

What Every By Owner Seller Needs To Know

The information provided below is designed to assist the "By Owner" seller in understanding the selling process. While you may already be aware of much of the information included, you may wish to review the material to ensure that you are covering most of the bases in the selling process.

The Decision to Sell: The decision to move is usually a complex one. Before you made the decision, you should have considered the following. 1- Where am I going? This sounds obvious, but surprisingly, many sellers fail to properly give attention to this question. 2- Make sure you have consulted both mortgage and Real Estate professionals to determine if your desired destination is a real possibility. It is a good idea to have your future financing needs secured before you put up the "For Sale" sign. 3- Pre approval by a mortgage lender will not only define your buying capacities, but also give your prospective buyers confidence that you are serious and ready to sell. 4- Also, while you may not wish to use a Realtor to sell your home, you can benefit greatly from their assistance in helping you locate another property. Buyer Agents rarely charge a fee for consultation and you will likely gain insight from them from the buyer's perspective that will help facilitate your sale. 5- Once you feel confident in where you will be moving, your next question should be, "How Fast can I move"? Often times this is a major obstacle in selling. Many of the most motivated (and therefore most profitable for you) buyers need quick possession, so this detail must be clear in your mind before you decide to sell. While you may not be willing or able to grant immediate possession, you must at the very least have a definite time in mind before the negotiations start.

Meeting the Buyer: Once you are confident that a move is physically and fiscally possible, you must now prepare to market your home. Selling your home means a lot more than just advertising, that is the easy part. You must make your home the most preferable home that the buyer can find. One thing I've learned in selling homes is that everyone wants to buy, but everyone also wants to find a reason "not to". Your home will most likely be compared to all other area homes that are for sale in your general price range. So how do you beat your competition? First you must price competitively. Most of the buyers you face will have their own Buyer Agent (even if they are not directly

involved in the sale process) who will provide them with comparable sales in the area to assist them with making an offer. This can also benefit you because you can defend your home's price by these comparables, and therefore negate the "low ball" offers. The buyer may also know what you paid for the home as it is on public record. A good Buyer Agent usually researches these things. Try to get your hands on area sales information to assist you. Your own Real Estate Consultant may be willing to aid you in this matter. Remember, you are eliminating reasons "not to buy". Motivated buyers are usually willing to give you a fair price once they are convinced what is fair. Try to have the major cost components of your home in good shape. Buyers avoid homes that have outdated heating and cooling equipment, bad roofs, bad carpet, etc. This does not mean that your home must be perfect, but it should at least appear as trouble free as possible. As a rule, fresh paint and new carpet are the best dollar to dollar value in maximizing your selling potential. Neutral colors work best. Also, bright and cheery sells. Keep dark corners well lit and create space where possible.

Know Your Buyer: Once your home is ready to compete on the market, you must now begin the toughest part of the selling process, finding the right buyer. Often times "By Owner" sellers are surprised at the number of early buyers that seem interested in their home. Later they are frustrated when they learn how many of these buyers are not qualified to buy or simply disappear. There is a reason for this. The number of individuals with bad credit is stunning today. Even buyers with adequate income levels, may have a checkered credit history. Record high bankruptcy and divorce rates are a major reason for these problems. Few people realize how many hours Realtors and mortgage reps spend in "producing a willing and able" buyer. Unfortunately, many of the frustrated unqualified buyers turn to "By Owner" sellers looking for a miracle or a deal. Under no circumstances should you consider an offer from a buyer who is not Pre Approved. Get the pre approval in writing! Also, be sure that the lender is reputable. Lenders are as numerous as the stars in the sky. And their level of competency varies greatly. The last thing you need is for the buyer's lender to mess up the sale because they are not competent. Again, this may be another area where your Realtor consultant can assist you. Realtors usually know the better lenders. You may feel a little uncomfortable asking the buyer personal financial questions, but the fact is, you must. Serious buyers will not be offended, they need a home. If they are tentative in their answers, there is probably a good reason. Also, be aware

many lenders are giving "conditional" Pre Approvals. This means the buyer is only approvable under certain conditions. Find out what the conditions are. If they have to sell a home before buying, you may be involved in a domino sale situation which can be costly. Seek qualified advice before accepting an offer in this case.

Considering the Offer: Once you have the right buyer, now you must consider their offer to purchase your home. Most people think that the best offer is the highest offer. This is not always the case. There is a difference between a cash buyer and one who will be using conventional or government funding. Not only are there costs to consider with the different types of mortgage loans, there is also regulatory differences. You must know all the costs and regulations before you consider accepting such proposals. For instance, if certain inspections will be required before closing, they must be done so in the right time frame. (Who will order inspections, who will perform inspections, who will pay for inspections, etc.) Also, you must familiarize yourself with all the legally required disclosure laws. Even homes that are purchased without government financing may require a number of different seller disclosures, so do some checking. Most disclosures are required to be made prior to the acceptance of a purchase agreement, so have the forms available and filled out prior to them writing an offer. Sale agreements without the required disclosures can be deemed legally void.

Closing the Sale: Once you have conquered the task of getting the right buyer and getting an acceptable purchase agreement, now you must be ready to facilitate the closing process. The first thing you will need to do is call a qualified title company. Be careful- like lenders, some of these are not as qualified as others. In the past few years several of them have gone out of business in the Indianapolis area, usually for financial reasons (some have even been prosecuted for fraud). Some companies also offer discounts for qualified sellers. Ask your Real Estate consultant for some tips. You will need to provide the title company with all of your property and mortgage (if you have one) info. Also, they will need copies of the purchase agreement and mortgage info on your purchaser as well as their Social Security Numbers. Title companies will charge sellers \$350-1,000 for a title policy depending on the value of your home. In addition, they will charge a closing fee of \$225-300. The closing fee may be negotiable between you and your buyer, but the

title policy generally is charged to the seller. You will need to keep in close contact with the title company you choose. You will need to review your title work when it comes in, to see if there are any defects on your title or any judgments on your buyers. Also, you will need to remind them if a survey (usually required by lenders) is required prior to closing and tell them who will be paying for it. There is more than one type of survey, so be careful which type you order, ask the title company or your consultant to explain the difference. Also, the buyer will need to be involved in deciding which type of survey they want. You and the buyer should review the survey before closing to see if there are any encroachments and to review any set backs or easements that may be shown. If your buyer is thinking of doing any building, fencing or other improvements, you will want them to see the survey ahead of time. Again, this will avoid another potential closing hazard. You will also need to coordinate a closing date with your buyer and the title company. And you will need to make sure the buyer knows what they will need for closing (insurance policy, I.D., funds, etc.). Try to set the closing a few weeks early, as companies can be very busy at certain times of the month.

Other Tips:

Home Inspections: Along with the inspections which may be required by your buyer's lender, your buyer may also request to have a professional Home Inspector inspect your home. Sellers have mixed emotions about these inspections, but they are now the norm in the home buying and selling process. First, do not panic. An inspection prior to sale should prevent unwanted phone calls from your buyer after closing and more importantly, unwanted court appearances.

Other Realtors: You will quickly discover that many of the buyers you encounter will have a Buyer Agent or Buyer Broker. Research has shown that 75%-85% of all For Sale Buy Owner Sales are sold by Realtors. The reason is simple, most serious and qualified buyers are working with professionals. The legal complications and increasing regulations associated with a sale are a few of the reasons for this. Also, in today's fast paced world, a lot of people simply do not have the time needed to give full attention to searching for a home, let alone the time to negotiate a purchase agreement and take care of the closing details. Again, do not panic if a Realtor contacts you with an interested client.

But, remember to apply the same principals as noted before. Check for preapproval! Often, a Realtor will reduce their fee by a few percentage points (depending on the value of your home) and then will assist you and the buyer with sales process and the closing. This situation is called a "One time showing agreement". You give the Realtor your price, and then they sit with the buyer and draw up an agreement. If a favorable agreement can not be reached in a reasonable time you owe the Realtor no fee and you are free to sell to another buyer.

Forms: This is a vital part of any housing transaction. You should have the best forms available for all stages of the selling process. Purchase Agreements, Disclosure forms, Addendums, Lease Back Agreements, etc. should all be currently applicable to state laws and other regulations. Also, many purchase forms lack vital details which may leave you and the buyer legally vulnerable. The best forms are obviously the ones used by the Metropolitan Board of Realtors, but you may not have access to these without having a Realtor involved with the sale. Your next best bet is to have an attorney handle the paper work. But remember, be careful to choose an attorney specializing in Real Estate. Using someone from another area of the law may well be worse than not having an attorney at all. Generally, their fees will be from \$100 to \$500 per hour. However, do not expect the attorney to do the job of the Realtor in either negotiating the sale or in watching over the escrow process. You or the Realtor may have to spend a great number of hours keeping track of the details and the buyers. It is doubtful even a Real Estate attorney will do this and less likely that you would want to pay them to do so.

Safety Tips: Once you expose your home to the buying market, you may also be attracting people with less than honest motives. Keep a few things in mind. Never show your home by yourself. Always keep buyers together during showings. Never tell prospective lookers when you will be gone (i.e. work schedules, vacations, etc.). Make sure all easily removed valuables are put out sight. Never show your home to someone unless you have their home number and address (an exception would be at an open house). Caller I.D. is helpful in verifying numbers. Also, if you use an answering machine, it is a good idea to have a male voice as your outgoing message. A word of caution: I can not over emphasize that you be extremely cautious if doing an open house. The number of crimes reported in central Indiana related to open

houses has been staggering. Many visitors are simply looking for something easy to pick up, others will look for drugs in the medicine cabinets, but some lookers may even have more serious intentions.