



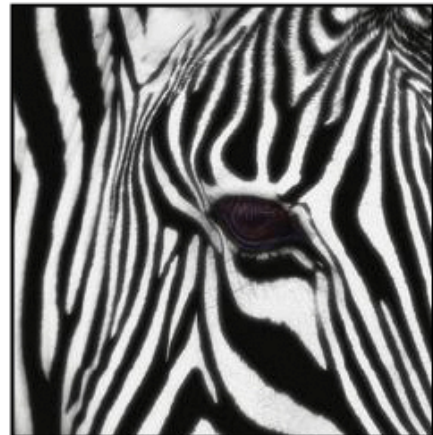
The Zebra Report

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FEBRUARY 2010

THE SOURCE *for real estate success*

what to do when a seller
ASKS YOU TO
cut your commission



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In these tough economic times, it is no surprise that sellers are hitting agents with a dreaded question: "*Will you cut your commission?*"

You can't blame them for asking. They want to save money. The real problem is not that they're asking for a reduction in commission - it's how you handle the request!

Because every seller has a different reason for asking you to reduce your commission, there is no one simple answer to this question.

For example, one seller may ask you to cut your commission because they just spoke with an agent who said **they** would. Another seller might ask you to cut commission because they are upside-down on their mortgage. Another might ask because they like to barter and negotiate. Or perhaps a seller simply believes it's "what you do".

So what do you do when someone asks you to cut your commission? First of all, don't recoil in fear. **Invite the conversation.** Say something like, "I'd be happy to talk about that with you."

What happens too often is that when asked to cut commission, an agent will just sit there looking stunned. When the agent does start to talk, the words come out as babbling nonsense of why they can't cut their commission due to how it's divided - a little to the broker, a little to the IRS, a little to your cell-phone bill, a little to your marketing bill.

The seller doesn't care about these issues. The seller is only interested in one thing: the thought that they can save money by reducing your commission. So you need to articulate to them how cutting your commission is **not** going to save them money.

But before doing that, find out why they're asking. When I was an active agent, the first thing I would do is dig to find out the deeper reason they want me to cut my commission. You won't get to that reason unless you are asking them questions to encourage dialogue.

One common reason I used to get was: *"I really need to save that money because I'm not going to have enough to close."*

Right there, that would open the door for us to have a very honest discussion about whether or not they should even sell their home right now. Perhaps this is not the right moment for them to embark on such a financial venture. It's better to get the truth on the table now instead of finding it out later.

I would ask more questions such as, *"What happens if the market doesn't respond to your home at this price?"* This takes the conversation away from the commission and toward the bigger reality that maybe they cannot afford to sell right now.

Once you encourage discussion about commission-cutting and find out the reason behind the seller's request, you are in a much better position. With the information you've learned, you can calmly and clearly articulate why you don't cut your commission.

I used to say, *"I don't cut commission, but let me explain to you why I don't and how you save money when I don't."*

This is when I would pull out my "secret weapon". Actually, my "secret weapon" isn't much of a secret. It's just something that most agents don't keep track of, but should. It's a "List-to-Sale Price Ratio". This number came in handy many times when I was a working agent, and it is a crucial tool for your toolbox.

Here's how I would use my List-to-Sale Price Ratio:

- I would show the seller that if an agent like me had a List-to-Sale Price Ratio of 98% on a \$500,000 home, then that home would likely sell for \$490,000.
- Let's say they asked me for a 1% commission cut. That's a supposed savings of \$5,000.
- Of all the competing agents, the best has a List-to-Sale Price Ratio of 95%. On a \$500,000 home, that's a sale price of \$475,000. Even though that agent would be willing to gift them \$5,000 in commission, the seller is still only netting \$480,000.

The numbers become starkly clear. By working with a strong agent with a proven track record-me-the seller nets \$10,000 *more*. And that's without a dime cut from my commission.

This example shows that it's not about how much of a commission cut an agent can give a seller. It's really about how effective the agent is-which is proven by his or her List-to-Sale Price Ratio.

I can guarantee you that the agents who track their List-to-Sale Price Ratios are the ones who beat the market every day of the week. These agents are constantly measuring their effectiveness, so that they have a "secret weapon" of their own to use when asked if they will cut their commission.

I do want you to know when I was an active agent, I did cut my commission on three occasions. But in each of these cases, it was because I *wanted* to. My rule was *I never cut commission unless it's something I want to do*.

One case was a family whose home had been destroyed in a fire. They truly had a financial crisis on their hands, so I offered to cut my commission-without them asking.

The power is in your hands. If you truly believe that the people you are serving are in such dire need that a commission cut is the best move to make, then go ahead and do it. But if you feel pressured to cut your commission just because the seller *wants* you to, then don't. You are a valuable contributor to your community and you deserve to get paid for your hard work.

But whatever you do, don't get mad or stunned when someone asks you to cut your commission. It's a normal part of the negotiation process. If you have a strong List-to-Sale Price Ratio on your side, though, then you are in a great position when the question comes up.

The best action you can take today is to start tracking your numbers-and practice using them to articulate your value when a seller asks you to cut your commission.

For more information regarding Denise Lones, or to book her for your next event call 877-211-6472 or visit www.BrokerAgentSpeakers.com