

# Real Estate Secrets Exposed

Tricks Of The Trade Most Realtor's Do Not Want You To Know

by

W. Troy Swezey

Author and Realtor

[www.TroyIsMyRealtor.com](http://www.TroyIsMyRealtor.com)



## About The Author

Troy Swezey is a professional, full time Realtor with Century 21 Paul & Associates in Burbank, California, and has much experience bringing buyers and sellers together. Whether you are a first time buyer or a seasoned seller, if you are buying a fixer-upper or investing in your dream home or condominium, have a probate, foreclosure or 1031 exchange, dealing in commercial or equestrian property or land, Troy can help!

A rare Southern California native, Troy has lived in the San Fernando Valley since 1977. Raised in Burbank, he is a 1986 graduate of Burbank High School. From 1990-1996 he served as a flight engineer on UH-60 Helicopters in Germany. Upon his return to Los Angeles, he spent a short period of time in the film industry while he studied for his real estate exam. Having served in the military and purchasing his own first home with a V.A. loan, he knows all the ins and outs to help his fellow Veterans with their purchase

Troy, as one of the top real estate professionals in the Burbank / Los Angeles / Foothills area, prides himself with providing excellent service to his clients. His commitment to life-long learning to sharpen his professional, personal and interpersonal skills has allowed him to remain a leader in today's real estate market.

Although his office is in Burbank, Troy is extremely familiar with the surrounding neighborhoods. Whether you like the south side of The Valley including Toluca Lake, Studio City, Sherman Oaks, Encino, Tarzana and Woodland Hills, or if you prefer to own in the northern part where you will find North Hills, Granada Hills, Northridge, Chatsworth and Mission Hills, Troy knows the area. Let's not forget right down the middle with Van Nuys, North Hollywood, Reseda, Valley Glen and Valley Village. If you need to be near a college, he also knows Glendale and Northridge. For his special clients, he will go to the Santa Clarita towns of Newhall, Saugus, Canyon Country and Valencia.

His award-winning relocation service is top notch when it comes to moving in or out of the area, whether across town, across the country, even internationally!

He is actively involved within the Burbank community. He is a graduate of the Burbank Citizens Police Academy and a member of the Magnolia Park Citizens Advisory Committee. He worked on the successful election campaign of Burbank City Councilman Jef Vander Borcht.

Troy was President and Treasurer, and is currently Vice President of Public Relations for Burbank Media Center Toastmasters #125. He was a founding member of the Studio City Leads Club and served as Treasurer and President. He is also a Wishgranter and Ambassador for the Make-A-Wish Foundation and is active with the Tony Robbins Foundation and their Basket Brigade.

Troy's involvement within the community, his listening and negotiating skills, his professional designations, being a member of four real estate boards and their respective multiple listing services (MLS), his solid relationships with the area's best mortgage lenders, escrow officers and title insurers, as well as his state-of-the-art computer equipment, enable him to provide his clients with that extra level of professionalism.



## **Acknowledgments**

There are many people who helped in their own ways with the completion of this book. Their input was invaluable to me and I thank them here for their support.

Very special thank you's to:

My wife, Leslie, for her support and kind words over the years.

Nonna Fridman for having the confidence in me to let me handle her home purchase as my very first transaction.

Will Fowler for his inspiration and support and for all his love and teachings. (You should buy and read his books. He is a great author.

<http://www.amazon.com/exec/obidos/ASIN/091567761X/qid%3D1056059163/sr%3D11-1/ref%3Dsr%5F11%5F1/002-9455937-8636038>)

Paul Kyriazi, another favorite author and friend of mine, for inspiring me to write this book and for helping me with the “lifestyle.”

Trixie, Shea, Mika and K.C. for allowing me to live in their home in exchange for the occasional back rubbing and cans of tuna.

Thank you to the following individuals who have touched my world at some point in time and without whose help I would not be here sharing this knowledge with you today:

Anngel Benoun; Claudia Bonis; Larry Cotton; Cecelia Davidson; Janet Dubrasky at Fidelity Home Warranty; Pam Gerrard; Marla Gilbert at Sail North Hollywood Escrow, Studio City, CA; Mike DeGrandis at Chicago Title, Glendale, CA; Jerry Guffey; Clarence and Alice Hawkins; Art and Patti Hawkins and their family; Tom and Sharon Hartz and their family; Bob and Sandy Krauthamer; Lisa Martinez and Lisa Matzner at Old Republic Title, Glendale, CA; Jim Paul; Tom Paul; Kim Schulke; Tom Shea;

Dorothy and William A. Swezey, Sr.; June and William A. Swezey, Jr.; Andy and Robyn Tourville; Spencer Walch

The many people who do not know me but I definitely know them and look to them for inspiration- James Bond; Garth Brooks; Kenrick Cleveland; Marshal Sylver; Donald Trump; Dan Kennedy; Peter Lowe; Jimmy Mattingly; Casey Wasserman; Zig Ziglar

Thank you to the following individuals for their help and support. Without them, this book would not have been possible.

Proofreading: Leslie Anne and Kaye Mallory

Content guidance: Karen Berry and Carrie Dillard

Web site creation: Kaye Mallory

Web site development and support: Paul Mananian

Technical support: Paul Mananian

Legal: Law Offices of Walch and Walch, Pasadena, California

Your comments and thoughts are important to us. Please let us know what you think at [Troyc21@usa.net](mailto:Troyc21@usa.net).

You've made the right decision.....	Page 8
Pre-qualifying for a home loan.....	Page 9
Why you need a Buyer's Agent.....	Page 10
Looking for a home.....	Page 11
The importance of having your home listed in the correct MLS.....	Page 14
The difference between a condominium and a townhouse.....	Page 15
If the seller is not home, how will we see the inside?.....	Page 15
The Offer.....	Page 17
Escrow.....	Page 19
The Physical Inspection.....	Page 20
Title insurance.....	Page 22
Home warranty.....	Page 22
80 things that can go wrong between contract and closing.....	Page 23
How do Realtors get paid?.....	Page 27
Discount Agents: Who needs them?.....	Page 27
Buyers and Open Houses.....	Page 30
Sellers and Open Houses.....	Page 30
Avoid small real estate offices.....	Page 31
Avoid part time agents.....	Page 32
Tricks agents play.....	Page 32
Overpricing listings.....	Page 32
There are always multiple offers.....	Page 33
The showing order.....	Page 34
The local "specialist".....	Page 34
Seller selects services.....	Page 35
I have a favor to ask you.....	Page 35

The purpose of this book is to shed some light on the often mysterious and sometimes daunting world of real estate.

With the proper guidance and education, real estate can not only be fun but it can be very lucrative for you.

In this book, I will explain some often confusing aspects of buying and selling real estate and expose some of the tricks of the trade some of those other real estate agents don't want you to know.

I will preface this by saying that I practice real estate full time in Southern California. Some things that you read here may not pertain to you in your part of the world, but most of it will.

For the purpose of this book, the term "house" is interchangeable with "condominium" and "townhouse." We will discuss the differences between the three later.

I trust that you will find this book educational, informative and maybe even a little humorous at times. I have included some stories of what I have seen and experienced working with many buyers and sellers just like you. I know that my knowledge and experience will help you make a wise decision where, you can see yourself sometime in the future looking back on today knowing that this was the day that changed your life for the better.

## **You've Made The Right Decision**

Congratulations on making the decision to invest in your future. Whether this is your first home or you are an experienced investor, you are sure to find this an exciting experience. Even with the many transactions I have been involved in, I never seem to get over the wonderful feeling of handing a buyer the keys to their new home.

There are many different reasons to invest in a new home:

***A greater sense of belonging to the community:*** Once you own a home, you feel more attached to the city in which you live. You're more interested in what happens in town, to the roads, schools, and shopping areas. Some people even become involved in local politics, which you seldom see a renter do.

***A commitment to something, a sense of stability:*** Home ownership is an anchor, something that cannot be pulled out from under you. You'll never get a notice that you have to move. You're kids will never have to change schools. It gives you freedom to plan years ahead.

***You can change things, a feeling of being in control:*** It's your home. You can add to it, remodel it, change the landscaping, do whatever projects you want. You have a feeling of being in control of something in your life. At work we don't always have control of what happens, but your home is your castle which you have dominion over. You can see what you're building take shape before your eyes. When I lived in an apartment, I never painted the walls any color other than white and never hung any artwork in fear of having the landlord yell at me.

***More control over the children than in an apartment complex:*** In a neighborhood, kids usually play in the yards or go to friend's houses a few doors away. My clients have told me that in an apartment complex they never knew where the kids were. They could be in any of hundreds of apartments, doing who knows what. In a home you get to know the neighbors and watch out for each other's kids.

***Children do better in school and feel more secure:*** This one surprised me, but buyers have told me that their kids calmed down in school after they bought a house. I don't know why, but it seems to work that way. I remember a single mom watching her son play in the yard and building things. She didn't have to tell him to leave everything alone,

like she did at the apartment complex. I guess kids feel the same need for control we adults do.

***Time and money saved by not going to the Laundromat:*** A small point, but if you have kids, you know the value of this one. You gain a whole evening a week when you buy a house! The wash gets done in between other things, or while you're at work. What would you do with the extra evening you'll have? How about going out for dessert with all those quarters?

### **Pre-Qualifying For A Home Loan**

Once you have decided to invest in a new home, before you actually go out looking, you should call the mortgage lender. Let me tell you a story from my personal experience. When I started to look for my first home, I assumed that I could certainly afford to live in the same neighborhood that my folks lived in and where they raised me so I started looking at open houses in that area. I spent a good deal of time researching the available properties and finding exactly the types of homes I was looking for. When I felt I had all the information I needed, I met with a Realtor who advised me to talk to a mortgage lender. I spent a few moments with the lender who asked me questions about my income and my debts and assets. We also talked about, based on my income, the size of my monthly mortgage payments and how much I could comfortably invest every month in a home. She was then able to tell me the price range of homes that would be affordable for me. To my surprise, the price range the mortgage lender suggested to me was a bit lower than the neighborhood I was looking in. Actually, it was substantially lower! All the time I had spent going to open houses, driving around neighborhoods and reading the newspaper was wasted. I was able to regroup and start looking in different areas for my new home, but I wonder how many great homes were bought up by people who knew what they were looking for while I was out spinning my wheels?

On the other side of the coin, there once was a client that was the exact opposite. He was looking in neighborhoods that his coworkers lived in. His logic was that they all made about the same amount of money so they should all be able to afford the same area.

What he didn't count on was his wife's income. When they sat down with the mortgage lender and answered just a few questions, they were surprised that they could move into a much nicer neighborhood than they had originally thought. Their children are in a better school district and they are very happy in their new home.

In today's real estate market, many of the homes that become available are sold in the first few days they are on the market and sometimes even sooner. It is truly in the new home owner's best interest to have a loan pre-approval letter before even starting the home search. In fact, I always submit my client's purchase offer with a copy of their pre-approval letter. It proves to the seller that you are really serious about purchasing the home and that you will have no problems qualifying for a loan. That alone could help you win out over another person who wants to buy the same house.

### **Why You Need A Buyer's Agent**

Often when a buyer is driving around the neighborhood calling the names they see on the yard signs, they do not realize that they are calling the agent who is representing the seller. That agent is employed by the seller to get them the highest price possible for the home. Obviously, you as the buyer do not want to pay the highest possible price for the house. You want to get the best possible deal for the house.

It would be similar to being on trial and having the same lawyer representing the plaintiff and the defendant.

A little later, I will explain how I work for you as a buyer's agent and the steps I will take to help you find just the right home for you in the least amount of time and to get you the best possible price.

Also, keep in mind too, that it is not always just about the price. Often there are other items and terms that need to be negotiated on behalf of the buyer. It is truly imperative to the buyer to have an agent representing him exclusively.

One thing that I tell my buyers is that it makes perfect sense for them to let me search the inventory for them. That way, I can be sure they have access to everything that comes on the market which meets their criteria as soon as it comes on the market.

This means no more running around town and calling the listing agents, getting the hard sell, just to find out the house doesn't meet your needs

## **Looking For A Home**

There are several ways you can look for your new home. One way is to drive around and stop at open houses.

This is a good way if you don't have anything special that you are looking for. More often than not, however, there will be at least one

thing that is not what you were interested in with a new home. Maybe there is a pool and you would rather have a big, grassy yard. Maybe there are two bedrooms when you need three. Or maybe the house isn't even in your price range. There is not much you can tell about the house simply by looking at the outside. If you decide to call the agent whose name is on the yard sign, it might take a while for them to return your call. The time you spend driving around looking for yard signs can better be used going into houses that actually meet your needs.



Another way is to use a web-based search site. Some of these sites are pretty simple to use and can offer you a lot of information. The problem with them is that quite often, they are out of date. You may find that you call the listing agent of a certain property only to find out it was sold months ago. This results in more wasted time and aggravation to you. Why are these sites using out-dated information? It is because they get all their information second-hand. They are getting their information from something called the Multiple Listing Service. (MLS) The MLS is the database program all Realtors use. You need to be getting your information directly from the MLS. When I take a listing, my assistant inputs the information about the property into the MLS. At that precise moment, all Realtors have access to the property via MLS and can show the property to their buyers. One of the inputs my assistant makes is whether the seller wants to have the listing published on the Internet. Eventually, it will find its' way on to the Internet and by then it may have already been shown by several agents with interested buyers. The other problem with these Internet "house search" sites is that there is not an urgency to take the sold listings off their sites or to change the status from available to

sold. Part of the problem is that after an agent sells a home, there is no form to fill out to send to anyone saying that the home is no longer available. With all the different sites out there that claim to have the latest information, it would be nearly impossible for them all to be up to date. With the MLS it is very different. If I do not tell the MLS that a status has changed from available to sold, they will fine me. I take that pretty seriously as most other agents do, so we make sure that the information is accurate. Wouldn't you agree that is important to you? You deserve to have the most accurate and up to date information there is.

When I have a client looking for a certain type of property, I sit down with the client and carefully listen to what it is the client is looking for in a new home. Maybe they have a very special need or something they would like but is not really mandatory. I look at what areas they are interested in. I need to know how many bedrooms and bathrooms they need. Do they want a pool? Do they like Spanish or contemporary? Whatever the client wants, I write it down and make note of it. I can then take their information and input it into the search criteria fields on the MLS service. Initially, I may come up with a long list of properties that are available. With this list of properties, we can be sure the home will contain the things they are looking for. Then comes one of the fun parts: I give this list of available properties to my client and they can drive by each of the houses on the list and see if they like the neighborhood and the "curb appeal" of the property. I always sort the list by Thomas Guide Map co-ordinates, which makes it really easy to get from one property to another.

If, after driving by these properties, none of them are appealing enough to go inside of, I continue to check the MLS daily to find the homes that have been inputted since I made the first list. I check the computer daily and email new listings to the client until we find just the right home.

When they find a property that looks good on the outside and the neighborhood is one they like, the home buyer calls me and I make arrangements for us all to go inside. At this point, we already know that the home has the amenities the client needs and is in an area that is desirable to them. Now we just have to check that the inside has a feel or flow that is agreeable to the client.

Many people feel this is the best way to look for a new home. One of the big advantages of my system is that you get the listings right away. As long as you check your email, I get the newest and freshest listings to you as quickly as possible. I remember one time when I found a listing that had just been posted on the MLS. It was just what my client was looking for. The size was perfect. The neighborhood was exactly what she wanted. I emailed her the listing information and she emailed me back right away saying that she wanted to see the inside. I called the listing agent to make an appointment to go inside and she said, "What kind of super agent are you? I only put that house for sale on the MLS five minutes ago!"

Another advantage of working with me as your Buyer's Agent is that it is a free service to you. I get paid by the seller to help you find your property, but we will discuss that in more detail later. All I ask for from you is loyalty. If I am spending my time looking for properties twice a day for you, and then emailing them as they become available and taking you to the ones that you like, I am sure you agree it would only be fair to me to let me represent you in the purchase?

Here is how the MLS works. (We'll talk about Realtor.com later). There is something called Crisnet that is SUPPOSED to represent all the properties Burbank and West. There is ITECH that is SUPPOSED to represent all the properties Glendale and East. In order to place a property in either one of these systems, the Realtor has to be a member of that systems Board. Example- If I want to list a property in North Hollywood (which is west of Burbank), I have to be a member of the Crisnet Board. That is basically how it works.

Here in lies the problem- Sometimes, a lazy, unknowledgeable or simply incompetent agent will work in Pasadena (East of Glendale) and take a Burbank listing but only put it in ITECH. That makes no sense because if the system were to work properly, when I want to search for a Burbank listing, I should only have to check in Crisnet.

What this means to you- Because I have to check two different systems, you will often get emails of listings from me from two different sources and that is the reason.

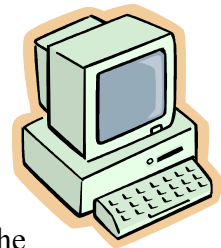
Now, my favorite subject- Realtor.com. Basically, Realtor.com and most other search engines are lame. Here is why- When I take a listing, I give the info to my

assistant the information and she puts it on the Internet. The problem is that no one ever takes it off of the Internet. Apparently, there are employees at the Internet sites who check with the MLS to see if properties are still available, but by the time they get around to it, the house has been long sold and off the MLS.

The point is, if you want ACCURATE information, you have to get it from the MLS.

### **The Importance Of Having Your Home Listed In The Correct MLS**

More than once I have talked to a seller who asked me why I thought their house was not selling and I do a little research for them. The first step was to see how their listing was posted on the MLS. In one particular case, the seller's house was in Burbank which, as you will remember, is supported by Crisnet. This seller's agent had the house listed in a MLS for the Westside. No wonder no one knew the house was for sale. Agents who were looking for a house in Burbank were using Crisnet and they were not seeing this particular house. Where other houses were selling in a day or a week tops, this one was on the market for several months.



A savvy agent can work this to their advantage though. As I write this, I am in escrow with my buyers who were looking for a home in Burbank. Just to see if there was a house listed in the wrong MLS, I checked different MLS for houses in Burbank. Lo and behold I found one that had been on the market for some time that was listed with an agent in Laguna Beach, almost 70 miles away! She wasn't a member of the local San Fernando Board so she couldn't list the house in Crisnet. The house had been sitting on the market for some time as hardly anyone saw it and the seller was getting desperate. Because of all this, I was able to get a discount of almost \$15,000 for my clients. The seller's loss is my client's gain!

## **The Difference Between A Condominium And A Townhouse**

Many people are confused about these two and do not know the difference. A condominium is a unit, sometimes similar to an apartment, where there could be someone living above you, below you and as well as on both sides. A condo is usually only one story and there is a parking lot where everyone parks their cars together.

A townhouse is usually more desirable than a condo and is usually more expensive. At the same time, it would appreciate in value at a faster rate as well. This is because a townhouse is multiple stories where there are only neighbors on the sides. A townhouse can often have an attached private garage with direct access to the home and sometimes even a private yard.

While we are on the subject of condos and townhouses, remember there is what are known as Home Owner Association dues (HOA). These HOA dues are used to take care of the common areas like a community pool, the gym or the laundry room. Sometimes the HOA dues even include things like cable television. Each HOA varies from the next so we always have to check what they include.

## **If The Seller Is Not Home, How Will We See The Inside?**

When I find a property my client wants to see, I print out a data sheet from the MLS that explains the showing instructions. It will tell if we need an appointment or if there is a lockbox or any other special instructions. Once I had a client who wanted me to drive them around town and just randomly pick houses for us to go into. I had to explain to him that even though I was able to gain access to the property using my keypad, we could not simply go into the house without reading the MLS data sheet. Perhaps there was a dog inside or a day sleeper or an alarm code that we had to know so that we could turn off the house alarm.



There are several different ways that we can get into the inside the home you want to see. The two basic ways are by using a lockbox and by making an appointment. Let's talk about lockboxes first.

There are basically two different types of lockboxes. There is the electronic type and there is the combination type. The electronic lockbox is much more secure and safe than the combination. The electronic lockbox works something like this- The savvy listing agent who has the electronic lockbox will secure it to a stationary object like a water pipe by use of a shackle system in such a place that is convenient for other agents to get at. Sometimes they will put it on the front door knob, but I do not do this because the lock box could scratch or dent the front door or the door knob. The agent showing will have a small device known as a keypad. Within the keypad is the agent's secret code. When the agent wants to show a property, he takes his keypad and docks it to the lockbox. He then punches in his secret code and it opens up the keybox so that the showing agent can access the keys to open the door. The showing agent's secret code is then implanted into the memory of the lockbox. The listing agent can run a report from the memory of the lockbox to show every time the lockbox has been opened. This gives the seller a very high level of security as he will know everyone that has been in the house. The alternate type of lockbox is the combination type. This type is not as secure in that someone can tell a thief the combination or it can easily be picked.

The other way is by making appointments with either the listing agent or the seller personally. This is very complicated, especially if the buyer's want to see several properties. Imagine having to call six agents or sellers and try to work out a plan where you can make all the appointments on time and not have to drive back and forth across town. It gets pretty hectic and complicated. I even know some agents who won't show properties if they require an appointment. Instead they opt for the properties with lock boxes.

Even with all the security and showing instructions, sometimes things do not go as planned. Once I had a very fussy client and I had to go preview all the properties that I was to show him before I actually took him there. The showing instructions said that the house was vacant and that I could go directly and use my keypad. I went to the house and rang the doorbell several times before I used my keypad to retrieve the keys. Upon opening the door, I noticed that the house was very richly decorated. Indeed there were a lot of items in the house, but it is not unusual for houses to be staged with rented furniture or for owners to die and the possessions have not yet been removed from the house. I

thought not much of it and wandered around the home taking detailed notes for my client. As the house was way up in the Hollywood Hills, I spent a few minutes out on the deck taking in the view of the city down below. I had probably spent over ten minutes in the home, when it was time to see the final room - the master suite. I opened the door and to my shock there was a woman laying face down on the bed... I was stunned. How did she not hear me walking around? How did she not hear the doorbell? She looked older and frail. Was she alive? I could see her chest expanding so I knew that she was breathing. I left the house rather quickly and immediately called the listing agent. He was shocked and slightly embarrassed when he explained to me that the woman was the owner of the house who was slightly insane and lived half of the year in Italy and half in Los Angeles. The problem was that she never tells anyone when she is going to leave one place for the other and worse yet in my case, when she arrived!

## **The Offer**

When we find a property that you like and you decide this is the one for you, we need to prepare a purchase agreement. This varies from state to state and being that I practice in California, I am going to describe how it works here. If you are from a state other than California, give me a call at my office and we can discuss how it will work for you in your part of the country.



The purchase contract is about eight pages long as of this writing. The agreement includes information about the offer such as the purchase price and financing terms, the name of the buyer, who pays for what inspections and reports and who those inspections and reports should be provided by. It also spells out the time frames in which certain events of the purchase shall take place. Eventually, this form will make its way to the escrow company and they will use it to draft the escrow instructions. We'll discuss escrow and escrow instructions in the next chapter.

The first time I fill out a purchase agreement with my buyers takes about an hour. To help streamline the process, I usually give my buyers a blank sample form that they can take home and become accustomed with. There are a lot of big lawyer-type words

and it can seem somewhat intimidating at first. I have found that when the buyer has a chance to read the document on their own, it makes for a much more enjoyable experience. We can then go over it and answer any of their questions fairly easily back at my office.

After the offer is written and the buyers have signed and initialed in all the appropriate places, I then take the offer and present it to the listing agent. You will remember that the listing agent is the one that represents the seller. In the not too distant past, the custom was to present the offer directly to the listing agent and often in the presence of the seller. These days, because people often live or work far from each other, maybe even in different states, this custom has fallen to the wayside. Today, we tend to fax the offer to the listing agent. I always follow up with a phone call to make sure that the agent received the fax.

I have also found that if I include a brief letter describing my clients and their desire for the house seems to help too so I always do that. On one particular offer, the seller had received two identical offers, one from another couple and one from my client. The only difference was that I wrote a letter telling the seller what a nice client I had and I described a little more about my client to give that personal touch. After it was all said and done, the other agent told me that they went with our offer because of that letter. It is the little extra steps and the details that get things done.

Along with the offer, we send a good faith deposit to the listing agent. Sometimes this is called a deposit check. It is a portion of the purchase price to show that you are serious about purchasing the property. For instance, if you have a \$100,000 purchase price and give a \$3,000 deposit, then you will only have a \$97,000 loan. I always advise my clients to have as big a deposit as they can afford. The reason for this is simple: I have discovered that most sellers are very narrow focused and really only see the bottom line and the amount of the deposit. Although some lenders are giving 105% loans, which I definitely do not recommend, the sellers still want to see a large down payment. This goes back to the days of when our parents and grandparents had to save and save to make the 20 or 30% down payment. Also, sellers think that this is a stronger offer, as they believe that the buyer is more financially steady. How could that be true? What if a millionaire has all his money tied up in CDs or some other instrument that does not

become available for a certain period of time and they can not make a large down payment?

Pretend that you are the seller. Two buyers want to invest in your property that you are selling for \$100,000. The first person has 3% down (\$3,000) so they have a first loan of \$97,000. The second person has put 30% down (\$30,000) and has a first loan of \$70,000. As the seller, which of these offers would you accept? Which do you think is stronger? Most people will say the second one. The fact of the matter is that as far as the seller is concerned, the offers are the same. At the close of escrow, the seller will get \$100,000 from either buyer.

If the purchase is not completed, you will usually get your deposit back. I say usually because there are some instances when you may not. In the offer, and the escrow instructions, there are certain time periods that describe the timetable in which the seller and the buyer must perform certain functions. As an example, the buyer has a certain amount of time to conduct a physical inspection of the property. If the buyer finds something about the property, like it is about to fall down, within the time period as prescribed in the offer and the escrow instructions, then the buyer is entitled to receive his full deposit back. If all the contingency time periods have come and gone and the buyer just decides at the last minute not to go through with the purchase, there is a pretty good chance that he will not get his deposit back.

The deposit is usually at least 3% because there is a clause in the contract here in California that states if the buyer defaults on the purchase of the property, the seller shall be entitled to retain the buyer's deposit not to exceed 3% of the purchase price.

## **Escrow**

An escrow company is a neutral third party that is responsible for collecting all the documentation regarding the sale and holding it in one place. After we have an accepted offer one of the agents will call the escrow company and "open" escrow. This is where all the purchase offer forms will be collected and the escrow instructions will be written. The escrow instructions basically spell out who is responsible for what and

when. It covers the time frames as to when the inspections need to be completed and who will provide the home warranty and the title insurance.

Toward the end of the escrow, the lender will send the loan documents to the escrow company. These documents will address the terms of the loan and you will need to go to the escrow company and sign these papers before the loan can be funded.

We will discuss who chooses the escrow company a bit later.

### **The Physical Inspection**

Once you have your offer accepted and we have opened escrow, you have a certain period of time to conduct a physical inspection of the property. You can find a licensed inspector by looking in the phone book or on the Internet. I can also give you the names of several that I have worked with and am comfortable with.



The inspector will inspect many different systems and items in the property and will prepare a report for you to help you determine the general over-all well-being of the property. Inspections have different rates based on the size of the property and the depth of their inspection. If they provide the report to you on the spot, their fee tends to be higher.

Just remember when selecting your inspector that, like most things in life, you get what you pay for. I remember a client once who was investing in a tri-plex for close to one million dollars. He searched the Internet and found an inspector that he liked. “He came highly recommended and we get two inspectors for the price of one,” he told me. When the inspectors arrived, one was wearing open-toed sandals that you might wear to the beach instead of the work boots you might expect. The other man didn’t do any inspections but rather just took notes from the observations of the other inspector.

A good inspector should go over all the systems of the house and check their well being and condition. He should look at the electrical system, the plumbing, heating, air conditioning, the roof and the foundation, the attic, the pool and spa, the garage, the grounds, the attic and the fireplace.

In the event that the inspector discovers something that is outside his scope of service or expertise, like a crack in the chimney, he will advise that you contact a specialist to look further into that particular situation.

The physical inspection is usually a contingency of the sale. Say, for instance, that the inspector discovers that the front door squeaks. The buyer then has to think about how important that is to him. The buyer then has several options - he can say that there is no way that he can live in a house with a squeaking door and so he can back out of the deal or he can ask the seller to repair the squeak. The seller can then say, "Well, we will stop the door from squeaking for you" or "We do not want to actually repair the door but we will give you a credit or some cash back so that you can repair the door yourself" or they can refuse to do anything. Then it goes back to the buyer and he has to decide what he wants to do based on the seller's response.

I usually advise my clients to take the credit. In this case, the credit would be used to go to the store and get some WD-40. I know that my analogy is silly but it does illustrate the point. I once had a client who wanted the front gate that was about to fall off the hinges replaced. The seller agreed to replace the gate and I suggested to the client that they take a credit instead and hire a contractor after the close of escrow to make the repairs to their specifications. Image the mess if the seller did indeed replace the gate but painted it bright orange instead of the white that my clients wanted.

The purchase contract here in California stipulates that the buyer has the right to a final walk thru inspection within 5 days of the close of escrow. The purpose for this is to confirm that the property is in the same general condition as when the buyer wrote the offer. The other reason for this walk thru is to confirm that the inspections that were agreed upon have been done.

Keep in mind that the physical inspection is not so that the buyer can have a laundry list of items that they want repaired. It is a way for the buyer to discover the overall condition of the property. I advise my buyers that they should expect to have a property that is in good working condition, especially if they are paying full asking price. If they are paying below the asking price, then often the property will be sold "as is" and not many, if any, repairs will be made.

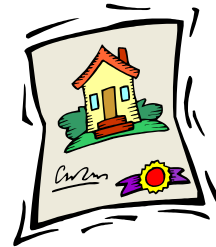
## **Title Insurance**

Title insurance is a tool that ensures the seller is actually the owner of the house and has the right to sell the house.

There could be a time when the owner may not know that a contractor or someone may have a lien against the property. If this is the case, then that lien has to be removed before the house can actually be transferred into your name. A contractor could put a lien on a property to ensure that the owner actually pays the contractors bill.

## **Home Warranty**

A home warranty is similar to the warranty that you would get on a new car. The warranty will repair or replace covered systems and appliances if they become inoperative due to normal wear and tear during the term of the contract. Prices vary from company to company and most pretty much cover the same things.



company

There is a small deductible for the work that is done.

One time, I had a pipe break underneath my house so I called the home warranty company and they advised me to call a certain plumbing company. I called them and they were out to my house right away. I paid them the \$40 deductible and the portion of the pipe was replaced

I am kind of embarrassed to share this story with you but it is another good example of what is and what is not covered in a home warranty. About a month after I moved into my new home, I realized that my doorbell didn't seem to be working. At the time, I knew nothing about doorbells so I called the home warranty company and they had me call an electrician. He came out and did all sorts of fancy tests on my electrical system. He used a machine that tested the wires from the doorbell switch to the transformer. All the wires seemed to be good. Finally, he realized that there was no chime. It seems that the seller had removed the chimes before he left the house.

Had the chimes been broken, the electrician could have replaced or repaired them. As they were not even installed there was nothing that he could do.

## **80 Things That Can Go Wrong Between Contract And Closing**

I saw this list one day and decided to keep it and give it to all my clients. It is not a scare tactic. It is simply to inform them that there are many things that can and do go wrong. The idea is to be able to anticipate hurdles that will need to be crossed and get them out of the way before my client even notices them.

The other day I received a compliment from another agent that I had been working on a transaction with. I always love to get this one. It means that I was doing my job right. We had just closed a 30 day escrow and she said, "This was probably the smoothest escrow I have ever had. I can not believe how quickly this past month seemed to go and how you and I only talked one or two times."

### **The 80 Things That Can Go Wrong Between Contract and Closing:**

#### ***The Buyer/Borrower:***

1. Does not tell the truth on the loan application.
2. Submits incorrect information to the lender.
3. Has recent late payments on credit report.
4. Found out about additional debt after loan application.
5. Borrower loses job.
6. Co-borrower loses job.
7. Income verification lower than what was stated on loan application.
8. Overtime income not allowed by underwriter for qualifying.
9. Applicant makes large purchase on credit before closing.
10. Illness, injury, divorce or other financial setback during escrow.
11. Lacks motivation.
12. Gift donor changes mind.
13. Cannot locate divorce decree.
14. Cannot locate petition or discharge of bankruptcy.
15. Cannot locate tax returns.
16. Cannot locate bank statements.

17. Difficulty in obtaining verification of rent.
18. Interest rate increases and borrower no longer qualifies.
19. Loan program changes with higher rates, points and fees.
20. Child support not disclosed on application.
21. Borrower is a foreign national.
22. Bankruptcy within the last 2 years.
23. Mortgage payment is double the previous housing payment.
24. Borrower/co-borrower does not have steady 2-year employment history.
25. Borrower brings in handwritten pay stubs.
26. Borrower switches to job requiring probation period just before closing.
27. Borrower switches to job from salary to 100% commission income.
28. Borrower/co-borrower/seller dies.
29. Family members or friends do not like the home buyer chooses.
30. Buyer is too picky about property in price range they can afford.
31. Buyer feels the house is misrepresented.
32. Veterans DD214 form not available.
33. Buyer has spent money needed for down payment and closing costs and comes up short at closing.
34. Buyer does not properly "paper trail" additional money that comes from gifts, loans, etc.
35. Does not bring cashier's check to title company for closing costs and down payment.

***The Seller:***

36. Loses motivation to sell (job transfer does not go through, reconciles marriage, etc.)
37. Cannot find a suitable replacement property.
38. Will not allow appraiser inside home.
39. Will not allow inspectors inside home in a timely manner.
40. Removes property from the premises the buyer believed was included.
41. Is unable to clear up liens against their property - short on cash to close.
42. Did not own 100% of property as previously disclosed.
43. Thought getting partners signatures were "no problem," but they were.

44. Leaves town without giving anyone Power of Attorney.
45. Delays the projected move-out date.
46. Did not complete the repairs agreed to in contract.
47. Seller's home goes into foreclosure during escrow.
48. Misrepresents information about home & neighborhood to the buyer.
49. Does not disclose all hidden or unknown defects and they are subsequently discovered.
50. Builder miscalculates completion date of new home.
51. Builder has too many cost overruns.
52. Final inspection on new home does not pass.
53. Seller does not appear for closing and won't sign papers.

***The Property:***

54. County will not approve septic system or well.
55. Termite report reveals substantial damage and seller is not willing to fix or repair.
56. Home was misrepresented as to size and condition.
57. Home is destroyed prior to closing.
58. Home not structurally sound.
59. Home is uninsurable for homeowners insurance.
60. Property incorrectly zoned.
61. Portion of home sits on neighbor's property.
62. Unique home and comparable properties for appraisal difficult to find.

***The Escrow/Title Company:***

63. Fails to notify lender/agents of unsigned or unreturned documents.
64. Fails to obtain information from beneficiaries, lien holders, insurance companies, or lenders in a timely manner.
65. Lets principals leave town without getting all necessary signatures.
66. Loses or incorrectly prepares paperwork.
67. Does not pass on valuable information quickly enough.
68. Does not coordinate well, so that many items can be done simultaneously.

- 69. Does not bend the rules on small problems.
- 70. Does not find liens or any title problems until the last minute.

***The Appraiser:***

- 71. Is not local and misunderstands the market.
- 72. Is too busy to complete the appraisal on schedule.
- 73. No comparable sales are available.
- 74. Is not on the lender's "approved list."
- 75. Makes important mistakes on appraisal and brings in value too low.
- 76. Lender requires a second or "review" appraisal.

***Inspectors:***

- 77. Pest inspector too busy to schedule inspection when needed.
- 78. Pest inspector too picky about condition of property, hoping to create work for themselves.
- 79. Home inspector not available when needed.
- 80. Inspection reports alarm buyer and sale is canceled.

## **How Do Realtors Get Paid?**

After seeing a magician perform a fantastic illusion, I asked him, “How did you do that?”

“Very well,” he replied.

When a Realtor takes a listing, he and the seller agree to a certain percentage of the sales price of the house to be paid to the listing agent. The listing agent will be paid from the proceeds of the sale. In the event that a different agent shows the property to a buyer and they enter into escrow, after the close of escrow that commission is split with the buyer’s agent. If the listing agent also has the buyer’s side, he will keep the entire commission for himself.

Let’s use an example of a \$300,000 home and a six percent commission and there is an agent that represents the seller and one that represents the buyer. At the close of escrow, from the proceeds of the sale of the property, the escrow company will write a check to both agents for \$9,000. Then, at some offices, the agent pays a split of the commission to the broker. The broker is usually the owner of the individual company that the agent works for. The split that goes to the broker is used to pay for the broker’s overhead. Say there is an agent who splits his commission with the broker on an 80/20 level, and then the agent would keep \$7,200 of the total. From this money, the agent pays for advertising expenses, errors and omissions insurance as well as gas for driving the client to houses to see and many other expenses that occurred along the way not to mention his time.

In the event that the agent represents both the buyer and the seller, then he would keep both sides of the commission.

## **Discount Agents: Who Needs Them?**

There is a breed of agents out there who are known as discount agents. You may see their ads in the newspapers claiming they will sell your home for only 1% commission instead of the 6% that myself and most other agents charge. The phrases

“Buyer beware” and “You get what you pay for” come to mind here. When you read the fine print, you will find that they will only charge 1% if they represent both the buyer and the seller. In the event that a buyer’s agent brings a buyer, the discount agent will charge the seller 3.5%. You’ll remember from earlier when we talked about how agents get paid, I mentioned that the listing agent splits the commission with the buyer’s agent. This means that the buyer’s agent will earn a 2.5% commission which is a bit less than the 3% he would earn from most other transactions. For this reason, some agents may not be as quick to show the listing knowing that they stand to earn a smaller paycheck. Sad but true. On top of that, because these agents work for such a discount, their services are severely limited. Most buyer’s agents realize they will end up doing most of the work (that the listing agent should be helping with). With these two issues combined, a good majority of the buyer’s agents will avoid showing a discount agent’s listings simply to avoid the potential headaches.

Once I had a transaction with one of the more popular discount agents in my area. I spoke with the agent once at the beginning of the transaction and never again for the next 40 days of the escrow. He never answered his phone. He never returned my phone calls. Whenever I had to make an appointment to conduct an inspection or if I needed paperwork to be completed, I had to contact the seller personally. Fortunately, the seller was accommodating and helped get the transaction done and my buyer into his new home. My buyer is happy and the seller told me that he will never use that agent again.

In another instance, that same discount agent was listing a home that had been on the market for quite some time. I took my client by to see the house and heard the seller say absolutely nothing positive about the discount agent. The seller told me that the listing was about to expire after 90 days on the market and he would be more than pleased when it did. He told me how the agent never returned phone calls and did nothing to help sell the house. He told me that he would never use a discount agent again.

When you are listing a house for sale, it is imperative to have a good relationship with your Realtor. Make sure that your agent is in communication with you and can be easily reached. Make sure that your agent is doing the things that he promised when he took the listing. Discount brokerages cannot afford to spend the money or time necessary

to attract 100% of the available buyers. If your home doesn't get the attention from the buying public that it deserves, you will lose, not save, money.

Here is an article from the Los Angeles times:

## **THE DIFFERENCE BETWEEN DISCOUNT AND NO COUNT**

By Edith Lank

**Question:** I recently put my house up for sale and it sold. At issue is the broker. He advertised that he charged only half of 1% and the buyer's agent would get 3%. So I hired him. He put up a 'for sale' sign and listed the house in the multiple listing service and the internet.

When I ran into trouble with the tax records I contacted him but he did not respond.

When I needed a termite inspection he did not arrange it; I had to do it myself at the last minute. He wasn't at the closing and he didn't sign any documents. The buyer's agent did all the footwork.

Should I have paid at all? Should he be reported to some Realtor board? He simply listed the house and nothing further. I could have sold by owner if I'd known this was his M.O.

Should the percentage have been an indicator of what I was getting into?

**Answer:** Yes, of course.

For such a nominal commission, no agent can afford to provide the usual services. I'd like to think the broker made it clear at the start that he was offering you wide exposure on the market and nothing more.

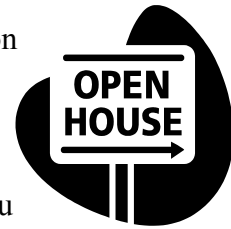
Are you sure you weren't told that, preferably in writing? There is nothing wrong with discount brokers who offer "unbundled" services- as long as it's clear what the agent will do and what the client will have to do on his or her own.

Did you really expect full service?

Two clichés come to mind; If it sounds too good to be true, it probably is; and, you get what you pay for.

## **Buyers And Open Houses**

If your agent is doing his job right, there should be no real reason for you to go to open houses other than to pick up decorating hints. Your agent should be providing you with the current most up to date listings that they pull from their local MLS based on the criteria that you have given him. Most people go to open houses because they think that the house is nice on the outside. More often than not, the house is not what the buyer is looking for. There are not enough bedrooms or there is no pool or it is too expensive or any number of things that I would have already screened for.



If you do decide to drive around and go to open houses, tell the agent there that you already have a Realtor working for you and give them one of my cards. Otherwise, the agent usually tries to give you the hard sell and it is simply annoying. When you tell them that you are working with an agent, they kind of let you hang out and check the place out for yourself.

## **Sellers And Open Houses**

Whenever I take a listing, I always ask the seller if they want me to do open houses. Sometimes the seller will give me a look like a dog that heard a strange noise as if to say, "Of course you should do open houses." They do not mind leaving the house for a few hours on a weekend so that I can hold it open. Other sellers couldn't care less if I held them or not. Yet other sellers are pretty adamant about not wanting open houses.

When a seller asks if they should have open houses, I explain to them that less than one percent of open houses sell as a direct result of the open house and the main reason a listing agent wants to hold open houses is to find new buyers and perhaps even one that wants to buy that house.

## **Avoid Small Real Estate Offices**

Although it may be noble to patronize the local, corner real estate office or the office of a friend of a friend, beware of the small real estate offices. Very often, these mom and pop agencies close their doors exactly at 5pm and are not open on the weekends. I have not been able to figure out how an entire real estate office can shut down for the weekend.

Imagine that you want to go out to look at some houses on Sunday and there is no one to answer the phone at the small agency.

This is why I suggest that you work with a Realtor from a large company like Century 21 where we are open on the weekend. We have all the connections with the lenders, inspection companies and everyone else, and have the pull to get things done.

A large company also tends to do a lot more advertising to give your property the maximum exposure to the buying market. You need a company that has the advertising dollars to place multiple ads in multiple newspapers and various publications to get your house sold for the most amount of money with the least amount of inconveniences.

If you are a buyer, using a larger office will help you in that your agent will have more opportunity to hear from other agents about listings that will be coming up in the future that you may be interested in.

A larger office will also have a relocation department. If you are listing your home for sale in one city and need to purchase in another city, I can have my relocation department call ahead to your next city and have one of the top agents in the area contact you to send you a complimentary welcome packet and to help you in finding your next home. Most smaller offices can not provide this service.

Smaller offices will also usually not be up to speed with the latest technologies and have the latest information. I was amazed one day when I called one of the local, small offices and asked them to complete a certain form for a transaction that we were in. They said they had not heard of that form. It was a form that had come out a couple of months before. I think the reason for this is that the title and escrow companies, and other companies, send representatives to the larger firms to tell us about the latest

developments in the real estate world. They do not spend their time with the little offices, so the little offices fall behind.

### **Avoid Part Time Agents**

I often hear a person say that they are going to work with their cousin or friend who has a real estate license. Then I ask them if that person is full time. “Oh no, he works at his other job Monday through Friday ” I then have to ask these same people if they would go to a doctor or a lawyer that works only part time in their respective fields. Of course they say no and so I ask them why they would do that with someone who is going to help them with their real estate transaction.

Now, I am not comparing Realtors to doctors or lawyers. I am saying that it is best to go to a specialist who spends all of their time in the field they are specializing in. I feel that it is not possible to be the best that you can be at anything if you are not willing to put in the time that it takes to be the best that you can be. There is no way that a part time real estate agent can be up to date on all the new laws and regulations, have the relationships with the other agents to hear about the newest listings before they come on the market or to even know what is out there in the inventory.

### **Tricks Agents Play**

I was thinking about calling this chapter, “Tricks agents play and how you can beat them at their own game.” but that just seemed too long. Here we are going to discuss some of the things that some agents do to get the sale or the listing and what you should look out for to avoid getting ripped off and to get the great service that you deserve.

### **Overpricing Listings**

There are some agents who will purposefully overprice your home just to get the listing. Imagine this scenario: You talk to an agent and he tells you that your home is

worth \$300,000. Then you decide to interview another agent and he says that he can get you \$330,000. You may be tempted to hire the agent that promised you the higher price but here is the question: Did either of the agents show you the comparable sales for your home? Chances are that the second agent didn't. The comparable sales, or "comps," will show you what homes, similar to yours and in your neighborhood have sold for recently. The second agent was hoping you didn't ask for comps so he can convince you that he can get you \$30,000 more than the other agent. The problem is that he knows the house is worth \$300,000. He also knows the house will sit on the market for a while at that price. Then after a few weeks he will say to you, "Well, Mr. and Mrs. Seller, it seems that for this or that reason the market is not interested in your home at this price. Perhaps we should lower the price and see what happens." This will happen however many times it takes to get the house to \$300,000, the correct price in the first place. The second agent uses this tactic, playing on the consumer's greed to get the listing and the commission on the \$300,000.

Now that you know this, you will always ask your Realtor to provide you with comps for the last six months. Use these to determine the true value of your home and discuss that figure with your Realtor before you make an offer on a home.

### **There Are Always Multiple Offers**

A property can be on the market for ages, but as soon as we are ready to write an offer, when I call the listing agent to make sure that it is still available, there will suddenly be other offers coming in. The listing agents do this to stir emotion in the buyer to get them to write the purchase offer faster and maybe even for a higher price than they were originally thinking. It is common knowledge that if there is a chance a person might not get whatever it is that they want, they will try even harder to get it. It is the law of scarcity. I see this almost all the time when I am working with buyers. Even as I write this, I am in escrow on a property with a buyer where the house was on the market for 71 days. That is an eternity in this Los Angeles market. Yet as soon as I called the listing agent to tell her that we were ready to make an offer, there allegedly was another agent who was writing an offer as well.

## **The Showing Order**

There is a school of thought with some agents that they can push the buyer to make an offer on a certain property. It actually goes two different ways. Some agents will plan to show a buyer 5 different houses. They will show the house they want the buyer to buy first, usually the best and most expensive to get the agent a higher commission, and then the remaining four houses will pail in comparison. If the other four houses are as nice as the first house, then the agent will talk down the last four houses. He will draw attention to every single “negative” factor and overlook all the positive parts. Conversely, an agent can show the four “bad” properties and then show the “best” one last. The idea here is that then he can talk up the last house as it is fresh in the clients mind so that they will write an offer on that one when they get back to the office.

When I show properties, I do it geographically. It makes no sense to me to drive all over town to show the houses in any certain order. I do not want to waste my client’s time by showing a house on one side of town, then driving to the other side of town and then back to the first side. I map the course out and we do it in the best way for time purposes.

## **The Local “Specialist”**

I went on a listing appointment for a condominium about five miles away from my office one night. I knew that this woman was talking to a couple of other agents about the listing but I felt pretty confident in my abilities so I was sure I would get the listing. She told me that she wanted to think about it and after I hadn’t heard from her in a couple of days, I decided to call her. She said that she decided to list with the local condominium “specialist.” I asked her if this is the title that the agent had given himself. She said that he said he only sells condominiums in that neighborhood. I just had to ask her if she really believed that. I asked her if she thought that if he had the opportunity to list a house for sale in the next town over if he wouldn’t list or if he ONLY did condominiums



in that part of town. She quickly realized that the agent had told her what she wanted to hear to get the listing.

### **Seller Selects Services**

This one has always perplexed me. So what are the services and why does the seller get to select them? If you were to ask most agents, they would tell you that the seller selects the services because it is a sellers market. The services are the title insurance company and the escrow company. I can understand the title insurance part but no one can explain to me why the seller should select who the escrow company is. All they can come up with is that it is a seller's market. Actually, as of this writing, that doesn't hold true. With interest rates at an all time low, it is also a buyer's market. Either way, the reality is that usually, the seller does not even step foot in the escrow office. The buyer should only have to go there once to sign the loan documents to finalize the transaction but even if they only go there once, that is still one more time than the seller.

I had two escrows recently where the seller's agent insisted on the choice of escrow companies. One was in a city about 50 miles north of my office and the buyer's current home. The listing agent insisted the escrow office be near the house that my client was buying. My client had to travel three times at 50 miles each way to do business at the office they chose. Once it was to sign a single paper!

Another transaction I found myself in recently was when an agent from 60 miles away took a listing in my town. My buyers were renting an apartment a couple of blocks from the house they were buying. The seller's agent insisted the escrow company be near her. I was adamant in this case that there was no reason that my clients should have to travel that far to use an escrow company of her choosing. I told her we would only travel 30 miles from downtown Burbank. She could choose whatever office that she wanted but it had to be closer to my clients. Eventually she let my clients choose the company they wanted and everything worked out fine.



One thing you may be asking yourself is “How can a Realtor from California help me when I am on the other side of the country?” Well, the fact is that I have access to the finest real estate agents in the country. Sure, you could pick up the telephone directory and just call real estate offices at random, but you never know who you will get ahold of on the other end of the line. Wouldn't you agree that it would be better for you to call me and say, “Troy, I need you to introduce me to the best Realtor in my area to help me buy or sell a home?”

If you do live in the Southern California area, it would be my pleasure to help you with all your real estate needs personally. Whether you are in the market to buy or sell, I can help you with all your real estate needs. Call me today to set up an appointment for us to meet.

If you hear any of your friends or colleagues talking about how they are thinking about looking for a Realtor, please share this book with them.

I appreciate you taking the time to read this and look forward to meeting you soon.