



## **Power Words + Simple Negotiations = Mo' Better Re\$ult\$!**

*By Mike Butler*

You've heard "Make lemonade out of a lemon." Not only is this an attitude, but, the successful investor has figured out how to do this in real estate.

**Rule #1: Almost every killer deal requires a "Motivated Seller."**

### **What is a Motivated Seller?**

A motivated seller is the person who:

- has the authority to sell the property
- has a problem and selling the property will solve all or a major part of their problem

Great! Now we got that put to bed.

### **POWER WORDS:**

**"Tell Me About Your House"** use this simple phrase to get your motivated seller started. Do NOT go down your property information checklist asking stupid things like "How many bedrooms?.. How many Bathrooms?... Garage?... Fenced?... Basement? ... etc." When you ask any motivated seller this question, I promise they will throw up and throw up and throw up. Sure they will tell you how many bedrooms, etc. and you simply fill in the blank on your form as they spill the beans. (No need to give them the painful stupid quiz like the other investors do.)

Keep in mind, they will tell you all kinds of stuff about the house along with stuff you do not give a flyin' rat's kahoonah about, but be patient, it is part of the process. Believe it or not, this is the first step in building a good rapport with your motivated seller. When they trust you and like you, you are quietly slamming the door shut on your competition.

**"Why Are You Unloading This House?"** NEVER say "Why are you selling this home?" the word "unloading" effectively communicates you are looking for a deal and it is a very professional and straightforward way of asking. Always use "HOUSE" when buying and use "HOME" when renting or selling.

This is a very powerful Open Ended Question allowing your Seller to “THROW UP!” Believe it or not, as your seller is spilling their guts, they are getting a big cancer out of their belly. Odds are, not one other investor vulture has ever offered them the opportunity to tell their side of the story. Even if it does not mean squat, YOU are the first investor to LISTEN to them. This one simple act puts you leagues in front of your competition in your town. This works, trust me.

**“If You Could Rub A Jeannie Bottle Right Now, what else do you need to have happen along with selling this house?”** this is huge. You will be surprised how many sellers are worried about simple things that drive them nuts. Such things as moving a fridge from the basement to the garage.

**“It’s Gotta Be Good For Me”** You must get comfortable with saying this phrase. It clearly communicates to your motivated seller their house must be a good deal for you or you can not buy it. What is beautiful here is when your seller jumps over to your side of the fence and helps with creative ideas to make this a killer deal for you.

### **PROOF It WORKS:**

Jump into reality with me for a moment. Depending on how you were raised, we have all been conditioned on how to deal with stress, frustration and more when we become overwhelmed with a situation. Here’s some examples I’ve seen from my police days:

- Some folks scream, holler and throw a temper tantrum.
- Some folks become violent and may throw things or damage stuff. Throwing dishes, etc.
- Some folks call or meet someone who cares about them allowing to share their frustration and stress. This friend might be in a bar or restaurant and they usually just listen and offer support.

Suppose you have a spouse, and/or kids, etc. Have you ever seen them get so frustrated, upset that they “blow up” by screaming or venting in some way? But here is the MAGIC you need to identify. After they have “THROWN UP” all over you, aren’t they usually calmer, and perhaps even apologize for their behavior and little temper tantrum? Same thing with motivated sellers.

### **Negotiations**

There are dozens of styles and programs on good negotiations. The big challenge is capturing or incorporating a good negotiation style that blends and matches your personality.

Magic happens when a style fits your personality like a good glove or pair of comfortable shoes. Picture this.... Go back to school with me for a moment. Remember the overhead projector with transparencies. They’re still used today. Let’s keep it simple and use a floor plan of a house. A simple outline drawing of a house with rooms is projected on a screen. Then the instructor lays another transparency on top showing placement of fixtures and cabinets. They all fit perfectly. Then the instructor lays a third template on top showing placement of furniture, appliances, and accessories. See how it all fits very nicely and balanced into the original drawing or floor plan.

The same goes for you. Imagine your personality being the original floor plan or drawing. Your challenge is to find the negotiation style that matches your personality.

If you're left handed like me, you don't want a style that forces you to use your right hand. You'll be awkward, uncomfortable, and miserable. If you're left handed, you need to find a style that matches your left hand.

One last analogy and we'll move on. Do you talk on a cell phone while driving? When doing this, do you really think about putting your foot on the brake to slow down or stop? Do you think about turning the steering wheel? In fact, if on the phone while returning home from work, you probably don't even think about the route you're traveling. Mental muscle memory gets you through all of the motions and gets you there safely. Almost everybody has experienced this. Your negotiation style should be the same.

## **NEGOTIATION STYLES**

A little police stuff here. In the old days, police "interrogated" suspects. Today, this is a bad word and is politically incorrect. The proper term used today is "interview" suspects.

As a police officer and detective, my "interviewing" skills got to be pretty good. Bad guys with a little coaxing (no physical coaxing) would talk to me. It didn't matter what they were facing, almost all of them would tell me their version of what happened and why. The more my fellow detectives and bosses talked about this skill, the prouder I got, and the better I got.

My summary of these skills is pretty simple. Imagine a wall full of push-buttons, hundreds of buttons. They're all the same color, the same size, and nothing distinguishes one from the other except their position. Pushing one of these buttons, or a combination of buttons will get the bad guy to talk.

If the button thing doesn't work for you, then think of a combination padlock, except you don't know the combination. You have to guess, and guess, and guess.

I personally prefer the wall of buttons. I soon found out which buttons worked most of time and used them first. Some bad guys would be difficult causing me to push almost every button on the wall. Although not many, I did have a few where no buttons worked at all, including those who clammed up wanting their attorney.

Let's not be cold and cruel here, but let's be real. For me to "interview" a bad guy, they were already having a bad day. They had a tragedy already in their lap. One of my favorite buttons to push, was the button I'll call "Here's Your Shot." If the bad guy would talk now and tell the whole story, it gives them the opportunity to show the judge they're human and not so bad. When they are talking, it shows they're cooperating and this is a huge step forward. Perhaps it can affect the attitude of the judge and others who want to sail them far down the river. If they talked to me, they'd get the chance to show they're sorry, concerned, and maybe allow some kind of explanation to their criminal behavior. I'd also remind them (most of them already knew) once they got in court, their attorney probably wouldn't let them talk at all.

## Let'em Throw Up!

**Keep in mind, getting them to talk makes them feel better.** Many times after they started talking, it was difficult to get them to shut up.

Another equally important challenge was maintaining integrity with the bad guy. They liked me. They trusted me. They looked to me for help. A favorite line was "Work with me, show me you're co-operating and I won't object to you getting probation." (depending on their charges.) Tell me to pound sand and you leave me no choice except to aggressively pursue sinking your ship. Amazingly, with all of the bad guys sent to prison, most of them thanked me and didn't have a bad attitude toward me. They respected me for doing my job well while treating them like a person. Many called me later for other kinds of help. Their family and friends were another story.

Surprisingly, capturing good real estate deals kind of works the same way. Once again, to be real, most aggressive investors are "tragedy hunters." You must find a motivated seller to make a good deal. Aren't motivated sellers usually involved in some kind of tragedy...divorce, death, loss of job, transfer of job, medical, health, foreclosure, and on and on? Motivated sellers are usually dealing with some kind of tragedy....that's why they're motivated!

### **So, how in the world are these two extremes connected?**

They're connected with the styles of negotiations to achieve an objective.

- **As a detective**, the objective was to make the case as tight as possible by including a statement from the bad guy admitting the offense in detail. At the same time, maintain a trusting relationship with the bad guy was icing on the cake promoting a "win-win" relationship.

- **As an investor**, the objective is to make a great deal out of a marginal deal. Figure out how to make Champagne out of a lemon, not lemonade out of a lemon. And at the same time maintaining a WIN-WIN relationship with your seller. When you can wrap up your deal and your seller feels good about it, trusts you, and would do business with you again.... You have hit a home run with the bases loaded!

- **Everyday in your world** – you can use this simple proven technique to communicate better with your kids and grandkids, your spouse, even clerks and waitresses and more!

Early on in real estate, I discovered these two things were closely related although far apart.

By far, the most important component to good negotiations is using YOUR EARS and not your mouth. People feel good when they talk. If you try to baffle them with your knowledge and BS, most will tune you out.

The challenge is to quickly identify a motivated seller. You can waste a lot of time listening to a seller who's not motivated, and if you're just starting out, YOU WILL WASTE A LOT OF TIME with sellers who

aren't motivated. I did. But each time you do this adds to your powerful in-house database called "experience."

First, find out what your seller likes to be called. Old folks sometimes like to be called Mrs. Smith or Mr. Smith. Some might like to be called by their first name or nickname such as Lucy or Henry. EVERYBODY LOVES TO HEAR THEIR NAME! Ask your seller what they want you to call them. THEN USE IT. Over and over. Force yourself to start your questions or comments with their name.

In order to make a good investment decision, successful investors gather as much information as possible before pulling the trigger. The same applies here. Begin your "gathering information" phase by asking "open-ended" questions.

**Listen to your seller. Ask "open-ended" questions.**

**Avoid questions that can be answered "yes" or "no".**

**Ask questions such as "Tell me how....."** This discreetly forces the seller to talk to you.

**NEVER FOCUS ON SALE PRICE.** Here are some examples of some of the questions to ask:

- "Lucy, how long have you owned your house?"
- "Bill, why are you selling this house?"
- "Carl, what will do with all of the money?"
- "Tell me what else you need to do in addition to selling this house? For example, Henry, if you could rub a Jeanie bottle, what would you wish for to wrap up everything involved with selling this property?"

Believe it or not, the more the seller talks, the more they'll like you. This works MOST of the time, not all of the time. The world is full of jerks. On occasion, you'll meet the so-called super sophisticated all knowing seller who just wants to talk Sale Price and Sale Price Only. These sellers use this technique as a defense mechanism on their part. They believe this tactic "protects them from the sharks." They're simply trying to operate a mini-auction on the property by soliciting bids. These folks need to be treated the way they want to be treated. You can't make everybody happy all the time, but it's a great feeling to help some people some of the time.

After your seller has talked for a bit, you need to let them know how why you're there. You're there for two reasons:

**I'm looking for a good investment opportunity. It's OK to tell your seller this phrase word for word.**

**"IT'S GOT TO BE GOOD FOR ME"** there nothing wrong with this statement. It's simply being honest with your seller. Get use to saying this. Say it now and say it out loud. You'd be surprised how many folks have trouble saying this one simple phrase.

Icing on the cake is helping your seller at the same time. Creating a WIN-WIN deal makes your seller a walking, talking FREE advertisement for you!

Once your seller starts to connect with you, they'll understand and appreciate your concern of "It's got to be good for me." It's absolutely amazing when your seller begins showing you an attitude of "How can I help make this a good deal for you?"

Please note, we're not talking about blowing a boatload of BS at your seller. You must be genuine. You must be real. Don't you take pride in your ability to quickly identify folks who are full of BS or those who fall into the "used car salesman" category. All of us take pride in this ability and remember almost everybody has this skill. You can't fool everybody all of the time. Don't even try it. What makes you think your sellers don't have this same skill? They do, so don't try it on them. You'll be wasting your time and theirs.

Last but not least, offer your seller CHOICES. Create a Plan A offer, a Plan B offer, and maybe a Plan C offer. This causes your seller to evaluate your offers and evaluate which is best for them. If you make only one offer, your seller is put into an "accept" or "reject" mode. With several offers, your seller is more apt to ask some questions and at minimum, at least counter one of your offers. This sets the stage for considering a wider range of buying opportunities to help make "champagne out of a lemon."

Put a time limit on your offer(s). When dealing directly with your seller, make sure your offer expires no later than 24 hours.

Remember the Jeannie Bottle wishes from your seller that have nothing to do with the sale price? Be sure to include those wishes in your offer.

Be careful when putting your offers together. Do it by yourself. Sitting at the seller's kitchen table or in their living room is just fine for your gathering information mode. When it's time to actually write up the offer, tell the seller to give you a few minutes and you'll be right back. This gives the seller a "breather", a chance to chew on the information learned during your conversation. Go to your car or truck, and scribble up your offers neatly and legibly. Keep them simple, not complicated. Doing this by yourself and in the privacy of your vehicle, you can focus on the nuts and bolts of your offer without interruption. I've tried writing offers at the kitchen table in front of the seller and found I usually missed an important item for me.

Identifying Motivated Sellers Quickly is a challenge to save you time. Your challenge is to figure out which ones are motivated. A homeowner who says they're selling their house to buy a newer or bigger house is usually not a motivated seller.

Unfortunately, it seems there is almost always some kind of tragedy, major or minor, associated with Motivated Sellers. That's why the term "tragedy hunter" seems to apply. If you can identify the "tragedy" quickly, you've found a motivated seller.

Another important factor is making sure the property involved is a property you want. Just because you've found a motivated seller, YOU MUST KNOW YOUR EXIT STRATEGY before you make an offer. Sometimes it's pretty easy to capture a deal from a motivated seller only to find out real quick, that you too, have just become a motivated seller. You don't want to buy somebody else's problem. Do your homework. Make sure the property you're pursuing fits into your investment battle plan. If it doesn't fit your battle plan,

pass on it, or “wholesale” it to another investor. You must have a battle plan. It involves location, style, price, and other factors. It’ll be addressed in another Cranking It 24-7.

Let’s address some specific situations and what to do and not to do.

#### **BANK OWNED PROPERTIES.**

As a rule of thumb, they’re looking for cash along with making their “non-performing asset” problem go away. Here’s a tip in dealing with bank owned properties. Most use agents to list the properties they’ve got back from bad loans. A powerful negotiating technique to use when pursuing a bank owned property you’ve targeted involves using a LARGE earnest money deposit. In fact, I’ve actually bought bank owned property where another buyer offered a higher purchase price; but, my offer was a little less with a large earnest money and the bank believed I was a more qualified buyer who could pull off the purchase quickly.

A LARGE earnest money deposit can set you apart from the “wanna-be” investors. If you can pull this off, (assuming this is a property you want), you may put the entire purchase price up as earnest money deposit. CAUTION: Do your homework first. Make sure the Bank/Seller really owns the property. You don’t want to put up a bunch of cash only to learn the hard way the bank hasn’t got the deed yet. Some deals have taken over seven months to close due to the incompetence of their attorneys taking care of the deed properly. This works, but be careful.

So SAFELY putting up a large earnest money deposit is a negotiating technique to set you apart from your competition.

No need to use the Plan A, B, C offers with banks. They want cash.

#### **REAL ESTATE AGENTS:**

Many properties are listed by agents. How can you deal with the seller if the property is listed with an agent? The seller has contracted and hired the agent to represent them to look after their best interest. Officially, the agent works for the seller and has a fiduciary responsibility to the seller; however, in the real world, the agent works to get paid by selling the property. Therefore, if you understand how all of these pieces, parts, and players work together, the real estate agent can become a critical piece in your buying machine. Agents want to sell the property so they can get paid. Work with them, not against them. If they bring you a deal, they earned their commission.

You can still use the Plan A,B,C offers with properties listed with agents. The agents may squawk at first, but they’ll get over it, because they want to sell the property.

#### **FSBOs – For Sale By Owners**

Don’t rely on the traditional classified ad in your newspaper or the generic For Sale By Owner yard sign to find these. FSBOs are everywhere. Many of the best deals are not advertised nor do they have a yard sign.

The negotiating styles noted here deal with having direct contact with your seller. There are many different styles of negotiations including the traditional “good cop, bad cop” and the cold, short, quick “take-away” negotiation style. The method to my madness is getting the most bang for the buck.

With the cold and fast “here’s your offer now, take it now or leave it” is a big roll of the dice. It does work for many folks. It’s easier, but I don’t agree it’s more effective. Your seller may continue to shop for an offer to beat yours before closing and it sure doesn’t promote a win-win relationship with your seller. (Yes, there are ways to nail down your seller with a legally binding contract, but it’s not much fun pursuing these actions.)

***To Your Continued \$uccess!***

***Mike Butler***