

## Dealing with Common Negotiating Situations

It will come as no surprise that price is usually the most difficult factor to negotiate. The price is usually composed of two parts, the down payment plus the mortgage. If possible, examine the buyer's financial data. Can the down payment be increased through the sale of liquid investments, borrowing from retirement funds, a new loan on a paid off car, or a gift from relatives? Will the buyer's income support a larger mortgage? Recognize that an extra \$10,000 on your selling price could cost the buyer less than \$40 per month. Always provide the selling agent with that additional monthly cost number; this is a powerfully convincing tactic. What kind of a mortgage is the buyer seeking? To stretch the maximum mortgage amount, ask that the buyer consider a loan with a longer term, a lower interest rate, or even a lender with higher qualifying ratios. If you receive offers from more than one buyer, obtaining your asking price, or even more, is very likely. But even with multiple offers, it is sometimes necessary to make a counteroffer. In any event, the discussion above could be valuable.

In general, you should never accept a price lower than 95% of your asking price unless you are in dire straits with your anchor dragging. By settling for too low a price, you bypass an entire segment of the home buying market who never saw your home because they never dreamed that you would give it away. So, before you do give it away, expose it to the market at a moderately lower price. You might end up with multiple offers. Also remember that you chose your listing agent to produce a contract at least close to your asking price. This is not an unreasonable objective.

In general, is best to avoid time limits, which can weaken your position and add needless aggravation to the negotiation. But nowadays an executable copy of your counteroffer will likely be emailed to the other agent (in person presentations are extinct) and there might be lazy, inconsiderate, or ignorant agents out there who shirk their responsibility to provide closure; that is, a written rejection. Without this, you *must* write a letter of withdrawal in order to kill your counteroffer. So, add an expiration date even though local contract forms do not provide for one. Your agent can communicate that it is not intended to apply pressure. If your counteroffer does expire, it is easy for the buyer to delete your expiration note, initial the change, and return it for your concurrence.

You might reach a point where someone says, "Let's split the difference." If this is satisfactory, accept it. You have reached an agreement, and now you can celebrate. There is, however, no basic rationale to support this approach and you should feel no obligation to give an automatic "YES." For example, imagine that you are asking \$500,000, and an offer is made at \$300,000. Would you split the difference and sell for \$400,000? Of course not. If splitting the difference is not acceptable, reply that you simply cannot afford to split the difference and therefore you are making a counteroffer.

Somewhere along the way the idea of face-to-face talks between you and your buyer might surface. It sounds reasonable enough, two adults sitting down and coming to a mutual agreement directly. While this has surely been done,

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it is advisable only as a last resort. The danger of a fatal injury to the talks is so great that it usually is better just to break off the negotiations leaving a chance that they might reopen later. When there are four parties at the negotiating table instead of two, the possibility of total failure rises exponentially.

One of the most valuable services that your agent provides is insulating you from direct negotiations with the buyer. This is crucial in avoiding snap decisions made before complete and careful consideration of all options and implications. You might have noticed that important negotiations, business or diplomatic, are never conducted directly by savvy principals or the ultimate decision makers. There are good reasons for this: Take the hint.

If you say this is absolutely your last offer, be prepared to mean it. Do not bluff by making a take-it-or-leave-it counteroffer. This can end your discussions in a hurry. If you did not mean it, the buyer will learn that you do not mean what you say. The credibility you have built will be reduced to rubble. If your buyer gives you a final-offer ultimatum and it is satisfactory, take it. Otherwise consider rejecting it *without* a counteroffer and *without* comment. In doing so you are telling the buyer that you believe what he or she said. The subtle message is that *you* mean what you say too. But recognize that most final offers are not really final offers.

Your alternative to making a take-it-or-leave-it final offer is to make your last offer *without any mention* of its finality. If it is not accepted, **re-submit your offer at exactly the same price**. Be calm, reasonable, brief, and almost apologetic. You will make your case in a strong but non-threatening manner. This works.

If negotiations do break down at any point, it might not really be the end. But before *you* "walk out," have a plan by which you can walk back in. You will not run back immediately. Let some time elapse. The hardest thing to change is a mind (unless, of course it's your own). It always takes time. How much time it takes is a matter of judgment. If you return too soon, you will have gained no mental adjustment from the buyer and you will have lost some of your credibility. If you wait too long your buyer will have lost interest or will have purchased another home. If your buyer was the one who broke off the talks, do not be too proud to initiate resumption of negotiations. The selling agent can be a major help in this event. Ask for his or her advice.

As you proceed, you will find that all of the negotiating information you have read is merely the tip of the iceberg. But do not lose hope. Not all of the nasty things mentioned herein can happen to you. Always keep your primary goal in mind: You want to sell your home. Also remember that the buyer really wants to buy your home. In fact, if you use all of the information at your disposal the prospects of negotiating an excellent agreement are very good. But it is impossible to anticipate the exact combination of information and important decisions you will have to address in *your* negotiation. There is no substitute for years of experience: Use your agent.

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