



## Mortgage Insight: 5 Tips to Negotiate Deals Like a Pro

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According to recent information from the National Association of Realtors, the National Association of Home Builders, and other reliable sources, the volume of home sales has declined slightly in the last few months compared to a year ago. But home sales prices in most communities have held steady.

As the home sales market adjusts to slightly higher mortgage interest rates, if you are a home buyer, seller, or real estate agent, your negotiation skills will become more important than during the recent "bull market" for home sales. As a long-time student of negotiation tactics, I've learned it pays to periodically review the key negotiation strategies most frequently encountered in home sales.

### 1.) WATCH OUT FOR THE "HIGHER AUTHORITY NEGOTIATOR."

Experienced real estate agents can spot this negotiation tactic, which is used by new and repeat home buyers. I first encountered it while helping a client sell his rental home to a couple who were his tenants.

After they agreed to buy the home, and we agreed upon and wrote up the sales details in a standard contract, the wife said, "This looks good to us. But we'll have to check with

my father who is giving us the down payment."

Oops! I had just become a victim of the "higher authority negotiator" tactic. That means the sales contract you think you have negotiated is subject to approval by a previously undisclosed higher authority.

When her father visited the house (I'm sure he had already been there several times before,) he found alleged defects such as the floor plan, which he didn't like. He also pointed out the heavy street traffic. The result was the buyers asked for a price reduction from the sales price and terms we had already agreed upon.

I politely explained to the father that we had already reached an agreement on terms favorable to both the buyer and seller-- the buyers had rented the house so they knew its pros and cons, and if the tenants didn't want to buy the house on the agreed terms that was fine with the seller.

The buyers still purchased the house on the original agreed terms and the wife's father put up their \$50,000 down payment.

Looking back, if I had known there was to be a "higher authority" involved in the negotiation, I would have suggested we all meet together with the "higher authority" to work out the home sales details at the same time.

### 2.) BEWARE OF NON-STOP NEGOTIATORS WHO NEVER QUIT "NIBBLING."

These are the toughest buyers and virtually every long-time realty sales agent has encountered them.

They are the home buyers who reach a home purchase agreement relatively easily without much back-and-forth negotiation. The sales contract is quickly signed and then the "nibbling" negotiations begin.

A very smart "nibbling" negotiation tactic for home buyers is to include their approval of a professional home inspection report contingency in the sales contract. Today, most realty agents strongly encourage buyers to make their purchases contingent on approval of a professional home inspection paid for by the buyer.

However, if that report reveals significant home defects that the seller "forgot" to disclose to the buyer, the buyer can then use that report to (a) renegotiate the sales price, (b) obtain a repair credit, or (c) cancel the sale.

To counteract this tactic, home sellers and their listing agents should set a quick deadline for the professional inspection report, such as 5 to 10 days, so the home won't be held off the market very long.

If the home passes the professional home inspection test, watch out for other tactics of non-stop negotiators. One of their favorite methods is to repeatedly come back to the home, even after the sales contract is signed by all parties. They use excuses such as, "We need to measure for our furniture." But their true purpose for another visit at the house is to look for defects to lower the sales price or even cancel the sale if the buyer has a serious case of "buyer's remorse."

The harsh preventative to non-stop negotiators is to refuse them access, except for the customary re-inspection on the day before the closing of the home sale.

### **3.) LOOK OUT FOR THE "BAD GUY-GOOD GUY" TRICK.**

Everybody has seen this "bad cop-good cop" negotiation trick on television shows. Typically, the tough cop will ruthlessly question the suspect, stopping just short of violence to gain a confession. Then the "bad" cop is called away for some reason and the "good" cop takes over to sweet-talk the suspect into a confession or a plea bargain.

The same negotiation tactic works in real estate negotiations. Often the husband is the "bad cop," who is tough and not willing to compromise. But the "good cop" is the wife, who is more reasonable. However, don't be fooled. Try to keep all parties involved in the negotiations simultaneously so the all the issues are on the table at all times.

### **4.) THE "UNEXPECTED AUCTION" TRICK.**

We are all familiar with advertised auctions, such as for artwork, antiques, and foreclosed real estate. But few home buyers anticipate the "unexpected auction."

This negotiation trick can arise in several ways. One method is where the seller's listing price for a house or condo is set artificially low below the true market value. The intent of the listing agent and the seller is to create a "buyer frenzy" of competitive buyers out-bidding each other far above the initial asking price.

Another way this negotiation tactic can arise is when more than one buyer becomes intensely interested in buying a house or condo. They are told by the realty agent, "Another buyer is seriously interested in purchasing this home." When the seller rejects the initial purchase offer, it creates a competition between two or more buyers.

My best advice, if you discover you are in an unexpected auction, is to drop out of the bidding. If you really want to purchase the home, submit a written "backup offer" with a substantial deposit check to show your sincere purchase interest. You might be surprised when the first buyer who won the "auction" backs out and you wind up owning the home.

### **5.) THE "WOULDJATAKE" NEGOTIATION METHOD.**

Whenever it's possible for the home buyer and seller to meet, such as during the inspection, as an

aggressive buyer you should never hesitate to engage in friendly conversation with the seller about the home. After asking a few questions of the seller, turn the discussion to the asking price; My favorite question is "Wouldjatake \$ \_\_\_ for your home?"

Sometimes, the seller is shocked. Other times the seller says, "Maybe."

Better yet, "What is the lowest price you could take for this home?" When that price isn't acceptable, you can then resort to the "wouldjatake offer" which often produces better results.

If you are the home seller and you encounter a *disgusting* buyer like I've described, your correct answer should be, "Well, why don't you put that offer in writing so I can seriously consider it." Then the seller can either accept it, or make a counteroffer.

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