessary. It is also a good idea to have a checklist for your listing as well. Some offices provide listing folders including all of the necessary paperwork and checklist of documents so you don't miss anything in the process. Because of your legal responsibility as an agent, you want to make sure that every listing has the correct paperwork and that you know where to fill in all of the blanks, cross out the blanks and get the required signatures. Your organization will look more professional having a checklist for your listing, your presentation, you follow-up and your closing. If you do happen to forget something, don't put it off! Get it taken care of immediately so you do not have any future problems.

# 'MY HOUSE IS WORTH MORE THAN THAT!'

## The listing price is perhaps the most important factor in how quickly a home will sell. But sellers often don't understand how you reached your recommendation.

*By Rich Levin, Sales Coach| January 2009*

If you know how to price a listing effectively, you're much more likely to succeed in selling that property and making your clients very happy. Get pricing wrong, on the other hand, and you'll suffer the consequences from all sides: prospective buyers will skip that home, sellers will be upset, and the home will stagnate on the market.

So how do you price it right? You must have a well-planned strategy reaching a figure that's appropriate for your market. Just as important, you must communicate your pricing plan confidently to sellers so that they'll understand how you reached your recommendation and why it's the right path to take.

After all, the sellers are really the ones in control of the pricing. If you don't have their buy-in, there's not much you can do. If you're used to hearing "But my house is worth more than that!" then it's time you start using a teamwork-based approach that starts with educating sellers on the process of determining a listing price.

**1. Conduct a thorough initial seller interview**. Often overlooked as a critical part of a pricing plan, this initial conversation over the phone should help you understand the sellers' goals and set the stage for your eventual pricing recommendation. Ask good questions to collect detailed information about the condition of the home, what updates have been made in the past five years, what makes the home unique or special, as well as other pertinent information that could affect the price. Be sure to explain to sellers that you will use this information to determine the best listing price for the home.

**2. Don't skirt around pricing at the listing presentation.** Pricing is a touchy issue, and some salespeople try to avoid it until the last minute. However, the better strategy is to address pricing upfront. Why not? You're the expert, right? A good listing presentation should start out with a thorough explanation of what your role will be in pricing the listing and getting the home sold—as well as what you expect the sellers' role to be during the listing. Remember that effective presentations are full of questions that you ask the sellers as you work toward gaining their trust and building rapport. You also should be subtly laying the groundwork for a later price reduction conversation, if necessary.

**3. Do your homework.** Gather listing and tax information for comparable properties; conduct drive-bys of those properties; and perform a thorough visual inspection of your listing so you know how it stacks up with the competition. Review, sort, and select the best comparables, then put all of the pertinent information together in format that will be easiest for the sellers to review and understand—perhaps in a slideshow format or on color printouts (or impress them by doing both).

**4. Use the right tools and documentation.** Many real estate practitioners today are using comparative market analysis (CMA) tools that let them send their analysis directly to clients via e-mail. This is a great way to deliver the information in a timely manner, but be sure the format is easily understandable. Follow up with hard copies to clearly show the amount of time and effort you took to assemble the information, and to substantiate your insight and expertise. Practice presenting the information until you are comfortable, confident, and compelling.

**5. Provide consistent communication during listing.** Consistent communication engenders the confidence of sellers so that they will listen to you and trust you. I recommend that you communicate on a regular schedule, preferably weekly, with your sellers to update them on market activity and your marketing efforts. By staying in regular contact during the listing, you are keeping your service promises and building a stronger client relationship. It is essential to build this open communication if becomes necessary to discuss a price adjustment later in the listing period.

**6. Schedule price discussions in advance.** A price reduction should not come as a surprise to your sellers. Set an appointment during the initial listing presentation to meet at a certain time into the listing, if there are no offers by then, to discuss a price adjustment. To prepare for that meeting, gather all of the market data that will support your price recommendation and review all the factors that help the property sell — or not.

## Get Cooperation from Sellers

The biggest obstacle to pricing right is an unmotivated seller. Should you be working with unmotivated sellers in the first place? That's a question you have to answer for yourself. But one thing's for sure: A seller who truly has no urgency won't have the motivation to be flexible or cooperative on price.

To earn the cooperation of sellers on price requires that you create a sense of trust and establish their urgency to sell. You start during your first conversation by asking sincere and detailed questions about why they need to sell and their timetable for selling.

**Here are some more tips for gaining cooperation:**

**Schedule a marketing update meeting.** This meeting should be scheduled to occur three or four weeks after you take the listing, and then every three or four weeks thereafter until the property is under contract to be sold. Establish as the context of this meeting to review your marketing efforts, a big part of which is the price. If you do feel the need to reduce the price, this is where you can broach the topic.

**Keep your promises.** At the listing presentation, describe your service, your marketing plan, and what the seller can expect from you. Then deliver on what you described. Doing what you say you'll do is very important to sellers.

**Establish regular communications.** At the listing presentation, let the seller know that you will be calling at a given time (say, between 10 a.m. and 12 p.m.) on a given day of the week to update them. When you call, be sure to speak with all sellers (both the husband and wife, for example) so that each has the opportunity to communicate with you.

## Now it's Up to You

Pricing is a critical real estate skill that will make or break your career. You may have a natural talent for it, but most people need lots of practice before they're confident and effective. By helping buyers understand the pricing process, and doing your part to make them feel in control, you'll be able to work together with them as a team.

Now's the time to start practicing so you can achieve a level of expertise that generates income, professional self-esteem, and peace of mind. Using the steps outlined above, the scripts available through the hyperlinks, and some dedicated practice, you can add this critical skill to your repertoire.

# PRICE REDUCTION
# (Oops… it didn't sell… now what?)

It's amazing that some agents idea of listing a home is to roll the dice, hope for the bet and avoid the seller until you have an offer in hand; but alas, that is how some real estate agents prefer to do business. Satisfying the seller seems a distant and obscure concept, especially when things are not going well. It is difficult to accurately predict the future or we would all have hit the lottery and be relaxing miles away from the worries of real estate.

One of the best ways to leverage the market in your favor is to adjust your inventory to compete with market demand. This means as the market falls, so must the prices of the listings to compete. The longer you wait, hoping the market will re-adjust, the longer your listings will sit unsold; and in order to make money in real estate you have to sell houses.

So how do you create demand? How do you generate interest? How do you get the seller to agree? Start with pricing the home in a widely diversified search criteria? Here's how…

As a real estate professional, you should not only know how to sell a home, but how to price a home. Listing a home for $249,000.00 is a HUGE MISTAKE! Why? The home may be well worth every bit of $249,000.00 and more, but by pricing the home at $249,000.00 you're missing a large portion of potential buyers.

## The Marketing 9's

It's long been known that perception sells; it also has been a perception by the public that the marketing 9's create demand. Just look at the blue plate special for $2.99 or the $99.00 subscription. But are all 9's the same or is it perception? It is possible to pay more because of the 9 than sometimes without.

Gasoline today was $4.04 per gallon, or was it? Most consumers pay no attention to the fact that the same gallon of gasoline was actually $4.049 per gallon – and with everyone watching pennies, you're actually paying a penny more per gallon. If you were to figure the same concept on the price of a home, it would be thousands of dollars.

**Zero's versus Nines in Real Estate:**

Let's say you list a home for $249,000.00 – the next day, 30 agents are searching the MLS for homes between $300,000.00 and $325,000.00 – where is your listing? If you are a good real estate agent your going to search in a wider range, but what if they have already narrowed the search. You are doing a disservice to your seller by not listing the home at $300,000.00, therefore making it more widely searched. Buyers looking from $275k to $300k will find it, and buyers looking from $300k to $325k will find it. You are only showing your professional expertise to the seller when you tell them why the home is listed for $300,000.00. To attract more buyers.

## 3 ways to get a price reduction:

1 ASK! If you've done your due diligence, then your sellers already know what needs to happen. If you have prepared them, give them market updates, called them about the market trends, it should not be a hard sell.

2 PROVE IT! Sometimes convincing sellers to lower a price is like pulling your own teeth. So ask them if they would pull their own teeth? Give them the tools they need to make their own decision and then hold their hand as you guide them to the extraction.

3 BEG! Just seeing if you're paying attention… never beg… if they cannot see a reasoning to adjust the price, you have not made a clear enough presentation about the need. The only reason a home does not sell is price, it's not lack of buyers.

Remember first and foremost… it is the seller's home. If they will not or cannot budge on the listing price and you've done everything to justify a price reduction, you have to make a decision. Do you keep the listing for the sake of the listing or do you let it go? If the seller understands that keeping their home on the market at an over market value can

1. Destabilize the value of other homes
2. Sit without showings or activity
3. Potentially not sell no matter how long on the market and
4. Cost you money on an investment that isn't going to pay off

You need to make a professional decision and inform your seller. Some agents take listings just to have listings, knowing full well they are overpriced and probably will not sell; if your seller has been made aware of the situation and you can accept the outcome of a non-marketable listing, it is your decision. Remember – buyers want the best price and also look at how long a home has been on the market.

# 3 MISTAKES THAT WILL HURT YOUR CREDIBILITY

## Are you just telling customers what they want to hear? That could come back to haunt you. Here's how to use everyday scenarios to build trust.

*By Mark Stevens December 2008, Realtor Magazine*

When you forgo an immediate commission by discouraging clients from making a poor housing choice—paying more than they can afford or making an offer on a home that won't fit their needs, for example—the trust level between you and your clients rises exponentially.

You're no longer seen simply as a salesperson but as a reliable adviser who cares more about the customer than the transaction. If you have the foresight to play that kind of role with clients, you'll make any lost commission back in spades because of the trust you engendered.

Sounds simple. Yet, it's amazing how frequently practitioners squander an opportunity to build this valuable trust. Here are a few easy-to-make mistakes that can seriously undermine your credibility.

**1. Flip-flopping.** Many consumers who visit a property with a salesperson express their excitement at the curb. And it's a pretty standard technique for a salesperson to reinforce this positive feeling by saying something like: "Yes, this is a great home." But what happens when the buyers tell the salesperson they're disappointed in the house after seeing it up close.

If the salesperson says, "Yes, I never liked that floor plan," the clients then think, "He knew it wasn't great all along but tried to sell it to us anyway. We can't trust him now."

You can avoid this apparent lack of candor at the outset by tempering the prospective buyer's exuberance at the curb. Reveal any factors you're aware of that may constitute a potential problem. You might say: "Yes, it truly is a stunner. It could be ideal for you, but once we get inside there are a few things I want to point out that should be factored into your decision."

**2. Ignoring your own better judgment.** When you know a house that buyers ask to see doesn't fit with one of their stated criteria, you should let them know about that fact before they see the home.

For instance, if a buyer tells you that schools are of primary importance, you should suggest right away that they review local school statistics themselves and decide which areas they want to tour. That will help you avoid unlawful steering when and if the buyers ask to see a house in a school district that you know has low test scores. You can then remind them to check the information they've already obtained if they're thinking of making an offer on such a property.

**3. Saying what your client wants to hear.** When I hired the father of one of my son’s friends to sell my last home, I asked him if we could get a very ambitious price for it. He said what I wanted to hear: "No problem." Well, he got the listing but couldn’t sell the house.

So I brought in the top salesperson in town, and she promptly told me what I didn’t want to hear: "Replace these windows and lower the price by $125,000." She sold the house in less than a week. I recommend her to everyone.

# PROFESSIONAL AGENT SELLING TIPS

*Published in Realtor Magazine*

## Six sure-fire objection stoppers—don't let these common objections stand between you and a sale.

1 The price is too high.
Stopper: If you think the price is too high, what would you consider a fair price?

2 The offer is too low.
Stopper: I don't really decide what your home is worth; the market makes that decision. In my opinion this offer reflects the fair, current market price.

3 Your commission is too high.
Stopper: I'm an experienced salesperson who averages more than $X million in sales a year. I'm an experienced negotiator, who usually sells homes at X percent of full list price. I'm an aggressive marketer, who averages a sale in X days. I think you're getting a bargain.

4 Another company will list my home for less.
Stopper: Real estate companies offer a range of commissions. My company isn't a discount company. Instead we've chosen to provide a full-service plan that sells your house for the highest amount of money with the least inconvenience.

5 I'll only sell for x amount.
Stopper: I'm certainly willing to do my best to sell your home at this price. But I want you to agree that you'll be willing to reconsider the price if the home doesn't sell in 30 days.

6 I'm going to sell on my own.
Stopper: Would you try to set your own broken arm, or would you hire a professional? I have expertise that you don't. For example, I have access to the MLS to market your property

# EIGHT IDEAS FOR BETTER DIGITAL PHOTOS—it's never been easier to impress clients with professional-quality photos.

*Published in Realtor Magazine*

1 Know thy camera. You don't want to be reading the manual and fiddling with settings when that once-in-a-lifetime moment appears.

2 Overdo it. With digital film, it costs you nothing to keep clicking. So try the same shot from different angles, distances, and heights.

3 Increase memory. Don't be forced to delete photos. Buy a bigger memory card. Cards offering less than 16megabytes of memory are inadequate for many high-resolution cameras on the market today. Get a 64megaby card, even if you must buy it separately.

4 Time it right. Many digital cameras have a slight time lag between the click and when the picture is taken. Master the timing of your camera so you don't miss the shot.

5 Steady as she goes. Even slight movement can blur your pictures. If you have a view-finder, use that instead of the LCD screen to line up a shot. The farther you hold the camera from your face, the more likely you are to wobble it.

6 Set it right. If you intend to e-mail photos to clients or post them on your Web site, set your camera to save images in the JPG format at the lowest available resolution (often 1 megapixel or one-quarter size). Higher quality settings will substantially increase the time it takes consumers to download the pictures. And because computer monitors can display images at only 72 dots per inch, a higher resolution won't give viewers a better picture.

7 Reduce glare. If one portion of the house your shooting comes out looking too dark, your problem is probably underexposure, which often occurs when the background light is brighter than the details you're trying to capture. To reduce the impact of background light, take exterior pictures when the sun is in front of the house or wait for an overcast day.

8 **Find your focus.** If you take pictures through a window, the camera's auto-focus feature may zero in on a nearby object (the window screen or a tree branch) and not the intended subject matter, resulting in blurry photos. To avoid this, set your camera's focus on infinity rather than on auto-focus or move the center of your photo slightly to shift the auto-focus away from the object that's confusing it.

**Parting shots:** Once you've mastered camera technique, take your camera to closings. Photograph the buyers in the waiting room, signing the documents, and holding the keys as they smile from ear to ear. E-mail them to pix along with your name and contact info so they can send the photos to friends and family—a handy way to build referrals.

## Ten needs to carry in your car—prepared you'll be for any circumstance if you always carry these handy items.

*Published in Realtor Magazine*

1. Cell phone
2. Tape measure
3. Tape recorder to note FSBO addresses and thoughts while driving
4. Signs to post right after nabbing a listing
5. Spare tire (filled of course, and an aerosol can for inflating a flat tire, such as Fix-a-flat)
6. PDA (with current MLS information)
7. Book of maps
8. Phone books
9. Laptop, portable printer, and power converter
10. For clients: handy wipes, extra umbrellas, tissues, and for kids, paper and colored pencils