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You *Can* Get Your Client a Loan. Learn How Inside

Going Online: Guard Your Reputation

Three Brokers, Three Paths to Success

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>>COMING NEXT ISSUE:
Beware of legal pitfalls. What regulations are most likely to trip you up in the current market? We'll tell you what they are and how to avoid them. Watch for the October issue of *California Real Estate* magazine.

How to Succeed by Really Trying

Three brokers explain how they make their own luck.

By Marcie Geffner

Why do some REALTORS® succeed while others struggle? • The answer doesn't involve magic wands or secret sauces. Instead, successful brokers rely on a clear business strategy and superior execution of basic marketing techniques. • Here, three of them reveal how they do it.

Ron Wynn

Coldwell Banker Previews

Ron Wynn, a partner with Wynn, Sawaii, Aston, is lucky to be selling real estate in an upscale Los Angeles market that's still relatively strong. But luck isn't the source of his success. Rather, he relies on traditional skills, honed to an art form over more than 25 years in the business, and a positive attitude.

"There's no substitute for getting in front of people, whether it's on the phone or in person, and being passionate about a property," Wynn says. "You have to know your market. You have to know your inventory. You have to know the properties. But to be successful, knowledge isn't enough. You need energy. You need enthusiasm."

Wynn and his partners, Steve Sawaii and Fiora Aston, function as a new-this-year brand-within-a-brand at Coldwell Banker Previews, employing multiple personal assistants, receptionists, and coordinators, who handle marketing, transaction closings, social media, and more. The team also has seven junior associates who list and sell homes. (For the record, Sawaii and Aston work the multimillion-dollar market, while Wynn's primary focus is a more modest price range.)

Steady employment, especially in film, entertainment, and technology, combined with a dearth of dicey mortgages, has kept the local market strong, Wynn suggests. He estimates that the average homeowner equity position in the area is about 50 percent, high enough to preclude large numbers of short sales or foreclosures.

That's not to say the market is free from challenges: Buyers are more focused on the probability of price declines than the non-monetary benefits of homeownership, while sellers are willing to wait out the downturn and hope for price rises, Wynn says.

The solution, he suggests, is "finding motivation—a motivated seller and motivated buyer," who can be brought together into a closed transaction.

Two specific techniques, dubbed "Solutions by Collaboration" and "Property of the Day," are part of Wynn's and his partners' current strategy to find those motivated people.

Solutions by Collaboration involves extensive information-sharing among the team members.

"There's no substitute for getting in front of people."

—RON WYNN
Coldwell Banker Previews, Los Angeles

"Your brand is not your logo, your picture, or your name. It's what you stand for."

—KRIS BERG
San Diego Castles Realty

"I love social media. It is very time-consuming, but we all have to adapt to the changes."

—MARIE CHUNG
Modern Realty, Cerritos, Calif.

"In the first 30 days of the partnership," Wynn explains, "we put together six transactions that would not have been put together had we not collaborated about information, pocket listings, haves and needs, disclosures of motivation, explanations, and coming up with solutions, strategies, ideas, and techniques."

Property of the Day involves hundreds of telephone calls, each promoting a particular property for just one day. The properties–several are chosen in a typical week–are homes the partners believe are well-priced, architecturally interesting, or otherwise special, Wynn explains.

"Every one of us has made a commitment to call five people, enthusiastically promote that property, find out if one of those five people might have an interest in it and, if not, ask those five people for anyone they might know who could find that property interesting, and then call those people," he says. "This technique has worked magnificently. We are selling properties this way."

Kris Berg

San Diego Castles Realty

Kris Berg, broker and co-owner with husband Steve of boutique San Diego Castles Realty in the Scripps Ranch area, also earns her success the old-fashioned way, using time-honored techniques to leverage contemporary technology, rather than, as she says, "the other way around."

"I'm a lot less concerned about having tremendous [search engine optimization] that's going to attract some 18-year-old in his jammies in Boca Raton or the guy who is thinking about moving to San Diego sometime in the next five years," she explains. "I would rather take one guy around the corner who knows me in the 'hood than a hundred long-tail Internet leads."

Licensed since 1997, Berg worked for "all the big boys" in the business before she and her husband "went rogue," as she puts it, about three years ago. Today, San Diego Castles Realty has 10 agents, a roster Berg would like to build to 25. That number would allow her to give up the dual status of being what she calls "one of those dreaded competing brokers" and focus on management.

Berg's print marketing, comprising glossy brochures, newsletters, and the like, as well as yard signs, custom ordered for each listing, are designed to focus attention on the properties, not the brokerage or Berg, and direct prospects to what she describes as "the digital experience."

Indeed, Berg is no lightweight in the digital world. The brokerage has a new-this-year website that uses the WordPress platform to integrate two blogs, one Berg has penned personally since 2006 and another that's open to the agents. Her frequently updated Twitter feed has attracted some 3,000 followers, generating referral activity and fast answers to business-related questions.

No single element of Berg's strategy is the key to the company's success; rather, she says, it's the combination of images that "when taken collectively, comprise the

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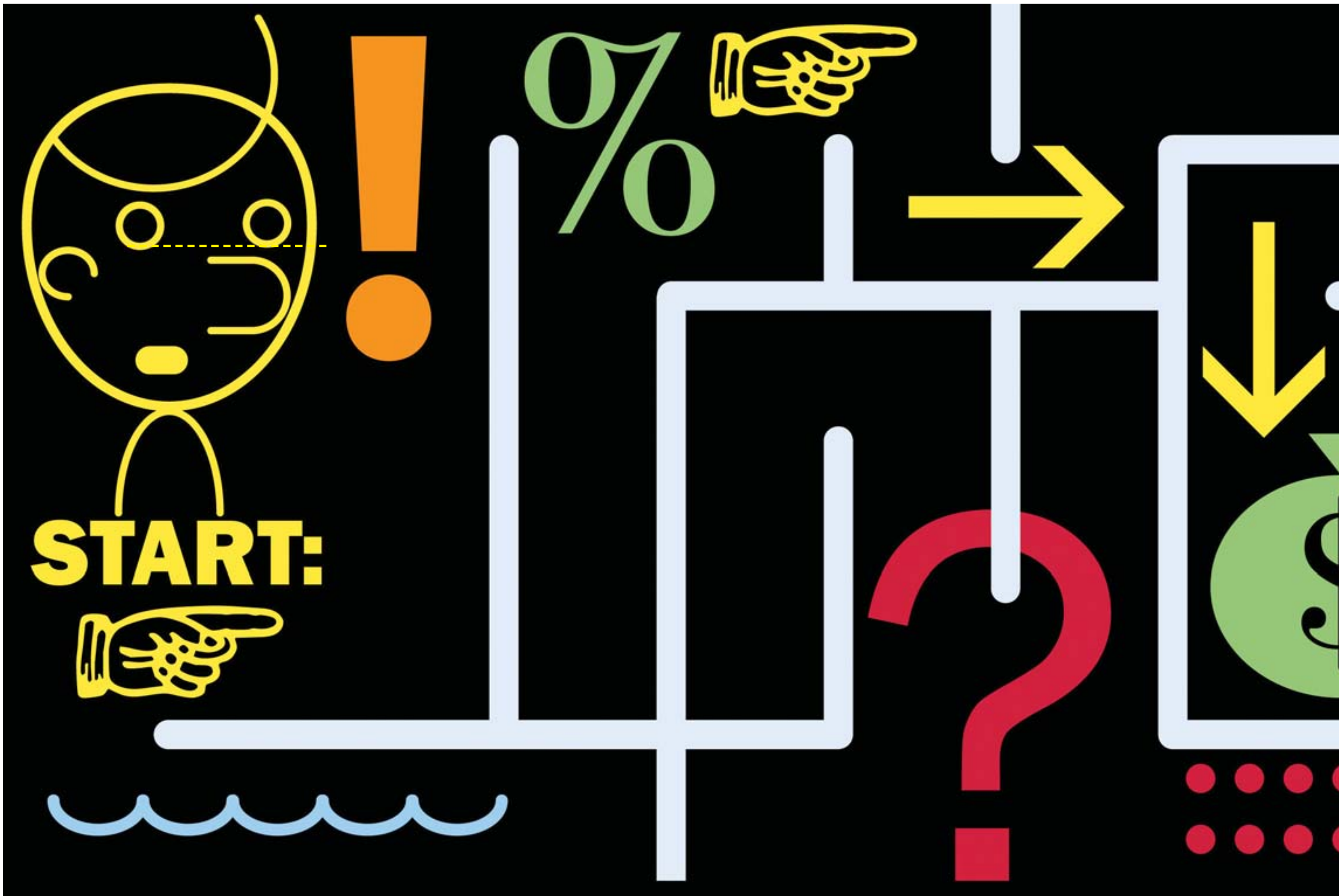


Making Sense of the

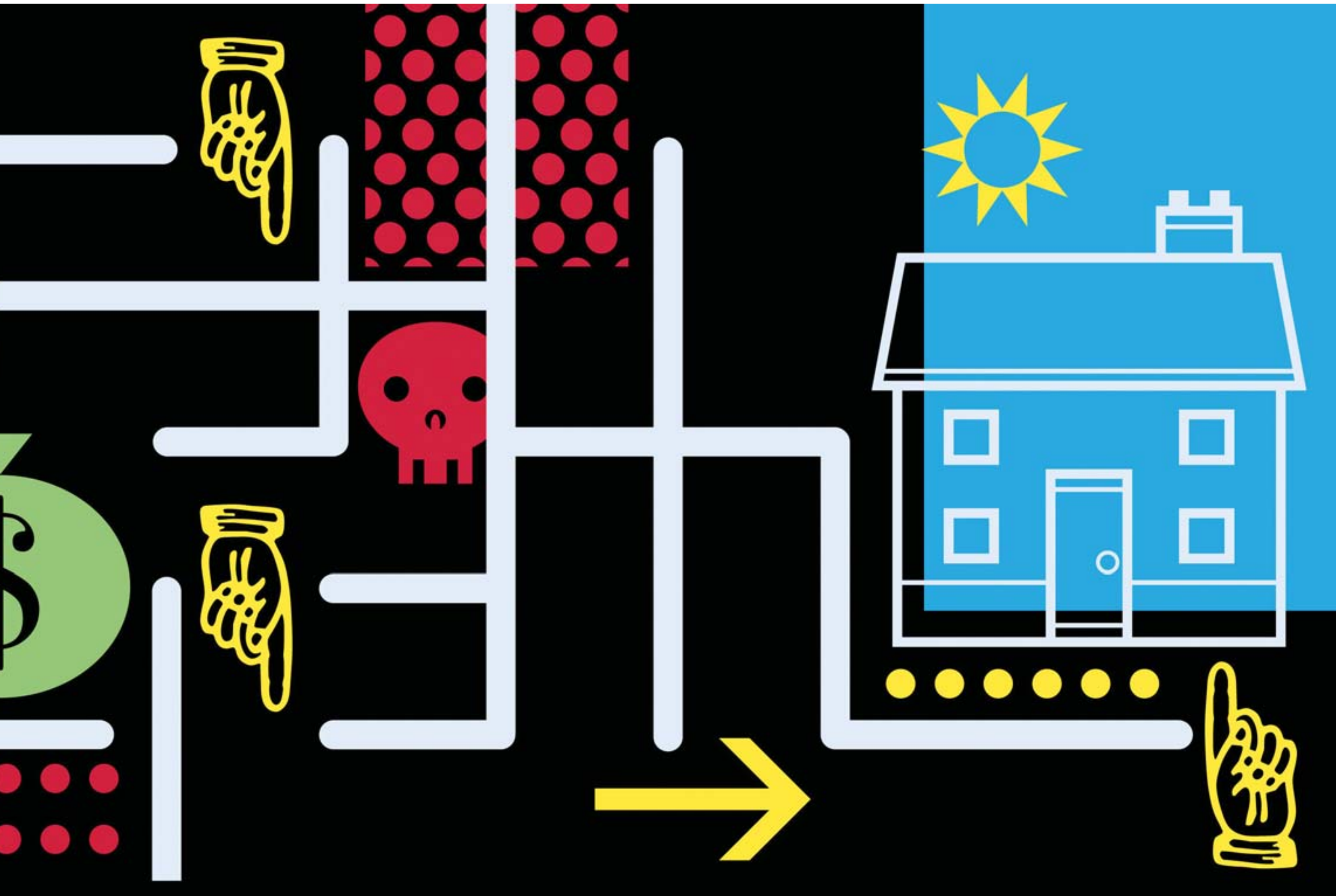
Seven suggestions for closing more transactions in a tight loan market

By Marcie Geffner

It's a hard letdown for REALTORS® when motivated prospective home buyers can't qualify for a mortgage, and in these days of super-strict lending guidelines, that scenario happens all too frequently. Buyers are tripped up by inadequate savings, impaired credit, income documentation, lender overlays, and higher loan fees, just to name a handful of the biggest stumbling blocks.

So why has it gotten so difficult for buyers to get financing? And how can REALTORS® overcome or change this situation for the better?

The essential issue is that loan underwriting standards have swung from one extreme–the so-called loose lending that was prevalent during the recent housing boom–to the other extreme: the tight lending that has excluded many buyers who once would have been deemed creditworthy, explains broker Vince Malta, vice president of Malta & Co. in San Francisco.



Mortgage Landscape

"The pendulum has swung way over to the other side," he says, "and that pendulum isn't going back very quickly."

Simply stated, says Malta, "We overspent on housing and need to cut back." But that's not easy: On the one hand, private lenders are risk-averse. On the other hand, it's "untenable," to use Malta's word, for the federal government to be involved in more than 90 percent of loan originations, as it is through Fannie Mae, Freddie Mac, and the Federal Housing Administration (FHA).

"These institutions shouldn't be privatized," Malta says, "but they cannot continue with the structure where investors get the profits, and taxpayers get the losses."

Atmosphere of Fear

Those complexities aren't the only cause of tight financing, according to Peter Ogilvie, president of First Residential Mortgage Corp. in Santa Cruz. He says lenders aren't only risk-averse, but just plain scared of making bad loans.

"There is an atmosphere of fear," Ogilvie says. The mortgage industry is "a bombed landscape with craters caused by the collapse of big companies. The higher-ups put out a caution, and that caution is read as double caution by the next layer down, and triple caution by the next layer down, and when you get to the underwriter–the underwriter is terrified."

One way lenders mitigate risks is by adding their own more restrictive rules, known as "overlays," on top of the agencies' guidelines, explains Steve Majerus, regional vice president of First California Mortgage in Petaluma. Overlays act as additional constraints on loan approvals, meaning fewer home buyers can qualify for financing.

Hardest hit by these conditions are entry-level home buyers, who sometimes focus on saving a downpayment without real-

Illustrated by J.D. King

"Connect with and build a team of two or three different sources of financing because there will be different kinds of properties and borrower situations that will come along."

izing other actions can hurt their ability to qualify, suggests Joyce Leonard, a broker-associate at Prudential California Realty in Diamond Bar. Purchasing a vehicle, for instance, is "an absolute no-no" for some buyers, because a car loan can affect the buyer's credit score and debt-to-income ratio.

Tips for REALTORS®

Tight lending presents quite a conundrum for REALTORS®, so here are some suggestions on how to cope:

1. Close all-cash transactions. One way to avoid loan snafus is to focus on buyers who can pay cash for the properties they want to purchase.

"There's a lot of cash out there," says Leonard, "and the cash buyer can contribute to moving the market."

2. Find well-qualified buyers. "We look for preapproval right off the bat," Malta says. Otherwise, a seller in a multiple-bid situation might reject a buyer's offer for fear he or she won't be able to close the transaction. Ask buyers: Where are you in the loan process? Have you submitted an application? Has your credit report been reviewed?

3. Encourage prospects to apply. Some buyers are so unsure of their finances that they hesitate even to apply for a loan.

"They don't think they'll qualify because of what they've heard or read," Majerus says, "and that puts an artificial constraint on people who otherwise might try to get into the home-buying world."

A little encouragement might help.

4. Get educated. "Take full advantage of any educational opportunities as they relate to updates or news in mortgage finance," Majerus advises. Look for classes, conferences, newsletters, and the like.

5. Seek out a variety of options. "Connect with and build a team of two or three different sources of financing because there will be different kinds of properties and borrower situations that will come along," Ogilvie suggests. Resources might include lenders who can offer jumbo loans, FHA loans, and so on.

FHA, in particular, "has become much easier," Ogilvie adds. "The money's there; it's available with very small downpayments, and the FHA underwriting is almost easier than a conventional loan."

6. Be patient and manage buyers' expectations. Mortgage brokers and loan officers are under a lot of pressure to dot and cross not just every I and T, but every *possible* I and T, Ogilvie explains. That takes time and entails more paperwork.

REALTORS® and borrowers should be prepared for difficulties and delays, though some loans do sail through the process more quickly.

"You have to say, 'This is going to be hard. We are going to do everything we can, but it could take 45 days or 60 days, depending,'" Ogilvie says.

7. Build for the future. It's impossible to earn a living today on the basis of prospective business tomorrow, but Leonard says it's worth the effort to keep in touch with not-yet-ready buyers.

"I get them into the counseling, talk to them about the market, and send them reports about market conditions," she says, adding that soft home prices might work in these buyers' favor. "They should hang in there and not be disillusioned," she says. "You've got to keep them motivated."

Less Financing for Fewer People

Malta likes to say there's hope in the fact that some lenders are easing a few underwriting standards here and there.

But that hope faces strong headwinds as the federal government and private lenders continue to change the regulations and rules of mortgage financing.

Several pending changes could make financing even tighter in the near term. Among them:

- ► Higher limits on conforming loans.
- ► A proposed federal definition of a "qualified residential mortgage" that requires a 20 percent downpayment for the lender to avoid a 5 percent risk-retention requirement.
- ► The future of Fannie Mae and Freddie Mac.
- ► Proposed changes to FHA guidelines

"From a practitioner's standpoint," Malta says, "there will be a lot less financing available, and for a lot fewer people."

The other answer, apart from an upturn in the real estate cycle, is to get involved and help head off government actions that could make the situation worse, Ogilvie suggests.

"The NATIONAL ASSOCIATION OF REALTORS® and CALIFORNIA ASSOCIATION OF REALTORS® carry a lot of weight in Washington and Sacramento," he says. "If some of the changes go through the way it appears they could, it will become much more difficult. It's a matter of survival. If [REALTORS®] want to stay in real estate, they need to heed the call to action." ◆

Marcie Geffner is a freelance reporter in Los Angeles.

How to Succeed by Really Trying

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business."

"Your brand is not your logo, your picture, or your name," she insists. "It's what you stand for. In everything you do, whatever it is that you are selling to the client, you need to be consistent and not break that promise."

Even today, most of Berg's business comes from traditional home buyers and sellers, not opportunities driven by market conditions.

"We don't have a bank-owned gig. We don't focus on short sales. We aren't hooked in with any big relocation companies," she explains. "It's just, for the most part, normal discretionary buying and selling."

Operations are 100 percent virtual, apart from a 150-square-foot executive suite known internally as "the docking station," where client meetings are held on rare occasions. Berg says office space isn't really necessary, calling the concept "antiquated."

One forward-looking concern is buyer financing.

"Lending is difficult right now," Berg says. "By far the biggest challenge we have is getting people financing. What happens with Freddie and Fannie and their loan limits in October is not going to help us."

Marie Chung

Modern Realty

Marie Chung, a partner and broker-associate in the Orange County office of family-owned Modern Realty, is all about bank-owned properties, known in the business as "real estate-owned" or REO. As the company's director of REO and short sales, Chung says her primary mission is to build the business relationships that have made the company a top go-to brokerage for more than a dozen national banks and loan-servicing shops that list post-foreclosure properties throughout Southern California.

"It's no secret that we have these relationships with the national banks," she explains. "We have managed to be in the right place at the right time. Obviously, I do have a very coveted REO list."

In addition, the brokerage has 40 realty agents and 13 employees, including a short sale processor, multiple marketing coordinators, and a vendor manager, who hires contractors to clean and repair hundreds of REOs.

Licensed since 2002, Chung is a high-profile personality, educating the public at local home-buying workshops, appearing at industry conferences, and speaking to the press to generate TV and radio publicity. Blog posts, email messages, a company website, Facebook, LinkedIn, and Twitter are part of the promotional mix as well.

"I love social media," Chung says. "It is very time-consuming, but we all have to adapt to the changes. I also love that it's free!"

Still, the biggest marketing bang comes from the for-sale signs outside Modern Realty listings, which Chung says generate a steady stream of inbound calls from home buyers, investors, and other brokers and agents.

The REO business is capital-intensive, but Chung says the brokerage was managed conservatively during the housing boom and well-positioned when the downturn began a few years ago.

Chung attributes her success to seeking new opportunities, keeping her network updated about REO laws and practices, devising strategies to rectify mistakes, and advising long-distance clients who aren't all that familiar with their own properties.

The future looks bright to Chung as banks foreclose on more homes in higher-end markets.

"I have had a $3 million luxury REO listing," she says. "I have had several [REO listings] on the Westside of Los Angeles that I've actually staged professionally with a luxury stager. I see more luxury [REO] coming online, which I'm very excited about." ◆

Marcie Geffner is a freelance reporter in Los Angeles.