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Auction Training Guide

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# 1. Introduction to Auction

1. What is an Auction?

The l i teral definition of an Auction is:

*noun*

* 1. a public sale in which goods or property are sold to the highest bidder. "the books are expected to fetch a six- figure sum at tomorrow's auction"

*verb*

1. sell or offer for sale at an auction.

"his collection of vintage cars is to be auctioned off tomorrow"

Auctions as i t pertains to Real Estate has had a very l imited view in the US primarily focusing on extremes from Distressed or bank owned properties to high- end Luxury properties. Our Auction Platform is here to change that in order to make Auctions available and feasible for every traditional Seller in order to achieve the highest

market value for their property.

1. Reasons to Auction

* Auctions are t ime sensitive. This allows you to choose the date you want to sell the property.
* Creates a sense of urgency with Buyers
* Accelerates the decision making process of the Sale
* Creates a sense of value by allowing Buyers to compete and bid against each other
* Non Contingent Sales – Peace of mind knowing that once the hammer has fallen you have sold your home and the buyer found their home
* Shorter Days on Market
* Smoother transaction as i t is Transparent for all parties
* Property can be sold “ as is”
* Sale can be cash or loan
* Higher closing rate than Traditional Sales
* Controlled Open Houses

Reasons to Auction - Sellers

* Scheduled Open Houses – No Surprise Showings
* Know your close Date so that you can plan your next move
* You have more control of the process
  + Can decide to push out Auction date, not to sell at any t ime, and can accept or reject an offer prior to the Auction date
* Due Diligence done prior to Listing the property which allows for better negotiating of non- contingency terms and price
* Not capping out price

Reasons to Purchase an Auction property - Buyers

* Transparency to know who you are competing against
* Pay Fair Market Value
* Opportunity to Stop Auction by purchasing prior to
* Knowing the condition of the home prior to getting into escrow by being able to review all disclosures and inspections
* Motivated Sellers

Reasons to Auction – Agents

* Set schedule allows you to l ist and close more properties
  + Traditional Sales average days on market is on average 120 days where as Auction on average is 30- 35 days
* Higher closing rate = more commissions

1. Understanding the Auction Date and Time

* Confirming Availability with Auction Manager
* Duration of Auction Campaign
  + Review location and estimated price point
    - Lower to mid- range price point: 3 - 4 week campaign
    - Higher price point: 4 - 6 week campaign
  + Market conditions - if homes are selling quickly then a shorter campaign would apply

1. Discussing the Sellers Preferred Price

* This conversation typically takes place the day before the Auction
* Preferred Price is based on feedback obtained from the market throughout the Auction Campaign
* Typically, the Auctioneer, Sellers, and Listing Agent are all present

o If anyone is out of town this can occur over the phone

1. Roles of Auction Company and Listing Agent

* Auctioneer is a third party that assists with communication between Sellers, Buyers, and Agents
* The Auction team and Listing agent work closely together throughout the Auction Campaign. Communication is vital in order to achieve a successful Auction

# Stages on an Auction

* 1. Prior to Auction
     + Opportunity to secure a price prior to the Auction day
       - Should a buyer not be able to wait for Auction day they will put their best offer in
     + All disclosures and inspections are competed prior to putting the property in the MLS
     + All Buyers are able to perform their own inspections at their own expense i f they choose to
     + Typically, the only contingency period at this stage is for the loan
     + The Auction platform drives the market to the property which allows for a greater amount of traffic and thus offers
  2. Auction Day
     + Pre- registered bidders compete to secure a home
     + Seller is able to accept or reject highest bid
     + The Auctioneer along with the Listing agents work together to extract highest bids from bidders
     + The successful bidder understands that they are purchasing the property as is with no contingencies
     + Auctioneer can pause the auction to confer with the Sellers when he feels he has reached the highest potential f igure
     + Auctioneer will call 3 t imes for any f inal bids before the fall of the hammer
     + Once the fall of the hammer has occurred the property goes into escrow for 30 - 45 days depending on what was specified for the property
     + Should the property be passed in we then go into the Post Auction stage

1. Ways to Bid
   * In person Bidding
   * Bidding on Behalf – You can designate someone to bid on your behalf if you are not able to attend in person, i.e. your spouse, your agent, etc.
   * Bid Over the Phone – if the purchaser is unable to bid in person they can bid over the phone or elect someone to bid over the phone on their behalf
2. Deposit Amount
   * The Deposit in order to bid is typically 3 % of the Bidding to Start from Price, but will be fully disclosed in all Auction Terms and Conditions available to the public
   * This is not to be mistaken or the Earnest Money Deposit
   * The Earnest Money Deposit is determined once there is a successful bidder and a f inal Sales Price
   * Then the Deposit Amount would go towards the Earnest Money Deposit in Escrow
   * If there is not a successful bidder the Deposit Amount is returned to all Bidders
3. In Escrow
   * After there is a Successful bidder you go into Escrow as you typically would with a traditional sale
   * As with a Traditional Sale the Escrow period is 30 days, however this can be shorter or longer i f agreed upon by both parties
   1. Post Auction
      * We now have 2 options:
        + Re- list as an auction immediately or at a later date depending on market conditions and start a New Campaign at the t ime
        + Re- list as a traditional sale
          - Now that we have established feedback throughout the campaign we can set a realistic asking price
      * Many t imes, during this stage, buyers come forward that were at the auction, but not quite ready to proceed as well as negotiations with registered bidders from Auction day continue and come to an agreement
4. Discussing price with Sellers
   * Given the amount of feedback from the Market the Listing Agent, Auctioneer, and Sellers will come to agreement on the Listing Price for a Traditional Sale
5. Marketing Campaign after Auction
   * Door Knock neighbors to alert them on successful sale
   * Call area neighbors and Selling Agents to convey the same message
   * Mail out Just Sold cards or Letters informing of Auction success
   * Call all parties that came through the Open Houses to advise of sale

# Listing Process

* 1. Prospecting for Auction
     + Prospecting is conducted in the same manner as you would for a traditional

sale just using the Auction scripts and statistics, i.e. Timeframe, Close Rates, and Market Value

* + - * Door knocking
      * Cold calling
      * Farming
      * Just Listed’ s/ Just Sold’ s
  1. Cost to Seller
     + A seller is no more out of pocket as they would be with a traditional sale as i t pertains to commission
     + Rather than paying for inspections once in escrow they are conducted prior to listing the property. This allows for a truly transparent Auction Campaign so

the Sellers know what condition they are selling the home in and don’ t have the stress of surprises arising in escrow

* 1. Listing Presentation

1. Setting a meeting with the Auctioneer and Sellers
   * Listing Agent to confirm availability with Auctioneer for Listing Appointment
2. Doing the Listing Presentation
   * Listing agent brings:
     + RLA and SELM form just in case they want to sign day of, but typically these are Docu Signed
     + Materials such as their bio, past sales, i f i t is a luxury property then any Luxury materials they have
     + Comparable Sales
   * Auctioneer brings:
     + Auction Campaign Summary Form to review with Sellers
     + Auction marketing materials
   * Auctioneer will convey Auction process to prospective Sellers and answer all questions that come up
3. FAQ’s from Sellers available as separate Document

# Marketing an Auction

* 1. Prior to Going Live on the MLS
     + Door knock neighbors to alert them of upcoming l isting and educate on the Auction process
       - Our Auction Platform is so new in the US that education is key in acquiring more l istings from neighbors
     + Letter to the Neighbors – Auction Company will provide template, but i t is the Listing Agents responsibility to get permission from Neighbors to use i t , then LA prints and mails i t out
     + Get Professional Photography done
     + Order any signs needed – You can utilize your same open house signs
       - Auction company provides a sign r ider which states: LIVE AUCTION or LUXURY AUCTION whichever applies
       - Adhere to all HOA restrictions
     + Prepare all Flyers and Brochures
     + Disclosures need to be completed prior to going active on the MLS to assist with marketing and negotiations. TC’s can assist with this.
       - Agency Relationship Disclosure – AD
       - Real Estate Transfer Disclosure Document – TDS
       - Agent Visual Inspection Disclosure – AVID
       - Statewide Buyers and Sellers Advisory – SBSA
       - Megan’ s Law Database Disclosure - DBD
       - Carbon Monoxide Detector Notice - WCMD
       - Local Area Disclosure
       - Seller Property Questionnaire – SPQ
       - Water Heater and Smoke Detector - WHSD
       - Environmental Hazards and Earthquake Safety which includes Lead,

Toxic Mold and Home Energy ­ Signature Page Only

* + - * Lead based Paint and Hazard Disclosure ­ ( i f applicable pre 1978) - FLD
      * Earthquake Hazards Report ­ ( I f applicable ­ pre 1960)
      * Septic Inspection, Well Inspection, Property Monument, & Allocation of Cost Addendum - (if applicable) - SWPI
    - Reports need to completed to show at open houses:
      * Home Inspection
      * Termite Inspection
      * Preliminary Title Report
      * NHD
      * CLUE Report
      * HOA - (If Applicable)
  1. Once Live on the MLS
     + Auction Company provides Auction box prior to f i rst Open House which includes:
       - 2 Folders
         * Disclosure Folder contains all disclosures, reports, and Auction details
         * Registration Folder contains all Bidding Registration documents and Auction Details
         * 3 USB’ s containing

Auction process explanation

Reasons to Buy at Auction

All Disclosures, Reports, and Inspections

All Bidding Registration Documentation

* + - * + Auction Marketing Materials
    - Listing sent out to 650 different sites including Auction website
    - Call all Selling agents in the area to alert of new l isting and educate on Auction platform
    - Email database
    - Open Houses – following up with everyone through open house
    - Adhere to Auction Calendar
  1. Post Auction
     + When Sold
       - Door knock neighbors to alert of successful sale
       - Call area neighbors to convey same message and all area Selling agents
       - Mail out Just Sold Post card or letter informing of successful sale and sale details
       - Call all people that were through Open Houses to advise of sale

# Administration of an Auction

* 1. Residential Listing Agreement - Price
     + Sample RLA for Auctions is provided to assist with f i l l ing out RLA with verbiage required and Auction differences
  2. SELM ( Seller Exclusion of Listing from MLS) Form
     + Must be f i l led out and sent to MLS since Auctions are not l isted on the MLS right after RLA is signed
  3. Auction Agreements
     + Will be sent via Docu Sign from American Auctions to all necessary parties

1. Auction Listing Contract sent out for signatures to Sellers, Listing Agent, and Auctioneer. It contains: Contract for Auction Services, Addendum to Listing

Agreement Auction Fee and Expenses, and the Terms and Conditions for Auction Bidding and Sale

1. Auction Terms and Conditions signed by Sellers, Listing Agent, and American

Auctions when Listing is taken. Potential Bidders sign prior to Auction commencing

1. Bidding Registration Facilitated by American Auctions
   1. Disclosures and Inspections
      * Completed prior to going l ive on the MLS
      * Provided to Auction Manager
   2. Communication with American Auctions
      * Vital for success of campaign
      * Auction Manager and Listing Agent discuss when the Auction can go Live on MLS
      * Cannot go Live on the MLS without Auction Manager Approval
        + In order to make sure all rules and regulations are adhered to

# Requirements of an Auction Property

* 1. Photography
     + Have to use professional photographers
       - American Auctions can provide contact details i f needed
  2. Open Houses

1. Door Knocking
   * Go around to alert neighbors of new l isting and educate on Auction platform
   * Education is vital to acquiring another l isting and for the success of the campaign
2. Acquiring Contact Details
   * Must obtain a phone number and email
   * Follow up with all neighbors, Potential Buyers, and Selling Agents within 24 hours of Open House
3. Auction box
   * Must have on display at all Open Houses
4. Open House Checklist
   * 2 Open Houses per week – 1 during the week and 1 on the weekend - Each Open House is no more than 2 hours
   * Open House Registration sign in on paper or i Pad Registration
   * Hard copy of the checklist is available
5. Member of Auction Company
   * Team member from American Auctions will be with you at the f i rst Open House and more as needed
6. Educating on Auction Process – Scripts
   * Available from American Auctions
7. Follow up
   * Sellers Report – Phone call and email
     + Detail how many people through the home, potential leads, and next steps
   * Contacting all walk ins – Phone and Email
     + Scripts for Follow up calls available
     + Questions to ask prospective Buyers/ Bidders and Buyers Agents
       - Are you interested in the house?
       - Are you Finance ready? ( Pre- Approval)
       - Have you had a chance to review the reports and disclosures? I f not, I would be happy to do so with you i f you do not have a

Buyers Agent.

* + - * Can we register you for the Auction?
  1. Marketing Materials
     + All Auction informational marketing pieces are available
       - What is Auction/ Why Auction
       - Reasons to Sell at Auction
       - Reasons to Buy at Auction
       - Auction Statistics

# Going Live on the MLS as an Auction

* 1. Administrative details

1. MLS Comments
   * Need to adhere to the MLS Rules and Regulations as i t pertains to an Auction.

These will be provided when you have a l isting

1. MLS Upload
   * Must work with Auction Manager on this to make sure that all Rules and

Regulations are met as well as due to Campaign t imeframes and Listing Date so that we don’ t show more DOM then actual

1. Auction Box
   * Provided and to be used for all Open Houses
   1. Marketing
2. Educating the Neighbors
3. Contacting Database
4. Contacting Sellers agents in the area
5. Broker Preview
   * Assist with educating the Buyers Agents in the area
   1. Strategy Call – Auctioneer and Listing Agent
      * Conducted the day the property goes l ive
      * Discuss the strategy for the campaign and prep for incoming calls from prospective Buyers and Buyers Agents
      * No 2 houses are the same, with f luctuating markets i t is important to

communicate consistently with your auctioneer to develop a winning strategy

# Managing Public Correspondence

* 1. Agents
     + Educating agents is vital to the results so that they are not scared of this new platform
     + Most agents will not want to wait for Auction Day
     + Manage expectations
  2. Buyers
     + Many Buyers will come from the internet without an agent so i t is imperative to educate them on the process to put them at ease
     + If they are not represented by an agent this is the perfect opportunity for you

to secure a meeting to review the Disclosures, Inspection Reports, and Auction platform

* + - Manage their expectations as they may also be a prospective Seller
  1. Potential Sellers
     + Share the Auction process with them to educate so they know the Reasons to Sell at Auction
     + Invite them to the Open House and the Auction
     + Offer the Auctioneer’ s services to them by setting up a call or meeting
     + Manage their expectations on the process
  2. Emails
     + Respond to emails with Auction success and educate on the process
     + Include statistics
     + Leverage the Auction team to assist with templated email correspondence

# Offers to Stop the Auction

* + - 70% of Auctions are sold prior to Auction Day
    - There is a fear of missing out and not wanting to compete on Auction Day
    - If the Buyers have an offer on another property and come across the Auction property they will try to stop the Auction
    - Typically, the only contingency with these offers is for financing i f required

# Educating Sellers

* + - Vital so that they feel comfortable with the platform
    - This process can take some t ime for some people to wrap their heads around
    - Always refer to your Auctioneer and Auction Manager for assistance with this
    - Take an offensive approach when communicating the platform to Sellers and never defensive as that would deter them from the process

# Registering for Auction Day

1. Documentation
2. Bidding Registration
   * Forms must be fully f i l led out and reviewed by Auction Manager
     + Bidding via Phone
     + Bidding on Behalf
3. Buying Agents Registration
   * All Buyers agents must f i l l out the registration form in order for the Buyers Agent Commission to be paid out properly
4. Deposit Amount and Entry
   * The Deposit in order to bid is typically 3% of the Bidding to Start from Price, but will be fully disclosed in all Auction Terms and Conditions available to the public
   * A Cashier’ s Check made out to the Escrow company must be provided on Auction Day
     + If the Bidder is not successful they immediately get their Cashier’s check back
     + If they are the successful bidder their Cashier’s Check is given to Escrow and will go towards their Earnest Money Deposit