

Discount Real Estate Companies aka I-ConSellers



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Air Force Retiree still Serving my Community

Discount Brokerages - Sellers get what they pay for

I think using them would be a business mistake you will... regret \$ and regret \$\$ and regret \$\$\$.

- There are two general types of discount brokerages I have seen. One will entice clients to sign with them by making embellished claims concerning the market value of your home. The second is an on-line company which makes a close to the market value offer on a home, but includes a contract clause where they will make repairs/upgrades to the house which comes out of the seller's profits when they re-sell it. The key point is the seller has no say in what repairs or upgrades are "required".
- Shopping at the dollar store is fun, but not when selling your house. I have no doubt there may be a discount brokerage out there which will fulfill the state and contractual obligations, won't mislead or lie to potential clients, who take great care of signed clients, and not short-change their services in any way. I haven't identified any at this point but I believe they may be out there.

Colorado really restricts discount companies.

- Let's look at the Colorado Department of Regulatory Affairs (DORA) Regulations – In Colorado, no one is allowed to operate an "entry only" or "limited services" broker or brokerage (only list a property in the MLS, or only to do the paperwork). Some states will allow this, but not here in Colorado. All brokers, agents, or REALTORS® are required to perform all the uniform duties listed in section 5 & 6 of the Exclusive Right-to-Sell Listing Contract. The next page shows the Colorado DORA required duties listed in the representation contract.
 - Imagine you tell a young kid to mop the kitchen. There is mopping the kitchen to be clean enough to be classified as clean, and there is running a dirty mop across the floor a couple of times. Both times the floor is "mopped, and the kid would indicate the job is done, but there are standards. There is doing the job as minimally as possible without exerting any effort, and there is working hard and doing a great job for the client.





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Required Brokerage Duties as listed In a Colorado Exclusive Right-to-Sell Listing Contract

5. BROKERAGE DUTIES. Brokerage Firm, acting through Broker, as either a Transaction-Broker or a Seller's Agent, must perform the following "Uniform Duties" when working with Seller:

5.1 Broker must exercise reasonable skill and care for Seller, including, but not limited to the following:

5.1.1. Performing the terms of any written or oral agreement with Seller;

5.1.2. Presenting all offers to and from Seller in a timely manner regardless of whether the Property is subject to a contract for Sale;

5.1.3. Disclosing to Seller adverse material facts actually known by Broker;

5.1.4. Advising Seller regarding the transaction and advising Seller to obtain expert advice as to material matters about which Broker knows but the specifics of which are beyond the expertise of Broker;

5.1.5. Accounting in a timely manner for all money and property received; and

5.1.6. Keeping Seller fully informed regarding the transaction.

5.2. Broker must not disclose the following information without the informed consent of Seller:

5.2.1. That Seller is willing to accept less than the asking price for the Property;

5.2.2. What the motivating factors are for Seller to sell the Property;

5.2.3. That Seller will agree to financing terms other than those offered;

5.2.4. Any material information about Seller unless disclosure is required by law or failure to disclose such information would constitute fraud or dishonest dealing; or

5.2.5. Any facts or suspicions regarding circumstances that could psychologically impact or stigmatize the Property.

5.3. Seller consents to Broker's disclosure of Seller's confidential information to the supervising broker or designee for the purpose of proper supervision, provided such supervising broker or designee does not further disclose such information without consent of Seller, or use such information to the detriment of Seller.

5.4. Brokerage Firm may have agreements with other sellers to market and sell their property. Broker may show alternative properties not owned by Seller to other prospective buyers and list competing properties for sale.

5.5. Broker is not obligated to seek additional offers to purchase the Property while the Property is subject to a contract for Sale.

5.6. Broker has no duty to conduct an independent inspection of the Property for the benefit of a buyer and has no duty to independently verify the accuracy or completeness of statements made by Seller or independent inspectors. Broker has no duty to conduct an independent investigation of a buyer's financial condition or to verify the accuracy or completeness of any statement made by a buyer.

5.7. Seller understands that Seller is not liable for Broker's acts or omissions that have not been approved, directed, or ratified by Seller.

5.8. When asked, Broker Will ___ / Will Not ___ disclose to prospective buyers and cooperating brokers the existence of offers on the Property and whether the offers were obtained by Broker, a broker within Brokerage Firm or by another broker.

6. ADDITIONAL DUTIES OF SELLER'S AGENT. If the Seller Agency box at the top of page 1 is checked, Broker is Seller's Agent, with the following additional duties:

6.1. Promoting the interests of Seller with the utmost good faith, loyalty and fidelity;

6.2. Seeking a price and terms that are set forth in this Seller Listing Contract; and

6.3. Counseling Seller as to any material benefits or risks of a transaction that are actually known by Broker.


My perception of the Discount Brokerage's "Operations Concept".

They want your listing

- The discount company's primary goal is not to sell your house, but to get you under contract. They need quantity in order to stay open. If you pay someone to sell your house for a set fee of \$1,500 or \$2,500. They don't care if you sell your \$500,000 home for \$550,000, \$400,000, or \$300,000. They also don't care if it sells in 30 days or 130 days. They want to deal in quantity. In the end they will get their paycheck and will move on to the next one.
- I did a statistical study of one such discount company, and to narrow the study I only looked at the properties they had listed in Elbert County. I am forbidden by my brokerage from identifying the specific name of the company. They sold 11 houses within a 12-month period. All 11 were initially way overpriced until they finally dropped the price to the market range. How could any professional real estate brokerage (different agents) "accidentally" overprice 11 homes?
 - The **AVERAGE PRICE DROP** from the initial price listed to the price sold was **\$31,837**.
 - The **HIGHEST PRICE REDUCTION** was **\$80,000** (and this was not a high-dollar home).
 - The **AVERAGE TIME FROM LISTING TO CLOSING** was **3.5 months**.
 - The **LONGEST TIME FRAME** was **9 months** in a time when the average closing time was 30-45 days.

Discount companies use overpricing to attract sellers

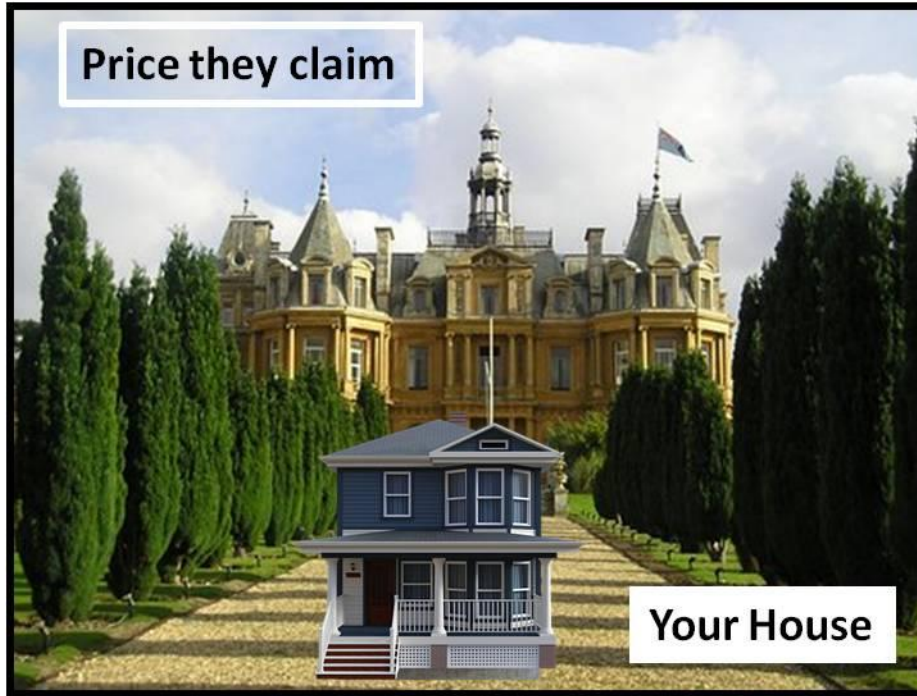
- Discount brokers appear to entice sellers in two ways. (1) They will only charge a small commission or flat fee (paid up front?) and/or (2) entice an owner to sign with them by telling them their house is worth tens of thousands of dollars more than anyone is telling them (I have seen as much as \$80,000 over market price). The discount company's goal is to get a long-term representation contract.



WoW... is my house worth that much?
Why the agents with the other
brokerages told me my house is worth
a lot less... I am so trusting, so of
course I will sign with you.

Make them prove the market price of your home

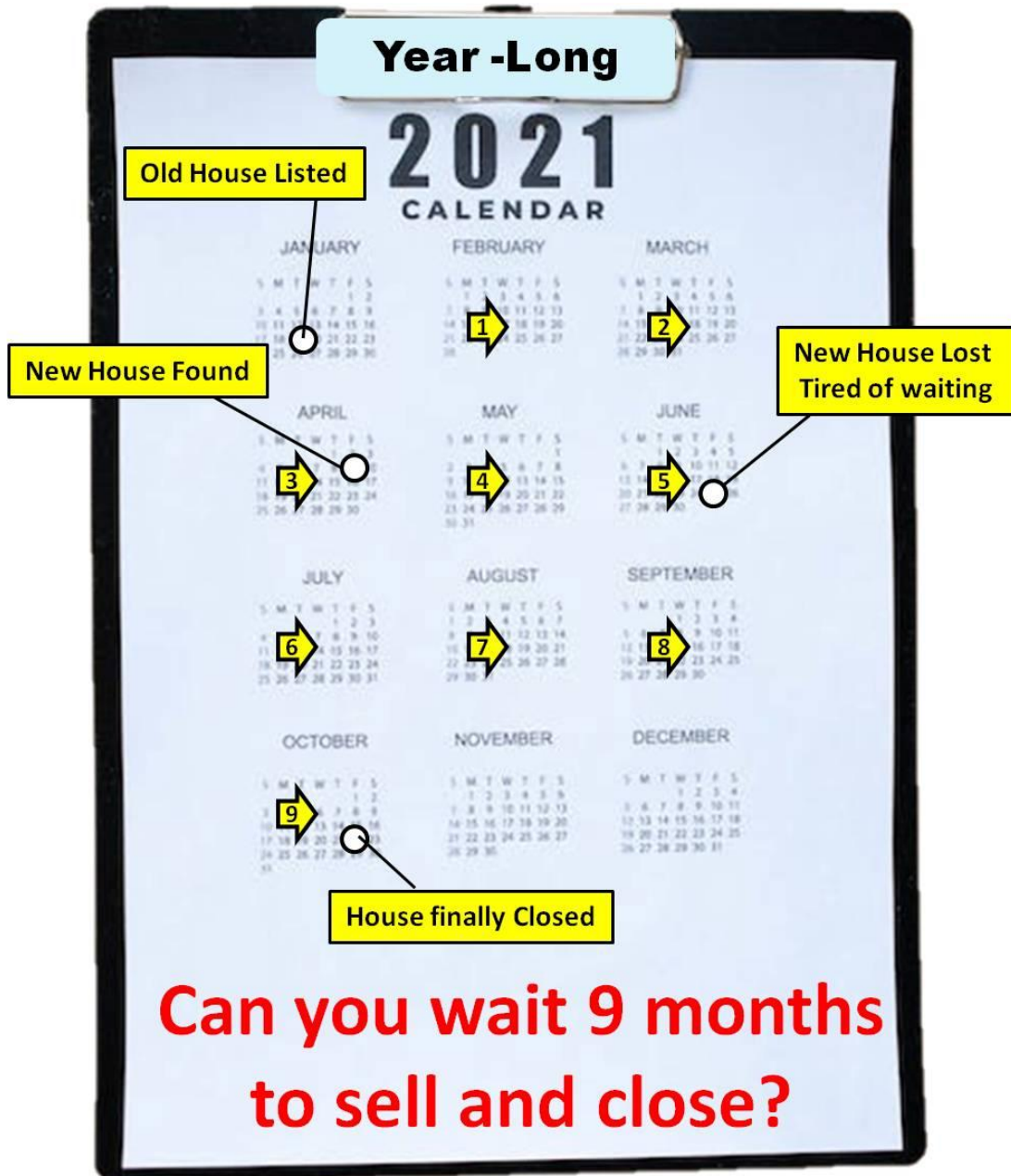
- If an agent says your house is worth “blah.. blah.. blah.. hundred of thousands of dollars”, make them prove it by showing you multiple comps for **sold** properties (the market price) with similar style (ranch, duplex, condo, bi-level, two-story), same square footage (within 10%), number of bed/bath, same level of upgrades (look at the advertising pictures), and located IN THE SAME NEIGHBORHOOD (no going across major roads, railroads, or major natural barriers). If they can't, kick their scamming carcass out the door. A home with a market price of \$450,000 has a market price near \$450,000, not \$550,000 or \$600,000.



- Once the contract is signed, the seller is on the hook. The discount company's primary action is to find another seller to put on the hook, and then another seller (quantity over quality). The company puts the property on the MLS and a sign in the yard. They may even have a photographer they use, or they will take pictures with their cell phones. Minimum work without any concern for the seller. They have it in the MLS and the file sits with all the others in a hold box till they get a bite. No bites? They will lower the price and wait again. They will repeatedly lower the price until it finally sells. There is no real motivation or enticement within the company to waste any office time by actively marketing on it (no open houses, pushing through websites or social media). It doesn't matter to the discount company how long it sits on the market, because in the end they will get their fee.

How many months can you wait to sell your home?

- Being way over the market value, the house then sits on the market for months while the discount brokerage makes reoccurring reductions every 30-60 days until it finally sells - often below market price. Why does it often sell below market price? The longer a house sits on the market, it becomes stigmatized. Buyers think something is wrong with the house (or someone would have snapped it up weeks or months ago), or it is severely over-priced. It is common knowledge among agents once a property becomes stigmatized from sitting on the market; buyers will low ball offer for less than the market price. Buyers are more cautious of these properties and will inspect closer.



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- This is not a solid pro-client focused business concept. It sounds like a poor-to-non-existent marketing plan. You do get what you pay for... but at what cost? They earn their cut rates by not doing anything more than the “plop and pray”. Plop the sign in the front yard and pray someone stops.

- From my research, houses being sold by discount brokerages are typically on the market longer than professional agencies. If you are waiting up to 9 months to close;
 - How much are you spending on the mortgage, insurance, taxes, and other home owner incidentals?
 - Moving across town or across the country – Realistically can you come up with any good answer how a delay like this will help you on the other end? – NO!
 - If you need to sell a house to buy the next one; where are you living? If your spouse has a new job which starts in 30 days, it sounds like it's an extended stay type hotel for up to 9 months. Think about it.
 - If you find your new house too quickly, or extend the time period till you close, those sellers may back out and find a new buyer. You could easily loose the new house deal.
 - Bottom-line – Will the delay earn you more money in the near or long term? – NEITHER!



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It sounds like a lack of ethics to me!

- The owner of one particular discount brokerage stated in an interview they are not REALTORS®. The reality of this comment is they are saying no one in the company agrees to uphold a nationally established code of ethics. They also admitted to having only a few people actually licensed. This means the majority of the people interacting on the telephone with clients are not trained agents, but literally tele-marketers - they make phone calls.
- One critical story - A seller insisted on them conducting an open house. They finally sent over a kid who sat there for 2 hours playing games on his phone. No advertising, signage, and he didn't dress up professionally; but they "held" an open house.

Where do ethics stand with you?

- You need a real estate professional who is ethically and contractually in your corner. In other words someone who has your back.
- You need someone with a marketing plan, professional, and very knowledgeable.
- You should pick a REALTOR® because they have sworn to uphold a code of ethics.



Viable Scenarios and situations

- **Imagine this situation;** you have a spouse, 3 kids, 2 dogs, and you accept a new job in Oregon which starts in 30 days. It is summer break and you have about 6 weeks till school start. You are moving the whole family. You develop this general game plan.
 - Your plan is to buy a larger house in Oregon State, close, and move in the furniture and kids. But you listed the Colorado home with a discount brokerage because you don't want to spend as much on commissions. As an example, your Colorado home is market value is \$500,000. You are spending \$2,500 flat fee to the seller agent and low buyer agent commission 2.4% (\$12,500). You are saving \$10,000-\$14,000 on commissions. If you don't give a commission to the buyer agent, they will not show their buyers the house. The discount company tells you they will start listing your house at \$560,000 enticing you to sign with them (\$60k above market value). You haven't got the cash on hand to buy a house in Oregon till the one in Colorado sells. Simple right? Let's throw some realistic curve balls
- **Scenario 1** – You list the house, pack up the furniture and ship it, then pack up the spouse, kids, and dogs, drive to Oregon and put them into a long-term hotel (does the place allow pets – if not what do you do with them?). The house is being handled by a discount brokerage and you get what you pay for. The house will sit on the market for months, and will take 7, 8, or 9+ months to close. You are in a hotel for the entire time. One room at \$129 per 182 nights (6 months) is \$23,476 plus taxes (plus pet fees) (remember the \$10,000-\$14,000 you saved on commissions). This is just for lodging. You are eating out more. You might need to have two rooms as the kids are not keen to sleeping on the floor, cot, three to a bed, or to put a barrier in order to keep either parents from feeling the need to kill them each night trying to get them to sleep (now \$46,952) (remember the \$10,000-\$14,000 you saved on commissions). Let's not forget, you are still paying for 6 months of mortgage, insurance, minimum utilities, cleaners (because of showings) and yard upkeep on the house in Colorado. You might also have to pay the moving company for storage of your furniture you moved to Oregon for up to 6 months. According to one website – *“A basic rate that a moving company might charge to store your household items is around .40 cents per cubic foot. Fortunately, many moving companies include up to 30 days of SIT as a part of your estimate. If you do have to use SIT for longer, most companies have a maximum period, usually **90 to 180 days**”* (<https://getjerry.com/advice/how-much-does-it-cost-to-store-furniture-with-a-moving-company-by-cheryl-knight#what-is-storage-in-transit-sit>). 180 days might not be enough so you will be moving your furniture into a self-storage facility (check out these costs) (remember the \$10,000-\$14,000 you saved on commissions).
- **Scenario 2** – You leave the spouse, kids, and dogs in the house in Colorado and you find a temporary place to live in Oregon. Most apartments want a minimum 1 year lease. Check out the apartment, hotel, or the VRBO prices and figure your expenses. VRBO in some states typically have a maximum number of nights you can stay, so you are either moving every month, staying in an extended stay type of hotel, or renting a room off craigslist. Depending on what you find, you may have the same general expenses for lodging, meals, rent, insurance, and utilities. You still have the same expenses back in Colorado. You are away from the family for a minimum of 6 months; the spouse is handling everything – causing stress with the situation. You are flying back every few weeks or month to give them a break (airline prices plus airport parking) (remember the \$10,000-\$14,000 you saved on commissions).
- **Scenario 3** – Maybe your finances in great shape and your new job will allow you to be able to afford to buy your Oregon home and then wait to sell the Colorado 6 months or more. You have the family make the move, and they can move into the new house right away. Maybe the lenders will agree you can afford to have two mortgages, insurance, and all the other expenses (remember the \$10,000-\$14,000 you saved on commissions). Wouldn't you prefer to use this money to make improvements to your new house prior to moving in?

- **Initial Scenario results** – You are dealing with kid’s issues, school issues, spouse issues, financial issues, starting a new job issues, and trying to look for a new house issues. Remember your goal was to move the kids to the new school so they will be there on day one, can get into sports with everyone else, and to keep them from thinking you are the worst parent in the world. At what point do you as a seller become willing take a lower offer of \$475,000-\$480,000 so you can go under contract and close in order to search for and buy a home in Oregon and get the family settled? This is \$20,000-\$25,000 below market value. Again, how much did you save using a discount company (remember the \$10,000-\$14,000 you saved on commissions)? Do the math.
- **Scenario 4 – A better deal.** Imagine this scenario, you are using an established REALTOR® who will list your \$500,000 market value house for \$505,000 with a 5.6% commission rate (2.8% for seller agent and 2.8% for buyer agent = \$28,000) they can tell you what the current average days on market is for your neighborhood - say 20 days (plus ~30 days for title and lenders to do their thing, due diligence, inspections, and related issues). The agent lists the property on MLS, but is also actively marketing your property (lots of signage, holding open houses, directional arrows from main roads, posting on other websites, social media), checking out the house to ensure it remains clean and secure between showings, and maybe even arranging for mowing. After going under contract, your lender now has a more firm figure to work with, and you can start looking actively for a home in Oregon. You start your new job before you close, and can either leave the family in Colorado or bring to Oregon. Even if you have to wait 30 days to close and move in, you are only spending a month in a hotel and not 6 months. Depending on the market, you can probably even include a post occupancy clause in the negotiations for up to 59 days after closing. Do the math.





Something smells about this!!! ix

iConSellers – Seller Beware

The “I Con Seller” Game Plan.

- There is a specific on-line discount company which makes close market offers on a home. The IConSellers make a **below market value** offer on the seller’s house with the premise of a very quick closing (as fast as a couple of days depending on any title issues), without any showings, without any strangers in their house, no worry about the cost of owning two homes, and no appraisal contingency since no appraisal is required. I am forbidden by my brokerage from identifying the internet-based real estate company, but in my mind I have been calling it “IConSellers”.
- IConSeller will conduct a thorough inspection of the home. The contract includes a clause stating the company will make repairs/upgrades and the seller pays for them out of their proceeds. The key point is the seller has no say in what repairs or upgrades are “required” – they just get to foot the bill. One agent stated they were the aware of one instance where the IConSeller charged for painters, and heater/AC repairs. The house had been professionally painted a few weeks prior to selling, and the house was not equipped with an AC to repair.
- IConSeller do not charge a “commission” but they have “service fees”, which include a selling fee, “risk” (their profit margin), holding costs, and repairs can be 13% or more. During a normal transaction, the REALTOR’s® commission is not fixed and is determined by an agreement between seller and the REALTOR®, but seem to typically run 2.5% - 3%.
- IConSeller has all the seller paid repairs/upgrades accomplished, sells the house, and pockets thousands of dollars for a quick profit with very limited risk. The sellers who work with IConSellers basically give their equity and profit to an investor so the IConSeller can make a profit. Another unfortunate key point is selling a house through an IConSeller, lowers the true market value price for the whole neighborhood.
- IConSeller is good if...
 - You want to give your house away.
 - You are willing to give away all, or a good portion, of the equity you have built up.
 - You are on the lam from the police and need to skip town quickly at any price.
- Remember IConSellers are investors and not a charity. The investors pay a low price on a seller’s house in order to sell it at a major profit, not the other way around. Sellers should remember IConSellers are representing THEIR OWN best interest and not those of the seller. There is no license or government oversight regulation of IConSellers. This is why working with REALTORS® is your most sound business decision. It is a money game, investor ploy, and legalized con game with the end result of the seller losing thousands of dollars in equity, and the IConSeller investors filling their bank accounts.

Crunch the numbers for using the “Convenience” of IConSeller.

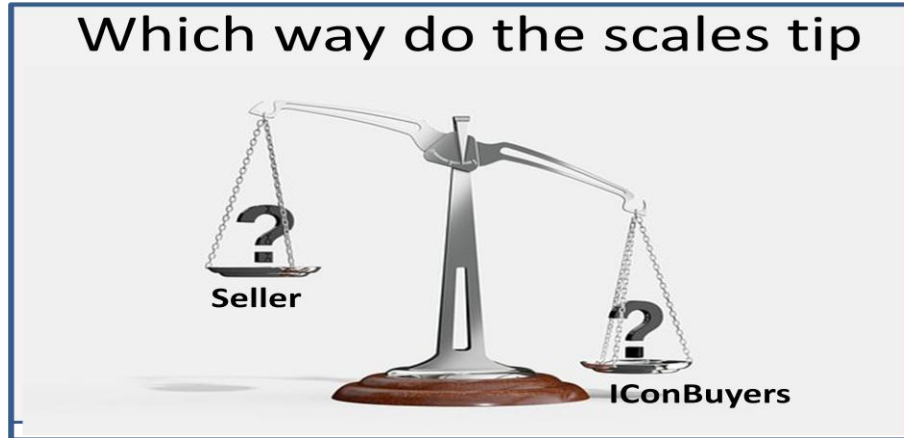
Working with a REALTOR® in an open market helps gets top value for your home. IConSellers offer below market value so they can resell it at a profit. (On many websites, they state they are offering the REALTOR® determined price – This is a total fabrication)	\$300,000 Market Price	\$270,000 IConSeller
The balance left on your existing loan will be paid off at closing.	-\$150,000	-\$150,000
Mandatory closing costs: title insurance, escrow fees, etc will be paid at closing.	-\$2,783	-\$2,783
REALTORS® charge a commission to sell the home. IConSellers do not. Example is 5.8%.	-\$17,400	\$0
IConSellers charge a “service fee” in lieu of a commission. This service fee can encompass selling fees, “risk” (their profit margin), and commissions paid when they sell. These can reach 13% or even more. REALTORS® do not charge a service fee.	\$0	-\$24,300
IConSellers may make an offer sight unseen, but have the home inspected, and the offer commonly includes non-negotiable credits (seller paid) for making all repairs. When working with a REALTOR®, repairs are negotiated with the buyer.	\$0	- \$5,400 **
Holding Costs. The longer you “hold” your home, the more you spend on typical expenses like mortgage, insurance and taxes.	- \$3,453	- \$873
NET - Final amount you will walk away from the closing table with in your pocket.	+ \$126,365	+ \$86,644
The Bottom Line		
** The net loss difference is the cost for your “convenience” of using an IConSeller, depending on what the seller gets charges for “repairs and upgrades”	-	- 39,721

IConSeller seems to be missing honesty and ethics in their dealings

- The common theme among the companies conducting IConSeller is they all seem to have misleading or totally fabricated charts on their websites showing their “great value” (which is only to them). These charts are totally devoid of reality.
 - The IConSellers websites present information showing the seller will make more money or the same as using conventional real estate professionals, in a shorter time, and with less work.
 - The IConSellers state on their websites they make a “fair offer”. It’s actually a “great offer” (to them). This offer price is not the market price, but the price they are willing to pay.
- An ethical investor would buy a house with issues at the fair market value for a house with issues, make the necessary repairs, and then sell it for a profit. The risk is on the investor to complete the repairs under budget and re-sell it. Investors will not buy a house with no issues, as there is no incentive to flip it for a quick turn-around. An IConSeller makes a very low offer on the house, with the seller responsible for paying for the repairs the IConSeller wants (the seller assumes the risk), and then sells it at a profit.
 - The risk for the seller is they sold their house for below market value and then being told what un-negotiable repairs and upgrades they will be paying for.
 - The only risk for the IConSeller is time.

The Bottom Line

- When working with a listing REALTOR[®], repairs are often negotiated with the buyer, and selling your home on an open market focuses on getting the top dollar for the seller, and in turn the highest profit. The difference a seller pays for using IConSeller is for “convenience”.
- Reportedly 90% of the sellers who went with an IConSeller didn't talk to a Real Estate Professional first. Don't be one of those stupid people. Get the facts and protect yourself and your family.



If you want your house sold
in a professional manner;
Work with a Professional

They are easy to find;
They wear the title - REALTOR[®]



ⁱ <https://media.istockphoto.com/id/137925795/photo/young-boy-wiping-floor-with-paper-towels.jpg?s=612x612&w=0&k=20&c=DQ6y11Oo3L6lp9F6ji8ExBxMUmR3Div-EUapZERXpzQ=>

ⁱⁱ https://cdn.pixabay.com/photo/2017/08/10/02/58/larimer-2617495__340.jpg

ⁱⁱⁱ https://cdn.pixabay.com/photo/2016/11/29/09/38/adult-1868750__340.jpg

^{iv} https://cdn.pixabay.com/photo/2012/12/12/11/56/england-69582__340.jpg

^v https://cdn.pixabay.com/photo/2019/07/11/14/48/old-4330788__340.png

^{vi} <https://images.pexels.com/photos/6193140/pexels-photo-6193140.jpeg?auto=compress&cs=tinysrgb&w=600>

^{vii} <https://images.pexels.com/photos/8470803/pexels-photo-8470803.jpeg>

^{viii} https://cdn.pixabay.com/photo/2014/07/06/13/55/calculator-385506__340.jpg

^{ix} <https://images.pexels.com/photos/1447424/pexels-photo-1447424.jpeg?auto=compress&cs=tinysrgb&w=1260&h=750&dpr=1>

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