# From Farming To Real Estate

***LESSON 1: Think of ways to make the deal work. Listen to the customer and THINK.***

***LESSON 2: Give the customer what he wants. You will lose him if you try to force your preferences on him.***

***LESSON 3: Even though you may represent the seller, be honest with your buyer. Make sure he knows what he is letting himself in for.***

***LESSON 4: If it feels like you are cheating someone, you probably are.***

***LESSON 5: Make it as easy as possible for the customer to buy. Don't rigidly follow some rule or practice simply because everyone else does it that way.***

***LESSON 6: Beware of long-term contracts for deeds. That is a dangerous way to buy property.***

***LESSON 7: The customer does not always tell you the real reason he does not buy. It may even be a subconscious thing.***

My first taste of real-estate dealing was in 1941, when I was in the U.S. Army at Fort Jackson, South Carolina. My grandfather, who was 81 and no longer able to farm, wanted to sell his house, barn, and 30 acres for $600. It was next door to our farm where I grew up in Tennessee.

Dad wrote me about it and I sent him the money, since I had a small savings account. Grandpa still owed a mortgage of $180, and he told Dad later that he expected me to also pay that off. But Dad thought Grandpa was going to pay off the mortgage out of the money I gave him.

I was on maneuvers at the time, and they could not get in touch with me, so Dad told Grandpa to find another buyer for it and I would be satisfied just to get my money back. Grandpa thought that was fair and he sold it to a neighbor for $800 and paid off the mortgage. I would have been willing to pay off the mortgage too, but I did not have enough money at the time.

My brother Quinton and I got out of the service in late 1945, and we worked one year on the farm. We did that to help Dad financially and to collect our readjustment allowance for one year. The government paid discharged veterans $20 a week for one year to help them adjust to civilian life. In our case, they paid us $100 a month each because we were engaging in the business of farming and made no money until harvest time near the end of the year. But that year convinced us we did not want to make farming our life work. Our methods were labor intensive and totally unlike the no-till, mechanized procedures used later.

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After we gathered the crops in late 1946, I went to Florida to work in the citrus harvest. In 1947 I met and married my first wife, who is the mother of my three natural children. A few months later, I saw an ad for a real-estate salesman in the help wanted section of a Tampa newspaper. I got the job, but only after I went to a private school and got a license. A father and son named Spear held the school at night in their real-estate office.

The father had a deep voice that sounded as if he had gravel in his throat and was talking from the bottom of a barrel. He announced that the school would last two weeks, with classes five nights a week for two hours a night. Within that time, he solemnly assured us, “We will teach you everything there is to know about the real-estate business.” Before the first evening was over, I remembered the kidding I got when I was a flying instructor in the Army Air

Corps: “Them that can, do; them that can’t, teach.” I suspected the Spears were not doing well in the real-estate business and were running this school to help pay expenses.

The course was primarily a list of questions and answers from previous license examinations for salesmen. This list also included questions and answers from examinations for brokers. I did not stay for all 10 lessons, because they didn’t have much to offer except the list of questions and answers. I studied them and passed the test the first time I took it. Then I took the broker's examination and passed it on the first try. There was no requirement for qualifying experience as a salesman. It was easy in Florida in those days, but it got harder in later years.

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My first broker was a Pennsylvania Dutchman (his description of himself) named B.H.G. Kistner. He had married his wife about 10 years previously, when they both were in their 60’s. They lived in a cottage on a small lake some five miles from the office. He always had a garden, and he worked in it after dark using a battery-powered light strapped to his forehead.

They also kept chickens, and Mrs. Kistner came to the office once a week and brought eggs. She went up one side of the aisle and down the other trying to sell eggs to the sales people and secretaries. She had a 20-year-old car and was proud of the fact that it qualified for antique license plates. Her name was Virginia, but she always signed her name Virginia Giddens Kistner. The Giddens family had been prominent in Tampa society and she wanted everybody to know she was a member of that family. I believe it was her first marriage.

Mr. Kistner either had several identical brown suits or wore the same one most of the time. He wore striped tan shirts and I think he changed them every three or four days. I did not know any better, so I usually wore white shirts to work. He asked me once how I managed to keep my shirts so white. I told him I wore them once and then sent them to the laundry (my wife was working full time also). He gave me a sly little smile and said he wore colored shirts and wore them more than one day. I tried to look surprised.

Mr. Kistner was the broker, but on occasion he ran an ad for himself and showed houses to the people who answered the ad. He liked to argue, and his favorite expression was “oooOOH No! You are WRONG!” I often thought he would rather win an argument than make a sale.

He once showed a customer a house built of stucco on hollow tile (baked tile building blocks, hollow in the middle.) Stucco was like plaster, except it was on the outside of the house. The customer said he liked the house but wanted one built of stucco on metal lath, which was similar to chicken wire. A house built of stucco on metal lath was inferior to a house built of stucco on hollow tile and normally sold for 10 or 15 percent less. That was a common method of home construction in the 1920s and the 1930s, so plenty of them were available.

Mr. Kistner told the customer that the hollow-tile house was stronger and worth more money than a similar house built on metal lath. The customer did not believe him and insisted that a metal lath house was better. Instead of finding him a metal-lath house and making a sale, Mr. Kistner argued with him about it until the customer got angry and walked away. He soon found another agent who sold him what he wanted. He bought a house that Mr. Kistner had among his listings and could have sold to him.

Each salesman selected the property he wanted to advertise and wrote the ads, and Mr. Kistner edited and usually condensed them. He encouraged me to advertise the least expensive house we had listed, especially if it had a low down payment. I sold some junky houses, but they didn’t look so bad to me after what I had lived in most of my life on the farm in Tennessee.

I sometimes advertised a house for $2,995. with $500 down, and got 10 or 15 calls a day. I worked from early morning until after dark most days, Saturday included. I averaged about $100 a week in sales commissions. That was considered good, because in those days (1948) the starting salary for a new lawyer was $150 a month and a beginning copilot with an airline was paid that same amount.

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A building contractor that we called “Old Man Wills” built the shoddiest new houses I ever saw. He was about five feet three and weighed maybe 110 pounds. He had thin gray hair and pale blue eyes. His lower lip drooped slightly, he slurred most of his words, and a small amount of saliva usually drooled from his mouth. He must have been well into his 80's and his hands shook so much he had to press the heel of his right hand against the top of the desk to sign his name. We had to admire his tenacity to still be working.

He paid low wages and hired workers with marginal skills, and he sold his houses for low prices because they were not worth much. Even so, he sold them on contracts for deed, at 6 percent interest, which provided the easiest terms available. He took low down payments, but he did not give the buyer a deed until the purchase price was paid in full. He sold the contracts at big discounts to two spinster sisters. He built only two or three houses a year, and the sisters bought all his contracts. They then owned the right to all the payments and held the deeds to the properties until the buyer made all the payments over a period of years.

They call these instruments land contracts in some northern states, and they call them installment sales in Pennsylvania. But IRS has a different definition of an installment sale, which can include any sale with payments in different years. Mr. Wills sold the houses for more than they were worth because the down payment was so low and the terms so easy. The seller, or whoever bought the contract, could even put a new mortgage on the property during the term of the contract. They might still owe money on it after the buyer had paid for it in full. The real value of the house was what the sisters paid Wills for the contract, not the inflated price that the buyer promised on the contract for deed. If the buyer ever ran into difficulty and had to sell, he would have a problem, because for the first several years he would owe more on the contract than the house would be worth.

I sold only one Wills house. I was in the office after dark one evening when a man came in and said he wanted to buy a house that night. It had to be a vacant house so he could move in right away. The only such house we had was a Wills house, but the electricity was not on. The customer had a flashlight with him and wanted to go see it anyway. After examining the house by flashlight he insisted on writing a contract. He refused my suggestion that he wait until after daylight and look at it again.

The buyer closed the deal and moved into the house, but I told Mr. Kistner I didn't like the financing arrangements. He brushed aside my concerns, even though he considered himself scrupulously honest. He never explained to any buyer the problems that could arise over the term of the contract, and he did not like it when I questioned the soundness of such an arrangement. I had visions of being sued by some irate buyer when he realized what a mess I had created for him. Call me a coward, but I never showed another Wills house.

A contract for deed can be a useful device if there is a provision that a deed will be delivered and recorded and a mortgage executed as soon as the buyer builds enough equity for a normal down payment. But I would never buy with such a long-term contract for deed unless there was no other way to put a roof over my head. Even then, I would insist that the contract for deed be notarized and recorded at the time of sale.

Some think they reduce the risk by having the deed executed and held in escrow by a title company. But that is not much protection because, at least in Florida, a deed must be delivered to the buyer before the seller dies or else the deed is not valid.

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I had another conflict of conscience about that time. I attended a Dale Carnegie course in public speaking, and one of the textbooks for the course was his book *How to Win Friends and Influence People*. I recommend it highly, especially to those who sell for a living.

Several prominent local people were in the class. One was John, the owner of a big hotel on Bayshore Drive. He had raised campaign funds for Fuller Warren, the recently elected Governor of Florida. Warren had campaigned against imposing a sales tax in Florida and had promised to veto such a bill if the legislature should pass one. Many thought that his promise was a major factor in his election. The legislature did pass a sales tax law after his election, and he signed it. He was defeated when he ran for re-election four years later, and most thought it was because he signed the sales tax law after promising he would veto it.

John knew I was in real estate from our discussions in the class, and he called me at work one day and asked me to come to his office to discuss a business proposition. He said his political connections would enable him to learn in advance where new roads and highways would be built. Thus, he could buy rural land along these routes for low prices and could resell for a profit after they announced the locations of the new highways. There would be even bigger profits if he waited to sell until they built the roads.

He wanted me to be his agent and find parcels he could buy along the planned roads. He wanted large tracts that would offer the best chance for future profits, but said these plans would have to be a closely guarded secret. I would also be the listing agent when he was ready to sell. He had access to enough money to buy all the land I could find.

I told him this was a dream opportunity for any real-estate agent, and even more so for someone new to the business. I appreciated the offer, but I did not like the secrecy involved. I told him I grew up on a farm, and if someone had used the same scheme on my family, we would have been furious. I asked him to engage someone else, since there no doubt were other agents in Tampa who would jump at the chance. He said he had someone else in mind also, but I was his first choice. He asked me to think it over and said he would call me again. If he had just asked me to arrange for him to buy certain parcels without telling me why, I would not have had a problem. I did not know enough to say it would have been wrong, but it did not feel right to me. In today's terms, it would be like insider trading in the stock market, and that is illegal.

When he called again I told him I could not do it. He thanked me anyway for meeting with him. I never told anyone about this offer except my wife, and she agreed I had made the right decision. I never knew whether John acted on his plan, or whether he discussed it with anyone else.

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Compared to the multiple forms, disclosures, and mountains of paperwork required nowadays for each sale, we had stone-age procedures in 1948 in Florida. The seller under contract paid an abstract company to bring the abstract of title up to date and certify that it contained the complete chain of title for that property. Then the purchaser under contract paid a lawyer to read the abstract and write an opinion of title saying the title was, or was not "merchantable." The abstract company then usually held the abstract in their storage facilities until the next sale of that property. If no abstract existed, or if it could not be found, the seller had the option of paying for a title insurance policy for the buyer instead of building an abstract from scratch.

The settlement was usually held in the office of the real estate broker who computed all the prorations, typed up the deed on approved forms, witnessed and notarized the signatures, and took the deed and mortgage to the court house and recorded them. If the seller was taking back a mortgage, the broker prepared that also. But if there was a new mortgage from a bank, the lending institution prepared the mortgage and gave it to the broker to have executed and notarized.

Mr. Kistner usually recommended one of two lawyers, a Mr. Schonbrun or a Mr. Shaw. They would render an opinion within two or three days and they each had a standard fee of $35. Either of them would then give Mr. Kistner legal advice for free, so long as they didn't have to do any further research.

We did not have a multiple listing service in those days, and we rarely had exclusive listings. Sometimes three or four brokers were working on a property at the same time. At Mr. Kistner's office we had a blackboard on a back wall, out of sight of any customers. When an agent got a written offer on a property, he wrote the property address on the board under the column for sales. There was another column for listings. Once you wrote the entry under sales, no other agent in the office could present an offer on that property without letting you present your offer also.

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One Sunday I showed a man a house listed for $2,995 with a $500 down payment, and the seller would hold a mortgage for the balance. It was a two-bedroom frame house built of unpainted cypress boards. The man liked the house and wanted to buy it, but said he could not get the money until 9:00 a.m. Monday morning when his bank opened. It was in a savings account and he could not write a check. He had only one dollar in his pockets, so I took that for a deposit and wrote a contract requiring him to bring in $499 more by 10:00 a.m. Monday morning.

I wrote the sale on the board and called the owner to make an appointment to present the offer at noon the next day.

Mr. Kistner did not like the one dollar deposit. Some of the other agents gave me the horselaugh and said they would never take such a small deposit. But if the $500 had been in a checking account, he would have written me a check for the entire amount.

As it was, he gave me all he could raise at the time and agreed to bring in the balance as soon as the bank opened the next day.

About 20 minutes after nine Monday morning, the customer walked in with $499 in cash and the sale went through without a hitch. That one dollar deposit made it a binding contract and the man went to sleep that night knowing he had bought a house. Nobody likes to lose even a dollar, and it is possible that he would not have come in had he not felt obligated. Also, I might have been delayed on my way to work and might not have been in the office when he came in with the money. Some other agent might have written the contract and claimed the commission, or at least a share of it. Normally I would not take a one dollar deposit either, but it is ridiculous to follow a rule blindly when unusual circumstances dictate otherwise

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A few weeks later, two brothers from Indiana were looking for a small farm. We found a 10 acre place they liked south of Tampa, but they said they had to go back to Indiana and settle some business before they could sign a contract. They were going to write me when they were ready, and I was to send them a contract to sign. I believed they were serious, so I suggested we go ahead and write the contract and they take all the unsigned copies back with them. Then, when they were ready, they could simply sign and date three copies of the contract, include a deposit check, and mail them back to my broker in the stamped and self-addressed envelope I provided.

I knew it would take about a week for them to get their letter to me and my letter with the contract back to them. That would be one more week they would have to think about it, and I did not want them to have that much time to change their minds. I have had people decide to buy and then change their minds before we could get back to the office to write a contract.

While I was filling in the contract form (hunt-and-peck typing) in the office, Mr. Kistner came by, all smiles. When he learned what I was doing, he wanted to know why I bothered to write the contract if they were not ready to sign it. I explained I was trying to make it as easy as possible for them to buy. He said I was wasting my time. Perhaps he was worried about the few pennies the blank contract forms cost him. But some two weeks later, he came out of his office happily waving the signed contract and deposit check that had just arrived in the mail.

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For a year and a half, I never sold a house for more than $8,000. Then I met a couple named Harper who wanted a better house, and we were having trouble finding anything they liked. He made a good salary as a meat cutter and had $1,000 for a down payment. They said they had found the perfect house but could not buy it because the owner wanted $4,000 dollars down. The agent had said the owner would not consider taking their house trailer as a down payment.

We went to look at the house. It was new, it had three bedrooms and two baths, it was built of concrete blocks covered with stucco, and it had a cement tile roof. The Harpers said the owner wanted $13,200 with $4,000 down, and the owner would hold the mortgage. Two real-estate companies had signs on the lot, so I knew it could not be an exclusive listing.

Mr. Harper said the house was open during the day, so they had walked through it and called the agent from one of the signs. He never saw the agent but had talked to him on the phone two or three times. The agent finally had told him not to bother calling again until after he sold his trailer. Mr. Harper said he did not want to sell his house trailer until he knew he could get the house, and he could not buy the house until he sold his trailer.

He told me he was certain he could sell the trailer for $4,000 and he could do it within a month at most. They really wanted the house, and I asked if he would be willing to risk losing the deposit if he failed to sell his trailer within two months. He said yes. So I took them back to their trailer and asked them to wait there for me for a couple of hours.

I consulted the public records and learned that a Mr. Muto owned the house, and I got his address and the legal description of the property. I then went back to the Harpers and wrote a contract for the full price, with a $1,000 deposit and another $3,000 to be paid at closing, which was to be within 60 days. When I presented the offer, I told Mr. Muto the buyer might need 60 days to close because he had to sell his house trailer, but he was willing to forfeit the $1,000 deposit if he failed to raise the rest of the money. Mr. Muto was happy to sign the contract.

When I got back to the Harpers with the signed contract, they were laughing. She had remembered that her father had given her a paid-up life insurance policy as a wedding present, and it had a cash value of $3,900. She did not have to cash the policy, however, because they sold their trailer and we closed the sale on their new house in a little over a month.

A few days later, an angry real estate agent called me and accused me of stealing his customer. He admitted he had talked to Mr. Harper only on the telephone and had never seen him. He had sold the house to the Harpers, he said, and was just waiting for them to sell their trailer. When I explained that Harper did not sell the trailer until three weeks after he signed the contract, he said that was impossible, because Harper had only $1,000 and couldn't contract for the house until he raised another $3,000.
I told him I had no specialized training in either real estate or in selling, and I was so slow I had spent nine years in the third grade. Therefore, if I could find a way for Mr. Harper to make a contract before he sold his trailer, it couldn't be too complicated. He slammed the phone down and never called me again. “Use your head,” Dad used to say, “for something besides a hat rack.”

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Later, another agent told me a story about a man and wife who looked at a house that was just what they had said they wanted. As the agent took them through the different rooms, the wife was excited and he was sure he was going to make a sale. But as they went through the family room, her attitude suddenly changed and she started finding fault with almost everything. “Let's go,” she finally said. “I don't want this house.” As they went back through the family room on the way out, the agent saw why she did not like the house. About 20 feet from the window in the next-door neighbor's back yard was a shapely young woman in a bikini swimsuit sunning herself by her swimming pool.