Due Diligence:
Our Tailored Process

What is Due Diligence?

- **Due Diligence** is the buyer's investigation period after going under contract
- **It allows the buyer to:**
  - Inspect the property
  - Evaluate condition, risks, and costs
  - Decide whether to move forward, negotiate, or walk away
- **Key components:**
  - Home inspection(s)
  - Contractor evaluations (if needed)
  - Reviewing disclosures and property condition
  - Financial and repair considerations
- **Important framing for clients:**
  - DD is not just inspections, it is a decision window
  - It is a risk assessment period
  - It is where strategy and emotions must be managed carefully
- **Agent role:**
  - Act as a fiduciary
  - Provide guidance, not expertise outside your lane
  - Connect clients to qualified third-party professionals

Why Due Diligence is Important

- **Protects the buyer financially:**
  - Prevents inheriting major issues (ex: $30,000 repair vs small termination fee)
- **Manages expectations:**
  - No home is perfect
  - Inspection reports are often long and intimidating
- **Provides emotional control:**
  - Slows down decision-making
  - Prevents knee-jerk reactions
- **Creates negotiation leverage:**
  - Opportunity to request repairs or credits
  - Ability to restructure deal terms
- **Reframe for clients:**
  - The termination fee is a luxury
  - It takes the home off the market
  - Protects earnest money
  - Acts like an insurance policy

- **Agent responsibility:**
    - Lead with expectation management
    - Guide with data and third-party input
    - Stay grounded as the calm professional in the room

The Process of Due Diligence

1. Pre-DD (Set the Foundation)

- Happens at the **RoadMAP Appointment**
- **Review:**
    - Sample purchase agreement
    - Sample inspection report (ex: ProTech examples)
- **Introduce:**
    - DD process overview (video via Brivity)
    - Possible outcomes of DD
- **Set expectations:**
    - “We will not react emotionally. We will evaluate strategically.”

2. Inspection Phase

- Schedule inspections **immediately**
- **Encourage:**
    - General home inspection first
    - Additional inspections if needed (HVAC, roof, structural, etc.)
- **Remind clients:**
    - Inspectors identify issues
    - Contractors price solutions

3. Rule of 24

- **Step 1:** Review inspection report
- **Step 2:** Copy/paste findings into Google Doc (DD template)
- **Step 3:** Add agent notes and categories
- **Step 4:** WAIT 24 HOURS before discussing with client
- **Why this matters:**
    - Removes emotional reactions
    - Creates structured, strategic conversations

4. Client Strategy Call

- Walk through inspection together
- **Stack and prioritize repairs:**
  - Big 9 systems first (HVAC, roof, electrical, plumbing, foundation, etc.)
- **Clarify:**
  - Safety issues vs cosmetic issues
- **Collaborate:**
  - Client input + agent guidance

5. Build Negotiation Request

- Transfer priorities into DD Request form
- **Use:**
  - Google Doc collaboration (CYA documentation)
- **Get:**
  - Contractor quotes when needed (3rd party validation)

6. Submit & Negotiate

- **Best practice:**
  - Submit 3 days before DD deadline
- **Negotiate:**
  - Repairs
  - Credits (preferred)
  - Price reductions
  - Extensions

The 4 Possible Outcomes of Due Diligence

1. Submit & Negotiate

- **Buyer can terminate:**
  - For <u>any</u> reason or <u>no</u> reason
- **Key talking point:**
  - "You are not stuck in this deal"
- **Reframe:**
  - Termination fee = protection, not loss

2. Request Repairs (Seller Does Work)

- Seller agrees to fix items before closing
- **Pros:** Buyer avoids managing repairs
- **Cons:** Less control over quality
- **Requires verification:**
  - Receipts
  - Warranties
  - Re-inspection

3. Take Property As-Is

- Buyer accepts condition with no changes
- **When used:**
  - Competitive situations
  - Minor issues
- **Risk:**
  - Buyer assumes all future costs

4. Negotiate Financial Adjustment (Preferred Path)

A. Credit (Preferred)

- Seller gives money toward closing costs
- **Pros:**
  - Buyer controls repairs
  - Flexibility in vendors
- **Cons:**
  - Concession limitations dictated by loan type

B. Price Reduction

- Seller lowers purchase price
- **Pros:**
  - Immediate equity
  - Tax advantages
- **Cons:**
  - Minimal impact on monthly payment
  - Buyer still handles repairs

C. Additional Considerations

- Amended contracts = any change (repairs, credits, price)
- **DD Period Extensions may be needed for:**
  - Additional inspections
  - Repair negotiations

Key Agent Standards

- **Always:**
  - Use third-party professionals
  - Stay within your lane
  - Document everything (CYA mindset)
- **Never:**
  - Diagnose issues like a contractor
  - Let clients react emotionally without guidance
- **Lead with:**
  - Strategy over emotion
  - Clarity over confusion
  - Process over chaos