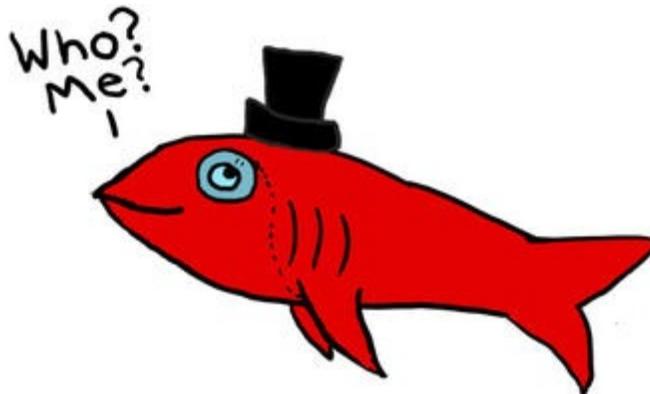


Buying Undervalue – Red Herring

OPTIMIZE



Week 41



The Red Herring Clause is a clause or condition that is added to an offer to purchase with the respectful intent to redirect or distract a seller's focus away from part of the offer.

The Red Herring Clause is a negotiating tool because it's added to the offer but is completely sacrificial; the investor could care less if the seller accepts the clause, but the main purpose of the clause is to distract the seller from another part of the offer.

Adverse vs Incentive Red Herring Clauses

As you learned in the video, there are two types of Red Herring Clauses: an Adverse Red Herring and an Incentive Red Herring.

Adverse Red Herring	Incentive Red Herring
<ul style="list-style-type: none">• Occurs when the investor adds a clause or condition that will likely be perceived as negative by the Seller, but the investor is not emotionally attached to• Purpose is to add something to the offer that the seller is likely to perceive as an extra obstacle to selling the property• Seller won't want this and will likely counter with asking you to remove it from the offer• Goal is to give in and remove the clause but now ask for something else	<ul style="list-style-type: none">• Occurs when the investor adds a clause or condition that will likely entice the seller and be interpreted as a bonus• Works well in a Seller's Market when multiple offers are anticipated

1. Red Herring Clause Examples

You now have a solid understanding of what a Red Herring Clause is and the different ways to execute it. It's also a lot of fun to think of different red herring clauses to include in your offer because the options could be endless!

Adverse Red Herring

- *New Year's Eve closing date*
- *Repave driveway*
- _____
- _____
- _____
- _____
- _____

Incentive Red Herring

- *Offer junk removal services*
- *Above average deposit*
- _____
- _____
- _____
- _____
- _____

2. Share with the community!

Ask your community:



- Have you ever included a Red Herring Clause?
- What are some other examples of Red Herring Clauses?