



# Qualifying Luxury Home Buyer Prospects: Why it's important and how to do it

*By Laurie Moore-Moore*

## Overview

Agents often ask, “Do I need to qualify my luxury home prospects?”  
The answer is, “Absolutely.”

This short document addresses how you can easily start the qualifying process with a simple “magic” question that won’t offend a serious buyer. Information includes the scripts you need - based on whether the prospects will be applying for a loan and need a lender, have their own source for mortgage money, or plan to pay all cash. You’ll discover how using this benefit-oriented approach to qualifying can make the process easy while ensuring that you don’t waste your time with “looky-loos” or put your sellers at risk. You’ll also learn the three steps necessary to make sure cash buyers really do have the necessary funds.

## Why is this important?

Unfortunately, there are people who love to look at luxury homes, but are not qualified prospects. As a busy real estate professional, you don’t have time to waste, and these folks are time wasters. There are others who are scam artists or thieves. It’s your responsibility to screen out these people so that your sellers are not at risk. In fact, some sellers of expensive homes request that their homes only be shown to qualified prospects. Remember if you qualify anyone – like first time home buyers – you may be discriminating if you don’t prequalify everyone. Qualifying is simply good business. If you don’t have an easy, comfortable way to do this, e-book is for you.

Pre-qualifying your buyer prospects is important regardless of price range. In fact, in the luxury market, sellers often require that you qualify a prospect before offering to show the home. If you are hesitant to broach the topic of qualifying with your upper-tier prospect, remember that if you’re asking some buyers whether a lender has pre-qualified them, but not asking others, you are most likely violating fair housing laws by treating potential clients differently.

Don't jump to conclusions about an individual's ability to buy based on the car they drive or how they dress. Instead, qualify them. A simple question to start the qualification process is, *"How do you prefer to pay for the home you are considering buying?"* One successful luxury agent starts her prequalifying with, *"Do you prefer to pay all cash for the home you'll be buying?"* She says her prospects seem to love the fact that she believes they might be able to pay all cash.

However you choose to start the conversation, don't be hesitant to ask how they plan to pay. If they indicate that they will want a mortgage loan, offer to introduce them to a mortgage loan originator who can qualify them. If they indicate they have their own lending source, encourage them to initiate the approval process as quickly as possible. If they say, "We'll be paying all cash," that's terrific, but you still must prequalify them.

Develop scripts to help you ask for financial information. For instance,

*For those who wish to purchase with a loan and don't yet have a lender:* *"As you can understand, many sellers of luxury properties require that only pre-qualified prospects be given access to their homes. To ensure that I can show you the homes that you'll want—and need — to see in order to make a smart buying decision, and to maximize your negotiating power when you find the home that's right for you, we'll need to get you approved for a loan as quickly as possible."* Then offer to introduce them to a loan originator who is knowledgeable about jumbo loans and give them a gentle nudge to start the process *"in the next 24 hours."* Be sure to share the benefits of being prequalified, so that they understand the advantages and are motivated to start the qualifying process.

*For those who plan to purchase with a loan, but already have a lender of choice:* Use the script above, and indicate that they need to start the approval process immediately with their lender. *"I'm sure you see the importance of setting an appointment with your lender in the next couple of business days."*

*For those planning to buy with cash:* *"That's terrific. As I'm sure you'll understand, many sellers of luxury properties require that only pre-qualified prospects be given access to their homes. To ensure that I can show you the homes that you'll want—and need —to see before making a smart buying decision, and to maximize your negotiating power when you find the home you just have to have, we'll simply need to have your banker, broker, or other financial institution provide a standard letter of financial introduction which verifies that you have sufficient assets on deposit to purchase in the price range in which you are interested."*

Be sure you have a system for requesting and collecting written letters of financial introduction (sometimes called asset verification letters). You may want to develop a standard form which your prospect signs granting a financial entity permission to give you information confirming that your prospect has assets sufficient to purchase at a particular price point. When this document is returned to you, be sure to verify the phone number. In other words, check with

an online address/phone criss-cross directory to be sure the number on the document really is a valid number for the financial institution. Then, pick up the telephone and call the individual who has signed it and confirm your receipt of the document.

This is not just a courtesy, it is a critically important double-check that the phone number is actually a number for the specific financial organization and that document is real. If, when you call the financial institution's number on the letterhead and Tony's Pizzeria answers, you know you have a problem! Unfortunately, the upper-tier is plagued with scam artists who are not wealthy buyers even though they try to look and act the part. You don't want to put your sellers at risk or waste your time with unqualified lookers.

Some agents take the qualifying of cash buyers a step farther. Once an all cash contract has been negotiated, a date prior-to-closing is agreed upon for the buyer to deposit the cash into an escrow account at the title company (or other appropriate place). This is good business.

Other agents' buyers: While you may diligently prequalify your buyers, not every agent will be as conscientious. This raises the question of how to handle showing requests for prospects who have not been qualified by their agents. Your seller (with your input) should decide whether or not to allow these showings. Some sellers will be adamant about prequalification, others less so. One approach is to suggest to your seller that *if* the agent making the request is someone you believe to be a knowledgeable luxury agent, the showing be allowed. But, it should be treated as an agent preview until you know the prospect is qualified. The advantage of this is that the agent will subsequently have your listing "top of mind" and think of it for his or her next qualified buyer. The negative is that you don't really know the prospect's true motivation for wanting to see the house. In this situation, the listing agent (or licensed assistant) should be present for the showing.

Qualifying prospects is an important first step in getting started with a luxury home buying prospect, if your prospect resists, proceed with caution. He or she may not be a real prospect.

## **Important points to remember when qualifying prospects**

1. If you qualify any prospects, you should qualify *all* prospects. Otherwise, you may be discriminating.
2. First qualifying question: "How do you prefer to pay for the home you intend to purchase?" Alternate question: "Do you prefer to pay all cash?"
3. A "letter of financial introduction" provided by a financial institution is sometimes called a "verification of assets."

4. A verification of assets provided by a CPA /accounting firm is *not* acceptable. An accountant usually does not know an individual's current financial balances.
5. In the event of an all cash transaction, arrange for funds to be on deposit in an escrow account prior to the closing date.

## Checklist for creating an effective qualifying script

As you begin to develop your own qualifying process for wealthy prospects, here are a few things you'll want to keep in mind.

- Use the phrase, "How will you *prefer* to pay..." This is a soft, but direct way to open the conversation and implies that they have several options from which they can choose.
- Tell them the benefits of being qualified as soon as possible. "So that I can show you all the properties you will want and need to see to make a good decision and so that you can negotiate from a position of strength when you find the home you want..."
- Tell them what they need to do and gently nudge them to initiate the appropriate action.
- If they need a lender. ... "Let me introduce you to a mortgage loan originator who can immediately start the mortgage loan approval process for you."
- If they have their own lender... "I encourage you to contact your (lending source) today so that you can document your purchase qualifications as soon as possible."
- If they prefer to pay all cash... " All I need from you is a letter of financial introduction from a financial institution where you have assets on deposit sufficient to purchase at the \$\_\_\_\_\_ price point . If you will sign this request for asset verification, I will fax the form today."
- Reinforce the importance of being qualified as soon as possible. "As an owner of a luxury home yourself, I'm sure you'll understand when I say that many of our sellers will only allow their homes to be shown to fully qualified prospects."
- If someone is offended by the qualifying questions, that's a red flag. The prospect may not be qualified. A good business person understands why you ask and sees the benefits of being qualified in advance.
- You and your seller need to decide how you will handle prospects whose agents have not qualified them in advance. Allow a showing or not?

## Reasons to take the time to qualify

Taking time to qualify your luxury prospects as early as possible in the process offers terrific benefits for your buyer prospects, for sellers and for you. Remember there is a difference between a pre-approval and full qualification.

1. Buyer prospects can tour all available properties, including homes of sellers who wish to limit showings to fully qualified prospects. Buyers feel comfortable that they have seen all the options.
2. Buyer prospects are in a stronger negotiating position when they are ready to make an offer. Sellers may take fully qualified buyer prospects more seriously and favor them in a situation where multiple offers are received.
3. Buyer prospects recognize your professionalism.
4. Buyer prospects understand the reality of what they can afford.
5. Sellers view you as more professional.
6. Sellers understand you are reducing their risk by screening out unqualified prospects.
7. You don't waste your time with "looky-loos."
8. Transactions are more likely to close.