

# **When Little Mistakes Make Big Problems**

**by Richard Stanley**

My job as realtor is to solve real estate problems in the best way possible for my clients. Many times, I encounter problems and think, "If only..." Here are some ill-advised choices.

## **The Out of Area Broker**

Fanny Brice was wise when she said, "I know what I don't know." Representing a client, or a client's property, in a neighborhood foreign to a realtor invites trouble. Even local realtors may not know the peculiarities of specific locales such as Laughlin Park, the Los Feliz Estates or Angelino Heights. The less a realtor knows about a neighborhood, the greater the chance of problems, including litigation. Plus, the handier a realtor is to a listing, the more likely showing requests will be accommodated. A good realtor will refer a client to another realtor who is a better local expert.

## **Wrong Price**

There are two markets today: properties that are well-priced and move-in ready--and the rest. The former get multiple offers and sell quickly, often over the asking price. The rest sit unsold. Over-pricing a house and allowing it to sit on the market unsold, will cause buyers to wonder what is wrong with it. It is far better to under-price a property than to over-price it, so long as the marketing is effective. It's true: the longer the market time, the lower the sale price.

## **Low Commission**

People are coin-operated, and realtors are people. If you want realtors to shun showing your house, offer less than 2.5% commission to the buyer's broker. Many large companies forbid their agents from showing properties where the commission to buyer's broker is less than 2.5%. Some smart sellers offer the buyer's broker more than 2.5%. The extra amount can go a long way toward assuring showings and solving problems while in escrow. When selling your house, discuss the commission, which is negotiable, and how much of the commission you pay goes to the buyer's broker. Get it in writing.

## **No Market Exposure**

The best way to "leave money on the table" is to sell your house without putting it on the open market. Sell your house yourself, with no professional market exposure, and you will probably undersell your property. Worse, follow the advice of a realtor who suggests you sell your property without thorough market exposure, and you will probably undersell, too. Either way, you'll never know what your property was really worth, because the entire buyer pool never had a chance to consider your property. Any realtor who encourages you to accept an offer before any thorough marketing has been performed is looking for a quick, easy commission check--not for your best interests.

### **Getting Fancy**

A quick way to litigation is to make a deal fancy by straying from the basic California Association of Realtors purchase agreement. Avoid amateur legalese, lease options, sales contingent upon the sale of another property, seller financing and the like. Keep the deal simple!

### **No Lease / Creating a Tenancy**

I am continually stunned at how many of my clients create tenant/landlord relationships without written leases. L.A.'s rent control ordinances are highly protective of tenants' rights. If you, as a landlord, want to reserve your own rights, you have to take the initiative, under the law, to create a written, mutually-executed lease that defines the relationship you and your tenant will have. A lease should note the amount of the security deposit, when the rent is due, who pays which utilities, how a sub-tenancy or a co-tenancy may be created and dozens of other points. The California Association of Realtors' lease agreement is six pages of fine print for a reason: California is the most litigious place on Earth. No adult tenant should be living on your property without a written lease with you.

This advice applies to buyers who allow sellers to continue living in the property for a short time after the escrow has closed. Get a written lease agreement appropriate for the time the seller remains in possession. Ask your realtor to prepare the right form.

### **Early Possession**

"Early possession" is realtor jargon for giving the keys to your property to the buyer before the escrow has closed. My advice: NEVER do this. You wouldn't give the keys to your car, and the car, to a stranger who promises to pay you in the future, would you? Why, then, let a stranger occupy your house before the close of escrow? Even though the deal looks solid, nothing is certain in real estate until the county recorder says the deal is done. A buyer in early possession of a property can expose the seller to increased liability by hiring vendors to do work to the property. If there's a death or accident, the seller could be held liable. If the buyer refuses to pay a vendor, the seller could inherit a mechanic's lien. If the purchase falls through at the last minute (and it could), the seller might have to evict the buyer. The list of perils is long.

### **Don't Be Too Nice**

Selling or buying a house is a business transaction. Although we all want others to think of us as wearing white hats, some requests from the other side of a deal are best denied politely. Each party's responsibilities and rights are outlined in the purchase agreement. Seek your realtor's advice before acting. Keep the other party at arm's length until the close of escrow. Don't make commitments informally. Inform your realtor of contact with the other party BEFORE any meeting. Once, while in escrow, a seller client of mine gave the buyer, who visited the property unexpectedly, permission to roam the garden and to borrow a pair of garden shears "to make a few cuttings". The next day the buyer cancelled escrow and her deposit was promptly refunded. Two days

later all the ivy on the house began to wilt and to turn brown. The buyer had cut all the tap roots! Don't be too nice!

Richard Stanley is the top realtor at the local Coldwell Banker office. He may be reached at 323 906-2417.

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