

The Knowledge Resource

FOR

For Sale By Owners



So...You Want to Sell Your Own Home

You Obviously Enjoy a Challenge

You Want to Save the Commission

So Does the Buyer

How Hard Can This Be?

You Be the Judge

What Does It Take?

Dot Your "I"s and Cross Your "T"s

You've Found A Buyer

Your Work Has Just Begun!

Liability

Laws Protect Buyers

Safety

Don't Get Ripped Off

Fair Housing Laws

Even a Private Seller Is Bound by These Laws

Your Sale Fell Apart – What Now?

No Time to Waste, Decisions Need to Be Made



For Sale By Owner

We Are Here to Help

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So... You Want to Sell Your Own Home

There are many good reasons for you to consider doing this:

- You want to save the commission
- You enjoy a challenge
- You have the time
- You're not in a hurry
- Who knows your home better than you do?
- You know how much your neighbor's house sold for
- How hard can it be?

But do you have the necessary skills?

- Do you have the necessary knowledge?
- How will you qualify buyers?

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So...You Want to Sell Your Own Home

But do you have the necessary skills?

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- Do you understand the legal complexities of today's real estate processes?
- Are you ready for constant interruptions by potential buyers walking thru your home?
- To attract buyers, are you prepared to keep your home in showplace condition at all times?
- Are you willing to give up family and private time, evenings and weekends until your home sells?
- Will you feel safe letting strangers into your home?
- What type of advertising will you do and at what cost?
- How skilled are you at setting and negotiating a price?
- Can you handle the massive amount of paperwork, legal disclosures, offers, counteroffers and contracts?
- Selling a home is fraught with legal pitfalls; can you avoid liability issues?
- What about legally required appraisal, home and termite inspections, home warranty, title search?
- Can you provide financing information to buyers?
- How will you proceed with escrow?
- How will you get the money in your pocket?
- How much will you have to pay an attorney if disputes arise?

It does take more than a For Sale sign in the front yard. Real estate agents do a great deal of studying to learn and keep up with the complexities and legalities of their professions...if you're going to do the agent's job, don't you think you need a comparable education? We suggest you go the library and check out books on real estate and on selling your own home.

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than a For Sale sign in the front yard. Real estate agents do a great deal of studying to learn and keep up with the complexities of their professions.



You Want to Save the Commission

This is easily the number one reason for people to tackle what can be a monumental project...selling their homes themselves. Hey, there's nothing wrong with wanting to save money! However, while trying to save money, you can lose money, and there is something wrong with doing that.

How many potential buyers for your home do you currently have?

Know how many a real estate agent potentially has? Do the math: if there are 1,000 agents in your town or city and each agent has 10 buyers, the agent you hire has 10,000 potential buyers.



We're here to help!
Selling property can be confusing, costly, even dangerous, if you're inexperienced:

- An agent knows the market and can offer your home to the largest number of buyers.
- An agent will qualify and bring only those buyers who can afford your home.
- An agent will perform a Comparative Market Analysis to help set a realistic and competitive selling price, which might turn out to be higher than you would have asked.
- An agent will design a customized marketing plan for your home.
- An agent is familiar with the local financing market and can advise you on strategies to expedite the sale of your home.
- An agent can tell you, based on your outstanding loan balance and closing costs, what your proceeds from the sale will be.
- An agent has access to large numbers of potential buyers through the Multiple Listing Service, industry networking, referrals and marketing.

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You Want to Save the Commission

Selling property can be confusing, costly, even dangerous, if you're inexperienced:

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- An agent will show your home to qualified buyers and hold open houses.
- An agent uses the Internet to display photos or give virtual tours of your home.
- An agent objectively handles all communications with potential buyers, and all negotiations, offers, counteroffers and contracts.
- An agent can explain every step of the process.
- An agent monitors the progress of your transaction until escrow closes and you receive the proceeds of the sale.

Some statistics about REALTORS®:

- Sellers have been hiring real estate agents for more than 100 years.
- 70% of "For Sale By Owners" end up listing with a real estate agent.
- Real estate agents get a higher price in less time.
- Real estate agents offer you access to thousands of potential buyers.
- The longer your home remains on the market, the less it will sell for.

How Hard Can This Be?

Well... it can be pretty difficult. You be the judge! Here are a few obstacles that you will need to overcome:

- **No MLS listing**

This most useful of tools, frequently accessed on the Internet by potential buyers, is only available to real estate agents. This leaves you with the options of placing a "For Sale" sign in your yard, advertising in the newspaper and spreading the news through "word of mouth."

- **No real estate cooperation**

Without an agent's help, your pool of buyers is significantly smaller. You will be working with the unrepresented and the unqualified. Since real estate agents are not guaranteed a commission for selling your property, they will take their buyers elsewhere.

- **Incorrect pricing (translate: overpricing)**

Overpricing is the #1 reason for a home's failure to sell. Most homeowners are convinced that their homes are worth more than others in the same area. That, however, is hardly an objective assessment, and should not be the basis of your sales campaign. Hiring an appraiser or other professional to help you determine the value is a much better method.

- **Intimidating climate**

A real estate agent is an objective party and buyers will discuss all aspects of the home, the transaction and even their finances with him or her. Most buyers will feel uncomfortable discussing negative aspects of your home in front of you and will be hesitant to discuss their qualifications with you since they don't know you and you have no professional credentials to assure them of confidentiality.

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How Hard Can This Be?

It can be pretty difficult! Here are a few obstacles that you will need to overcome:

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- **Complexities and legalities**

It would be almost impossible to mention everything on this subject. Suffice it to say that overlooking even one required form or legal disclosure could have you facing a lengthy and costly lawsuit from the buyer following closing.

Not to mention:

- **Basic selling and real estate skills**

There is more to selling property than the planting of a sign on the front lawn, much more! Real estate agents really do earn their money. Make sure you do your homework and read up on both selling skills and general real estate information.

What Does It Take?

We've talked about many aspects of selling your own home, including the legalities, skills, the advisability of using a real estate agent versus selling on your own, and more.

While owners typically concentrate on dressing up the house and yard before placing the house on the market, it is imperative that the necessary "due diligence" and fact-finding be done. Errors in documentation could result in loss of the sale or, worse yet, in a lawsuit. You can always sell the property as a fixer or reduce the price and still sell, but you absolutely can't effect or close a sale without the critical items on the list that follows:

- Order a description and property tax information obtained from the courthouse or a title company as your property tax assessment notice might contain errors.
- Be ready to provide the exact square footage of the house; this must be livable space, not crawl space, garages, porches or patios.
- Complete a property facts-and-amenities form similar to the listing form used by real estate agents.
- In most states, sellers must provide a property disclosure. Obtain this form from a real estate licensee or from the Department of Real Estate or Real Estate Commission/Division in your state.
- Contact your lender for your mortgage payoff information. You may have to pay a nominal amount to secure the information.
- Ascertain from public records whether any liens or other legal actions are posted against your home. If there are and you proceed without the knowledge, you may be prevented from selling before these are cleared up.
- Details about your homeowner's insurance policy including amount of premiums, number of claims, and coverage exceptions.

This work can be time consuming. You may wish to hire a real estate consultant to assure that this is all done accurately and in a timely manner.

You've Found a Buyer!

Great news! Nonetheless, your work is not over; it has just begun. If anything goes wrong, you could be right back where you started. Probably not out any money but with a lot of time and effort wasted.

To summarize, at this point, you've shown the house and have found someone who's seriously interested.

Time for the next steps:

- Make sure buyer is pre-approved – obtain documentation.
- Once the buyer is pre-approved, finalize negotiations.
- Draft a purchase and sales agreement (forms are available at most stationery stores) – Consider having an attorney review the contract for a fee (\$250-\$750).
- Find a local escrow company to handle the monies and expedite the necessary paperwork for closing.
- Obtain good-faith deposit (3% of purchase price) and deposit with your escrow company.
- Complete “due diligence” information and paperwork on the property for the buyer as well as any Property Disclosure form required by your state (even individual sellers are bound by state disclosure laws).
- Coordinate home inspection, termite inspection, buyer's walk through after inspection and the appraisal (a lender will only lend based on the actual appraisal, regardless of your contract).
- If the buyer included a provision in the contract that required the property to appraise for the purchase price and it didn't, the buyer could pull out of the deal without losing the deposit.
- Locate companies to make repairs required by buyers as a result of the inspection or be prepared to renegotiate with buyers. Buyer must verify that repairs have been made.
- Once the transaction is in escrow, stay in touch with the buyers and your escrow officer until the end of the escrow period. Take your check to the bank and pat yourself on the back. You deserve it.



Your next steps include
Coordinating a home inspection,
termite inspection, a buyer's
walk through after inspection
and an appraisal.

Liability

Let's talk about the pitfalls we referred to earlier... Unscrupulous and unethical sellers of property have caused lawmakers to enact ever more stringent laws to protect unwary buyers. All one needs to do is look at the thick pile of documents needed to make an offer and counteroffer and be signed and initialed prior to the closing of escrow. Incurring liability is of grave concern to sellers.

Although most commonly used by legal and financial professionals, the words "due diligence" are now part of the real estate industry vocabulary. An owner who sells his own home must comply and make full disclosure to the buyer of all information relevant to the property and the sale.

It is not unheard of for buyers to back out of sales without forfeiting their deposit. They might also sue the seller for any information not disclosed fully. The following is a partial list of potentially litigious, if missing, information:

- Property disclosure forms and fact sheets
- Current and applicable property conditions, covenants and restrictions (CCRs)
- Information on local improvement district liens or financial obligations that would become the responsibility of the buyer at closing
- Accurate property square footage
- Property tax amount
- Any and all disclosures required by the laws of your state, including death(s) that may have occurred in the home

You should know that...

- For Sale By Owner buyers usually offer 6-10% less than your asking price because they know you're saving the commission.
- That you are facing considerable risk if you agree to "carry back" a note from the buyer. You stand to lose thousands of dollars.
- If the buyer assumes your loan and defaults, your credit rating could be ruined.
- If you finance the buyer's purchase, the buyer could remain in possession of your property for many months after he/she defaults and actually live there free all that time.
- Your buyer's damage claims could cost you thousands of dollars in legal fees.
- Failure to make certain disclosures may result in lawsuits.

Lawsuits are on the rise... and they can ruin your day!



Safety

Not to instill fear but rather caution, it is seriously suggested that you place the issue of safety very near the top of your list when preparing to sell your own home. While we would all like to think kindly of all people, the reality is that crimes do occur and there are those who would use any and all opportunities to separate you from your possessions, i.e. “rip you off.”

- Show your home only by appointment and ask callers for their names, addresses and phone numbers – this is also a good time to ask them if they have spoken to a lender to be pre-qualified.
- Pre-screen visitors before they enter your home.
- Do not show your home to a stranger just showing up at your door.
- It's best not to be alone when showing your property.
- A familiar scenario: buyers showing up in pairs with one going to the kitchen and the other to the bedroom – sellers later discover items missing.
- Don't forget bogus buyers looking for ways to break in later – “casing.”

No amount of prevention is too great when it comes to your family's safety.

Fair Housing Laws

An owner who sells his own home is bound by federal and state fair housing regulations, just as real estate agents and landlords are. The laws are intended to protect buyers, and the penalties for breaking them can be monumental.

Under these laws, it is prohibited to discriminate in a real estate transaction according to:

- Race
- Color
- Gender
- National origin
- *Handicap, or
- The presence of children in a family



Overt discrimination, such as refusing to sell, rent or negotiate with anyone in a protected class, is not the only way to run afoul of the laws. Even more subtle forms of discrimination meant to produce the same result, such as changing terms, conditions and services, are also forbidden.

Additional protected classes may be covered by laws enacted by individual states or cities; it would certainly be wise to find out what is applicable in your own locality. Some additional laws might pertain to sources of income and sexual orientation.

Extensive “testing” programs are funded by government and local special interest groups to prevent and punish discrimination. Trained persons (checkers) representing themselves as potential buyers observe and take note of whether equal treatment is practiced.

Although this is mentioned to make you sure you are in compliance with the law, this is also an opportunity for you to do your share to remedy inequities against your fellow man.

*The handicapped category includes those suffering from hearing, visual and mobility impairment as well as chronic alcoholism, AIDS and mental retardation. Excluded are those currently using illegal drugs or who pose a threat to the health or safety of others.

Your Sale Fell Apart—What Now?

No time to waste. You need to find out what caused the sale to collapse. Be brutally honest with yourself. Of the many aspects involved, which one was responsible? Find the weak link.

Maybe all is not lost. If the buyer is still interested, why not enlist the help of a real estate professional for those services that caused problems the first time around?

Where do you need help and from whom?

- Renegotiating with the buyer: Real Estate Agent
- Locating new financing: Mortgage Broker/Lender
- Escrow/Closing: Escrow Company
- Liability/Disclosure issues: Attorney or real estate agent

If you still want to go it alone, ponder these questions:

- Do you know how to price property accurately?
- Do you know how to prepare your house for sale?
- Do you know how to market your property?
- Do you know how to separate genuine buyers from looky-loos?
- Do you have sufficient negotiating skills?
- Do you know enough about the laws involved?
- Do you know how to close a sale?
- Do you need more education on the subject?
- Do you fully understand the advantages of cooperating with agents?

Best of luck in your home sale!

All is not lost.

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