

Failing to communicate

The top 10 lies in real estate

REALTY CHECK



Richard Courtney

Having written a book entitled *Buyers Are Liars and Sellers Are Too*, I am often asked to relate a few of the “lies” that occur in real estate transactions that would lead me to title a book in such a way. The title is understandably misunderstood, but the book explains that it is all actually a miscommunication, or for you *Cool Hand Luke* fans, a failure to communicate.

In response to a request I have assembled the following list of the top 10 lies in real estate

10. The truth-in-lending statement is true.

The truth-in-lending statement discloses APR (annual percentage rate), a term of no consequence. APR adds the prepaid interest and other loan costs to the loan and determines an interest rate that is not the rate on the loan. For example, the buyer's interest rate is 5.5 percent on a 30-year mortgage. The APR could show 6.5 percent if there was prepaid interest and an origination fee.

9. Buyers and sellers expect the other side to counter their offers.

Many deals have been lost over one too many counteroffers. This topic was dealt with at length last week, but should be re-emphasized. The propensity of buyers and sellers to over negotiate has sent many a transaction into the toilet.

8. Speaking of toilets, another lie is that a sanitary sewer system is clean.

Let's put it this way: Don't let your children play in sanitary waste. It isn't sanitary, but it is waste.

7. You don't need your own agent.

I can represent both sides. *Law and Order* could be reduced to a 30-

minute show if both sides used the same attorney. Who would use the other guy's attorney on a lawsuit? Most real estate purchases involve more money than most lawsuits, yet no one would dream of going into court without representation.

6. The basement never leaks except in cases of a hard rain.

Trust Mr. Dylan and me, a hard rain's gonna fall. One person's shower is another person's storm. And, water is a powerful force and has the ability to erode footings and foundations alike, not to mention the mold consequences. Keep moisture away from your house.

5. The appraisal establishes the actual, definitive value of the house.

The market and the market alone determine the value of the house. Conversely, when the market speaks, the appraiser should listen. If a house is under contract for \$100,000 and the appraiser says it is not worth a penny over \$95,000, get a second opinion. Most people would on a \$5,000 medical procedure.

4. The buyer's loan is in good shape, but they need to take possession a couple of days early. Everything will be fine.

It would a better idea to give the house to Kid Rock for the weekend. At least he doesn't have children and pets. An example of this was the

case of the late Faron Young's son, Kevin, who bought a house in Crieve Hall several years ago.

His loan package was held up due to some minutiae from the lender and loan package did not arrive at the title company until after 7 p.m. All of his belongings were on the moving van. The owner agreed to let Kevin take possession, but the closing attorney was concerned about insurability, as his homeowner's policy would only cover the house if Kevin actually owned the house. These events were taking place on a Friday afternoon and Monday was a full three days away, the same as it is now.

The closing attorney, the late Jack Adams, kept a staff member on overtime to close the loan and provide Kevin ownership. Adams' diligence was greatly appreciated after the home burned to the ground on Saturday night.

3. Advertising sells houses.

Advertising is but a small part of the marketing equation. Well, maybe in *The City Paper*.

2. All houses are priced 10 percent over the price the seller wants to receive.

There is always a cushion. Most houses are priced based on recent, comparable sales. Overpricing a house can harm its chances of selling at good price.

1. The biggest lie in real estate — I can't afford that house.

Nine times out of 10, the person can afford it. All they need is a good Realtor. There are ways for everyone to purchase real estate. Now, go out there and buy. Or, better yet sell. We need some inventory. **CP**

Richard Courtney is a real estate broker with Fridrich and Clark Realty and is the author of Buyers Are Liars and Sellers Are Too (Simon and Schuster), which is scheduled for release in February. He really doesn't think people lie.