

The Advanced Teachings of Mrs. Langerhorn: 15
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FISBO Negotiation: Make Them Have a Dog in the Fight

Note to the Reader ... These are not the notes of our conversations that were published earlier under the title “Mitochondria Learns to Invest”. These are the papers Mrs. Langerhorn left me after she passed away. They are her advanced teachings, and as such they overlap and reinforce her earlier principles. I hope you gain from them as much as I did. The earlier lessons are incorporated in the book “Stairway to Wealth” available at LuLu.com

Timeliness, my husband explained, is an important element of any negotiation. He said that if we agreed to meet, then everyone involved would certainly know why we were meeting, but people would be a little apprehensive until a minimum comfort level was reached. In the interim, we would have to make small talk. I thought about that for a moment, then asked, “How would we know when everybody’s comfortable with each other?”

He said, “At some point, people will just stop talking. There will be a period of silence. That is the general signal that it’s time to get to business. We’ll draw the moment out, of course, perhaps take a sip or two of coffee, then segue into talking directly about what we’re all there for.”

“How do you know all this?” I was his wife, and I was amazed. Where did he learn all this?

“You know the cinnamon roll and the peach danish that come in every morning? They sit at that little table at the other end of the counter? They’re in real estate. I’ve mentioned them to you, remember? Well, they both love to talk and I’ve been eavesdropping for the past six or seven years. Should have learned something by now, shouldn’t I?” he smiled.

Mrs. Mehatabel sat in back. My husband drove carefully, but, even so, it didn’t take too long to get to McDonald’s. We went inside and everyone ordered hamburgers and fries. We waited for them, then found a stable over in the corner where we could talk without being overheard.

We had small talk at first, just as one would expect. She told us a little about her life and we told her a little about ours. After a while the conversation just kind of side-slipped into her units. I didn’t even notice any period of silence, so I guess we were getting pretty comfortable with each other. I made a mental note to not do anything stupid just because things seemed to be going well.

“Once my husband passed,” she said, “I kind of lost interest in the units. And, after a while, the tenants just moved out one at a time. I never re-leased a unit once it became vacant. The building emptied out within four or five years and I just left it that way. I can get by on my social security and a little annuity I bought with the life insurance proceeds. I figure the land’s at least worth something and when I go the cats will have some money.”

“So they have money ... how are you going to actually provide for the cats? Who’s going to take care of them?” It was my husband talking. I pretty much kept silent.

“There’s plenty of time. I’ll think of that when the time comes”, Mrs. Mehatabel answered. My husband took a sip of coffee, then said, “How much time did you have when your husband passed?”

“Well, that was a heart attack!” She was a little testy, but she calmed down. “My heart’s good. I get it checked every year”.

“The point is that, statistically, most folks – especially healthy folks – don’t know when they are going to die. Otherwise they’d just buy life insurance an hour or two before they check out. None of us really knows when we’re going to die, wouldn’t you agree? Mrs. Mehatabel agreed, reluctantly.

“Then wouldn’t you like to provide for your cats now, while you’re healthy?”

Mrs. Mehatabel finished her french fries. Then she took a sip of coffee. She was clearly dawdling before coming to a conclusion. Neither my husband nor I said a thing. We both knew the first rule of negotiation: Once a key point is on the table, the next person to speak loses.

She spoke. She looked at me – I thought that was odd, because the conversation had been only between her and my husband – and said, “I suppose I should prepare something for them, I guess”.

Since she was addressing me, I thought I should probably say something. “You want to know what my mother did with her cats?” I told her the same thing I’d said earlier to Ben, “She was afraid that after she died there would be nobody to look after them. So she talked to Mr. Zerariah, her attorney, and together they worked up a Trust or something. My sister wound up taking care of the cats. She got a monthly check from the Trust right up until the last cat died.”

Mrs. Mehatabel asked, “Then what happened to the rest of the money?”

“It went to an animal charity or something. I don’t remember which one.” I added, “It was all written into the Trust documents”.

“Well, that might work”, she said thoughtfully. She turned to my husband. “How much do you think the units might be worth?”

My husband and I looked at each other, his eyes saying “That came kind of quick, didn’t it?” Neither of us said a word for a minute or two. Then he said out loud, speaking to Mrs. Mehatabel, “Well, why don’t we just get an appraisal? That’ll probably be the most objective way. We can split the fee.”

“If you want an appraisal,” she said, “you pay for it”.

“We’ll both be benefitting. It’ll have to be split.” Without waiting for her to say anything, he went on, “Do you know of a good appraiser? We’ve never hired one.” That was true. When we refinanced our six units, the bank sent its own appraiser.

“I’m not saying I’ll sell at whatever the appraiser says!” she interjected. I noticed she implicitly agreed to the shared appraisal fee.

“And do you accept that we may not buy at what he says?” My husband asked. “The units have been let go and look like they may need more work than we’re willing to take on. And the longer it takes before someone completely rebuilds, or perhaps renovates, them the more they will deteriorate and the more the repairs will cost. You understand that, don’t you? Don’t you agree that the sooner you provide for your cats the better off they will be?”

She didn’t say anything, but she nodded her assent.

“Since this is all about the cats, why don’t you talk to your lawyer and have him draft whatever papers are required to accomplish what you wish,” my husband suggested, “then we can meet in a week or two and agree on the next step.”

We took Mrs. Mehatabel back home. As we were leaving her place, with just the two of us in the car, I asked him some questions I’d been dying to know. “Why did you insist that she pay half the appraisal fee? We can afford to pay for it ourselves.”

“We need her to have a dog in the fight. As long as she’s the passive recipient of our efforts, I’m thinking, we’ll never know if she’s actually going to do the deal or if she’s just taking us for a ride”, he said.

“And then you said that even after the appraisal was done, it didn’t mean that we’d pay the appraised value?”

“Well, she started it. She said that she was not agreeing to sell at the appraise value, so I just returned the favor. I think – and I may be wrong – that if the other side puts up an objection we’re probably best off to say that we have the same objection. The peach danish said once that negotiation was a matter of bricks, that every time the other guy put a brick between him and you, you’ve got to show him that you have the same brick. If they want to do the deal, eventually they stop piling bricks.”

I had one more question. “Then why did you suggest she get her attorney involved? I’ve heard about attorneys. Isn’t that a sure deal-killer?”

“It may be. But we don’t have the option of whether or not her attorney is involved. Eventually he will be, whether we like it or not. Better for us to bring him in early in the game, before we’ve spent too much time or money. If things can’t be worked out, we’ll know it soon enough and can push on to find another property. But if he comes in early and drafts a way for her to feel comfortable that her cats will be well provided for then she’ll be more emotionally committed to the sale. Once she’s committed to a particular way to provide for her cats, structured by her lawyer, our deal for her units is done. The only thing left is the price.” Then he added, “Anyway, those are my thoughts. I guess we’ll find out soon enough.”

*Klarise Yahya is a Commercial Loan Broker. If you are thinking of refinancing or purchasing five units or more anywhere in the U.S.A., **Klarise Yahya** can help. **Find out how much you can borrow!** For a complimentary mortgage analysis, please call her at **(818) 500-9966***