

For Sale by Owner

By Lisa Parry
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"Selling a home is easy".

"Real Estate Agents make way too much money for doing almost nothing".

"We can save thousands of dollars".

"I already have a buyer!"

These are reasons used by those who have considered selling a home without a real estate professional. You may be considering selling your own home for one of these reasons, or maybe you have another reason. My goal in presenting this report is to provide you with a discussion of some of the issues that you should consider before you make your decision.

You may wonder about my motivation in providing this free report. Why would I give the benefit of my knowledge and experience for free with nothing promised in return? Statistics show that over 75% of properties that are listed For-Sale-By-Owner (FSBO), end-up being sold by a REALTOR (in fact only 13% of FSBO sales are completed). I am providing this report because I hope that you will consider my services should you decide to list with a REALTOR. I hope that you will understand three things from this report:

- Selling a home is time consuming and requires expertise and knowledge – especially with the legal issues and disclosures.
- A REALTOR will negotiate the sales issues on your behalf
- There are many issues to consider if you are going the for-sale-by-owner route.
- I offer a comprehensive program for selling property

The major issues that you will face in selling your own home include pricing your property, marketing to attract buyers, screening buyers, showing your home and holding your home open, negotiating the contract terms, providing disclosures, monitoring the contract milestones, negotiating the various issues that routinely arise, and closing the sale. As a FSBO, you will assume all liability for the transaction.

Pricing

Determining your home's market price usually involves finding comparable properties that have recently sold in your neighborhood. Comparing the price, square footage of living space, and the resulting price per square foot can be used to determine your home's value. Reports that detail this information can be ordered on the Internet for very low cost. Determining which homes to use for comparison and which should be rejected is a service provided by a skilled professional. Knowing how to adjust the price for upgrades and remodeling, landscaping, special views or other amenities comes with experience. Sadly, so does knowing how to reduce a home's price when the home is below the market value.

The number one reason that homes do not sell is price. If your home is priced at 5% over market value, your chances of a sale are reduced to 50% (as compared to a 95% chance of a sale if your home was priced at market value). If your home is priced at 15% over market value, your chances of a sale are reduced to 20%.

If you price your home too high, and you are lucky enough to find a buyer willing to pay your high price, you may still lose the sale. If the home does not appraise for the sale price, your buyer will be stuck with the choice of canceling the contract, re-negotiating the price, or paying cash for the difference between the sales price and the appraisal amount.

The seller of a FSBO should avoid becoming emotional about the price and fixating on one issue or piece of data. If you decide to set the price of your home on your own, you must do so with an open and unbiased mind.

Preparation

Your home must be converted from 'living condition' to 'showing condition'. This often involves lots of cleaning, putting things away, and staging the home like a model home. Potential buyers should be able to see their family living in the home, so reducing the number of family photos and other personal affects can be a great help. If rooms feel small, you can make changes such as re-arranging furniture, or putting items into storage to create more space.

You can put-off making repairs, but this decision may cause you problems. Some buyers only will consider homes that are 'move-in condition'. If your home needs minor repairs, your best bet may be to get them done prior to putting your home up for sale. When buyers view homes that need repairs, they tend to mentally estimate the cost of the repairs. Usually, they tend to over-estimate the cost, which is then used to reduce the sales price. Clean the home as much as possible.

You may want to order reports and inspections to facilitate a sale. Ordering a pest inspection can help a buyer feel comfortable with the condition of a home. It also allows you to make needed repairs before putting the home up for sale. Having a home inspection done can also help. A roof inspection and certification is another report that can be helpful to a buyer.

Marketing

Marketing your home involves exposing your home to buyers. Getting your home exposed is always a primary goal of your listing agent. Maximum exposure to buyers can lead to the best price and terms, as well as a fast sale.

Traditional methods of attracting buyers include placing newspaper ads, posting a sign in the front yard, and listing your home on the Multiple Listing Service. You can place your own newspaper ads and you can post your own sign in your yard as a FSBO. Only REALTORS can list homes on the MLS. Only REALTORS can list your home for sale on www.realtor.com, the industry's number one real estate website. Many buyers

will avoid FSBO's altogether. Some don't like to deal directly with homeowners. Buyers of more expensive homes are more likely than average to avoid FSBO's. Many REALTORS will not show their buyers FSBO properties since they don't want to deal with sellers who are not represented by an agent.

I have a program for marketing homes that is highly focused. My goal is to expose my listings to buyers - utilizing the methods that buyers use. Almost 67% of buyers find the home they purchase from a real estate agent. Buyers find home through other methods such as the Internet (11%), Open Houses (8%), For Sale Sign (7%), and Newspaper Ads (4%). My marketing program targets each of these methods in a systematic fashion. I don't resort to gimmicks such as 'guaranteeing' your sale. I can also show you how a Talking Home Tour can help target buyers.

If you decide to sell your home FSBO, you have eliminated the largest method that buyers use to find your home - REALTORS. So, you have to target the remaining methods. Before you list your home for sale on a FSBO website, be sure to ask about the website's user base. You can use the fact that REALTOR.com has over 6,000,000 users in a typical month to determine how that website might compare.

What else can you do? You can also run ads in the newspaper - including Open House ads. Be sure to check ad rates as this is very expensive. Hold Open Houses often so that a buyer may find your home. Keep the For Sale Sign posted in your yard and the flyer bin stocked. Wait and be patient.

Showing

Are you comfortable letting strangers into your home? Would you prefer that they be screened first? When you use a REALTOR, the agent will pre-screen and accompany prospects into your home. When you receive a call by someone passing-by your home who saw your yard sign, will you drop what you are doing and go open your home? What if you are at work and they are just passing-by? How will you react after your home has been for sale for 60 days?

Cooperation

Will you pay a fee to a REALTOR who brings you a buyer for your property? If Yes, how much are you willing to pay? A fee of 3% is fairly typical for a buyer's agent. If you agree to pay this commission, then your commission savings for selling your own home are reduced.

No, you won't pay a cooperating fee? Well, you will have to find a buyer on your own. You will be excluding the number one way that buyers find properties - REALTORS (about two-thirds of all properties sold are introduced by an agent).

Negotiating

Say you decide to sell your home as a FSBO. If you receive an offer for your property that contains a request from the buyer for you to pay for certain fees, what will be your reaction? Do you know if a buyer or seller traditionally pays for the escrow fees? How

about the title report? The home warranty? What if you get a request for a carpet allowance? What if the offer requests for you to pay for section 2 repairs from the wood destroying pest inspection? And who pays for the inspection? How will you respond if the buyer asks you to pay for every inspection, every report, and every repair? Will you allow the buyer to move a few things into the garage during the last few days of escrow? What will you do if the sellers are still slowly moving from the house after escrow closes?

None of these issues have a right or wrong answer. Of course, knowing how to deal with these issues comes with experience - and sometimes having the team that stands behind the REALTOR. A knowledgeable Broker, an experienced Office Manager, or even a partner or mentor can be a great resource for a professional REALTOR. If you sell FSBO, where will you turn?

The initial offer and contract are often ONLY A STARTING POINT for negotiating the deal. What is discovered during the inspections, appraisals and financing can often be a trigger to renegotiate at least part of the contract. Your REALTOR will try to negotiate a solution that is a win-win for you and the buyer.

REALTORS

Not all agents are REALTORS. Only real estate professionals who belong to the National Association of REALTORS are properly called REALTORS. Only REALTORS can belong to the Multiple Listing Service. REALTORS have a strict code of ethics to which they must adhere. Independent studies have shown that 84% of home buyers would use the SAME REALTOR again.

Just as you can act as your own attorney or accountant, you can act as your own real estate agent. When you consider the upside and downside to selling your home FSBO vs. using a REALTOR, what type of risk are you willing to assume to save commission dollars? Only you can make that determination.

There is usually one main reason that sellers decide to go the FSBO route - commission savings. When most sellers consider going FSBO, they make an assumption that their home will sell for the same price - whether they use a REALTOR, or if they sell the home themselves. They do not consider the very real possibility that the REALTOR may bring a higher sales price, or that they can achieve savings through savvy negotiations. A 2002 study by NAR has shown that the median sales price for a FSBO is about 27% LOWER than the median sales price of homes sold with the assistance of a REALTOR.

Liability

We live in a litigious society. Lawsuits happen every day. Some buyers sue sellers after living in their new home for years. Lawsuits happen for reasons that seem to defy logic. Some issues to consider:

- About 50% of claims filed involve the allegation of misrepresentation concerning the physical condition of the property.

- Using standard forms and contracts will not eliminate the risk of the transaction becoming a claim.
- Courts do not screen for frivolous or nuisance complaints before they are filed.
- The violation of Consumer Protection Laws are an additional cause of legal action to Negligence, Misrepresentation and Fraud. Statutes typically provide for Treble Damages and Attorney's Fees in these cases.

Using a REALTOR to list your home may provide you with help if you get sued over your transaction. If you get sued, you may find that the commission becomes a minor cost when compared to your attorney's fees and your court fees.

Conclusion

So, you have a decision to make. Here is my suggestion: don't decide based on this report. Call several REALTORS and ask them to come-by your home and give you a listing presentation. See what services they offer. Find-out how they would market your home. Ask them what fees they charge for their services. After you have interviewed several agents, then you have better information to make your decision.