



Selling Your Home

FOR WHAT IT'S WORTH

Prepared For

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Introduction

The process of selling a home can sometimes be complicated—the terminology can be confusing, procedures may be unclear, and even the participants can be ambiguous! But you can sort it out and understand the process if you learn a few terms, get to know the people involved and their roles, and become familiar with your obligations and what you should expect.

First of all, brokers cooperate to help you sell your home. The first step you take is to meet with a real estate agent at your home. This is called a listing appointment, and it's your first contact with a listing broker (or listing agent). You hire the listing agent (who works for a listing broker) to sell your property through a listing agreement. You pay the broker with a listing commission, and the agent receives a split of the payment.

In many sales, the property is listed by one broker, while the buyer is provided by another broker. This is called a cooperative sale, with the listing broker receiving the listing commission and the selling broker receiving the seller's commission. Sometimes the broker who lists the property also provides the buyer, in which case the agent receives both listing and selling commissions.

The Listing Appointment

When you first make a listing appointment, the broker will ask you to compile a list of documents pertinent to the property and sale. Meanwhile, the broker will study recent neighborhood sales (“comps”) and begin to determine how to price and market your property.

By the time the listing appointment arrives, both you and your listing broker will be well prepared, but there is a lot of work to do.

The listing broker you meet with will want to inspect your house and yard to become familiar with it. If your home has special features, tell the broker about them; they’ll help sell your property. Be specific about schools, transportation, shopping, and parks and recreation opportunities. Prospective buyers are always comparison shopping, and features of your home and neighborhood that set it apart from others may make a difference.

After visiting with you and reviewing the property, your listing broker will help you set an asking price for the house. The basis for your selling price is its market value, commonly defined as the amount a willing buyer will pay, and an amount acceptable to the seller. The best indicators of market price are the comps that your listing broker researched before meeting with you.

A rule of thumb is that homes priced more than 5% over market value won’t sell. That’s because a buyer who feels your home is overpriced will more readily buy “more house” elsewhere for the same amount.

Working the Numbers

Once the sales price is determined, the listing broker will crunch numbers to determine the net cash from sale of the home. This simply anticipates the money you will receive from the home sale, once all fees and charges are settled. The listing broker will leave such a “net sheet” with you.

The other side of the numbers deals with the financing a buyer will need to arrange to make the property purchase. Just as a more attractive home will attract more buyers, more attractive financing options will appeal to a larger range of prospects. Your broker should explain the basic financing options, including Veterans Administrations (VA) and Federal Housing Administration (FHA) loans, plus conventional financing.

You should also learn about “discount points.” A point is one percent of a buyer’s mortgage loan. A point on a \$100,000 loan is \$1,000, while a point on a \$350,000 loan is \$3,500. Points are charged by lenders to sellers, buyers, or both in order to increase the yield of their loans.

Property Profiles

The listing broker prepares a folder of information on the property based on information from the seller. It's an extensive list, but it includes such things as water and school districts, neighborhood and subdivision identification, and tax boundaries.

Along with the property profile for your home, you will have to provide or arrange with the listing broker to obtain other documents and information: If you're on a well and septic system, the listing broker needs a current health inspection form; the new lender will require an appraisal to verify the home warrants a loan of necessary amount; you must arrange to pay or transfer any tax assessments or easements, as well as pro rata reimbursement of property taxes or condominium fees.

Most lenders require a termite inspection certificate before they'll loan money for a home purchase. Provide a current certificate or arrange for a new one at your expense. Along the same lines, you may have to provide for a home inspection and radon testing. On top of that, you should provide any information on the physical condition of the property. (Depending on your jurisdiction, a disclosure form may be mandatory.)

If possible, you can helpfully provide a record of recent (12 months) utility bills, plus any bylaws, HOA documents, floor plan, warranties, or homeowners insurance policies that a buyer would find useful.

At the same time you'll be asked to sign a letter called a payoff notice for your mortgage lender that will inform them of your intention to pay off the mortgage in the event of a sale. This is a step that smooths the way for new financing and helps prevent the seller from incurring interest penalties on the old mortgage.

Another step toward a smooth transition is supplying your broker with a list of personal property that will be conveyed to the buyer upon sale. This may include window treatments, appliances, yard equipment or landscaping, or window-mounted air conditioners. Be sure to clearly tag or remove items that will not convey upon sale.

Getting Ready for the Buyers

All other factors being equal, the home that makes the best visual impression often sells the quickest. Use your common sense as to what a buyer would most like to see.

Start outside the home. Trim your lawn and shrubs. Clean up the yard, including tools and toys, and look for signs that the house might not be well-maintained — things like loose shingles, sagging gutters, cracking caulk on windows and doors, and even peeling paint. If you can afford to dress the home up with new door hardware or seasonal decorations, that helps too.

Inside, the first impression will be of the entryway. Make sure it's well-lit and welcoming, especially at night. Give visitors a pleasant aroma, a sense of clean carpet and walls, and an attractive, neutral color scheme. A coat of paint is often the best investment to make in a house you're selling.

In living areas, shoot for a clean but lived-in, cozy atmosphere. Get rid of worn furniture and add lamps if rooms are too dark. Set out fresh flowers or arrange furniture in the most welcoming manner.

A critical area for homebuyers is the kitchen. Don't show your house before the stove and refrigerator are spotless, especially if they will be conveyed to the buyer. Clean eating areas, and make sure that all the appliances work and are squeaky clean. If you wouldn't be comfortable eating off a counter or table, chances are a buyer won't be able to imagine it either.

Likewise, make sure your bathrooms are spotless. As well as cleaning counters and surfaces, check for rust or lime deposits, which not only look bad but indicate problem plumbing.

Bedrooms are personal areas, and you want to make especially sure they are clean and inviting. Show the true sizes of closets by removing unnecessary items, and make sure the furniture gives the impression of space and comfort.

If you have a recreation room, emphasize its relaxing and fun atmosphere. Show off its flexibility by furniture arrangement, and highlight things like track lighting or ceiling fans, which make rooms like this inviting and comfortable as well.

Your garage may be a storage area or workshop for you, but for prospective buyers, don't assume they'll use it the same way. You should have as little clutter as possible there, just a car if possible. Check for oil stains on the cement, ensure strong overhead lighting, and

organize storage or work areas. The same goes for the basement, but here you'll also want to be on the lookout for mold or dampness, which you may be able to cure with a bag of limestone. Check and clean your water heater and furnace, and make access to these utilities clean and well-lighted.

Even your attic is for sale, and buyers will indeed check it. Clean it too, and light it well if it's not already. Get rid of anything that you don't need, and even pack items that you're going to move anyway. Above all, make sure insulation is adequate and is available for inspection.

How much preparation is too much? Well, any redecoration project before you sell needs examination. It's difficult if not impossible to anticipate the tastes of prospective buyers. Your best bet is to stick to simple things like fresh paint in a neutral color. Most of all, concentrate on making your house as clean as you can.

It's possible to over-improve your house for a sale. Some projects may raise your home's marketability, but if you go overboard, you may end up pricing your home out of the range of other homes in your area.

Still, any of your "fixing-up" expenses are deductible from any capital gains you realize on the sale of your house, subject to guidelines.

Showing Your House

Even though you spend your valuable time readying your house for a sale, the selling itself is the job of your broker. He or she will take responsibility for marketing the house to appropriate audiences and bringing in buyers to view the home. A lot of this marketing is done through the Multiple Listing Service (MLS). Your home's profile is entered in a home database available to all brokers in the MLS membership. Interested brokers may tour the home to become familiar with it. Other informal advertising comes when your listing broker plants a company sign in your yard to announce the availability of your home.

After all the advertising and marketing activity, your listing broker and other selling brokers will begin bringing prospects to visit the house. You'll be notified in advance, and the visits will usually be made by appointment. Use the notice to tidy up and make available the property profile you've prepared. It's a good idea to accept every visitor appointment possible — you never know which prospect will want to make an offer on your house.

While you're understandably anxious and eager to know what a potential buyer thinks of your home, experienced brokers will tell you that the best situation for a buyer is to view a home without the present owner in it. You don't want the buyer to feel like an intruder, so find an excuse to leave the house or, if that's not realistic, greet the prospect but then keep yourself in the yard or part of the home where you'll be out of the way. Keep your TV or radio off, clear the pets out of the house, and leave questions and answers to the selling broker unless you're asked a specific question. And by all means, leave price and other such negotiations to the broker; that's their job.

If a prospect calls you or visits unexpectedly, get their name and phone number. It's in your interest to refer buyers to your broker for an appropriate tour and sales information.

If you get the feeling from a prospect that they truly want to buy your home, continue to accept appointments for viewing. Homes are either available or sold — there's no such thing as a "probably sold" home. Once a buyer makes an offer that you accept, there may be contingencies that would allow it to fall through. Invite back-up contracts during this time, but make it clear that an offer already exists on the house.

When an offer does come in, you'll receive a written and signed contract from the selling broker, who will make a presentation of terms to you. The presentation will include the date, name, and address of the buyer, as well as the sales price that the buyer has offered and the amount of earnest money they've offered. The offer will also include financing

terms, proposed closing date and occupancy date, plus contingencies on which the offer is conditional.

You will have three options at the offer presentation. You may accept the offer as written, make a counter offer that alters the proposed price, terms or contingencies. Either one of these options will result in sending the contract back to the buyer, either as is or with amendments. You may also choose to reject outright the proposal. However, an offer of any kind is an opportunity to sell the house, and you should think about a counter offer before making any outright rejection. It's normal to hear a first offer and wonder if you can get more for the sale, especially if you've priced your home fairly and received offers early in the viewing period. Consult your broker for professional advice on offers.

Multiple offers will be presented to you in the order registered with the broker. Read each offer through and ask questions. You don't need to take action on any one offer before you receive and review all active offers. If you choose to accept or amend any offer, also rule on the other offers, denoting them as backup offers in the order you prefer them.

Another possibility when receiving offers is that one of them will be for a price higher than you've asked. Some buyers choose to make their offer stand out above others buy bidding up the property. If this is the case, feel free to accept or amend the offer, but to remove any questions, be sure to include a separate statement that requires the buyers to acknowledge that they've offered more than the asking price, and possibly asking the reasons for the higher offer.

If your property doesn't receive offers or doesn't sell during the sales period, analyze the reasons. Perhaps you need to reprice the home or alter your conveyances. If so, relist the home after adjusting your listing. If you determine the market is not conducive to a sale at this time, withdraw the listing from the market and relist it when the selling atmosphere has improved. In cases where you must leave the home regardless of its sale, consider offering the home for rent, or keep it on the market while you rent it, so you can realize some income while you occupy another residence.

The Accepted Offer

When you and a buyer settle on a contract, you're entitled to a share of any deposit money made by the buyer. That's your guarantee that the buyer intends to make the purchase.

Hopefully, though, the sales process will proceed through the appropriate stages. The brokers will help the buyer arrange necessary financing while you address all contingencies. More participants will enter the sales process at this point, such as housing, septic and termite inspectors, appraisers, title companies and attorneys. Mortgage acceptance usually requires between one and two months, so there's a bit of down time before all the documents and certificates are in order. In case the buyer's financing falls through, you'll want to keep the home in good condition for future showings.

Upon approval of financing, your broker and the buyer's broker will arrange a settlement date. You have a voice in when this will be, as does the buyer. Your broker will help you get necessary documents in order, as well as assistance in transferring utility accounts. Once a settlement date is approved, you can safely begin the process of moving.

You'll want to make your move as simple as possible. Get rid of anything you don't want or need to move. (A garage sale is a good way of doing this.) Don't forget about your food, which you would probably not want to take along with you, especially if your move is a long one, and begin trying to use the items you have stored in your freezer and pantry.

Collect pertinent records for yourself and your family too. A checklist for this chore might include insurance documents that will protect you and your property during a move (check with your insurance company to ensure you're covered in the period between residences), school and medical records, and any family documents that are important to you, like birth certificates, wedding certificates, and baptismal records.

Unless otherwise provided for, the buyer will take possession of the property at settlement, so make plans to clean and vacate the house a day before settlement. This is also likely the day the buyer will make a final inspection. During this walk-through, the buyer will check that the property is in the condition specified by the contract. Expect them to try all of the home's lights, plumbing, appliances, furnace and air conditioner, sink disposal, and water heater. Knowing this, it's a good idea for *you* to test all of these things before the buyer arrives. To prevent any hold-ups at settlement, correct any deficiencies before the buyer has a chance to learn of them.

Settlement

Finally, you're ready to officially transfer ownership to the buyer. Settlement day will be a series of signing papers and reviewing documents. But you'll have your broker to assist you, as well as an attorney or representative from the title company. With all deficiencies and contingencies resolved, the buyer will read and sign the deed of trust, deed of trust note, and settlement and financing papers. You'll then sign the deed and settlement sheets and pay the appropriate closing costs.

Settlement costs may seem confusing, but the broker and title company representative should make it as simple as possible for you. You should understand what you're paying. A general list of closing costs may include: attorney's fees, inspection fee, appraisal, broker's commission, title transfer and recording costs, homeowners association packet fees, utility escrow prorated to settlement date, any loan discount points, and any penalty on your mortgage payoff.

You'll be reimbursed after closing for any money you've paid in advance for bills not yet due, such as property tax.

Lastly, you'll transfer the house keys to the new owner. Once the title company representative disburses funds to you and the brokers, the lender and title company will review the papers and approve the sale.

Congratulations! You've sold your home!