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Your Money

# Negotiating for a House? Start With 'Dear Seller'

By [RON LIEBER](#)

A few years ago, when multiple bidders would show up at a real estate open house, the truly desperate resorted to writing love letters to the sellers.

Their plaintive scribbblings painted a picture of first-time buyers chasing the American dream or growing families hungry for more space. The letters dripped with compliments for the property and ended with a plea for mercy (and a signed contract).

Today's real estate market, however, calls for a different kind of letter, less a fuzzy valentine and more like a cold splash of water. It's what you write to accompany a bid that is so far below the listing price that it cries out for explanation.

Inspired by the success of a friend who used this tactic, I drafted a sample letter that buyers who fear overpaying might send to homeowners. Then, I crafted a reply that confident sellers could fire back.

No seller would be happy to get a letter like this. The most powerful missives stoke doubt and create fear. Sellers who get them may be tempted to write off the bidders as lowballers. But it makes little sense not to at least reply, given the number of competing properties in most places and the difficulty lately in getting mortgages.

The sample letters below, which I wrote after conversations with representatives of the [National Association of Realtors](#) and the National Association of Exclusive Buyer Agents, don't mention local economic conditions, comparable sales or other such data. You'll want to fill in those details yourself. But the templates below should work as a starting point.

One caveat is that you'll generally be relying on real estate agents to deliver your letter. Ask them point blank whether they intend to do so.

Dear Seller:

I'm writing to let you know that I would like to make a bid on your property. I love the area and am committed to buying a house nearby. And your home fits my needs.

But given that my offer is well below your asking price, I also feel I owe you an explanation.

First, consider the big picture. Nationwide, home prices in the first quarter of 2008 fell 14.1 percent compared with the same period a year earlier, according to the Standard & Poor's/Case-Shiller U.S. National Home Price Index.

That's the biggest decline in the 20-year history of the data. And just in case you're wondering, during the housing downturn of the early 1990s, the decline was never worse than 2.8 percent.

**Not only that, earlier this month, the National Association of Realtors pointed to the huge number of existing homes on the market. As of the end of April, the total number was 4.55 million. At the rate people are buying right now, that represents an 11.2-month supply.**

So buyers have options right now. A lot of them. I'm no different. Your home is great, but it isn't unique. Few homes are. I know this may be hard to hear, since you've spent years creating memories here. But you may be waiting a long time if you hope to find a buyer with the same emotional connection that you have.

My mindset is hardly unique. We've all been reading the headlines. The accompanying articles appear prominently in major newspapers and sit on the Web pages where people check their e-mail every day. Everyone sees them, and the psychological impact is real.

Has your real estate agent laid any of this out for you? Maybe so, and you didn't want to believe it. But it's also possible that your agent, afraid of offending you and losing the listing, simply doesn't want to initiate that sort of discussion. It may be worth sitting down for a candid reassessment.

It will be tempting to view my low bid as an insult. Please don't make that mistake. Your home is genuinely appealing, and I wouldn't have written this note unless I was serious about buying it. Getting a firm offer in this market is an accomplishment. So congratulations!

Oh, and one more thing. You presumably need someplace to move. My guess is that you'll find these same points compelling when it's your turn to buy. You just might succeed in buying for a better price, too.

I look forward to hearing from you soon.

Yours Truly,

The Realist

Dear Bidder:

Thanks so much for your note. I'm truly glad that you like our home as much as we do. You're right that my family and I have many great memories of this place, and we hope someday you will, too.

And I just want you to know that I'm not insulted in any way by your offer. The fact is, none of us are very good at buying and selling homes. We don't do it often, and as much as we know we're not supposed to let emotions get in the way, it's hard not to. After all, few people buy or sell anything else as expensive as a home in their lifetimes.

That said, your offer disappointed me. You seem to believe that I'm not aware of how bad things are out there or that I'm in denial. But I do read the headlines, and I priced the house accordingly. I knew I might have to wait awhile to sell it.

I should point out that your data draws on what has already happened in the housing market. Instead, I'd ask you to consider what's about to happen.

One big reason for the falling prices is that it's harder to get mortgages. Lenders went from giving money to anyone with a pulse to demanding higher credit scores and larger down payments. All sorts of buyers simply couldn't make the numbers work anymore.

That may now change. Starting June 1, [Fannie Mae](#) and [Freddie Mac](#), which buy mortgages from lenders and help make it possible for them to lend more money, are loosening restrictions on the sorts of loans they'll buy in many markets. That is supposed to make it easier for people to buy a home with a down payment of 5 percent, or even less. Many more qualified buyers should mean more bids, and I'm willing to wait to see if it turns out that way.

**I know you talked about having choices, but presumably we wouldn't be engaging in this correspondence unless you liked my home best. Given that, I'd ask you to think about something: How often do you find a place that you can actually imagine living in? Sure, there are a lot of other properties out there. But an increasing number are in foreclosure and probably have problems lurking within the walls. So don't let fear of a falling market keep you out of a home that you truly want.**

It's probably obvious by now that I'm not going to counter with a particular number. This doesn't mean that I do not want to negotiate. I'd just like you to consider what I've said and see if you find it convincing. In the meantime, other shoppers who are interested in my home now have a price to beat. So thanks for helping me out with that.

**Just one more thing. Please take another look at whatever mortgage calculator you're using and see how your monthly payment will change if you brought your price up a bit. It almost certainly is not going to be enough to break you. But it may be enough to get us to a deal.**

I look forward to your reply.

Yours,

The Undaunted

**Courtesy of JB Goodwin**