



16 February 2007

THE FALLACY OF ASSUMING

G'day team,

One of the biggest mistakes we make in selling real estate, actually in life generally, is that we assume either too much or assume incorrectly.

How often have we looked at a buyer and assumed "they can't, or won't, pay any more"?

How often have we looked at a buyer and made the assumption that "oh, they couldn't afford that"?

How often have we been given an offer on a property that is seemingly low and, having fallen victim to the vendors bravado, assumed they would not take it only to find out later, after whatever length of time, that they actually would have?

This assumption problem was brought home to me this week when I was speaking with a mortgage broker about not only people's capacity to borrow but also how competitive banks and institutions are in their attacks on the lending market.

Quoting an example of a couple, combined earnings of \$100,000 and no children who wished to borrow to purchase a property.

This is how the various banks (all names withheld for obvious reasons) reacted to the same proposal:

- Bank A would advance \$511,000
- Bank B would advance \$545,000
- Bank C would advance \$626,000

Where it becomes even more interesting is the cost of lifting the loan a tad. How often have you had a client who had "nearly" enough but was short say \$20,000 for the deposit etc?

The repayments on a \$400,000 loan were \$637 per week. The repayments on a \$420,000 loan were \$641 per week - an additional \$4 a week sees them in the house!

Now whether they can afford it or that amount of debt is dangerous is I guess, the pivotal question and here again we enter the "assumption" territory. Those questions are not for us to either ask or solve and yet how many times have "we" blown a deal because we have?

Selling real estate today is more than simply showing buyers a home and hoping to excite the flame of desire.

It is that obviously, but it is also about having a good relationship with a good and credible broker and having the range of skills to have a wide enough vision to anticipate buyers (and vendors) financial needs.

How do you stack up on that score?

Carpe diem

Tony

Tony Fountain (Principal and Founder) 0418 238341

tony@fountainandco.com

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Fountain & Co Pty Ltd

PO Box 717 Mona Vale NSW 1660 Australia

Fax: +61 2 9913 1626

Mobile: +61 418 238 341

E-mail: info@fountainandco.com