

# Five Critical Real Estate Mistakes to Avoid

## When It's Time to Move

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The purpose of this report is to introduce you to some concepts and possibilities that you can use in your next real estate transaction that will be very much to your advantage. In fact, you will be amazed how valuable they are. They may be a bit difficult to use, though. They may make you feel awkward to try. You may have to start working with a different Realtor than you had planned. It will all be worth it.

### **ONE- List your house with a traditional Realtor**

Most of the people in the world, when they decide to move, have to sell their present house. And then they buy a new one. So they call a traditional full-service Realtor whose name they have heard a lot and they sign a listing agreement. They make a commitment to let that Realtor sell their old house and help them find and buy a new house.

The problem is many times that Realtor considers the seller's house as their inventory. Their listing is what is called an exclusive right to sell, and anyone can sell that house and the Realtor will still make his commission. Many times, the Realtor never intends to sell the house

himself. His intention is just to get his sign in the yard- to list the property, and put it in the multiple listing service so that other Realtors working with buyers will see that house. If they have a buyer for that type of house, they may bring that buyer and complete the transaction. Many times that house simply becomes present on public websites where a family who is looking for a new house sees it and decides to buy it themselves. That family may be working with a Realtor, in which case they'll call that Realtor and say "I like this house." If they're not working with a Realtor they may just call the agent you're already working with. In any event, you are still committed to paying both halves of the commission even if the both halves are going to the one agent.

That's a mistake. You have a finite equity in your existing house. You have just committed to paying a percentage of the entire sales process to people who you may not even know. If your equity in the house is 20% of the value and you owe 80% still on your mortgage, you have still committed to pay a good percentage of 100% of the sale price of your home. So hypothetically, if your house was worth \$100,000, and you owe \$80,000, that means you have equity of \$20,000. If you played a commission of 7% on the sale of your house, that is \$7000. After your house sells, your \$20,000 is only \$13,000, so you may have spent 35% of your interest in that house for commission when **you did not have to!**

## **TWO- Try to sell it yourself with just a sign**

Some people try to sell their house themselves to save that commission. Some people think their house is so special, that the world will beat a path to their door as quickly as they opened the bidding for it.. They feel like all they have to do is put a sign in their front you and that is the end of it. Some people have an address that is a destination type location. It's not a cut-through, and their sign is not seen by a lot of people. You may not have to market your house, but you do have to let people know that it's there, and let people know that it's for sale. Sometimes a signed is enough. There were periods of time that real estate sales could be put on autopilot and a sign would get the job done. That is not always the case anymore. And sometimes that's a big and expensive mistake to make.

## **THREE- Try to sell themselves with just an ad on Craigs List**

Craigslist is a wonderful place to sell lawnmowers and cars, and sometimes houses. Craigs list was started on the West Coast. It is probably better for selling houses on the West Coast at this time, then it is here, but a lot of people still use Craigslist. Lots of Realtors use Craigslist. I encourage you to use Craigslist. It is a tool, and if we possess a tool then we should go ahead and use it And it's hard to beat the price. But it won't do the job by itself.

#### **FOUR- In the MLS offering 3% commission.**

Some people discover that they can sell their own house and yet still have it listed in the multiple listing service. Some people think that because they're constantly told that if a house is in the multiple listing service, it must be in there for a certain percentage. If the current popular commission is 6%, then people would assume that they have to offer 3% to be in the MLS. If the current local, popular commission is 7%, people might think that they have to offer 3 1/2% to be in the MLS. This is not the case. Many of my customers start offering between 1% and 2% to a broker to bring a buyer to their house.

Many times a buyer's broker does a tremendous amount of work. Many times a buyer's broker is simply called by the buyer who has already found their house, and simply wants to look at it and possibly buy it. In that event the work performed by the buyer's broker is meeting them at the house and getting them access, and helping them to write up an offer. The Tennessee Association of Realtors "Purchase and Sale Agreement" is nine pages long. There are parts of it that are not intuitive. There are other documents that have to accompany that contract, so the Realtor is going to do some work. And of course, there will be coordination of inspections and countless details. All this is worth money. The argument is how much money it is worth.

## **FIVE- Buy a house by calling sign or using your listing Realtor**

When you get to the point that you have sold your house, and you're ready to buy a new house sometimes your listing Realtor has made a pretty good chunk of change from commissions for work somebody else has done. Somebody else like a buyer's agent may have ultimately put the deal together. So they got that to put in their pocket. When you go and you see a house that you eventually end up buying, lots of times there will be a for sale sign in the front yard. That for sale sign will have the agent's name on it just like your agent had his name on on the sign in your yard. It is a big mistake to call the person whose name is on the side. If you're working with a Realtor already, he will want to get half of that commission that you are about to earn, or he'll want the opportunity to earn half of the commission involved in that transaction. If you do not involve your Realtor, then the agent whose name is on the side will get both halves of the commission involved in the transaction. Do not think that you will automatically or that you can even work it out so that you will get the benefit of that other unused half. Both halves will revert back to the listing agent.

We always feel that it's a blessing to help somebody find and buy a home we always try to share that blessing. Under Tennessee state law we can never share commission with someone who is not a licensed agent. The buyer is more than likely not licensed by the Tennessee Real Estate Commission not likely to get licensed just to share the money. Nevertheless, there are other ways to share the overall blessing. Those ways can take the form of anything from gift

cards to purchasing furniture for the new house. It must be anything that cannot be taken and converted back to cash, which would then be illegal. The incentive should be spelled out in advance, in writing, stating complete disclosure of what is required to earn the incentive, and how much it is worth.

If we are talking about that hypothetical \$100,000 house, and we are talking about a hypothetical 3 1/2% commission \$3500, then that might be a pretty nice blessing to a buyer's agent. The more legwork the buyer does in terms of looking around at open houses and looking on-line for house they like, the more of a blessing it is to the buyer's agent. Some buyer's agents are just not selfish, and they share that blessing with the buyer. Just 1/10 of that blessing might be a lot of paint or some other upgrade

This report has been designed to just get you thinking about some of the possibilities that could be involved. It is to your advantage to know your Realtor. Ask some questions of your Realtor, and and negotiate just like you would with anything else. I'm you can even negotiate some things with your doctor if you're willing to try. You just have to ask.

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