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Selling Your Own Home Made Easy!

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Save THOUSANDS in Real Estate Commissions!

By Laurie A. Wall

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TO MY MOTHER

A never-ending source of encouragement and inspiration!

THANKS MOM

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INTRODUCTION

Can you keep a SECRET? If you can... DON'T READ THIS BOOK! I am going to reveal through these simple to understand 10 chapters, SECRETS that are meant to be shared. Secrets that can save you thousands of dollars and countless hours of delay in any real estate transaction. These secrets are very easy to understand, common sense solutions to getting the sale of your real estate complete and correct! Real estate agents know these secrets, and you should too!

Many factors could have led you to read this book, but there is one common factor that everyone shares. That is the need to sell a property. It can be an intimidating venture for most people, especially if you have never sold a property before. Some reading this book may have sold many houses, while others may be muddling through their very first try. In either case... DON'T GIVE UP and DON'T GET DISCOURAGED! Selling real estate doesn't happen overnight... well in some rare cases it really does. But for most, it's going to take a little time. You must make a commitment to yourself as a For Sale By Owner. The commitment is: TO SEE THE SALE THROUGH! Don't give up, and don't give in! Real estate agents will try to convince you that you will surely make a mistake as a F.S.B.O. that will cost you thousands of dollars. They will tell you that you should rely on the 'experts', and that you NEED them. They even use scare tactics to make you feel insecure about selling on your own. The truth is that you don't need them at all, and if you sign them up to sell your house, it will most CERTAINLY cost you thousands of dollars in real estate commissions. They are charging you thousands of dollars for a job you can easily do yourself! It is just a matter of knowing which professional to call upon, and when. There are services out there in the real estate industry that are free to you, and there is an unlimited amount of public information available too. Why pay someone else thousands of dollars to do something you can do yourself? You really CAN successfully sell and close your own property.

This book is designed to give helpful information to the experienced as well as the novice. Information that could save you \$\$\$ THOUSANDS OF DOLLARS \$\$\$... That means more money in YOUR pocket! Real estate agents charge as

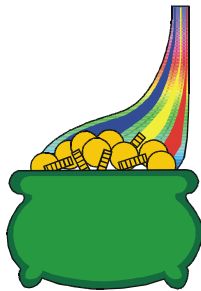
much as 10% of the selling price as a commission. You will save that money for yourself if you sell by owner.



In this book, you will find simple definitions that will help you put the "jigsaw puzzle" of a transaction together. Most people sign with a real estate company to sell their property simply because they don't know what to do. The SECRETS revealed here will help you bore a hole right through that mountain of real estate jargon, and keep you on track to close the sale.

As you read this book, make notes! You will get plenty of ideas and inspirations... WRITE THEM DOWN! Highlight ideas that stand out to you, mark items that are important to remember.

Now... go for your "POT OF GOLD"! You can do it!



CHAPTER 1 F.S.B.O. A GOOD DEAL, OR AN ORDEAL?

There are a lot of questions to ask yourself before you proclaim yourself to be a F.S.B.O. (For Sale By Owner) Seller. It is not a small undertaking by any means. I have heard people say that they don't want to be on edge about all of the details etc. Well, I am here to tell you, that you are going to be on edge about all of the details anyway! Selling your house is a big decision. Sometimes you are forced into a sale too by transfer with your job, or just needing a bigger place. All of the details are still going to be there and need to be looked after no matter the situation. You will need to 'get your ducks in a row' before you put the house out on 'the market' for sale. Some of the questions you should consider are: Have I organized my information?

Do I really know enough about the details that it takes to complete the sale?

How does the house look? Is it in good repair?

Do I know the best way to show my property?

What kind of questions will a buyer ask of me? Do I have the answers ready?

How do I determine how much money I'm going to end up with?

Who do I use for an appraiser? Is that my decision, or the buyer's?

What am I to do if problems arise, such as encroachments or "clouds" on the title?

Who pays for what in the contract details?

Am I going to end up with a GOOD DEAL, or will this adventure turn into an ORDEAL?

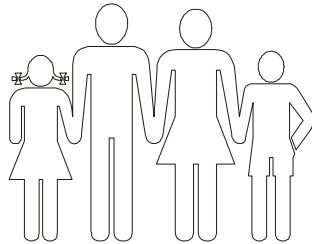


It is important to understand the processes, the pitfalls, and the ‘tricks of the trade’ to get the job done. You have taken the best first step by arming yourself with INFORMATION! For most people, your house has been the single largest investment of your lifetime, and it pays to be as knowledgeable as you possibly can about this sale. There is information to gather, preparations to be done, and professionals to consult. This is a time of caution, but selling a house on your own is certainly nothing to be afraid of. Selling on your own can be a fun and profitable adventure for the entire family. You are ready once you understand the course of action.

No one knows your property better than **YOU DO!**

The best representative to sell this house is **YOU!**

YES YOU CAN!



Not to be misled... there are costs involved in completing the sale, but you will save THOUSANDS in real estate commissions when you know the right steps. It's really just a matter of knowing which professional to call in, and when. A lot of services you will need can be obtained simply by a phone call, and some are even FREE! As a former real estate agent, much of my time was spent calling appraisers, surveyors, building inspectors, title companies, mortgage companies, and other real estate brokerages. All of these things you can do yourself. Every transaction has individual characteristics and situations, but you can learn to think through your options with just some basic information. When you are armed with the right INFORMATION, your DEAL doesn't have to be an ORDEAL!

I don't meant to make it all sound like a breeze. There is some work involved, but in my opinion it is not worth anything near what the real estate companies are charging people to do this for you. As the price of real estate skyrockets, so does the real estate fee. Ten years ago, a house that cost \$50,000 would have a commission of at least \$3,000 (6%). That same house today would cost \$100,000 and the commission would be at least \$6,000 (6%). Now the real estate company is doing the same job for you as the seller that they did 10 years ago, but their fee has doubled. It's just not right. I believe somewhere down the line that real estate companies are going to have to go to a fee for selling, rather than a percentage. Make the resolve to do it yourself, and SAVE!

BE CAUTIONED! There are many investors and real estate professionals who shop the FOR SALE BY OWNER market in hopes for a "sweet deal". Many people buy and sell real estate for a profit. There is nothing wrong with that, in fact it is a great way to make a living.. but that's another book. These people don't need a real estate license to do that. In your situation as a seller, you should understand that the buyer you are dealing with might be far more experienced and savvy in negotiations than you are. Don't be afraid to ask a prospective buyer (preferably upon your first meeting) if he/she is a licensed real estate sales person or broker. In most states, the law requires anyone who is licensed to reveal their license status before engaging in any negotiations involving real estate. It would not be fair to enter into a negotiating contest with a professional trained in writing contracts, when this could be your first. That is why the law requires agents to reveal their status as a licensed real estate agent.

Real estate investors are not necessarily licensed because there is no requirement for a person to have a real estate license to buy and sell their own properties. Ask if this prospective buyer is looking for a personal home or an investment property. This can reveal a lot about the buyer's intentions, and also help in the structuring of contracts later. Real estate investment professionals will often give you an excellent offer for your property. Consider their offers too, but most often they are trying to buy your property under the market value so that they can turn around and make a profit. Profit is after all what they are in business for. Just be sure of who you're dealing with.

Then there are the calls you're going to get from the real estate agents calling to ask to list your property with their firm. The cost for this service is usually a commission of 6% to 10% of the TOTAL PRICE OF THE HOUSE! This can

easily add up to THOUSANDS OF DOLLARS! They will promise you all kinds of results, tell you all about the things they will do to advertise your house, and promise, promise, promise. In reality the major thing that they do for you is put your property information out on a network for other agents to view the information. It is called the Multiple Listing Service (MLS). This is where they all show each others' listings to try and get a piece of that 6% pie. The agencies cooperate together not to get your house sold, but to grab up all the commissions they can. I have seen agents take buyers to look at homes with the highest commissions available to them. It's all about the dollar to the real estate agents in my opinion. They are not sitting in their offices worrying about finding you a buyer for the house. No, they just put it on the MLS and wait for the phone to ring. When it comes to newspaper advertising it is not likely that you will get more than one or two ads run on your property during the listing period. What they will tell you is that they run homes similar to yours, and then tell the buyers about yours too when they call. Yeah, right!

These agents are going to ask you for a minimum 90 day listing. So commit to give yourself your own listing period of at least 90 days before you even think about talking it over with a real estate agent. Selling a house takes time, so don't get discouraged after two or three weeks! The reason most people list property with a real estate firm is that they don't really know exactly what to do. Either they don't know how to find a buyer, or they don't know what to do with a buyer when they find one.

These days a family lives in a house only three to five years. That just is not enough time for a homeowner to build up equity (or profit) to pay a large real estate commission. In fact in some cases, there is so little equity built up, it just isn't possible to list with a real estate broker. And even if you did have enough equity built up, why would you give someone else thousands of dollars to do what you can do yourself? This book is designed to give you all the information you need to have the CONFIDENCE it takes to succeed as a FOR SALE BY OWNER.



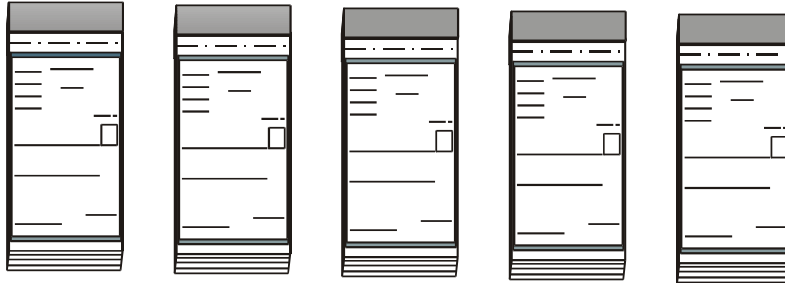
CHAPTER 2 WHAT IS THE RIGHT PRICE?

When it comes to deciding on the selling price of your house, you don't want to overprice yourself out of the market, yet you want to get the best price possible for your house. It's a delicate balance, but how do you know? Do I need to get an appraisal? Should I just sell at a price that I think is fair? What is the right price?

Real estate agents, sales professionals, and appraisers use a method called "COMPARATIVE MARKET ANALYSIS". This is a method whereby the properties that have sold recently in your neighborhood are compared to your own property. It's just like comparing any other major purchase in your life. When you are buying a car, or even groceries, you compare prices, attributes, pro's & con's. You consider the features, or lack of features, and you give them a value when you are looking it over. It is much the same with houses and real property. It is very easy to decide on a price once you have researched your area. Here is what you do....

STEP #1 Gather information about houses for sale in your immediate neighborhood. It's quite easy to find out, just drive around in your area to look for properties similar to your own that are for sale. You are looking for properties that appear to be around the same size and construction characteristics as your own. Often, you will find that houses in your immediate area were built by the same builder, and finding houses for sale that are like your own is not very hard to do. Write down the telephone numbers from the signs, and call the real estate offices, or the by owners that have listed the property. If you can, it is best to talk to the listing agent because that person is the one that most likely has actually been in the house and can give you the most complete and accurate information. Talking to the listing agent often saves time and another agent having to call you back with details at a later date. The agent could get back to you in the next hour, day, week, or never. Get as much information as you can though from whomever you can get on the phone. Ask for the square footage, how many bedrooms, how many baths, fireplace, heating and air method, the lot

size, and any special features in the home like a pool or Jacuzzi. Get **THREE TO FIVE** comparisons!



Use the forms (COMPARISON DATA FORM) at the end of this chapter to keep track of all the information you collect. As you collect these data forms, you will immediately notice a pattern in the range of prices within a few thousand dollars of each other. This can give you a good idea of what to ask for your property.

STEP #2 Take a good look at your own property. Fill out a comparison data form for your own house. Do you have a comparable square footage? Do you have the same number of bedrooms, or baths? What about the special features... do you have more or less in your house? If you have more, you will simply add to the price range the estimated value of that feature. If you have less, you will subtract that value from the price range. Let's say the house next door is for sale. The neighbor's was built by the same builder and is very similar to your own with the exception of a screened patio, and a fireplace. So you would take the value the neighbors are asking for their house, and subtract the value of the fireplace and the patio. It's not a lot, but that is how you adjust the prices to make the comparisons be comparable to your own property without a fireplace and screened-in patio.

Be sure to compare apples to apples here. Brick is obviously a more expensive building material than frame construction and therefore carries a greater value. Consider also the land size. Is your lot smaller or larger? Is the house you are comparing to of the same square footage? When you have a square footage difference, you can take an average of how much the comparisons come out to per square foot. Then use the overage or underage amount in the subject comparison property to adjust your figures. Once you've asked yourself these questions you will have a good "feel" of the current market in your area.

When you are calling around for information on your comparisons, also ask the Realtors how long the listing has been on the market. If a listing has been out there for an exceptionally long time, this is often a good indicator that a house is overpriced. Sometimes it is in an undesirable area, but usually it indicates that the listing is just plain overpriced. Comparing your house with an overpriced listing will only lead you to believe you can ask more for your house than it might really be worth, so you don't want to kid yourself with comparing to an overpriced listing that just isn't selling. The same will happen to you – it just won't sell.

While we're on the overpriced subject... We all tend to be particularly proud of our homes. Our castle is our prized possession, and it holds special feelings of accomplishment, memories, and pride. Without realizing it, we tend to place an emotional value on the house because our children grew up here, or this is where our first child was born, or you did that special home improvement particularly to fit your lifestyle. While this emotional value is probably worth an infinite amount of money to you, it may not be worth a nickel to your prospective buyers. Be sensible with your estimates! That giant brick grill that you and your buddies built might seem to you to be the most important feature of your back yard, but the new owner might just want to tear it down!

In reality, a certified appraiser will actually use comparisons from properties that have SOLD within the last six months. Not the properties listed FOR SALE. A person can ask any price they may desire for their property, but will they get it? The true value is determined by the factual actual sales, rather than the grandiose dreams of some homeowners. The appraiser will use factual information from the county appraiser's office, or the county courthouse. All of this information is public record by law, and free for you to go and look at for yourself. If you will take the time to visit your county courthouse and research the properties that have already SOLD, you will get a more accurate pricing. Use the same method of comparison as I have described, just use properties that have sold instead of what is for sale. This is your most accurate way of determining value, and the also the method that the appraiser will use.

Another payoff for doing your homework at the courthouse is knowing for yourself about the comparisons on record in your area. When you sell the house, unless the buyer pays cash, there will most likely be a need for an appraisal to prove the value for the bank financing. If you have the misfortune of having your

appraisal come back lower than the selling price, and you know your comparisons, you can contest the appraisal and present your evidence to have the appraiser bring your appraised value up to where it should be. Most of the time, if you can show that appraiser why you think your house is worth more, and present them with courthouse evidence, they will grant it. That is another little known fact – that you can contest an appraisal and ask for it to be reviewed. Be sure you get a good idea of your value from factual information.

Remember the houses for sale in your area that you already called around about? The real estate agents that listed those properties in your area most likely already did all of this homework already. They have looked at comparisons to be able to tell those sellers that have listed already what the value of the house is. Just call them up and ask them, I say use it!

Most appraisers offer a “Drive By” appraisal for a lesser fee. The appraiser doesn’t actually get out of the car and come into your house to view the amenities. It is just a general valuation based on recent sales in your neighborhood. While these “Drive By” appraisals are not often accepted by the bank, it will give you a very close idea of what your house is worth without spending the full fee of an appraisal. Drive By Appraisals are fairly accurate unless you have a lot of special amenities that can’t be seen with a drive by the house. So if you do, go ahead and pay the full fee, you will be want to get value for all of those extra improvements. In addition, if the bank the buyer uses will accept that same appraiser, they can update the appraisal with a visit to the property and that will save fees later.

You may want to consider getting a professional appraisal done. At the last printing of this book, the cost usually is \$275 to \$450 in most areas. If you have a particularly unusual property, special features, or if you live in an area that has little or no sales to compare to, this could be a worthy investment. You could cheat yourself out of thousands if you are not sure about the right price for your property. Be aware though that most mortgage companies will not accept this appraisal for the purpose of the buyer obtaining the new mortgage. Banks and mortgage companies have their own list of approved appraisers for their particular company, and an appraisal is considered outdated after 90 days in most cases. The one you select may or may not be on that bank’s list. Chances are that this appraisal is only useful to YOU in determining the correct value of the property, but it can be a very valuable tool, and worth the money. The appraisers

also take note of any structural problems that need to be corrected, and they look over your roof. The roof must meet the standard of 10 years left of usefulness. If the appraiser says it doesn't, then you will be required to replace it. It's just best to know these things in advance of putting your property up for sale because you can take care of a potential problem that would otherwise slow down a closing, or even cause the deal not to work out because of the time constraints of the buyers.

A recent appraisal can be a valuable negotiating tool in getting the price you are asking for the house. When you can show the buyer the value in black and white, there isn't much room for dickering on price. You can also use it as a negotiating tool. For example: If you take a little less than the appraised amount, you can ask the buyer to pay all of the closing costs. Thus the buyer is paying for what you would have taken out of your pocket to close the property, netting you more on the bottom line.

The next important piece of information needed is the PAY OFF LETTER from your bank or mortgage company. Although the closing agent or bank will order this letter when it comes time to set up your closing, it is best to go ahead and order the Payoff Letter for your own information. This letter will tell you how much money it will take to pay off your existing mortgage. There is a difference between payoff and mortgage balance. You must specifically ask for pay off and not the balance of the mortgage. Mortgages are amortized and the balance of the principal amount owed is always less than the mortgage balance. This information is necessary to understand how much money you will make, or Net at the end of your transaction. Send your mortgage company a letter explaining that your property is now for sale and that you intend to pay off the mortgage. Ask the Mortgage Company to provide you with the PAY OFF, assumability information, years remaining, the interest rate and the P.I.T.I. Be sure to include your mortgage account number with your letter. Here is an example of a payoff letter request to a bank:

Your Name, address, phone, account number

Dear Bank you are mortgaged with,

It is my intention to sell the above named property within the next 90 days. I am requesting a payoff letter to be sent to me at your earliest possible convenience. I

will need PAY OFF, assumability information, years remaining, the interest rate and the P.I.T.I. Please also report to me my escrow status at this time.

Sincerely,

You the homeowner

You will need all of this information to determine how much money you will end up with. Your equity is the difference between the balance of your mortgage, and the price you get for your property. More specifically, your profit (or equity) is the price you are being offered for the house with the PAY OFF deducted from this amount, and the closing costs deducted from this amount. In most offers, the buyer will ask you (the seller) to pay some, or even all of the closing costs. This amount must be deducted from your profit (equity) to come up with your NET (bottom line dollar you will make) figure.

As shown in the following example, the buyer offer is \$100,000. The PAY OFF is \$62,000. The closing costs total \$2,100. This left a NET figure to the seller of \$35,900

EXAMPLE:

\$ 100,000 BUYER OFFER
- 62,000 PAY OFF AMOUNT
- 2,100 CLOSING COSTS
\$ 35,900 NET to Seller (YOU)

That is \$35,900 due to the seller at closing. The amount it took to pay off the existing mortgage, minus the closing costs that you agreed to pay, equals the net profit at the end of the transaction.

Now just for the fun of it ... let's see how much LESS we would have for our NET figure had we paid a real estate firm to sell this house for us...

EXAMPLE:

\$ 100,000 BUYER OFFER
- 62,000 PAY OFF AMOUNT
- 2,100 CLOSING COSTS
- 6,000 REAL ESTATE COMMISSION (6%)
\$ 29,900 NET to Seller (YOU)

WOW! I don't know about you, but I certainly could find a lot of ways to use that \$6,000 in my family budget! I think I would rather keep that \$6,000 in my own pocket.



COMPARISON DATA FOR
PROPERTY ADDRESS.....
BEDROOMS.....
BATHS.....
SQUARE FOOTAGE.....
GARAGE.....OR CARPORT.....
LOT SIZE.....

TYPE OF CONSTRUCTION (i.e. brick, frame, concrete block, stucco)

.....

SPECIAL

FEATURES.....

.....

.....

.....

COMPARISON DATA FORM

PROPERTY ADDRESS.....

BEDROOMS.....

BATHS.....

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SPECIAL FEATURES.....

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CHAPTER 3 PREPARING THE PROPERTY

Now it's time to take a good long objective look at your house. Preparations must be done to polish up around the house. Look at it as if for the first time. Think of how a total stranger would feel about the surroundings as they ride by or walk up to it for the first time. Imagine that you have never been there before, look and see what stands out to you. When a buyer comes to look at the house, the feeling that you need to create is "HOME SWEET HOME". The house and yard need to look inviting and pleasing to the eye. You want that buyer to be able to see themselves living there on your property, and see it as a place they would want to live. Do you see it, or do you need to make a few changes?

There are several simple and inexpensive steps you can take to create such an atmosphere. We all come and go from our houses on a daily basis and never really stop to TAKE A GOOD LOOK.
Slow down and look.



Start with your entrance area. "First impressions are lasting impressions", and whatever impression the buyer gets at the door is going to last throughout the showing of the house. It doesn't take much money or imagination to spruce up the surroundings once you take this new look at things around you. Maybe you are accustomed to entering the house via a side or kitchen door. These patterns are our habits, but are not necessarily the way the house was designed to be entered. ALWAYS take your buyers in to view the house using the front door as it was intended. We have a very large carport on our house which creates an

entrance into my office. We rarely use the front door, in fact I don't remember when I passed through it last. Perhaps it has been years since you actually walked through your own front door too. But that buyer is going to come through that door and form an instant opinion about the house. Make sure it is not cluttered. Make sure it is well lit, and clean, clean, clean. Trim back shrubs from crowding the entrance. Make it look inviting and welcoming. In the years that I sold real estate there were many times that I could not get a buyer to even consider walking into a listed house simply based on what the entrance looked like. It could have otherwise been a great potential home for them, but the buyer shut it out. Trust me on this one, it is a very important feature.

Walk up to your front door... that's right all the way up the sidewalk. Look it over...are there cobwebs...does the sidewalk need edging...does it need some new plants and mulch in the flowerbeds...? A few inexpensive flowers, or a small statue can dramatically change the feeling of an entrance. A simple thing like a fresh coat of paint on the front door can make a WORLD of difference to the 'curb appeal' of your property! 'Curb appeal' is that first look when a potential buyer drives by the house, and believe me, they will drive by to look before taking their time to schedule a visit. When I was an agent, half of the time when buyers would call the office looking for houses, they always wanted a list of houses off of the MLS (Multiple Listing Service) in their price range. Then they would get a map and ride by all of them. Your house might be fantastic inside, or fabulous in the back yard, but the potential buyer doesn't see that when they ride by and write down your phone number from the sign. If it doesn't catch their eye and peak their interest, they may not even write down your phone number from your sign! Make it look clean, inviting and warm. An entrance CAN make or break the sale! Remember, "You never get a second chance to make a first impression."

Most prospective buyers are comparison shoppers. Make that first impression count! They are very aware of any subtle difference in properties, and those special features in your home need to stand out and be emphasized when you show the property. It's time to spruce up and show it off! If you've got walk-in closets... make sure you can walk into them. If you have a screened-in patio... clear up any clutter to emphasize its extra space. If you've got a large country kitchen... show it off with a nice table cover, or maybe some new curtains. If

your kitchen is small, remove any clutter and show that it's small but efficient! Most of all make sure everything is CLEAN... CLEAN... CLEAN!

Paint is relatively inexpensive compared to the results it will bring. It not only will give everything a fresh clean coat, but it will help you get the price that you are asking for your house. A house that needs painting will turn off many buyers. Old paint carries a lot of odors from the years of living in the house. New paint will take care of that! Others will use the need for a new paint job to try and negotiate a lower sales price. You can avoid all of that with a little inexpensive paint before you put the house up for sale.

Lighting is very important. A buyer needs to be able to see the house completely. They will walk away with the feeling that they did not see everything about the house if parts of it are in darkness or have poor lighting. Open the blinds and drapes for showings. Perhaps a higher wattage bulb in some darker areas of the house would help in those dimly lit areas. Make it BRIGHT! Coincidentally, this is where you will probably find out just where you will need to spruce up the paint. Paint is very inexpensive compared to the results a clean and well kept appearance can bring in getting your PRICE for the house!

About the bathrooms...**BATHROOMS SELL HOUSES!** It sounds kind of quirky, but people are 'funny' about bathrooms. For some reason, if a buyer looking at the house is not comfortable in the bathroom, they don't like the house. I have seen it over and over. A clean bathroom, free of mildew and odors is essential. Ordinary bleach is your best combat strategy in a bathroom. Bleach will kill any mildew and leave a naturally fresh scent. Don't be afraid to use it full strength on mildewed tiles and around commode bases. Then dress it up a little with a nice set of bath towels and some fragrant soap, a new shower curtain perhaps, a new waste basket, or some candles. These few inexpensive steps will give your bathrooms that home appeal... and that's what you need to reflect to this buyer. You want buyers to feel "at home" while they are looking at your house – at home enough even to use the bathroom!

Outside, check your landscaping and remove any dead bushes or unhealthy foliage. Replace them with some new healthy looking plants. Personally I don't have a very "green thumb" myself, and I find that a trip to the local Home Depot can cure all my needs in the lawn department!

Is your lawn manicured? Here again, a few flats of some perennial flowers will brighten up any entrance and create that “at home” atmosphere you are after. A statue or figurine displayed in a flower bed can cause the prospective buyer to stop and look and linger.

If you have a concrete driveway, clean up any oil spots or markings on it. While you are at the Home Depot, they sell a variety of concrete cleaners and sealants.

Take a good look at the exterior paint here too. The exterior paint is always an area that buyers will try to dicker down the price. It's a lot less expensive to buy a few gallons of paint and spruce up, rather than to give a buyer a \$2,000 reduction in price in lieu of a paint job.

SWEEP THE ROOF! Leaves and branches tend to make the house look `unkempt'. Show that you tend to the property regularly with a crisp clean look. If you sweep away the leaves and debris, and you find there is a lot of unsightly staining from leaves, a rented pressure washer will be the cure. You will also have to wash down the house when you are done with the roof to get the roof debris off of the house. Don't despair though, it will look as if you just got a new paint job. There is a lot of dirt, cobwebs, and mildew on the outside of any house. So your house will surely benefit from a good washin' anyway. Don't forget about curb appeal. How does the house appear to the passer by? Almost every prospective buyer will give the house a 'ride by' and take a look before booking an appointment with you. Make sure that your property stands out when they ride by, get their attention!

If you have garages and storage sheds, they need to be cleared of debris too. Show off the extra storage space by organizing and stacking. It won't look like extra space to the buyer if it is cram packed with your stuff. Some inexpensive Rubbermaid storage bins will create an enormous amount of extra space when you fill them up with some of that 'stuff' that is just hanging around. Emphasize the space even if you have to rent a storage unit while you're selling. If a buyer looks into a garage that he/she can't walk into, it will appear cramped and doesn't jump out to the buyer as extra useful space. Just straightening up will help to show off how practical and important that extra space is.

Another old real estate 'trick' to share... When buyers are coming to view your property, about 30 minutes before they show up, put a drop or two of vanilla

extract in the bottom of the oven, and heat it up. The house will smell like grandma just baked cookies! How much more 'at home' can you make someone feel?

Something else that you will need to consider is what is a fixture of the property, and what is not. A fixture is something that is attached to the property like a water softener system, a ceiling fan, or a central air conditioning unit. These are all 'part of' the property. An appliance is not a fixture unless it is built in. So which of these items that are not fixtures will you include in the sale? When a buyer looks at your property and makes an offer, the fixtures that were there at the time they saw the house, should be the same as when they take possession of the house. So figure out what you want to take with you, and what you want to leave behind as a fixture. If a chandelier for example is a family heirloom, there is no way you would leave that behind to the new buyers. So go ahead and take it down, and box it up. Replace it with an inexpensive fixture before you start showing the house. Another thing that could happen if you don't take these kind of precautions, is that the prospective buyer could fall in love with that chandelier and insist it be part of the deal. Then you are faced with that heart wrenching decision of leaving great-grandmother's prized chandelier behind. It could be a great offer, but it won't fly unless you agree the chandelier stays. Don't put yourself in these kinds of predicaments when you can think about it beforehand.

Here is another real estate trick... hold back on including some of those appliances in your initial offering for sale, and use them as a tool in the contract negotiations. For example if a buyer offers you less than your asking price, you could counter the offer with "No, I want my full price, but I will throw in the refrigerator and washer/dryer."

Also consider those special plants you have put into the property over the years. Do you want to keep them and take them with you to your new home? If you do, you will need to take them out of the ground and put them in a pot. A plant in the ground is considered a fixture, but if it is in a pot, it is not a fixture. Fixtures of the property are part of the property and stay with the property when you go.

This all may sound like a lot of work, but if your house is clean and ready to show, your buyer will get a good first impression and your house will stand out among all the others that they see. You will get your best price with a good,

clean impression. If you have a special feature about your home, like a fireplace or outdoor deck, this is the time to do something special to show it off. Remember that most people look at an average of six houses before they ever actually put an offer in on one. Make sure your property is the one that they remember when they look over all of their notes at the end of the day. Your house is the one that they felt 'at home' in!

On the following page you will find a checklist to assist you in preparing your property. Go over it item by item. Not just mentally...look at each item objectively. Make notes! Do whatever it takes to show the buyers that your house IS the best deal out there!



PREPARING THE PROPERTY

CHECKLIST

OUTSIDE

- Landscaping neat and trimmed _____
- Roof swept_____
- Gutters cleaned_____
- Entrance area clean and uncluttered_____
- Front door clean_____

INSIDE

- Kitchen clean and uncluttered_____
- Bathrooms clean and free of mildew_____
- Windows clean_____

Closets tidy_____

Garage orderly and neat_____

Carpets clean_____

Areas that need attention:_____

CHAPTER 4 MARKETING IDEAS

You've decided on a price, you've cleaned-up, spruced-up and fixed-up. Now it's time to start getting the word out that THIS HOUSE IS "FOR SALE"!

There are four basic forms of advertising your property:

* **ONE** - Start with the FACTS. Make up a fact sheet on your property. If you have a computer, and you can type it, that's great. If not, then it is just fine to hand write up a fact sheet on your property. Be sure to include the price, terms, address, lot size, your telephone number, area schools, and all of the special features you can think of about the house. Get creative! Make copies of this fact sheet to have on hand to give to buyers that visit, and keep it by the phone too for a quick and handy reference. Use a clear photo of the property. Most quality photos will copy well on a common black and white copier. Color copies are only around \$1 each, and a color photo will make a much better impression. When buyers come to see your house, give them one of your fact sheets. You should consider listing some of the details a buyer may ask like:

How much are the electric bills or other utility bills?

Is there a separate bill for water / sewer / garbage collection?

What are the taxes?


How are the schools in the area?

What stores are nearby?

How long does it take 911 to respond in this area?

Here is an example of a typical fact sheet for a single family residence:

BEAUTIFUL RANCH STYLE HOME - FOR SALE BY OWNER

<p>19412 River Ridge Rd. 4 Br / 3 BA 2650 square feet 2 car garage Many Extras!</p>	
---	--

\$135,000

(555) 555-5555 By appointment only

Bob & Judy Smith

This spacious 4-bedroom/3-bath home is nestled into a quiet river view neighborhood. The huge country kitchen overlooks the river with the large patio leading out to the boat dock. What a wonderful picture to wake up to each morning! Some of the special features of the home include:

- * Central vacuum system
- * Monitored alarm system
- * Fully landscaped
- * Aluminum gutters and soffit
- * Garage door opener
- * Lighted outdoor patio
- * Boat and fishing dock
- * Water softener system

Your family will have countless hours of fun on the patio and boat dock. This lighted and fully landscaped area has been one of the biggest features of this home we have enjoyed. Please feel free to contact us at the telephone number above for further questions you may have or to discuss your offer.

The fact sheet is also a sales sheet. It is all that the prospective buyer is going to have in their hand to walk away with after viewing your property. Make sure that the fact/sales sheet sells the property too! Make sure you mention all of the special features and amenities of the property. When buyers are out looking at properties, they tend to all 'run together' in their mind at the end of the day. Make yours stand out with a great sales flier they will take with them.

If you've followed all the steps so far, prospective buyers will not only get a good first impression, but they will have a reminder of all the special amenities of your particular house. Start with a great heading to define your property like: "TROPICAL PARADISE BY THE POOL", "LUXURY EXECUTIVE HOME", or even "FIX ME – I'M YOURS!".

Be sure to list the special features even if something seems insignificant to you. For example, you may think that the boat and fishing dock are pretty obvious and do not need to be listed on the flier, but when that buyer is trying to remember which house had which feature at the end of a house hunting day, you will be glad you listed it on the flier to remind the buyer of that beautiful boat and fishing dock on your property. Make a list and list each feature separately like this:

- * Central vacuum system
- * Monitored alarm system
- * Fully landscaped
- * Aluminum gutters and soffit
- * Garage door opener
- * Lighted outdoor patio
- * Fully enclosed pool area

* Boat and fishing dock

* Water softener system

* TWO - The traditional "FOR SALE BY OWNER SIGN" in the front yard. This tells everyone that you are ready, willing and able to sell this house on your own. Make sure your telephone number is large enough and legible enough for a vehicle passing by to read. The numbers need to be no less than 3" tall to be seen from the road. Place your sign in reasonable proximity to the road so that the passer by can read it. And don't bother trying to write in features on the sign. These letters are so small that you would have to get out of the car and walk right up to the sign to read it – and people just aren't going to do that.

You'll get lots of calls, some will be curious neighbors, some bona-fide buyers, and of course, some Real Estate Agents trying to get you to list the property with them. Your For Sale By Owner sign is your announcement to the world that you are ready to sell. At any rate, be sure to keep your house flier by the phone so that you are ready with your info at any given time.

It's a good idea to keep paper and a pen by the phone along with your fact sheet too, be sure you mention all of the house features. Often you will get a call at the most inopportune moment like when you are cooking dinner or feeding the baby. When there are distractions going on in the house, it's easy to forget to tell the buyer about the sprinkler system or a garage door opener. Who can think of features in a house when dinner is burning on the stove, or the baby is crying in your arms? This might be your only opportunity to brag about the property to this buyer. The only opportunity to talk this potential buyer into visiting the property, so be ready. Try to make an appointment for them to visit! Don't hang up without offering this buyer an opportunity to come see the house. You will never get an offer out of someone unless you get them to come and at least view the house! Get a name and telephone number from them too. You have every right to ask who you are speaking with, and their phone number before you give out any information of your own. Later in time, if you make a price reduction, or offer some alternative financing at a later date, you can then call this potential buyer and let them know. And if a buyer isn't willing to reveal their name or phone number to you, well I am not so sure I would want them visiting the house anyway. There have been reports in the past of criminals using this tactic to gain

access to someone's house, only to come back and rob it later of all the valuables!

* **THREE** - OPEN HOUSE is a designated time set aside and advertised that your house is open for viewing. You're telling the general public they are welcome to stop by and view this property that is for sale. For you as the seller, both husband and wife or both partners should be on hand for this showing, however it's probably best to see if you can ship the children off with grandma for the day. The house will seem more spacious with fewer people in it. It will not only be you and your family there in the house, but also prospective buyers and potentially their children too. It can get really crowded in the house fast!

If you are single, it's a good idea to ask a friend to spend the day there with you for safety as well as support! To advertise to the general public that your house is open to the public, even for limited hours, could invite opportunists. If you are showing the house alone for example, and another couple shows up, you would not want them wandering around your house unescorted until you can get to talk to them. So another person is essential in this situation. Or, let's say the potential buyers want to sit down at the kitchen table and make an offer. You would not want to miss that opportunity! Perhaps a friend that is there with you could field other buyers stopping by. Many times a neighbor will stop in to see the property and tell a friend or relative about the house resulting in a sale, so you want to give them some attention too. Another good suggestion is to tie some balloons and ribbon to your FOR SALE BY OWNER sign in the front yard to make it easy to find. Run a newspaper ad that reads something like this:

OPEN HOUSE 129 Bay Rd. 11a.m. To 4 p.m.

Buyers welcome! \$185,000

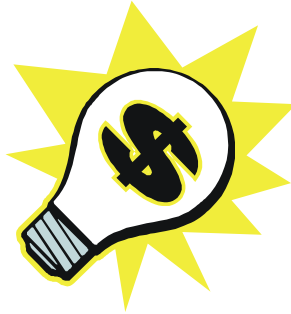
Don't give too much information in the ad or you won't give them much reason to stop by. Also, don't put your telephone number in THIS ad. The purpose is to get buyers in your price range to stop by and actually see the property, and also giving you a chance to sell the property by showing off the special features yourself. Again, you have to get the buyers out to see the property if you are ever going to get an offer and get that house sold!

* **FOUR** - NEWSPAPER ADVERTISING will get you the most calls. It is also probably your biggest expense, so make your ads count! Your goal is to make the phone ring!

The important thing about calls is not only to give information, but to get information and ASK FOR THE APPOINTMENT. If you just give out information, you will not get the viewing appointment. Give the buyer the opportunity to see the house, but ask questions as well. You may find out something about the buyers like they have two small children, or they enjoy boating. You would want to emphasize certain features when that buyer comes to visit like the fenced back yard, or the playground two blocks away. Always include the sales price in your ad. If you don't, you'll get calls from people shopping in all price ranges. A lot of calls are nice to get, but you only want calls from shoppers in your price range. No need to waste your time or theirs. Here again, be sure to keep paper and a pen by the telephone as well as your fact sheet to refer to. Leave something obviously important out of the ad, like the square footage, or location gives the buyer a reason to call, and there's your chance to tell them all about the property.

You will get callers too that just want you to tell them where the house is so that they can give it a ride by. Well just tell them you don't mind giving them the location, if they wouldn't mind you telling them a little more about the house than the newspaper ad could tell. This is where you can ask a few questions of your own too.

It's very important to MAKE YOURSELF AVAILABLE whenever you have an ad running. A buyer can't come and see the property unless they get to talk to you at some point. That doesn't mean to let the sale become a ball and chain to you. If you go out, use an answering machine and ALWAYS return the calls promptly. When a buyer can't reach you, they will go on to the next ad in the paper if they don't get any response. The buyer could make a purchase before they ever get back to calling you about your ad. When buyers are shopping and serious, they can make a decision quickly. There is no loyalty here!



Your PAYOFF LETTER that you sent for in Chapter Two will tell you if your mortgage is assumable and also the interest rate. If it is assumable, use ad headings like ASSUMABLE... LOW, LOW PAYMENTS... If it is not, you're better off using one of the features from the home as a heading. HUGE COUNTRY KITCHEN...COZY BUNGALOW...SPLASH IN THE POOL.... are some catchy headings. Use your imagination!

Consider steering away from phrases like REDUCED, or MUST SELL. They imply that you are desperate. Well, you might be desperate, but the last person that needs to know that is the buyer! There are investors that even look through ads for such words and phrases in hope of finding a desperate seller willing to sell for much less than the market value.

The goal of a newspaper ad is to make the phone ring, not to sell. The time to sell is during the phone call and the showing. Your ad should only serve to spark an interest. Don't try to give all of the information in the paper. Give the buyer some curiosity...a reason to call and ask for more details. If you give them all of the information in the ad, they have no reason to call you, and you don't get your opportunity to brag on the property and get them to come out and see it! This is your chance to sell, sell, sell! BE CAUTIONED...NEVER GIVE FALSE INFORMATION! Your advertising dollars are important. Make that phone RING!

Some examples:

ASSUMABLE 3/2 with large family room,

2-car garage, fireplace and much more.

555-5555 days / 555-5555 eves. \$158,000

\$5,000 to ASSUME this 4 Br beauty!

Cash brings quick closing! \$109,000

555-5555 days / 555-5555 eves.

HUGE COUNTRY KITCHEN in this spacious

home in family neighborhood. 4/2 + den

555-5555 after 5:00 \$174,000

NICE-N-NEAT cute beach bungalow close

to ocean. 2br/1ba Owner Financing with small down payment. 555-5555

NEWLY REMODELED inside and out! Must see!

Easy living 3/2 call 555-5555 any time

Lots of extras! \$69,500

ROOM TO GROW in this 2000 SF ranch style

home. 4 bedrooms. Lots of space

555-5555 \$104,000

Beyond the traditional marketing methods, we are now seeing FOR SALE BY OWNER networks, FOR SALE BY OWNER publications, and in some areas, video-advertising programs for FOR SALE BY OWNERS. Advertising on the internet is a great tool, and you can even have a 'virtual tour' put on the web. This is a photo tour of your property. Prospective buyers can look over your house from anywhere in the world! I read a statistic the other day that stated 63% of buyers go to the Internet for real estate information. These are great marketing tools! Find out what's available in your area.

CHAPTER 5 MAKING APPOINTMENTS AND SHOWING THE PROPERTY

You're ready. Your house is ready. You've done all of your homework. You've advertised. And now the calls start coming. The time you spend showing the property is best used when you show only to a 'qualified' buyer. Someone who is ready, willing and able to buy this house. You'll get lots of curiosity seekers. How do you know who is a bona-fide buyer and who is not?



If you want to figure out who is qualified and who a serious buyer, the secret is to ask questions. Have you ever noticed that when you call the real estate companies that they don't give you any information until you answer a few questions they have? They are trying to gain information to help them establish a rapport with you and sell you a property. The buyer is going to be asking a lot of questions of you...why not ask some of them? Asking questions gives you a clue on how to show this buyer the property, and what special features to point out. Finding out their personal interests or perhaps hobbies will tell you what features to emphasize to this buyer when you show the property, and even on the phone.

DON'T BE SHY! For example, "How long have you been looking for a home?" It's a simple enough question to ask, but the answer can reveal a lot of information to you, the seller, about what this buyer is looking for in a home. It will often tell you if this is a serious buyer or not by the answer you get. You will find that most buyers will open up and tell you all about their house hunting adventures. Through this you will find out if a buyer is serious about finding a

house or if they just make a hobby out of finding that “perfect” deal. Real estate agents call these folks ‘tire kickers’ – and they don’t usually buy unless you are GIVING it away!!

Make a list of questions to ask every caller. Don’t try to use it as a script, just a guideline. You’ll be amazed at how much you can learn about the buyer in just a few short minutes on the telephone. It also helps to build a rapport with the buyer that will set them at ease during the property showing. When you show the house, knowing a little about your buyers can help you to emphasize features that would interest the family. For example, "There's ample space to park your boat." Or if the buyers have small children you would want to be sure and point out that large fenced back yard. Walk them into that spacious back yard, etc... Give the buyer a chance to envision the children playing there. The buyer needs to ‘see’ their family there in their mind’s eye. Once you can get them to envision this, then the only thing left to do is work out the contract! If the buyers are discussing where to put furniture, or change the color of the room, it is as good as sold! Just give them the opportunity to make an offer – ask if they would like to submit an offer! They have shown positive interest already and just need the opening to say “Yes! I want to buy!”

When your prospective buyers arrive, always greet them from the front door. Remember what we said about first impressions? Even if you are working out in the garage or out in the yard when they arrive, be sure to enter through the FRONT DOOR with them. The front door is the way the house was designed, and you have taken the time to make it a good first impression there. Don’t miss your opportunity to ‘set the tone’ for the showing, and make your buyers feel at home.

Be sure to TAKE YOUR TIME while showing the house! Everyone has a tendency to rush through the showing. Sit down when you go through the living room, or pause in the kitchen. These prospective buyers are considering to make a very large purchase here, so give them lots of time to mull around and look. Don’t rush them. Everybody is usually a bit nervous at these first encounters, so be sure to be conscious of taking your time in each room. Give the buyer a chance to observe and to ask you questions. Use some of that information you already got on the phone from them to make conversation. Ask some more questions and cause them to linger in larger rooms. Give them a chance to feel at home and look around all they want.

When showing a small room like a bedroom or a bathroom, try to let them look at it while you stand outside the doorway. Secondary bedrooms and bathrooms are generally small and the less bodies you put in there the better! It only makes the room look smaller when you pack it up with people. If you must enter the room to open a closet or demonstrate anything, try to stand close to the wall. You won't seem to take up as much space. This is another secret of the pro's... it's better known as 'fading into the wallpaper'.

Be prepared to answer questions. If a buyer starts asking questions like, "How much does your light bill run..." or "How much are the yearly taxes here..." those are good signs. Another good sign is when a man touches the walls and looks at construction features. A woman will sometimes comment that she would change the color of a room, or that a certain piece of furniture will fit in a certain room. These are all signs that the buyer is further interested. Be ready with your answers because this buyer may make a decision on this, his first visit to your property. Being organized and ready often gives the buyer a feeling of surety. Make sure you can answer all of their questions.

Be sure to give them a fact sheet at the END of their visit. It is important to wait until the end of the visit because you want the buyer's attention focused on viewing the house and not gazing at your fact sheet. Try to be as thorough as you can showing the property BEFORE giving them the flier. You've run an ad that got their curiosity, you've gotten them out to the property, NOW is the time to get their attention and SELL!

CHAPTER 6 NEGOTIATIONS AND CONTRACTS

Let's say you did everything right and viola, a buyer wants to purchase your property. Now you've got a buyer and they're ready to present you with an offer. You've done a great job! Pat yourself on the back! Now it is time to get down to the 'nitty-gritty' details of the contract. What to do next?

The buyer will either give the offer verbally or present you with a contract. The decision that now faces you is whether or not this offer is acceptable to you. "Will I make enough money?"..."How do I counter offer if I don't like the price or terms?"

Firstly, a verbal contract must be put in writing a.s.a.p., and no contract should be signed without legal advice. By not using a real estate firm to sell your property, you are now in need of the advice of a Real Estate Attorney. This is where you have to know which professional to call in, and when. Here again, this is a worthy expense. Don't let \$200 to \$300 stop you from getting help from a lawyer. Remember...you are saving \$\$\$ THOUSANDS \$\$\$ in real estate commissions.

Something a lot of people don't know is that most Title Insurance Companies will write your contract for FREE! The buyer and seller agree on the terms, and the Title Company representative will sit down with you and work out the contract per your agreement. They do this because you are going to have to buy Title Insurance from someone to close the transaction. If they write your contract for you for free, then you are very likely going to bring the Title Insurance purchase to them. Also, a lot of real estate attorneys sell Title Insurance, and will do the closing for FREE too! Don't be "penny wise and dollar foolish".



If your buyer has given you the offer verbally, write it down and

have the attorney or title company prepare the contract with those terms. If the offer is presented in written form, consult the attorney or title company before you sign any offer! Take a close look at the figures and the closing costs that you are being asked to pay. Look at your bottom line before you make a decision about accepting or counter offering this contract. If you would like to counter the offer, your attorney can make the necessary adjustments AFTER the initial contract is drawn. Once the buyer and seller sign on the bottom line and agree on the terms, they are legally bound by the contract conditions.

Be sure the lender approves the attorney you select to close the deal. Although most are acceptable, just like with appraisers, not all attorneys are approved by all lenders to do a closing for them. It doesn't hurt to ask about that before you hire a real estate attorney to do the closing for you.

All contracts should be accompanied by an earnest money deposit (or binder deposit) from the buyer. This money is held in escrow with your attorney or title agent until the closing date. The money in essence says to the seller "I am an earnest buyer and intend to complete the sale." Therefore, the more deposit...the more earnest you can consider the buyer. Would you want to tie your property up under contract for a \$100 binder deposit?... or would \$1,000 be a more reasonable figure? The binder deposit is something that you as the seller need to set. If a buyer ties up your property while attempting to get their financing, and 'drags their feet', and then winds up not being able to obtain their financing... well then you have lost valuable time and possibly lost out on another qualified buyer that could have already bought the property. Make sure you ask for enough binder to compensate you for that if a problem arises with the buyer not being able to complete the sale. Depending on the property and the type of deal you are working out, you might want to ask for even \$5,000 or \$10,000 if appropriate.

If you are negotiating a contract via long distance, always follow up with a telegram or fax to confirm accuracy of the telephone conversation. Then be sure to follow up with the contract per the phone conversation and confirmation fax / telegram, and get that binder check!

All contracts should include all of these essential elements:

- 1) Date

- 2) Name and address of the buyer
- 3) Name and address of the seller
- 4) Address of the subject property
- 5) Legal description of the property
- 6) Amount of earnest money deposit
- 7) Sales price
- 8) Down payment amount
- 9) Method of financing
- 10) Proposed occupancy and closing dates
- 11) Time limit for seller response
- 12) Contingencies
- 13) Social security numbers of all buyers

You have three basic options after you have been presented with an offer:

Option #1) Accept the offer as written. I'm reminded of the old adage here "...if it's not broke, don't fix it!" If the offer looks good, it fits the guidelines you have set out for yourself, why not just accept it as a job well done? It happens more often than you might think. A buyer comes along with a cash offer and agreeable closing terms... why not just accept the offer as is and leave well enough alone?

Option #2) Make a counter offer for the unacceptable conditions. If there is a term or condition you cannot accept, simply strike through it and initial the change. Then send it back to the buyer with the noted changes. The buyer can withdraw, accept or counter the counter offer from there. Again each party initialing the changes until both parties are happy with the contract terms and conditions.

Option #3) Reject the offer if it is totally unacceptable. Outright rejection without a counter offer should be a last resort. You can always counter with your original full price to tell the buyer "you're not in this to play games, and you want your asking price." There is no rule that says you have to give in on your price, or change anything about how you expected the deal to work. But honestly, if you want to get the sale done, it usually involves a little give and take on the part of both the buyer and the seller. So approach any offer with an open mind.

Your very first offer may be very fair and reasonable. It's normal for you to wonder, "Could I have gotten more?" If your house is fairly priced compared to the market in your area, you could very well get an excellent offer. Don't take this as a bad sign...you did a GREAT job! My sister once had a house that she advertised For Sale By Owner at \$20,000 over the market value. She had a cash offer within two weeks! No counter offers, no dickering, just Thank You Very Much!

If you receive multiple offers at the same time, hear each offer through and ask questions. No action is necessary until each offer is heard. Break each offer down to look at your bottom line. After all, the bottom line is what you are after, isn't it? Each offer will differ in that you will be asked to pay or not pay the various closing costs, and the total dollar amounts may differ. Sometimes a lower offer that is not asking for you the seller to pay much in the closing costs, can NET a bigger bottom line to you than a higher offer asking you to pay everything for closing. An order of precedence must be established, such as primary, first backup, second backup. Be careful not to sell the home twice! Buyers can either accept their position as backup contract, or withdraw the offer at that point.

In considering which costs you should agree to pay and which to not pay, I use this very simple guideline. Almost all closing costs are negotiable between buyer and seller.

PAY ONLY THE CLOSING COSTS INVOLVED WITH CLOSING THE SALE.

LET THE BUYER PAY THE COSTS REQUIRED TO OBTAIN HIS MORTGAGE.

With some loans that are guaranteed or insured by the Federal Government, the buyer by law cannot pay discount points. The buyer will ask the seller to pay the points. Points are not complicated at all. If you pay 2 points on a buyer's mortgage, that is equal to 2% of the amount mortgaged. One point is equal to 1% of the mortgaged amount. So if the buyer is obtaining a \$100,000 mortgage and is asking you to pay 2 points, that is equal to 2% of the \$100,000 (\$2,000). Make sure that the price you are accepting compensates for this amount. One point is equal to one percent of the loan amount. This adds up quickly!

You'll experience a little give and take in negotiations. Don't rule out an offer just because it doesn't 'fit the mold' that you had in mind. Work with it, try a counter offer, don't just automatically reject it. There are cases where there is just no negotiating. The buyers won't budge and you've set out to meet a certain guideline. Be sure you understand what you want to achieve through this sale, in your net profit as well as the time frame involved closing the sale.

CHAPTER 7 BASIC FINANCING FORMATS

You're probably asking yourself right now... "Why should I be concerned with the financing? It's the BUYER who needs worry about that!"

Well, that's just not so. The method of financing that the buyer selects greatly affects you as the seller. The financing the buyer selects can change the amount of closing costs you will have to pay. For example, if a buyer is offering to buy the house through a VA (Veterans Administration) mortgage, the veteran (buyer) cannot pay the 'discount points'. These must be paid by the seller. If points are at 4, that is 4% of the mortgage amount you will have to pay. This can quickly add up to thousands of dollars! Your next reaction is probably not to sell to a VA buyer. That's not necessarily a good idea though. VA buyers make up a large percentage of the buying market. The veteran buyer does not have to make a down payment on his loan because the mortgage is guaranteed by the Veterans' Administration. The points you are asked to pay (as the seller) can easily be compensated for by asking the buyer to pay additional closing costs of some other kind, or by asking for a full price offer. It is even possible to bring the offer up over the original asking price as long as the property will appraise for the amount. Ask a local lender for a list of what the VA buyer can and cannot pay.



In the case where a buyer is assuming your present mortgage, the closing costs are minimized to assumption charges, deed stamps, attorney fees and title insurance. No appraisal is necessary. No survey is necessary. All of the charges involved in establishing new mortgage money are not necessarily charged. So it's easy to see that understanding financing helps you understand your sale and

ultimately allowing you to make sound decisions. The buyer's financing choices will no doubt affect your bottom line, so it pays to take the time to learn a bit about financing.

While no one can understand financing completely through a few short paragraphs, I have tried to outline the basics to guide you. Buyers have an unlimited number of options to choose from these days. There is FHA, VA, Conventional, ARM's, Assumption, and even CASH. They have before them a real 'mortgage smorgasbord'! The following are some of the BASIC financing techniques that are commonly used along with a list of closing costs involved with each type of financing. Again in this area, a mortgage professional can answer most any question you have about the mortgage. Like the Title Companies that will write your contract for free, the mortgage companies will happily help you with your questions and concerns at no charge also. They want that new mortgage business that is about to be created with your sale. So naturally if they have been helpful and nice, you will want to take the mortgage business to them.

*** CONVENTIONAL FINANCING.** A conventional loan can best be described as an indebtedness or mortgage made between a lending institution and a borrower. Just the borrower and the bank, credit union, or mortgage company. There is no third party participant, as in the case of FHA or VA. Most types of conventional loans are paid off in equal monthly installments over 15, 25 or 30 years. This is probably the most common type of mortgage that the general public is familiar with. You go to the bank or mortgage company and apply for the mortgage just as you would any other loan. No special agencies, just you and the banker.

Terms of a conventional loan vary from one lender to another, but basically a loan can be obtained with as little as 5% down payment. Whenever a buyer puts down less than 20%, it is necessary for the loan to have private mortgage insurance to protect the lender. Lenders refer to private mortgage insurance as PMI. When you make a down payment that is over 20% of the purchase price, your conventional mortgage just got a lot easier to obtain. When you invest 20% or more in a piece of real estate, the bank is not quite so concerned about your qualifying ratios. You have a lot invested when you put down that much money which gives the bank a lot more security in the fact that you will not be willing to

lose your investment by defaulting on the loan if you have so much of your own money in it.

Speaking of qualifying ratios... This would be a good time to talk about that. What is a qualifying ratio? It is the amount of money you make vs. the amount of it you have pledged out to existing payments (i.e., car payments, loans, other real estate payments). Then they look at how much is 'left over' to see if you have enough documented income to support paying for the loan you are asking for. When you are getting ready to buy a new home, it is not the time to go out and buy all new furniture on credit. Wait until AFTER you get your mortgage to get that furniture. Once you get the mortgage, it does not matter to the mortgage company at that point what you spend of your income... as long as you meet your payment obligations. It is a good idea to pay off a credit card or two before applying for a mortgage. This will free up some of your qualifying income, and look pretty good on your credit report too.

And lastly, when you are anticipating applying for a mortgage loan, it is a good idea to order your credit report prior to your loan application. This will give you the opportunity to clear up any negative credit that may be on there. Also, in this day and time when identity theft is rampant, it makes sense to take a look at your credit report before you offer it to the mortgage company as evidence you are a good credit risk. Know that you have good credit first! Did you know that the better your credit rating, the more favorable interest rates and terms are offered by the financial institutions? If you have a poor credit rating, you are considered more of a risk, and you are charged a higher interest and will be asked to pay more down in some cases.

The biggest advantage of conventional financing is that the loan can be closed within a short amount of time. Usually within 30 days.

Closing costs involved: Appraisal, survey, termite inspection, documentary stamps, intangible tax on mortgage, credit report for buyer, attorney fees, recording fees, loan origination fee, discount points (where applicable) and PMI insurance (where applicable). *Check with the lender for any additional costs.

* **VA FINANCING** • Qualified veterans can take out a loan with no down payment because the loan is guaranteed by the Veterans Administration (VA).

The VA doesn't make the loan, but rather offer a guarantee to the bank that if the veteran defaults on the mortgage, the VA will pay the balance to the bank. Then the VA takes the property and this is where VA repo's come from.

The loan is usually at a fixed rate for 30 years. If you are selling with a VA assumable mortgage, very often they can be combined with a second mortgage to make it a good deal for both the buyer and the seller. Assumable mortgages are truly a thing of the past though. You may find one here and there, but they just don't grant them anymore. Some of the old VA loans were even Assumable with no qualifying! Can you imagine?

There are a lot of common misconceptions about what happens to a veteran's eligibility after someone has assumed the mortgage. Let's try to clear some of that up right now:

a. **ELIGIBILITY** is the amount of mortgage that is available to the veteran for a guaranteed VA loan. A veteran can get a statement of this from the VA. When a buyer purchases a home with VA financing, it 'uses up' or 'spends' some or all of that eligibility. It will remain 'used up' until that loan is either paid off or another veteran assumes the mortgage and replaces the 'used up' eligibility with his own. In either of these cases, the eligibility is restored to the original amount. It is sort of like an eligibility account and the only way to replenish it is to sell your property and pay off the old VA loan, or another veteran can replace your eligibility with their own, thus 'replenishing' your VA eligibility account.

b. **LIABILITY** means that you are ultimately liable for the mortgage if you let a buyer assume your existing mortgage. The **ONLY WAY** to release **YOUR** liability on a mortgage assumption is for the buyer to apply for the credit that has already been extended. In other words they must be credit worthy and able to show they can financially qualify for the remaining mortgage amount, in order to assume, or take over the mortgage. It actually only involves filling out a few forms. It's important though because it's the only way the seller can be released completely from the mortgage. If a buyer that assumed your mortgage did not pay the payments, you would be responsible for the payments unless the buyer had been through the steps to take over that new mortgage.

Closing costs involved: (VA assumption) Transfer fees, recording fees, attorney fees and title insurance.

Closing costs involved: (New VA Financing) Appraisal, survey, termite inspection, VA funding fee, loan origination fee, points (or prepaid interest always paid by seller), title insurance, attorney fee, VA funding fee (buyer can finance this in the mortgage amount)

* **FHA FINANCING**• Strictly speaking, FHA does not make a loan; rather it insures loans, which makes lenders willing to finance home purchases on favorable terms. Like a VA loan, if the borrower does not pay, the FHA will pay that mortgage off to the bank, and is ultimately held as a repo by the Dept. of Housing & Urban Development (HUD). This is where the HUD repossessions come from. An FHA loan can be financed with slightly under a 5% down payment. That is why these type loans are especially attractive to first time homebuyers. They get a very low down payment and the banks are more cooperative when FHA has a guarantee behind the mortgage.

Since there is often a significant difference between an FHA ceiling interest rate and a conventional (or market) ceiling interest rate, the lender may charge 'points' (or prepaid interest) to the seller. This is where you need to pay close attention to your bottom line. A buyer could ask you to pay 6 points in the contract, and if you don't catch that or understand that it means you will pay 6% of the mortgage amount, it would greatly affect your bottom line. For example 6% of \$100,000 is \$6,000!!! So pay attention to those points you may be asked to pay. They add up fast!!

If a buyer is assuming your existing FHA mortgage, release of liability is also a factor. The same procedure of qualifying by showing the buyer to be credit worthy and qualified for the mortgage amount, is the only way to release yourself from liability of that mortgage. You must get a release of liability. If the buyer should default on the mortgage, it would pass to you if you did not have the release. If you then did not or could not pay it, then the negative credit would also attach to you. So be sure to get that release of liability if someone assumes your existing mortgage.

Closing costs involved: (FHA assumption) Transfer fees, recording fees, attorney fee and title insurance.

Closing cost involved: (New FHA Mortgage) Appraisal, survey, termite inspection, attorney fee, title insurance, points, PMI insurance, credit report for buyer, documentary stamps and intangible tax on new mortgage.

* SECOND MORTGAGES

A second mortgage is generally used when a buyer assumes a first mortgage. The seller's equity amount can be financed through a second mortgage. Lenders will vary with the amount of down payment amount, but the main criteria here is for the property to hold up to the appraisal. The appraisal must meet the value the buyer is paying for the house. Second mortgages are obtained with a little less difficulty as a new first mortgage. The buyer must show credit qualification and ability to pay. Second mortgages are usually of a short term also, usually the norm is 5 to 15 years. This type of loan is well suited for a buyer with little cash for a down payment, however the buyer income must be enough to carry the first mortgage payment and a second mortgage payment. The buyer will have a first mortgage payment and a second mortgage payment.

Closing costs involved: Assumption charges for first mortgage, title insurance, recording fees, attorney fees, Credit report, intangible tax on new 2nd mortgage money, loan origination fee, appraisal, survey and termite inspection.

* Owner Assisted

Often a buyer will ask the seller to assist in the financing of the home. Sometimes this is called 'Holding the Paper', that is the holder of the mortgage or the second mortgage is you the seller. If you have an assumable mortgage for example, the buyer may ask to assume the first, and then you hold the second mortgage. That is, the buyer assumes the first mortgage and pays that to the bank, and the monthly payment on the second mortgage goes directly to you. Be sure that the attorney draws up this agreement for you! It might cost a little extra, but your best interest will be served to make sure that second mortgage is legally in force. If the buyer pays the first mortgage to the bank, and ignores you as the second mortgage, there is recourse to repossess the house and take back over your mortgage that the buyer assumed. That is provided you have it contractually sewed up tight. That is why I say a lawyer is quite important when setting up to hold any kind of mortgage with someone. Friends and family included, ESPECIALLY friends and family as a matter of fact. There is a clause in the 2nd

mortgage note that needs to be properly worded and placed in the agreement, that in the event the buyer defaults on the first mortgage, that you (the seller) have the right to pay the payments and regain the property. If you did not take the property back and get your old mortgage back, the liability is on you and your credit rating will reflect as such. Your attorney can best arrange this for you in accordance with the laws in your state.

In the case that a home is paid off and there is no existing mortgage balance or encumbrances, a buyer may ask you to 'hold the financing' or 'paper' on the property solely as the mortgage holder. This can be a good deal for you depending on your particular situation. Let's say the house is paid for and a buyer comes along and gets a new mortgage and buys your house. That's great! But are you ready to pay the capital gains tax on that large amount? You must buy another home of equal or more value to keep from being taxed. OR...you can take a substantial down payment and hold the financing. This would give you enough to pay down on your next home and give you a small monthly income that could quite possibly pay your new monthly mortgage payment, or at least subsidize it. Further, you will net more in the long run for your bottom line at the end of all the buyer's mortgage payments. It is just as if you are the bank, and you will benefit from all of the interest paid on that mortgage across the life of the mortgage. I know you have looked at the truth in lending papers you got with your first mortgage, only to be shocked that over the life of the loan you pay over 5 times what your purchase price was if you pay the loan out in its entirety. You as the seller get all of that money in this case, you just get it one payment at a time!

Closing costs involved: Title insurance, recording fees, attorney fees, documentary stamps, note stamps and intangible tax on mortgage.

*** PLEASE NOTE that most closing costs are negotiable between the buyer and the seller. All closing costs must however be paid. The time to negotiate these costs is during the decision of contract acceptance. ***

CHAPTER 8 PAPERWORK

Keeping your deal `policed' through to the closing is ultimately your responsibility. As a real estate agent, this was a big part of my job. It is not hard, you just have to keep track of everything that is happening with each agency. The closing attorney and the Mortgage Company will assist in this process, but it is up to you to make sure everyone involved is following through with their obligations. Some of the things you will be tracking could possibly be survey, termite inspection, appraisal, mortgage information. Yes, you have the right to know how the buyer's new mortgage is coming along. Without giving private details, the mortgage loan officer can tell you if they qualify to buy the house, and how it is coming along. You have the right to know when you might be closing on the property to make your own plans.

Once you have an agreed upon contract, the buyers should apply for the mortgage financing within 5 days. The Mortgage Company generally orders the appraisal. The survey and termite inspections are generally ordered by you. Make sure your attorney hasn't already done this for you. It doesn't matter if duplicate work was done...you'll just have to pay for it twice! Once the Mortgage Company has finished their work and the funding has been approved, the loan package is then sent to the closing attorney or title company, whichever you choose to close the deal. This process can take as little as two weeks to 90 days depending on the type of financing used and the timeliness in which the buyer completed paperwork and the information as required by the lender.



VA, FHA and occasionally a conventional lender may specify requirements that must be met before the loan can be made, such as repairs. If there is damaged wood, faulty roofing, broken windows, or anything structurally threatening, it must be repaired and in good condition for the loan to be approved. These must be done on a timely basis and the property must be re-inspected to show that the requirements have been met. The banks will not accept a 'lick and a promise' that you will take care of these things. No, they require them to be fixed and completed before they will release the funds for the new mortgage.

CHAPTER 9 WALK THROUGH

The purpose of the Walk Through inspection several days prior to the settlement is to determine if conditions in the contract are satisfied. If there were repairs required by the appraiser, or repairs noted on the contract, they must be confirmed that the work was completed. The time for the buyer to inspect and note defects for correction by the seller is during the contract negotiation and PRIOR to signing the contract. Repair or replacement items must be noted on the contract, and also followed up on to assure the bank or mortgage company that the repairs have indeed been done.

Most resale homes are sold in “as-is” condition. The only exception is items noted ON THE PURCHASE CONTRACT or repairs and defects as noted by the appraiser on their visit to the house. For example: a roof must meet the requirement of having 10 years of life left in it. If the roof obviously will not meet that test, the appraiser can note that the roof must be replaced. Even if the buyer and seller say it’s O.K., the bank will not make the loan based on the appraiser’s professional opinion. So someone will have to pay for the new roof. This cost can be negotiated, but customarily a new roof is paid for by the seller because a seller should deliver the house in reasonable condition to the buyers. The house should be sold and delivered to the new buyer and be structurally sound. Unless a defect or a repair (that is agreed upon during negotiations) is noted on the contract, the buyer has agreed to accept the property in its “as-is” condition.

You as the seller are legally responsible to report to the buyer any unseen defect or latent defect that you are aware of. Don’t try to hide a roof leak for example. If you know about serious structural defects, you are responsible to disclose this to the buyer. If you do not, and the buyer can prove that you knew the roof leaked for example, that buyer can come back and take you to court for the repair amount. So be honest in your real estate dealings. It will pay off in the long run.

Occasionally an equipment rider is attached to a contract. This allows the buyer inspection of heating, air conditioning, appliances, wiring, or plumbing with a

qualified inspector before finalizing the contract. It is up to the buyer to perform or pay for this inspection, not the seller who may or may not be present for this inspection. These inspections should however, be conducted on a timely basis so as to not tie up the property with a buyer that is not going to go through with the contract at the end of the inspection.

Expect the buyer to try all lights and switches, turn all faucets on and off, flush toilets, run the shower, test stove, turn on heat or AC, try the oven at bake and broil, run the dishwasher, washer and dryer through complete cycles, and open and close windows and doors. In short, the buyer can try everything, even the keys and fireplace flue. It has always been amazing to me how little buyers really look at when viewing a property. I have seen many houses purchased with no more than a 10 minute visit. For me, I would be one of those people who inspect everything on my visit. For others, they can make an easier decision without all of those details. It is a personal preference, but the buyer does have the right to look the property over completely to be sure of what they are buying. So don't be offended when they go and look in your cabinets and closets!

All deficiencies should be noted on the contract, and funds may be withheld by the closing attorney for repairs if the seller does not correct the problems prior to closing. Upon receipt of bills and notification that the repairs have been completed, the attorney will then release the balance of funds due to the seller. This is for the protection of the buyer to be sure all of the repairs agreed to were in fact completed.

CHAPTER 10 CLOSING AND SETTLEMENT

You've done it! The big day is here! Tonight you can pop open the champagne, but today there will be a lot of paper signing and poignant passing of keys. Tensions can run high on closing day, but there is no need to be nervous. The work is already done. The closing is just the formality that finalizes all of your hard work. It's reward day – the day you are going to finally get that closing check and see your bottom line come to reality! Reality dollars for you – so be happy! Try to remain as relaxed as you can. After all, the tough part is over, and you have done a good job!

At the closing will be the attorney or title company representative, the buyer and you. Bring any warranties on equipment in the house and all keys. Don't forget garage keys and keys for gates or exterior storage units. These will need to be passed to the buyers at the end of your closing.

Closing day is not always moving day though. Most of the time, unless personal circumstances warrant it, the seller does not move out of the house until the closing is complete. Many things can happen to delay the closing or the closing could never happen due to unforeseen circumstances. You just never know what twists and turns life may take during the time between contract and closing. It would be costly as well as exasperating to move out of your house, only to have the closing fall apart, and then have to move back into your same house. Not to mention the disaster it would cause on the other end of your deal, that is the purchase of your new home. You could actually get stuck having to pay two mortgages while you looked for a new buyer. So it is best not to give up possession of your property until after the closing. It is customary, unless otherwise agreed upon, that the seller has 3 days after closing to move out. If a long period is needed to get moved out.. let's say your new house that you are buying is not finished with construction yet. You can work out a deal with the buyer to actually rent the house you just sold until your new one is ready.

Customarily the rent amount is prorated to the number of days it actually takes to get you moved out of there.

One more thing I would like to mention here about moving day. Make sure that you do not take any fixtures from the property. When you made your contract with the buyers there is most often a part of the contract that says you are selling the house and all of its fixtures. Then there is usually a blank place where the buyer can ask for items that are not fixtures such as a Jacuzzi, refrigerator, or even patio furniture. Fixtures are considered part of the house because they are attached to it. For example, a ceiling fan is a fixture, but a washing machine is not. The ceiling fan is attached to the ceiling, where the washing machine is a free standing unit. So don't take the ceiling fans if they were there the day the buyer saw the house. Something else people don't realize is that plants in the landscaping outdoors are fixtures of the property. If a ceiling fan held on by nuts and bolts is a fixture, then you can be sure a plant with roots in the ground is a fixture too! Don't make the mistake of taking half of the landscaping plants you put in with you. You will most certainly get a bill for new ones to replace the ones you took! As I mentioned in an earlier chapter about preparing the property, you should pot the special plants that you would like to take with you. When a plant is in a pot, it then is NOT a fixture. The pot can even be sitting in the flower bed, but it is not a fixture unless it is in the ground.

On to the closing... with the buyer, the attorney explains the deed, mortgage and closing statements. These documents are prepared the day before the closing. You and/or the buyer have the right to review these documents that you will be signing prior to closing. Be sure you review your closing cost sheet and bottom line too. It is not unusual for the closing agent to put a cost in your column when it should be in the buyer's column. So ask questions if it does not look right to you. Remember, you already went through the who pays what when you set up the contract. The closing papers should match what was agreed upon in the contract between you and the buyer. If all looks well with the paperwork and the figures, the buyer signs all pertinent documents, and pays the balance of down payment and closing costs with a certified fund check from the bank or mortgage company.

Then with the seller, the attorney or title agent explains the closing statements. The statements must be reviewed and signed by the seller and the deed must also

be signed. The sellers appropriate closing costs are deducted from proceeds and **YOU GET YOUR CHECK!** Right there at the closing. Now everything is done!

When you go into a closing and you know just exactly what is going to happen, the fears and tensions are greatly relieved. Don't be afraid to ask questions before the closing, or at the closing for that matter. The closing attorney should be able to quote closing figures for you the day before the closing, or early in that same day. Remember, you are allowed to review the closing statement before the closing. It's a good idea to do this if at all possible. If something is not right, have the attorney clear up any problems **BEFORE** the closing. Tensions are much too high at the closing table to try and resolve problems. Once the closing is over problems are difficult to resolve, especially when it involves **MONEY!**

It's over...**YOU'VE DONE IT!** You've saved thousands of dollars and had the satisfaction of being in control of your sale, and didn't pay someone else a small fortune to do a job that you can do yourself!

CONGRATULATIONS!!!



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