

Nowadays, every medium to large real estate office has an on-site mortgage broker or field representative of a major lender. Most agents do not concern themselves with strong knowledge of mortgage financing, and mortgage manipulation has almost disappeared as a bargaining tool that once was common knowledge within the industry.

I remember well my first real estate manager. I was a hotshot 21-year-old and had already made a few deals within the first month of coming into the business. Once a week my manager would gather as many of the staff as possible and take us into a boardroom. If you saw the movie *Glengarry Glenn Ross*, you have an idea of my manager. He was one tough s.o.b. but he knew his business.

He would present us with a problem on the chalkboard (for those of Generation X, it's sort of like a whiteboard, but you actually used chalk instead of dry markers) and we would be given 10 to 15 minutes to provide a solution. Most concerned mortgages and mortgage mathematics. The agent who knew mortgages best, made the most deals. We were taught to deal with vendor take-backs and to discount mortgages. We were

taught to think on our feet and to educate vendors, which created more deals.

One lesson I have never forgotten was to ask one single question when trying to obtain a listing: "How much money do you have to have in your hand in order for you to move?" This turned out to be crucial, as we could easily manipulate the mortgage financing in order to achieve the results needed. For example, we may have raised the listing price slightly but reduced the interest rate by one per cent for the vendor to take back and sell.

The vendor take-back mortgage has all but disappeared in most urban centres in Canada. Let me give you one case where a VTB can make a sale.

You have an older vendor couple who are selling and moving to a condo or rental. You present an offer from a nice young couple who just doesn't have the entire 25 per cent needed to pay cash and arrange a new mortgage, and they don't want a CMHC mortgage due to the add-on costs. You present the offer with the proviso that the vendors hold, say, 10 per cent of the sale price by

way of a second mortgage. The vendors state that they don't want a mortgage.

As their real estate professional, you ask where they intend to invest their money once they sell. Most older Canadians will opt for conservatism, such as bank accounts and low-paying GICs.

Mortgage manipulation is being a lost art in the sale of Canadian real estate. As someone who has been involved in more than just a few deals in my career, I can honestly state that my knowledge of mortgages and of mortgage manipulation has aided me greatly.

You have given them a better opportunity — they can invest in a product they know better than any other, their own home. You explain the pitfalls about what can happen if the purchasers default, but on the other hand they cannot get such a high interest rate as they can from this mortgage and on a product they know well. As long as the pur-

chasers are solid, this is a great investment for the vendors. Ensure, however, that you do obtain a full credit report on the purchasers to present to the vendors. Encourage them to seek independent legal advice, but first, call their lawyer and explain the dealings.

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There are many other scenarios when knowing about mortgages can make a deal. Discounting mortgages can be practical when rates are high. The problem with mortgage brokers is that most are just freelance underwriters for major institutions. Most don't have adequate private funds and many times private funds are needed to make a sale to a new immigrant, a discharged bankrupt buyer or the wheeler-dealer who cannot prove income.

Mortgage manipulation is becoming a lost art in the sale of Canadian real estate. As someone who has been involved in more than just a few deals in my career, I can honestly state that my knowledge of mortgages and of mortgage manipulation has aided me greatly. I went further and took the Certified, Real Estate Finance courses offered by



BY BARRY LEBOW

the Real Estate Institute of Canada (www.reic.com) and under the auspices of the University of British Columbia. The CRF courses have returned more income than I would have been able to derive without the knowledge of mortgages.

Mortgage manipulation is a skill that all professional Realtors should acquire.

Barry Lebow, FRI, CRF, CRA, Professional Land Economist, arbitrator and mediator is now in his 32nd year within real estate. A practising appraiser, he has testified as an expert witness in more than 400 trials in Ontario. He is a lecturer and instructor. Recently he has become more active in his role as a commercial Realtor, and he is currently on the board of directors of the REIC and is a co-chairman of the CRF program. lebow@ica.net; phone (416) 781-5504. ■