

Do's and Don'ts When Affordability Sucks

This section applies most to buyers who:

1. Buyers who have never owned a home
2. Buyers who will be buying a new property with a higher interest rate
3. Buyers who use DPA programs which drives up rate and closing costs
4. Buyers who qualify for a low sales price with limited options or have limited funds in hand to buy
5. Buyers who insist "they cannot afford to own"

When affordability is low either due to economic factors like high interest rates/low inventory or your buyer is simply *broke* it is incredibly important to control your buyer's perception of what is and isn't possible/workable/doable and to manage their financial goals up front as much as possible.

The financial goal **HAS** to lead over the property goal for this type of buyer - at least at first - then you find a house that they are willing to afford. If you don't manage them in this way in that order, they will quickly lose momentum, throw up their hands and quit. The great news about this buyer is once you can line up affordability with a property that will work for them, the momentum of the contract process and the excitement of getting a great deal will help them stay moving to closing... in other words, do this work up front with your buyer and the backend will likely take care of itself.

Your Do's and Dont's of Affordability

1. Do not allow your buyer to window shop with an MLS portal and discourage them from looking online for themselves. Why? Because list prices will scare them, shitty photos will scare them, and when they are doing their own searching they don't have the benefit of your experience to help them see the vast opportunities available beyond the list price.

2. Do not show a property you don't already have under contract or at least a very solid verbal deal negotiated with the listing agent (no competing offers, listing agent says "seller is motivated", etc). Sight unseen offer making is a very important tool for these buyers. Having a buyer drive to and fall in love with a property they cannot afford or won't be able to compete on is the fastest way to kill their forward movement.
3. Do not quote a monthly payment to a buyer that you know is higher than their goal range before all credits and rate buy downs have been accounted for. And even still, you're not a lender and rates don't lock until in contract - let the lender do their job.
4. Do have a close and comprehensive relationship with a lender who is familiar with innovative programs - ideally you want to send this lender the house they like and ask ***"how can this get as close to their payment goal as possible"***
5. Do focus on most bang for buck - sales price savings rarely translate into real dollars to a buyer who is affordability challenged - but ***sales price wins matter a lot to most sellers*** - fight the right battle so the seller can feel like they are winning something meanwhile you've structured something more affordable for your buyer.
6. Do create a mindset that the deal isn't done until inspection is agreed to, buyers who have low affordability need to submit as many offers as possible (fish with dynamite) in order to win the best deal/house combo. Hesitation up front means the buyer perceives finality too soon. Teach them how the contract works and how they don't need to feel nervous making offers.
7. Do watch your language "not much in your price range" or your personal doubts do color buyers' experience. If you aren't sure how to get something done, refer to an agent or partner with another who has some creative solutions you can lean into.
8. Do handpick carrots and send directly to the buyer - only AFTER you have some handle on the deal and financials - this feels special and exclusive especially when you point out specifically the affordability FIRST and then how the property answers at least one

of their property needs. I like to do this as a daily morning text message.

9. Do minimize “no’s” - these kind of buyers are already expecting this process to not work and will look for confirmation of that suspicion. They will become demotivated easily if they offer on a property and the seller doesn’t accept the offer or are in a competitive buying situation. Up front work is mandatory to minimize “no’s”

10. Do invite family members or anyone else influential in the buyer’s decision making process to participate **directly with you** so you can answer their concerns. Family and friends will be influencing your buyer, you want control over what that influence looks like.

This strategy will lower the friction experienced with so many low affordability buyers increasing the likelihood that you’ll get them closed.