

The Value of a Trade-In Home

Jack and Jennifer want to purchase a new \$100,000 home from you. You've known the couple as acquaintances for several years. Unfortunately, they do not have enough money for a down payment. But they do have an old mobile home built in the 1960s that they will be trading in. You know that the trade-in value for the old mobile home is worth \$1,000 but the finance company requires a \$3,000 down payment for the \$100,000 home.

Jack asks you to state in the contract that the value of the old mobile trade-in home is worth \$3,000, instead of \$1,000. This way it looks like they have enough equity to get the loan for the new home from the finance company.

When you hesitate, Jack says "Your competitor has already offered to do this for me, but I prefer working with you. However, if you're not willing to do it I'll have to buy from your competitor instead."

What would you do? Please do not provide the "socially acceptable" response. Instead, what would you really, really do in this situation? Circle your decision choice and explain why below.

Would you:

1. Increase the trade-in value to \$3,000
2. Risk losing the customer by refusing to increase the trade-in value to \$3,000 and keep this information to yourself
3. Risk losing the customer by refusing to increase the trade-in value to \$3,000 and notify the Wisconsin Department of Commerce that the competitor is providing false information

Why?