

***Sell It Myself***

The text "Sell It Myself" is rendered in a bold, italicized, sans-serif font. The letters are filled with a vertical gradient, transitioning from a dark brown at the top to a bright yellow at the bottom. A dark brown shadow of the text is cast directly beneath it, creating a 3D effect. The entire graphic is centered horizontally on a white background.

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## Chapter 1

### SHOULD I SELL MY HOME ON MY OWN?

Each year thousands of homeowners ask themselves this question - primarily since traditionally, home sales were the sole domain of real estate brokers and agents.

If you ask a real estate agent about selling your own home, more times than not, they will explain the process in a way to make it appear more difficult than it really is. For an agent it would be better to convince you that you should NOT sell you own home: remember every home that an owner sells represents a brokers' commission lost!

And many times this strategy works; because for most people, their home represents their most valuable asset and they want to be sure that they get a good return on their investment. Homeowners have a clear idea of what their house is worth from a variety of sources; home insurance policies and property taxes to name just two.

When you bought your home, you looked for certain things and now that you have made the decision to sell your home, the way you look at your home has to change. Just as there were certain considerations as a buyer, the same holds true in your role as a seller.

Many people use their own home-buying experience as the motivation to sell their own homes. In recent years between the real estate "boom", heavily discounted mortgage interest rates, along with the advent of the Internet, many people have become highly informed on the ins-and-outs of selling property.

In addition, although real estate brokers receive a certain amount of training in order to get their license, many people feel that the services that they provide have very little impact on the actual sale of a property and in some cases, cause more problems for the buyer and the seller.

Not only are more real estate owners taking matters into their own hands, today more prospective buyers are also aware of the impact of the brokerage fee on the amount they pay for a property and prefer to deal directly with the owner.

Some of the tactics used under the guise of selling your home benefit the broker more than the person selling the home. Here are a few of the reasons why more homeowners are taking control of the sale of their home:

- **Wasting time hosting an "Open House"**

Several things happen at an open house, but your chances of finding a bona-fide buyer for your home is not one of them. A study conducted by the National Association of Realtors on the effectiveness of open houses resulting in the sale of the property, found that for every 100 homes shown in this manner, only 2 were sold to buyers who attended the open house.

A real estate broker will encourage you to host an open house because they know that all types of people will attend; some are in the process of selling their own home and want to gauge the price of their own property, others are just "window shopping." But no matter what their reason for attending, the broker now has more people to add to their Rolodex of prospective homebuyers.

- **Inaccurate reports of offers**

By law, if you hire a broker to represent you in the sale of your home, they are obligated to inform you of every offer for your property, but unfortunately, not all brokers abide by this rule. Rather than the offer being too low for you to consider, more times than not, it is because the brokers wants a larger commission.

In some cases, home sellers are "double-teamed," where there is an outside broker, also called a "co-broker" showing your house while the primary broker waits for one of their own clients to make an offer, then they keep the full commission for themselves.

Many home owners take it for granted that their broker will tell them whenever an offer is made on their property, but unless this is clearly spelled out in the listing agreement, a broker will be in a position to make your decisions.

- **Having prospective buyers steered to a more expensive property through loan pre-approval**

By law, a broker is obligated to tell you about every offer, but many times they will tell prospective buyers that they must get "pre approved" for the home loan, which logically will make a buyer a better candidate to buy your home. However, many brokers use this information to steer them to a higher priced property to get a higher commission.

- **Overstepping boundaries**

Transferring property involves several different laws beyond the home loan. Every state and city has certain regulations in regards to zoning, improvements and disclosure. There are some brokers who will disregard many aspects of the process in order to get the commission.

There have been cases where brokers have been aware of a problem with the property, i.e., flood damage, and withheld this information from the prospective buyer, which has resulted in legal headaches for the home seller.

In regards to the legal transaction of the house sale, most states require a certain form of contract, however some brokers will give homeowners the false impression that they can amend these contracts, when this is really a matter that should be handled by a lawyer.

As the real estate market has continued to become more competitive, the examples of what can go wrong when you sell your home through a real estate broker, along with the commission fees, has made for-sale-by-owner sales more popular. Today, with the reach of the Internet, it is easier than ever before for individuals to sell their own property.

### **What's The Story Behind The "FOR SALE BY OWNER" Sign?**

Once you have reached the decision to sell your home, the next question is: What do I have to do to sell it? Even though real estate agents would like you to believe that the process of selling a house is complicated business, the truth of the matter is that homeowners are responsible for approximately 30% of the homes sold every year.

The key to a successful home sale is pricing and exposure. To determine the market value of your home, start with an appraisal of your home. Before you hire a licensed or certified appraiser, carefully inspect your home and repair or refurbish all the items that would detract from the value of your home.

Here are a few items that you should attend to:

- Are all of the appliances and plumbing in good working order?
- Has the interior of the home been painting within the last year?
- Is the landscaping around the house up to date?
- Have the windows and coverings been cleaned?
- Are the areas where sealants are used in good repair?
- Has the carpet been cleaned within the last 3 months?
- Are the roof and gutters clean and good condition?

Once you have made all necessary repairs and improvements you are ready to have your property appraised. The appraiser uses market data to develop an opinion of market value based upon the best use of your property. A real estate appraisal is a necessity to speed along the sale of your home.

Market value basically translates into what buyers are willing to spend for homes in a comparable size, condition and location as your own home. Current interest rates also affect how much prospective home buyers can afford to spend for a property.

Technically, when you sell your home you are "transferring ownership." In most cases, lending institutions will require an appraisal to be done before a mortgage is approved. In fact, the Uniform Residential Appraisal Report is used as security for the home loan; playing a key role in both the mortgage application approval and the amount of down payment required.

It is also a good idea to meet with your banker as well as other local lenders to have a clear understanding of what options are available to prospects to finance the purchase of your home.

### **SELLING YOUR OWN HOME WILL SAVE YOU MONEY**

You need to prepare yourself to devote a certain amount of time and energy to the sale of your home, but you will save yourself a lot of aggravation when you realize that you have eliminated the cause of delay in negotiations; haggling over the 5-10% that would be added to the purchase price to cover the real estate broker commission.

This will give you an advantage when you begin to discuss the property with prospective buyers - "for sale by owner" properties will attract bargain hunters and without the brokers fee it will be easier to feel confident in your asking price.

You have to also consider the pulse of the home-buying market: if it is strong, you can ask for up to 15% more than the appraisal, conversely, if the market is weak, it may be to your advantage to stick to the appraisal value or go a bit below it.

It is important to pay attention to these conditions if you want to sell your home in the shortest amount of time. If you set an asking price for your property that is far beyond the range of properties in your categories, prospective buyers may pass on your property.

With your real estate appraisal completed and a price fixed for your property, you are ready to move to the next phase: getting the exposure you need to attract buyers to your property. In the meantime, you should check with your local authorities regarding the requirements to post your "for sale" sign on your lawn. In addition, call the print publications to find out which local real estate websites are the most effective for online advertising to maximize your efforts.

When you have the rates and requirements to advertise online and in the print publications you can create a budget for advertising your property. If you plan to use print advertising on your own, it is a good idea to set aside enough money to advertise your property for 3-6 months longer than you anticipate it will take to sell your home.

One of your most important means of gaining momentum in selling your home is to make sure all of your personal contacts are aware that your house is for sale so that they can help you with word-of-mouth advertising.

### **IT TAKES TIME AND EFFORT BUT IT IS WELL WORTH IT**

The sequence of tasks that you have to perform to sell your home can provide you with valuable knowledge that you can apply to make the process as time and cost effective as possible. If you plan to purchase real estate after your home is sold, you will be able to use what you have learned to save even more money.

As a homeowner you are valuable member of the community and your home sale will affect not only yourself and your family, but also your neighbors and your community at large. Selling your own home is more than just a business transaction: you are passing the baton of responsibility to care for an asset that affects all of these individuals.

Instead of the property being sold to the highest bidder by a broker, you will be able to select the buyer for your home based on the facts you know about the property and the community that it is located within.

By taking a proactive approach to selling your home, you will be able to put your own "house in order" and begin planning for your future without burning any bridges as you move on.

The decision to sell your own home will save you money on real estate brokers commission, with the potential of saving you \$3000, \$6,000, \$15,000 after accounting from your expenses. Although there are several aspects of selling your own home, you do not have to manage the responsibility for every aspect on your own.

In the next section we will look at the roles of each of the key players of the team that will work with you to help you successfully sell your home; the lawyer, mortgage lender and home inspector.

## **Chapter 2**

### **ORGANIZING YOUR SUPPORT TEAM**

In the previous section, we looked at the advantages and basic steps required for you to sell your own home. With these steps completed, it is now time to talk about the players in the supporting roles of the process; your real estate lawyer, mortgage banker and home inspector.

#### **YOUR REAL ESTATE LAWYER**

Each of the steps that you take is to accomplish the goal of selling your home to a qualified buyer. To transfer the property, you will need a real estate attorney to handle the legal sales agreement and contract that are needed to sell your home.

It is in your best interests to have a list of items that you want written into the contract, i.e., items excluded from the sale of the house. In addition, your lawyer will play a vital role in witnessing the final walk-through of the property before settlement, the sales proceedings and closing.

Because you are selling your home on your own, ask your lawyer about your legal responsibilities in negotiating the final terms of the sale with prospective buyers including; the sales price, offer to purchase form, deposit receipt, buyer's cost sheet, disclosures, financing, inspections, date of closing and possession.

Especially in the case of disclosures, many states require the seller to provide all prospective buyers with a written disclosure statement of any defects in the house when the buyer first sees the property. Be sure to make note of **WHEN** you need to make each of the disclosures available to buyers.

The purpose of a disclosure is to provide buyers with a realistic picture of the condition of your property, so that they can make their best offer. A property that has water damage due to a flood is worth less than a house that has none.

While this damage affects the amount you can expect for your property, it is much better to disclose problems in the beginning rather than have the new owner discover the problem and then take legal action against you.

Along with the state mandated disclosures for real estate, the federal government requires sellers to provide a lead disclosure to buyers, be sure to ask your lawyer for a list of the appropriate disclosures.

Here is a few of the legal things you will have to do once you have found a qualified buyer:

### **1. Creating the Sales Agreement**

When you have found a qualified buyer, they will need to sign a sales agreement to put the process in motion for the closing of the sale and transfer of the property. Verbal contracts are not valid when it comes to real estate, to prevent fraud, all real estate transactions must be in writing for it to be binding. In addition, the sales agreement cannot be written on the back of an envelope: this is a legal document and should be created by a lawyer or if a standard form is used, a lawyer should review it to make sure it is appropriate.

### **2. Opening Your Escrow and Title Insurance Account**

With your signed sales agreement, you are ready to "open escrow". The escrow and title insurance company acts as an independent entity that handles all monies and documents. The escrow company searches the title of your property to see if there is any type of debt or lien that would prevent the title from being cleared.

### **3. Resolve Problems with the Title**

In the case where the escrow and title insurance company discovers a problem, such as a loan that was paid but is still showing on your title as unpaid, consult with your lawyer regarding the best way to resolve the issue if it cannot be done directly with the recorder of the debt.

## **YOUR MORTGAGE BANKER**

Hopefully, you have discussed the various options available to qualified buyers to finance the purchase of your home as we discussed in the first section. Most house hunters are aware that they need to bring a pre-approval letter for the mortgage to prove that they are capable of securing the financing to close the deal.

However, not all pre-approval letters are created equal. The most crucial part of this document is the commitment. A mortgage pre-approval letter should tell you how much financing is available to the buyer as well as the terms of commitment and the issuing authority.

You should see in the letter the maximum mortgage amount. In the best-case scenario, the Loan to Value Ratio (LTV) will also be given. Loan to Value Ratio determines the amount of the down payment. If you are selling your property for \$200,000 and the lender states that your prospective buyer qualifies for up to \$180,000 at 90%, the buyer must produce a down payment of 10% or \$20,000.

The best source of a mortgage pre-approval letter is a lender with the ability to guarantee the funds, such as a mortgage banker or banking institution. Letters from mortgage brokers, who must solicit funds from a lender, are in essence "pre-qualifying" letters that only offer an opinion of the potential of the buyer to secure funding.

The commitment in a pre-approval letter is rarely stated in concrete terms. More times than not, the lender will state that they have thoroughly checked the prospective buyers credit and that they are "tentatively" approved for a mortgage. But financing is not guaranteed.

Requesting a pre-approval letter can save you a lot of time, if the prospect cannot secure financing, there is no deal. When you find a pre-approved buyer and have a signed sales agreement in hand, it is a good idea to set a deadline for the buyer to secure the financing. Keep an eye on the progress of your buyer's financing, if a deadline is missed, make sure you get the details and consult with your lawyer about the best way to proceed.

### **A WORD ABOUT INTEREST RATES**

How do interest rates impact houses for sale by owner? When interest rates are low, it is easier to find buyers who can qualify and make their monthly payments. But all it takes is a slight increase in the interest rates to change this picture.

Currently in the United States, the Federal Reserve has been raising interest rates on short-term borrowing, i.e., a 12-month personal loan will cost a borrower more. But long term interest rates for a 30 year home mortgage loan are fairly stable because most the financial institutions that make these loans believe that the Federal Reserve will continue to keep these interest rates low to retard inflation.

But eventually, this strategy will come to an end and interest rates for long-term loans will begin to rise. If you are selling your home when the interest rates begin to increase, how can you motivate a buyer? If you were selling your home for \$200,000 through a real estate agent with a 6% commission fee, the agent would pocket \$12,000. You can use this money to "sweeten the deal" by offering a reduction of the purchase price by \$6,000 to the pre-approved buyer to achieve a faster sale. In extreme cases, where the seller is under pressure, some have opted to reduce the purchase price by the full value of the commission.

### **YOUR HOME INSPECTOR**

While the role of the lawyer and mortgage banker are vital, so is that of the Home Inspector who gives you the important information you need in order to give buyers the disclosures required by law in most states.

As stated earlier, it is best to tell buyers if the property has significant problems that you cannot fix. This will save you the embarrassment of being unpleasantly surprised or having to re-negotiate the deal.

A home inspection at the beginning of the process affords you awareness of required property repairs and property conditions so you can incorporate them in your pricing decision. It also shows buyers that you are a committed seller and makes your property more attractive. With fewer conditions and amendments to the sales agreement, closing the sale is easier.

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