

**A Complete Home Seller's Guide  
Seven Steps to Selling Your Home  
Maximizing Your Price/Minimizing Your Hassles**



The Wallack Team  
with you every  
step of the way!



Brought to you by:

The Wallack Team of Russell Real Estate Services  
3848 Medina Road, Medina, Ohio 44256  
Direct 330-410-0468 Office 330-723-2777



# A Complete Home Seller's Guide

## Seven Steps to Selling Your Home

### Maximizing Your Price/Minimizing Your Hassles

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# **Seven Steps to Selling Your Home**

## **Maximizing Your Price/Minimizing Your Hassles**

### **Step 1 - Planning and Preparing**

Some 5 million existing homes are sold each year, and while each transaction is different every owner wants the same thing - the best possible deal with the least amount of hassle and aggravation.

Unfortunately, home selling has become a more complex business than it used to be. New seller disclosure statements, longer and more mysterious form agreements, and a range of environmental concerns have all emerged in the past decade.

More importantly, the home-selling process has changed. Buyer brokerage - where REALTORS® represent home-buyers - is now common nationwide, and good buyer-brokers want the best for their clients.

The result is that while almost 100,000 existing homes are sold each week, the process is not as easy for sellers as it was five or 10 years ago. Surviving in today's real estate world requires experience and training in such fields as real estate marketing, financing, negotiation and closing - the very expertise available from local REALTORS®.

#### **Are you ready?**

The home-selling process typically starts several months before a property is made available for sale. It's necessary to look at a home through the eyes of a prospective buyer and determine what needs to be cleaned, painted, repaired and tossed out.

Ask yourself: If you were buying this home what would you want to see? The goal is to show a home which looks good, maximizes space and attracts as many buyers - and as much demand - as possible.

While part of the "getting ready" phase relates to repairs, painting and other home improvements, this is also a good time to ask why you really want to sell.

Selling a home is an important matter and there should be a good reason to sell - perhaps a job change to a new community or the need for more space. Your reason for selling can impact the negotiating process so it's important to discuss your needs and wants in private with the REALTOR® who lists your home.

#### **When should you sell?**

The marketplace tends to be more active in the summer because parents want to enroll children in classes at the beginning of the school year (usually August). The summer is also typically when most homes are likely to be available.

Generally speaking, markets tend to have some balance between buyers and sellers year-round. In a given community, for example, there may be fewer buyers in late December, but there are also likely to be fewer homes available for purchase. So, home prices tend to rise or fall because of general demand patterns rather than the time of the year.

Owners are encouraged to sell when the property is ready for sale, there is a need or desire to sell, and the services of a REALTOR® have been retained.

#### **How do you improve your home's value?**

The general rule in real estate is that buyers seek the least expensive home in the best neighborhood they can afford. In terms of improvements, this means you want a home that fits in the neighborhood but is not over-improved. For example, if most homes in your neighborhood have three bedrooms, two baths and 2,500 sq. ft. of finished space, a property with five bedrooms, more baths and far more space would likely be priced much higher and likely be more difficult to sell.

**If you have any questions, call The Wallack Team at 330-410-0468**

Improvements should be made so that the property shows well, is consistent with the neighborhood and does not involve capital investments, the cost of which cannot be recovered from the sale. Furthermore, improvements should reflect community preferences.

Cosmetic improvements - paint, wallpaper and landscaping - help a home "show" better and often are good investments. Mechanical repairs - to ensure that all systems and appliances are in good working condition - are required to get a top price.

Ideally, you want to be sure that your property is competitive with other homes available in the community. REALTORS®, who see numerous homes, can provide suggestions that are consistent with your marketplace.

## Getting the House Ready

A house that "sparkles" on the surface will sell faster than its shabby neighbor, even though both are structurally well-maintained.

From experience, REALTORS® also know that a "well-polished" house appeals to more buyers and will sell faster and for a higher price. Additionally, buyers feel more comfortable purchasing a well-cared for home because if what they can see is maintained, what they can't see has probably also been maintained. In readying your house for sale, consider:

- how much should you spend
- exterior and curb appeal
- preparing the interior

### How much should you spend

In preparing your home for the market, spend as little money as possible. Buyers will be impressed by a brand new roof, but they aren't likely to give you enough extra money to pay for it. There is a big difference between making minor and inexpensive "polishes" and "touch-ups" to your house, such as putting new knobs on cabinets and a fresh coat of neutral paint in the living room, and doing extensive and costly renovations, like installing a new kitchen. Your REALTOR®, who is familiar with buyers' expectations in your neighborhood, can advise you specifically on what improvements need to be made. Don't hesitate to ask for advice.

### Maximizing exterior and curb appeal

Before putting your house on the market, take as much time as necessary (and as little money as possible) to maximize its exterior and interior appeal. Tips to enhance your home's exterior and curb appeal:

- Keep the lawn edged, cut and watered regularly.
- Trim hedges, weed lawns and flowerbeds, and prune trees regularly.
- Check the foundation, steps, walkways, walls and patios for cracks and crumbling.
- Inspect doors and windows for peeling paint.
- Clean and align gutters.
- Inspect and clean the chimney.
- Repair and replace loose or damaged roof shingles.
- Repair and repaint loose siding and caulking.
- In Northern winters, keep walks neatly cleared of snow and ice.

- During spring and summer months consider adding a few showy annuals, perhaps in pots, near your front entrance.
- Re-seal an asphalt driveway.
- Keep your garage door closed.
- Store RVs or old and beaten up cars elsewhere while the house is on the market.
- Apply a fresh coat of paint to the front door.

### **Maximizing interior appeal**

Enhance your home's interior by:

- Giving every room in the house a thorough cleaning, as well as removing all clutter. This alone will make your house appear bigger and brighter. Some homeowners with crowded rooms have actually rented storage garages and moved half their furniture out, creating a sleeker, more spacious look.
- Hiring a professional cleaning service, once every few weeks while the house is on the market. This may be a good investment for owners who are busy elsewhere.
- Removing the less frequently used, even daily used items from kitchen counters, closets, and attics, making these areas much more inviting. Since you're anticipating a move anyhow, holding a garage sale at this point is a great idea.
- If necessary, repainting dingy, soiled or strongly colored walls with a neutral shade of paint, such as off-white or beige. The same neutral scheme can be applied to carpets and linoleum.
- Checking for cracks, leaks and signs of dampness in the attic and basement.
- Repairing cracks, holes or damage to plaster, wallboard, wallpaper, paint, and tiles.
- Replacing broken or cracked windowpanes, moldings, and other woodwork. Inspecting and repairing the plumbing, heating, cooling, and alarm systems.
- Repairing dripping faucets and showerheads. Buying showy new towels for the bathroom, to be brought out only when prospective buyers are on the way.
- Sprucing up a kitchen in need of more major remodeling by investing in new cabinet knobs, new curtains, or a coat of neutral paint.

## **Tips for Making Your Home More Saleable**

Before you put your home on the market, there are some things you can do to differentiate your house among the competitors.

When preparing to put your home up for sale, your first concern is the home's exterior. If the outside, or "curb appeal" looks good, people will more than likely want to see what's on the inside. Keep the lawn and landscape nicely manicured. Trim the bushes and season permitting, plant some flowers. Be sure your front door area has a "Welcome" feeling. A fresh coat of paint on the front door looks great.

Of all the rooms inside your home, pay special attention to the kitchen and bathrooms. They should look as modern, bright and fresh as possible. It is essential for them to be clean and odor free. A fresh coat of paint just may do the trick. Have any leaky faucets taken care of. A call to a plumber is a wise investment.

Since you want your home to look as spacious as possible, remove any excess or very large furniture. Make sure that table tops, dressers and closets are free of clutter. Don't use your garage, attic, or basement to store these extra things. These areas also need to have the impression of space. Instead, put them into storage. Make sure walls and doors are free of smudges and look for anything that might indicate a maintenance problem, such as cracked windows, holes in the wall or stained ceilings.

Finally, if your basement shows any signs of dampness or leakage, seal the walls.

Quick tips for showings:

- Keep counter tops cleared
- Replace all burned out light bulbs
- Open all drapes and window blinds
- Put pets in cages or take them to a neighbor
- No dirty dishes in the sink
- No laundry in the washer/dryer
- Clean or replace dirty or worn carpets
- Put on soft music
- Burn wood in the fireplace on cold days, otherwise, the fireplace should be clean

Always look at your home from the buyer's point of view. Be objective and be honest.

## **Setting the Stage Sells Your Home**

The age-old observation that "you never get a second chance to make a first impression" certainly applies when it comes to attracting buyers to a for-sale home.

Making a good first impression can mean the difference between receiving serious offers for your home or being subjected to months of lookie-loos dropping by but never buying.

How can you ensure that your home will make the best impression possible? Here are six tips for savvy home sellers:

1. **Focus on curb appeal.** The outside of your house can be the source of a very good first impression. Keep the grass well-watered and mowed. Have your trees trimmed. Cut back overgrowth. Plant some blooming flowers. Store toys, bicycles, roller-skates, gardening equipment and the like out of sight. Have at least the front of your house and the trim painted, if necessary. Sweep the porch and the front walkway. After dark, turn on your front porch light and any other exterior lighting.
2. **Clear out the clutter.** Real estate agents say buyers won't purchase a home they can't see. If your home has too much furniture, overflowing closets, crowded kitchen and bathroom countertops or lots of family photos or collectibles on display, potential buyers won't be able to see your home. Get rid of anything you don't need or use. Fill up your garage or rent some off-site storage space if that's what it takes to clear out your home.
3. **Use your nose.** Many people are oblivious to scents, but others are extremely sensitive to offensive odors. To eliminate bad smells, bathe your pets, freshen the cat litter box frequently, shampoo your carpets, dry clean your drapes, and empty trash cans, recycling bins and ash trays. Place open boxes of baking soda in smell-prone areas, and refrain from cooking fish or strong-smelling foods. Introduce pleasing smells by placing flowers or potpourri in your home and using air fresheners. Baking a fresh or frozen pie or some other fragrant treat is another common tactic.
4. **Make all necessary repairs.** Buyers expect everything in their new home to operate safely and properly. Picky buyers definitely will notice-and likely magnify -- minor maintenance problems you've ignored for months or even years. Leaky faucets, burned-out light bulbs, painted-shut or broken windows, inoperable appliances and the like should be fixed before you put your home on the market. These repairs may seem small, but left undone they can lead buyers to question whether you've taken good care of your home.
5. **Introduce lifestyle accessories and make your home as comfortable and attractive as possible.** Set the dining room table with your best dishes. Put out your only-for-company towels. Make up the spare bed. Hang some fresh curtains. Put some logs in the fireplace. Use your imagination.
6. **Get a buyer's-eye view.** Walk up to your home and pretend you've never seen it before. What do you notice? How do you feel about what you see? Does the home seem inviting? Well-maintained? Would you want to buy this home? Your answer should be an enthusiastic yes!

## **Seven Steps to Selling Your Home**

### **Maximizing Your Price/Minimizing Your Hassles**

#### **Step 2 - Get a Realtor**

Before placing a home on the market you should also identify REALTORS® in your community who can assist with the sale.

#### **Why use a REALTOR®?**

There are more than 2 million people nationwide who have licenses to sell real estate, of which about 750,000 belong to the National Association of Realtors (NAR). Only NAR members are entitled to use the term "REALTOR®."

NAR members must adhere to a strict Code of Ethics. By joining NAR, individuals have access to a wide range of classes, seminars and certification opportunities. Local REALTOR® groups are active in community matters, and individual members are routinely involved in PTAs and other neighborhood organizations.

In essence, local REALTORS® are community experts. They track real estate trends, share neighborhood concerns and participate in local matters. They're good neighbors who are in the business of helping others buy and sell homes.

#### **How do you choose a REALTOR®?**

In some cases, sellers elect to meet only with one REALTOR® while other owners elect to meet with several. Whatever your preference, there will be a number of questions you will want to ask, including:

- What services do you offer?
- What type of representation do you provide? (There are various forms of representation in different states. Some brokers represent buyers, some represent sellers, some facilitate transactions as a neutral party, and in some cases different salespeople in a single firm may represent different parties within a transaction.)
- What experience do you have in my immediate area?
- How long are homes in this neighborhood typically on the market? (Be aware that because all homes are unique, some will sell faster than others. Several factors can impact the amount of time a home remains on the market, including changing interest rates and local economic trends.)
- How would you price my home? Ask about recent home sales and comparable properties currently on the market. If you speak with several REALTORS® and their price estimates differ, that's OK, but be sure to ask how their price opinions were determined and why they think your home would sell for a given value.
- How will you market my home? At listing presentations, brokers will provide a detailed summary of how they market homes, what marketing strategies have worked in the past and which marketing efforts may be effective for your home.
- What is your fee? Brokerage fees are established in the marketplace and not set by law or regulation. Typically, brokers who list homes are compensated on a performance basis - that is, the broker is not paid unless the home sells under the terms and conditions that are acceptable to you.

- What happens if another REALTOR® locates a purchaser? That is, who will that broker represent, and how will he or she be paid?
- What disclosures should you receive? State rules require brokers to provide extensive agency disclosure information, usually at the first sit-down meeting with an owner or buyer.
- How long do you want to list your home? A "listing" agreement is a contract that shows the broker's obligations and outlines the terms under which your home is being made available for sale. The length of the agreement is a negotiable matter.

### **What should you expect when working with a REALTOR®?**

Your REALTOR® should keep you informed as the marketing process unfolds and as expressions of interest are received. In time, the marketing plan may be modified to reflect buyer reactions and changes in the marketplace.

In real estate there are written offers and oral offers. Oral offers ("Would they take \$225,000 for the home?") are not acceptable because they generally cannot be enforced ("Gee, did I say \$225,000? I was sure I said \$215,000"). Written offers created by the REALTOR® with assistance from qualified attorneys address numerous issues, are consistent with local requirements and provide the foundation for an actionable offer.

## **Why Use a Realtor When Selling**

[A real estate agent can help you understand everything you need to know about the selling process.](#)

The selling process generally begins with a determination of a reasonable asking price. Your real estate agent or REALTOR® can give you up-to-date information on what is happening in the marketplace and the price, financing, terms and condition of competing properties. These are key factors in getting your property sold at the best price, quickly and with minimum hassle.

### **Marketing**

The next step is a marketing plan. Often, your agent can recommend repairs or cosmetic work that will significantly enhance the salability of the property. Marketing includes the exposure of your property to other real estate agents and the public. In many markets across the country, over 50% of real estate sales are cooperative sales; that is, a real estate agent other than yours brings in the buyer. Your agent acts as the marketing coordinator, disbursing information about your property to other real estate agents through a Multiple Listing Service or other cooperative marketing networks, open houses for agents, etc. The REALTOR® Code of Ethics requires REALTORS® to utilize these cooperative relationships when they benefit their clients.

Advertising is part of marketing. The choice of media and frequency of advertising depends a lot on the property and specific market. For example, in some areas, newspaper advertising generates phone calls to the real estate office but statistically has minimum effectiveness in selling a specific property. Overexposure of a property in any media may give a buyer the impression the property is distressed or the seller is desperate. Your real estate agent will know when, where and how to advertise your property.

### **Security**

When a property is marketed with an agent's help, you do not have to allow strangers into your home. Agents will generally pre-screen and accompany qualified prospects through your property.

### **Negotiating**

The negotiation process deals with much the same issues for both buyers and sellers, as noted above under the buying process. Your agent can help you objectively evaluate every buyer's proposal without compromising your marketing position. This initial agreement is only the beginning of a process of appraisals, inspections and financing -- a lot of possible pitfalls. Your agent can help you write a legally binding, win-win agreement that will be more likely to make it through the process.

### **Monitoring, renegotiating and closing**

Between the initial sales agreement and closing (or settlement), questions may arise. For example, unexpected repairs are required to obtain financing or a cloud in the title is discovered. The required paperwork alone is overwhelming for most sellers. Your agent is the best person to objectively help you resolve these issues and move the transaction to closing (or settlement).

### **Why use a REALTOR®?**

All real estate licensees are not the same. Only real estate licensees who are members of the NATIONAL ASSOCIATION OF REALTORS® are properly called REALTORS®. They proudly display the REALTOR "®" logo on the business card or other marketing and sales literature. REALTORS® are committed to treat all parties to a transaction honestly. REALTORS® subscribe to a strict code of ethics and are expected to maintain a higher level of knowledge of the process of buying and selling real estate. An independent survey reports that 84% of home buyers would use the same REALTOR® again.

### **You be the judge**

Real estate transactions involve one of the biggest financial investments most people experience in their lifetime. Transactions today usually exceed \$100,000. If you had a \$100,000 income tax problem, would you attempt to deal with it without the help of a CPA? If you had a \$100,000 legal question, would you deal with it without the help of an attorney? Considering the small upside cost and the large downside risk, it would be foolish to consider a deal in real estate without the professional assistance of a REALTOR®!

## **FSBO Woes: Why It's So Hard to Sell Your Own Home**

For most people, a for-sale-by-owner (FSBO) transaction simply isn't in the cards.

Granted, some people are able to sell their own homes without the services of a real estate agent. Some of these successful do-it-yourselfers are very experienced home sellers. Others are transferring ownership of their home to a child, a coworker or a tenant who's already living in the home. These circumstances are the exception, not the norm, however. For most people, a for-sale-by-owner (FSBO) transaction simply isn't in the cards. Here are five reasons why.

- 1. FSBOs can't list their home in the MLS.** FSBOs aren't permitted to put their home in the multiple listing service (MLS) because these industry membership organizations are open only to licensed real estate brokers and agents. FSBOs are also locked out of many home search engines and Web sites, including the gigantic Realtor.com. Sure, a determined FSBO can put a for-sale sign in his or her front yard and run a tiny advertisement in the local newspaper, but the home won't receive nearly as much exposure as it would through the MLS.
- 2. Agents won't show FSBO homes.** In a typical home sale, the buyer's agent receives a percentage of the commission that the seller pays the listing agent. Without a listing agreement, there's no guarantee that the buyer's agent will be compensated for his or her services, unless the buyer has signed a buyer's brokerage agreement that specifically provides for such compensation. Even if a FSBO offers to pay the buyer's side of the commission, most agents won't want to go through a transaction with an unsophisticated self-represented seller across the table. That means the pool of potential buyers for FSBO homes is limited primarily to unrepresented and probably unqualified prospects.

3. **FSBOs usually overprice their home.** Like most homeowners, most FSBOs honestly believe their own home is worth more than comparable homes in the same neighborhood. Usually, they're wrong. A real estate agent can provide an update on market conditions, an assessment of the likely selling price of the home and tips for improving the home's buyer appeal. Overpricing a for-sale home is a sure way to deter potential buyers.
4. **Buyers will feel intimidated.** Potential buyers will spend less time in a for-sale home if the owner is present during the showing, and they'll be shy about discussing its pluses and minuses with their own agent if the owner is within earshot. Buyers will also be less inclined to make an offer if they know they'll be negotiating directly with the seller. Having an agent on each side creates an effective emotional buffer between the seller and buyer.
5. **FSBOs are likely to stumble into legal trouble.** Real estate transactions are fraught with potential liability for unwary sellers, particularly in states that have extensive disclosure requirements (e.g., California). A FSBO who overlooks even one required form or legally mandated disclosure could face a protracted and expensive buyer lawsuit after the transaction closes.

## **Seller Listing Agreement: What's it all about?**

*A listing agreement is a binding legal contract that shouldn't be taken lightly.*

REALTORS® and buyers often work together without a written contract, but the opposite is true for REALTORS® and sellers. On the listing side, written contracts are overwhelmingly the rule, not the exception. A listing agreement is a binding legal contract that shouldn't be taken lightly. The necessity of reading the contract carefully and understanding what it means before you sign it can't be overstated. If you need legal advice, consult an attorney.

Listing contracts vary considerably from place to place. However, most REALTORS® use established listing agreement forms that are the de facto industry standard in their area or are dictated by their brokerage company. Everything on these preprinted forms is negotiable.

Here are some basic terms to consider:

1. **Term of the Agreement.** A longer agreement benefits the agent because it allows him or her more time to find a buyer for your home. In a weak market, that's okay, but if homes are selling quickly, you don't want to be committed to one agent for more than a few months. If the home doesn't sell within the initial period and you're satisfied with the agent's efforts, you can offer to extend the term of the agreement before it expires.
2. **Commission.** Although commissions are negotiable, most areas have a standard percentage that brokerages require and agents expect to receive. This amount usually is 6 percent of the sales price, but you will find agents who accept 5 percent and agents who ask for 7 percent. Whether you want to pay the percentage that's typical in your area or negotiate a lower rate is up to you. A lower commission will save you money. A higher commission will give the agent more incentive to invest in marketing your home. Other agents can find out how much commission is offered on your home through the MLS. The agent's commission technically shouldn't be renegotiated as part of the purchase agreement between the seller and the buyer, but some agents will give a little to close a price gap between the seller and buyer, consequently making the transaction viable.

3. **MLS.** A listing agreement typically authorizes your agent to post your home in the Multiple Listing Service (MLS). Unless you're selling a very exclusive property or have serious personal privacy concerns, the MLS is a no-brainer because it helps the agent market your home to the widest possible group of potential buyers. Today, most MLS databases are accessible by consumers on the Internet. The public does not have access to commission information on the listings.
  
4. **Lockbox.** A lockbox is a tiny key-holding safe that can be inconspicuously attached to the front of your property. Any agent who has the means of accessing the lockbox (e.g., the key or combination) can retrieve the keys to your home, unlock your door and show your home to prospective buyers even when neither you nor your agent is present. If you're concerned about strangers entering your home alone, don't authorize a lockbox. If your home is vacant, located in a low-crime area or if you've removed your valuables and are willing to take the risk, a lockbox might be reasonable. The more people who see the property, the better chance you'll have of selling it for a favorable price.

## **Seven Steps to Selling Your Home**

### **Maximizing Your Price/Minimizing Your Hassles**

#### **Step 3 - Set the Price**

Every reasonable owner wants the best possible price and terms for his or her home. Several factors, including market conditions and interest rates, will determine how much you can get for your home. The idea is to get the maximum price and the best terms during the window of time when your home is being marketed. In other words, home selling is part science, part marketing, part negotiation and part art. Unlike math where  $2 + 2$  always equals 4, in real estate there is no certain conclusion. All transactions are different, and because of this, you should do as much as possible to prepare your home for sale and engage the REALTOR® you feel is best able to sell your home.

#### **What is your home worth?**

All homes have a price, and sometimes more than one. There's the price owners would like to get, the value buyers would like to offer and a point of agreement which can result in a sale.

In considering home values, several factors are important:

- The value of your home relates to local sale prices. The same home, located elsewhere, would likely have a different value.
- Sale prices are a product of supply and demand. If you live in a community with an expanding job base, a growing population and a limited housing supply, it's likely that prices will rise. Alternatively, it's important to be realistic. If the local community is losing jobs and people are moving out, then you'll likely have a buyer's market.
- Owner needs can impact sale values. If owner Smith "must" sell quickly, he will have less leverage in the marketplace. Buyers may think that Smith is willing to trade a quick closing for a lower price -- and they may be right. If Smith has no incentive to sell quickly, he may have more marketplace strength.
- Sale prices are not based on what owners "need." When an owner says, "I must sell for \$300,000 because I need \$100,000 in cash to buy my next home," buyers will quickly ask if \$300,000 is a reasonable price for the property. If similar homes in the same community are selling for \$250,000, the seller will not be successful.
- Sale prices are NOT the whole deal. Which would you rather have: A sale price of \$200,000, or a sale price of \$205,000 but where you agree to make a "seller contribution" of \$5,000 to offset the buyer's closing costs, pay a \$2,000 allowance for roof repairs, fund two mortgage points, re-paint the entire house and leave the washer and dryer?

#### **How much is too much?**

Because all transactions are unique there is flexibility in the marketplace. The amount of flexibility depends on local conditions. For example, suppose you're selling a townhouse. Suppose also that there have been five recent sales of the model you own and that sale values have ranged between \$200,000 and \$210,000. You now have an idea of how your home might be priced. In a strong market perhaps you can ask for \$210,000 or a little more. If the market has slowed, \$210,000 may be a reasonable asking price, but perhaps more than the final sale price.

Here's another scenario. Imagine that you live in a community of Victorian-style homes, most of which were built in the 1920s. All the homes are different in terms of size, condition, modernization, style and features. In such a neighborhood, an average sale price is just a statistic without much practical meaning. On a single block one home may sell for \$400,000 while another is priced at more than \$1 million. The average price may be outrageously high for one home and staggeringly low for another.

### **Who can help?**

Experienced REALTORS® are active in the local marketplace and can provide assistance with pricing, marketing, negotiation and closing.

Because experienced REALTORS® have handled many transactions, they're familiar with the terms and conditions that went into individual sales, not just published sale prices which may not reflect various premiums, discounts and adjustments.

## **How Much is Your Home Really Worth**

[Gather information from several sources and compare the findings rather than rely on just one approach to home valuation.](#)

Your home's market value is an important factor in a long list of financial decisions, including selling the home, refinancing your mortgage, borrowing against your equity, estimating your annual property tax bill, buying homeowner's insurance, calculating the expected return on remodeling costs, managing your other investments, estate planning and so on. The trick is figuring out how much your home is worth -- and remembering that how much you paid for it months or years ago isn't relevant to its current market value. It's not a bad idea to gather information from several sources and compare the findings, rather than relying on just one approach to home valuation.

Here are four suggestions to start:

**Call a couple of REALTORS®.** Even if you're not planning to sell your home right away, many REALTORS® will be willing to prepare a comparable market analysis (CMA) for you as a marketing service with the goal of getting your business whenever you decide to move. A CMA shows the prices of recently sold homes that are comparable to yours and the prices of comparable homes on the market. A market-savvy REALTOR® can give you a rough idea of what your home would be worth, given its size and condition and local market conditions.

**Purchase a professional appraisal.** Unlike a CMA, a professional appraisal is rarely free. However, the several hundred dollars you'll pay for an appraisal, depending on size of your home and the complexity of the work, could be money well spent if you're making a major financial decision that hinges on the value of your home. Appraisers rely on an in-person inspection of your home, recent sales of comparable homes and other data to arrive at an opinion of value. The appraiser's report is a full-blown description of your home and the criteria used to formulate the valuation.

**Go to neighborhood open houses.** Open houses are a good opportunity to view comparable homes for sale in your neighborhood and chat with real estate professionals about the local real estate market. Two caveats: It's not easy to be objective about your own home and you shouldn't assume that the listing price on a for-sale necessarily reflects the home's true market value. If you keep those points in mind, information gathered at open houses can be worth considering along with data from other sources.

**Do research online.** A number of Web sites offer home valuation information free or for a fee.

**TIP:** Price per square foot is a time-honored method of real estate valuation and not a bad rule of thumb. However, it doesn't account for a choice location, a move-in-ready home or personal criteria and you should factor in how the property was measured and whether the square footage includes the garage or other detached buildings on the property.

## How to Price Your Home

Pricing decisions should be grounded in reality rather than wishful thinking.

When the time comes to price your home for sale, you may be tempted to start with the price you paid for it, add a healthy markup and call it a day. Unfortunately, that strategy is unlikely to result in a true reflection of your home's market value.

Here are six strategies to help you figure out how much your home is worth:

1. **Abandon your personal point of view.** How much will a ready, willing and able buyer be willing to pay for your home? Buyers don't care how much you paid for the home, how many memorable moments you and your family shared in the home, how much cash you need for the down payment on your next home or how much time and money you've invested in your home's hardwood floors, fresh paint, lush landscaping or other improvements.
2. **Get a couple of CMAs.** Invite at least three real estate agents to visit your home and give you their opinion of its likely selling price. Ask for a "comparative market analysis" (CMA), which shows the prices of comparable recently sold homes, on-the-market homes and homes that were on the market, but weren't sold. The on-the-market homes are the "competition" for your home. Ask the agents why each home was included in the CMA and whether any other comparable homes were eliminated from the CMA. Price recommendations based on CMAs aren't gospel.
3. **Do your own market research.** Go to open houses in your neighborhood and try to make an impartial assessment of how those homes compare to yours in terms of location, size, amenities and condition. Assuming all the asking prices were the same, would you buy your home or someone else's?
4. **Calculate the price per square foot.** The average price per square foot for homes in your neighborhood shouldn't be the sole determinant of the asking price for your home, but it can be a useful starting point. Keep in mind that various methodologies can be used to calculate square footage.
5. **Consider market conditions.** Are home prices in your area trending upwards or downwards? Are homes selling quickly or languishing? Will your home be on the market in the spring home-buying season or the dead of winter? Are interest rates attractive? Is the economy hot or cold? Will you be selling in a buyer's market or a seller's market? Is the local job market strong or are employees fearful of staff reductions?
6. **Sweeten the transaction terms.** Some buyers have needs that go beyond the bottom line. If you're willing to close escrow quickly, you'll attract buyers who want to move in right away. If you can offer seller-financing, your home will appeal to buyers who need to stretch their financial resources. A lease-option can help first-timers who need down payment assistance. The more creative and flexible you can be in meeting the buyer's needs, the more success you'll have in pricing your home to sell.

## How to Read Housing Market Stats

Here are some helpful definitions to help you follow the numbers.

Homeowners have a seemingly insatiable appetite for information about the housing markets. "Are prices going up? How's the market? Is now a good time to sell?" they ask. Research reports and newspaper articles provide useful answers, but the information is usually buried in economic jargon. What is a "median price" anyway? What does "seasonally adjusted" mean? Does anyone understand "unsold inventory index?"

To help you follow the numbers, here are some helpful definitions:

**Median price.** An oft-cited indicator of the strength and direction of a housing market, a median price is the midpoint of all the prices of homes sold in a given area during a specified period. Midpoint means half the homes sold for higher prices and half the homes sold for lower prices. The median isn't the same as the average, which would be calculated by totaling all the prices and dividing by the number of prices. The median price can be affected over time by the characteristics and sizes of homes sold as well as price trends. For example, if the market shifts from starter homes to luxury mansions, the median price will increase even if homes are not appreciating in value.

**Seasonally adjusted.** Housing markets are naturally more active in the spring and summer months because people prefer to move during the longer warmer days and between school years. That pattern means it's difficult to make meaningful comparisons between results for different months or quarters of the same year. To overcome this hazard, economists statistically tweak the reported number of homes sold during various periods to reflect seasonal variations. The tweaked numbers are denoted as "seasonally adjusted."

**Price discount.** The "price discount" is the percentage difference between the seller's initial asking price and the actual purchase price of the same home. For example, if a home were priced at \$200,000 and sold for \$190,000, the discount would be 5 percent. Price discounts are usually reported as an average for a set of home sale transactions. A small percentage, on average, means the market favors sellers, while a large average discount signals a buyer's market.

**Unsold inventory index.** This index, which indicates the pace of the market, is calculated by measuring how long it would take for all the homes currently on the market to be sold at the current rate of sales. A smaller index is a positive sign for sellers, while a higher number is good news for buyers.

**Affordability index.** An affordability index measures whether a typical family can qualify for a standard mortgage to purchase a typical home. A "typical" family is defined as one that earns the median income in a given area, and a "typical" home is defined as a median-priced single-family house in the same area. An index value of 100 means a median-income family has exactly the amount of income needed to purchase a median-priced home. A number higher than 100 means the family's income is more than adequate, while a number less than 100 means the typical family can't afford to buy the typical home.

## Set Your List Price

Setting the list price for your home involves evaluating various market conditions and financial factors.

During this phase of the home selling process, your REALTOR® will help you set your list price based on:

- Pricing considerations
- Comparable sales
- Market conditions
- Offering incentives
- Estimating net proceeds

### Pricing considerations

In setting the list price for your home, you should be aware of a buyer's frame of mind. Consider the following pricing factors: If you set the price too high, your house won't be picked for viewing, even though it may be much nicer than other homes on the street. You may have told your REALTOR® to "Bring me any offer. Frankly, I'd take less." But compared to other houses for sale, your home simply looks too expensive to be considered. If you price too low, you'll short-change yourself. Your house will sell promptly, yes, but you may make less on the sale than if you had set a higher price and waited for a buyer who was willing to pay it.

### Using comparable sales

No matter how attractive and polished your house, buyers will be comparing its price with everything else on the market. [Your best guide is a record of what the buying public has been willing to pay in the past few months for property in your neighborhood like yours.](#) Your REALTOR® can furnish data on sales figures for those "comps", and analyze them for a suggested listing price. The decision about how much to ask, though, is always yours.

The list of comparable sales a REALTOR® brings to you, along with data about other houses in your neighborhood presently on the market, is used for a "Comparative Market Analysis (CMA)." To help in estimating a possible sales price for your house, the analysis will also include data on nearby houses that failed to sell in the past few months, along with their list prices. This CMA differs from a formal appraisal in several ways. One major difference is that an appraisal will be based only on past sales. In addition, an appraisal is done for a fee while the CMA is provided by your REALTOR® and may include properties currently listed for sale and those currently pending sale. In a normal home sale, a CMA is probably enough to let you set a proper price.

A formal written appraisal (which may cost a few hundred dollars) can be useful if you have unique property, if there hasn't been much activity in your area recently, if co-owners disagree about price, or if there is any other circumstance that makes it difficult to put a value on your home.

TIP: If you do order a market value appraisal, make it clear you don't need an elaborate, or full narrative report -- the kind that's complete with photos of the house and neighborhood, a map specifying the site, and floor plans is sufficient.

### Consider market conditions

A Comparative Market Analysis (CMA) often includes Days on the Market (DOM) for each comparable house sold. When real estate is booming and prices are rising, houses may sell in a few days. Conversely, when the market slows down, average DOM can run into many months. Your REALTOR® can tell you whether your area is currently a buyer's market or a seller's market. In a seller's market, you can price a bit beyond what you really expect, just to see what the reaction will be. In a buyer's market, if you really need to sell promptly, offer an attractive bargain price.

### **Offering incentives**

Some sellers list at the rock-bottom price they'd really take, because they hate bargaining. Others add on thousands to the estimated market value "just to see what happens." If you want to try that, and if you have the luxury of enough time to feel out the market, sit down with your REALTOR® and work out a schedule in advance. If there haven't been many prospects viewing your home after three weeks, you may need to lower your list price. If that doesn't bring any prospective buyers, you may need to lower your list price again. Plan on doing that regularly until you find a level that attracts buyers. Make a written schedule in advance, before emotion takes over and you're tempted to dig your heels in.

Sometimes cash incentives are as effective as lowering the price, especially in the lower price range where buyers may be "cash poor." You may offer to pay some or all of a buyer's closing costs and discount points required by the buyer's lending institution. If you haven't had much traffic through your house and you're in a hurry to sell, you may want to add the offer of a bonus to the selling broker, in addition to their commission. An example of the wording for such an offer may be "to the broker who brings a successful offer before Christmas."

### **Estimating net proceeds**

Once you've been given an estimate of market value by your REALTOR®, you can get a rough idea of how much cash you might walk away with when the sale is completed. This can be particularly useful as you start looking for another home to buy. From the estimated sales price, subtract:

- Payoff figure on your present loan(s)
- Broker's commission
- Any prepayment penalty on your mortgage
- Attorney's fees, if any
- Unpaid property taxes

In addition, your REALTOR® can tell you whether local customs or rules dictate that the buyer or seller to pay for the following items:

- Title insurance premium
- Transfer taxes
- Survey fees
- Inspections and repairs for termites and the like
- Recording fees
- Homeowner Association transfer fees and document preparation
- Home protection plan
- Natural hazard disclosure report

As far as closing costs are concerned, you and your eventual buyer may agree on any arrangement that suits you, no matter what local practice dictates. Your REALTOR® will assist you in estimating what your final closing costs will be.

## Seven Steps to Selling Your Home Maximizing Your Price/Minimizing Your Hassles Step 4 - Market It

If you bought a car, you could purchase a given model with selected features from any dealer. Since the car comes from one assembly plant, it's going to be the same whether purchased from dealer Smith or dealer Jones.

Homes are different. Each is unique, the marketplace is always in flux, interest rates constantly change and new buyers search for homes each day. With such fluidity, it requires REALTORS® to craft marketing plans specifically for individual homes and market conditions.

Selling can entail a variety of marketing strategies. Once listed, it's likely that the home will be quickly entered into the local MLS (Multiple Listing Service) and placed on REALTOR.com®. REALTORS® routinely market by mail with new-listing announcements and regular newsletters. Open houses, broker access to the home via the use of a lock box and networking with both local and out-of-town brokers are also common.

Much of a broker's work will be quiet and unseen -- yet important. The quiet telephone calls, the work with contacts, the follow-ups with open-house visitors, conversations with ad respondents, the web postings and other out-reach efforts are all part of the process required to sell homes.

Experienced REALTORS® base their marketing efforts on previous transactions and ongoing research. For instance, according to the National Association of Realtors (NAR), 80 percent of all buyers start the buying process on the internet. NAR numbers also show that most households move within 10 miles of their current location while 20 percent move at least 50 miles.

### **How to market your home.**

If you look at a typical transaction you can see that there are five general areas where REALTORS® can assist in the home-selling process.

- **Preparation:** Before being placed on the market, homes must be in "show" condition. REALTORS® can explain what repairs and upgrades are required for individual homes which are most likely to produce the best results.
- **Pricing:** Brokers do more than price homes for sale, they also construct sale terms designed to speed the selling process. It may be, for example, that a home priced at \$150,000 with a 2 percent seller credit to the buyer at closing will be far more attractive to purchasers than a home priced at \$147,000. Why? That 2 percent credit is worth \$3,000 to the purchaser at closing -- the time when buyers are most likely strapped for cash.
- **Marketing:** REALTORS® will execute strategies and programs to get the home sold. Typically this includes placement on the local MLS and Realtor.com as well as related marketing, advertising and networking.
- **Negotiation:** REALTORS® assist owners in the bargaining process, offering advice and counsel as offers are received and by working closely with legal counsel, tax specialists and inspectors as required.
- **Closing:** Once a contract for the purchase of a home has been accepted, a series of inspections and checks are typically required to satisfy buyers and lenders. REALTORS® can help owners complete the transaction process by assisting with the many requirements found in a typical sale agreement.

### **How to hold an open house.**

There are no universal marketing standards for real estate because marketplaces are localized. For instance, open houses may be common in some communities but rarely used in others.

In the case of an open house, a REALTOR® typically advertises that the home will be open for a given period (2-5 p.m. on Sunday). During the open period, the REALTOR® hosts the home while the owners leave for a few hours.

At the open house, the REALTOR® will provide literature, maintain a visitor log and answer questions. By interacting with visitors, the REALTOR® will seek feedback regarding the home and opportunities to follow up with prospective purchasers.

### **How do you show your home online?**

The Internet is an important factor in real estate marketing as we mentioned previously, 80% of buyers start the buying process searching the internet.

The Internet has two important roles in the real estate selling process. First, it is a "place" to view real estate. Realtor.com, for example, lists about 1.4 million homes, the largest group of homes online or off. Individual REALTORS® also maintain thousands of localized sites while professional groups and, likewise, industry organizations, have an online presence.

Online real estate information includes not only home listings, but numerous additional features and benefits. For instance, Move.com® offers neighborhood information, school data, recent home sale prices, video tours, model forms, real estate news and consumer information.

Equally important, the Internet offers new communication media. E-mail and instant messaging give REALTORS® and consumers more opportunities to keep in touch. As the Internet evolves, more technologies and techniques will be introduced to make transactions easier and more efficient.

## **The Basics of Marketing Your Home**

Your broker's marketing efforts and considerations will include advertising, showing the property, how long the house has been on the market and whether you're buying another home.

Your home should be listed, whenever possible, in the local Multiple Listing Service and on REALTOR.com, which has the largest online database of homes and virtually 100% of potential buyers who look for property on the Internet.

### **Advertising**

The REALTOR'S® largest expense has traditionally been classified advertising in the local newspaper. However, today properties are also exposed through popular Internet home search/listing services, radio and television promotions, and real estate guides. Even with all these additional advertising avenues, "For Sale" signs on the front lawn are still remarkably effective. Many REALTORS® use brochure boxes along with these signs to market the property. When appropriate, and with your permission, your agent may send a mailing about your property to neighbors. Sometimes one of them has "a friend or relative who always wanted to live near me." You never know.

### **Showings and open houses**

To prepare your home for viewing, make it as light, cheerful and serene as possible. Your REALTOR® will probably find a tactful way to suggest that you not be present while the house is being shown to prospective buyers. This is done because your presence will inhibit their actions and conversations. They won't feel free to open closets and cabinets, test out the plumbing, and discuss their observations objectively as they walk through. It goes without saying that your children and pets should not be on the premises either.

If your REALTOR® has scheduled an open house, you may want to notify the neighbors, and assure them that they'll be welcome. They'll jump at the chance to poke around in your house, and sometimes they can turn up a buyer among their friends. In preparing for an open house, you should:

- Pull the drapes back
- Light lamps
- Simmer a few drops of vanilla on the stove
- Light your fireplace
- Set the dining room or kitchen table if you have particularly nice linen or china
- Put fresh towels in the bathroom
- Leave the house so your REALTOR® is free to deal with prospective buyers in a professional manner.

TIP: When preparing your home, think about the techniques that are used to show builders' model homes.

### **How long has your house been on the market?**

Professional appraisers sum up their entire body of knowledge in three words -- "Buyers make value." Your home is worth as much as some member of the buying public will come forth and pay for it. After it's been on the market for months, you've been given a clear message that the property may not be worth what you're asking for it. This is particularly true if there haven't been many prospects coming to see it. What you do at that point depends on whether you really need to sell, and whether you're working with a time limit. If you're not really motivated to move soon, you can always wait - years if necessary - and hope inflation will catch up with the price you want. The problem is that in that time, your home begins to feel shopworn. Buyers become suspicious of a house that's been for sale for a long time. If, however, you really do need to sell, discuss with your REALTOR® a schedule for dropping your price gradually until you find a level that attracts buyers. There's no point in saying, "We simply can't sell our house." Anything will sell if the price is right.

### **If you're buying another home**

Don't spend a great deal of time worrying about what will happen when you're selling one home and buying another. You're not alone. REALTORS®, lawyers, and title and escrow companies have had plenty of experience in arranging contracts and loans so that the two transactions dovetail smoothly. It's best to list your present home for sale first.

Selling and buying a home is a very emotional event and if you create a "race" by locating your replacement property before you sell your current home, you may lose it to another buyer, who does not need to sell in order to buy. If you do find just the house you want, you can always put in a purchase offer contingent (dependent) on selling your present one. However, in a hot market you will have difficulty getting the house you want this way.

Sometimes the seller will sign a contract agreeing to wait a certain period of time while you find a buyer for your house - sometimes not. What would you do if you were presented with such a proposal, from a buyer who also has a house to sell? If you do find that you need to buy the next house before you've received the proceeds from the present one, lending institutions can sometimes make you a short-term "bridge" loan to tide you over between the two transactions. Make sure you fully understand the exposure and emotional investment before proceeding with this type of loan.

## **Seven Steps to Selling Your Home**

### **Maximizing Your Price/Minimizing Your Hassles**

#### **Step 5 - Sell It**

There is no question that selling a home is an important event. A home sale represents transition, movement and change. Big money is involved. Households move from the known and comfortable to the unknown and a period of adjustment. There may be job changes, new schools, distance from old friends and the possibility of new ones.

No less important, a home sale by itself can be complex. There will be people looking at your house, documents to sign and issues to be negotiated.

Because a home sale involves an array of both personal and business concerns, it's important to get it done right. You need to carefully prepare your home, understand the market and see what alternatives are realistically available. The old motto "be prepared" is a good guide in such circumstances.

#### **What's an acceptable offer?**

The goal of every seller is to have a line of buyers outside the front door, each clutching higher and higher offers. And while this has been known to happen, in most markets there is some balance between the number of buyers and sellers. A number of factors determine whether a buyer's offer is acceptable. They include:

- Is the offer at or near the asking price? Is the offer above the asking price?
- Has the buyer accepted the asking price or something close? Has the buyer then buried thousands of dollars in discounts and seller costs within tiny clauses and contract additions?
- What is the alternative to the buyer's offer? If a home has not attracted an offer in months, then sellers need to determine if a better deal is possible -- recognizing that each month costs are being incurred for mortgage payments, taxes and insurance.
- Does the owner have enough time to wait for other offers?
- What if no other offers are received?
- What if several offers are received? Do you choose the high offer from the purchaser with questionable finances who may not be able to close, or a somewhat lesser offer from a buyer with pre-approved financing?

In each case, owners -- with assistance from REALTORS® -- will need to carefully review offers, consider marketplace options and then determine whether an offer is acceptable.

#### **What is a counter-offer?**

When a home is made available for sale the owner is essentially making an offer to buyers: For a given number of dollars and other terms you can acquire this home. Buyers, in turn, can respond with several options:

- Not interested.
- Yes, we'll buy on the owner's terms.
- We're interested and here's our counter-offer.

A counter-offer is nothing more than a new offer. And just as the buyer had three options in response to the owner's original price and terms, the seller can now choose one of three reactions: accept the offer, decline the offer or make a fresh counter-offer.

Offers and counter-offers reflect the back-and-forth activity of the marketplace. It's an efficient and practical process -- but also one that may contain tricky clauses and hidden costs. The REALTOR® who lists your home can explain the local bargaining process in detail and assist in the actual negotiations.

### **How do you negotiate?**

It's sometimes argued that negotiation must produce one "winner" and one "loser." Others suggest that a "win/win" situation is possible where each side gets something of value.

Real estate bargaining typically involves compromises by both sides. It's not war; it's not winner-take-all; and it's not the time to take personally any comments made by purchasers.

Instead, negotiating should be seen as a natural business process; buyers should be treated with respect; and owners should never lose sight of either their best interests or their baseline transaction requirements. These are the standards unique to each owner, which must be met before the home can be sold.

## **The Bottom Line on Contract Negotiations**

The price isn't the only factor that determines the net bottom line.

The natural focal point of a real estate purchase contract is the selling price of the home, but the price isn't the only factor that determines the net bottom line for both the buyer and the seller. Is a bargain for the buyer really a bargain if he or she is paying all the transaction costs? Is a top price for the seller really a top price if the buyer wants all the furniture to be included in the purchase price? Or if the buyer can't come up with the down payment or qualify for a mortgage? Before you decide to go ahead with a great price, here are five other bottom-line points to consider:

1. **What are the estimated transaction costs and who will pay for what?** Typical costs include the brokers' commission, a home inspection, a termite inspection, escrow or attorney's fees, a title search, an owner's title insurance policy, transfer taxes and recording fees. The price tags on these items vary greatly around the country. Who pays for what is a matter of both local custom and negotiation.
2. **How much money is the buyer putting into escrow and how soon?** A big deposit -- called "earnest money" -- and a substantial down payment are generally seen as a sign that the buyer is serious about completing the transaction. From the seller's point of view, the more money the buyer places in escrow and the sooner the money is transferred, the better.
3. **Is there a mortgage financing contingency and how specific is it?** The mortgage escape clause is a must for buyers, unless they're paying all cash for the home. Without this contingency, buyers can be legally obligated to purchase the home even if they can't obtain financing. Further, an open-ended statement that says the buyer will obtain a loan "at the prevailing rate of interest" leaves the buyer completely exposed to interest rate fluctuations. A statement that says the loan must be at an interest rate "not to exceed xx percent" and on specified terms is preferable.

4. **What furniture, fixtures and appliances, if any, are being sold with the property?** Technically, anything that's permanently affixed to or installed in the home is real property. Everything else is the seller's personal property. This distinction is a narrow one and it naturally leads to a fair amount of confusion. Are built-in appliances real property or personal property? What about a shelving system? A chandelier? Window coverings? Potted plants in the backyard? Sellers who intend to remove anything that's attached to the home should have that spelled out in the contract. And the same goes for buyers who expect to acquire any of the furniture or other movables.
5. **What will happen if either side breaches the contract?** Unless an unmet contingency triggers the abandonment of the contract, it's a binding legal document. Buyers who fail to perform can lose their deposit money. Sellers who try to back out can be sued for "specific performance," which forces the sale of the home to the buyer. Many contracts also specify that disputes must be brought in small-claims court or presented for arbitration or mediation.

**Tip:** Ask your real estate agent to go over the standard contract with you before you receive or make a purchase offer. That way, you'll know what to expect and be prepared to negotiate the best deal you can get.

## Negotiating to Yes

Negotiating a purchase agreement is perhaps the trickiest aspect of any real estate transaction.

Most home buyers and home sellers want to arrive at a win-win agreement, but that's not to say either side would regret getting a bigger "win" than the other. Successful negotiating is more than a matter of luck or natural talent. It also encompasses the learned ability to use certain skills and techniques to bring about those coveted win-win results. Here are six tips and suggestions to turn negotiation into agreement:

1. **Start with a fair price and a fair offer.** There's no question that significantly overpricing your home will turn off potential buyers. Likewise, making an offer that's far lower than the asking price is practically guaranteed to alienate the sellers. Asking and offering prices should be based on recent sales prices of comparable homes.
2. **Respect the other side's priorities.** Knowing what's most important to the person on the other side of the negotiating table can help you avoid pushing too hard on hot or sensitive issues. For example, a seller who won't budge on the sales price, might be willing to pay more of the transaction costs or make more repairs to the home, while a buyer with an urgent move-in date might be willing to pay a higher portion of the transaction costs or forgo some major repairs.
3. **Be prepared to compromise.** "Win-win" doesn't mean both the buyer and the seller will get everything they want. It means both sides will win some and give some. Rather than approaching negotiations from an adversarial winner-take-all perspective, focus on your top priorities and don't let your emotions overrule your better judgment.
4. **Meet in the middle.** Can't decide who will pay the recording fee? Can't agree on a close-of-escrow date? Arguing over cosmetic repairs? Splitting the difference is a time-honored and often successful negotiation strategy. Pay half the fee. Count off half the days. Fix half the blemishes.
5. **Leave it aside.** Politicians and corporate executives are famous for their "for future discussion" agreements. If you have a major sticking point that's not material to the overall contract (e.g., the purchase of furniture or fixtures), finish the main agreement, then resolve the other difficulties in a side agreement or amendment. This technique allows both sides to recognize and solidify basic areas of agreement, then move ahead toward a fair compromise on other terms and conditions. Summarizing the points of agreement in writing is another helpful strategy.

6. **Ask for advice.** Successful REALTORS® tend to be experienced negotiators. They've seen what works and what doesn't in countless real estate transactions, and they've established a track-record of bringing buyers and sellers together. Consult your REALTOR about negotiating strategies, win-win compromises and creative alternatives.

## Contract Negotiations: Terms and Conditions

If the terms and conditions of the deal aren't acceptable, you might want to pause and think twice.

There's a lot to consider before you sign a real estate purchase agreement. If the terms and conditions of the deal aren't acceptable, you might want to pause and think twice, even if the purchase price is more than satisfactory. After all, the price will be moot if the transaction never closes.

The typical residential real estate purchase contract is complicated, densely written and packed with legal jargon, but don't use that fact as an excuse for not reading the entire contract. Take your time and read slowly. Ask questions about anything you don't understand. Be flexible and willing to negotiate. The following five points are among the many items that merit attention:

1. **What are the cutoff dates for inspections and approvals of the inspection reports?** A typical contract provides an opportunity for the buyer to hire all manner of experts to check out the condition of the home. From the buyer's perspective, the more time that's allowed for these once-overs, the better. Sellers, on the other hand, usually want the inspections to be completed and signed off as soon as possible.
2. **Who is responsible for making repairs, if any, as a result of the inspections?** The fact that the buyer orders one of more inspections of the home for informational purposes doesn't obligate the seller to make repairs or modifications as a result of those inspections. In practice, however, inspection reports often are used to negotiate repairs of major problems or safety or environmental hazards that may be noted. The purchase contract should provide some guidance for these negotiations.
3. **Is the seller making any representations or warranties regarding the condition of the property?** In some contracts, the seller warrants that specified major components of the home (e.g., the roof or central heating or cooling system) are in good repair and working order at the close of escrow. Buyers should understand which components of the home are guaranteed and which are being sold "as-is."
4. **Will a home warranty plan be purchased?** A home warranty plan is a sort of limited insurance policy covering the basic major systems and appliances in the home. It may seem like a prize for the buyers, but it's equally important for the sellers and the real estate broker representing the sellers. In fact, these warranty plans are so popular among real estate agents that many of them will pick up the tab for the program in order to insulate themselves from irate buyers.
5. **When is escrow scheduled to close?** Pay attention to this date! If you're selling your home, you'll be expected to move out completely before the property changes hands. You'll want to make sure the closing date doesn't fall before you're able to move into your next residence. If you're buying a home, you'll be able to pick up the keys on the day escrow closes. You'll want to make sure you don't give up your prior residence too soon. Don't cut the dates too close. Many escrows end up closing a day or two later than the contract states--but that can happen only with the mutual agreement of the buyer and seller.

## Capital Gains Escape for Sellers

IRS TAX TIP 2007-54

If you have a gain from the sale or exchange of your main home, you may be able to exclude from income all or part of the gain.

This exclusion, up to \$250,000 for individuals and \$500,000 for married taxpayers filing joint returns, is allowed each time that you sell your main home, but generally no more frequently than once every two years.

To qualify for this exclusion of gain, you must meet ownership and use tests.

**Ownership Test:** During the 5-year period ending on the date of the sale, you must have owned the home for at least 2 years.

**Use Test:** During the 5-year period ending on the date of the sale, you must have lived in the home as your main home at least 2

If you and your spouse file a joint return for the year of the sale, you can exclude the gain if either of you qualify for the exclusion. But both of you would have to meet the use test to claim the \$500,000 maximum amount.

If you do not meet the ownership and use tests, you may be allowed to exclude a reduced maximum amount of the gain realized on the sale of your home if you sold your home because of health reasons, a change in place of employment, or certain unforeseen circumstances. Unforeseen circumstances include, for example, divorce or legal separation, natural or man-made disasters resulting in a casualty to your home, or an involuntary conversion of your home.

If you can exclude all the gain from the sale of your home, you do not report the gain on your federal tax return. If you cannot exclude all the gain from the sale of your home, use Schedule D, Capital Gains and Losses, of the Form 1040 to report it.

For more details and information see IRS Publication 523, Selling your Home, available at IRS.gov or by calling 800-TAX-FORM (800-829-3676).

**More Info on** <http://www.irs.gov/newsroom/article/0,,id=106951,00.html>

Publication 523, Selling Your Home (PDF 194K)

Schedule D, Capital Gains and Losses (PDF 136K)

Tax Topic 701 - Sale of Your Home

## **Seven Steps to Selling Your Home**

### **Maximizing Your Price/Minimizing Your Hassles**

#### **Step 6 - Close**

It might seem as though once a sales agreement has been signed that the selling process is complete. Not only is it not over yet, but some of the most complex aspects of a real estate transaction now begins.

A sales agreement sets not only a purchase price for the home, but also a series of terms and conditions. For instance:

- Contracts routinely depend on the ability of a buyer to obtain financing, which is why most sellers prefer buyers with pre-approval letters from lenders.
- A growing percentage of transactions involve a home inspection, or a physical review of the home by a trained and independent observer.
- Lenders will establish numerous conditions before granting a loan. They will want a title exam, title insurance to protect against title errors, termite inspections, surveys and an appraisal to assure that the home has sufficient value to secure the loan.

The REALTOR® typically arranges required inspections and helps the owner prepare for closing.

#### **When should you close?**

With automation now available, closings can occur within a week in some areas -- at least in theory. In practice, it takes time to arrange financing, conduct inspections, obtain appraisals, locate replacement housing, contact movers, pack and actually move.

While instant closings are not practical, neither are closings too far in the future. The problem with closings much past 60 days is that loan rates are difficult to lock in. If mortgage rates go up, it's possible that the buyer will no longer be able to afford the home and thus the deal may fall through.

The result of these considerations is that most homes close 30 to 45 days after a sales agreement has been signed.

#### **What happens?**

Closing -- or "settlement" or "escrow" as it is known in some areas -- is essentially a meeting where the closing agent (the party who conducts settlement) takes in money from the buyers, pays out money to the owner and makes sure that the purchaser's title is properly recorded in local records along with any mortgage liens.

The closing agent reviews the sales agreement to determine what payments and credits the owner should receive and what amounts are due from the buyer. The closing agent also assures that certain transaction costs are paid (taxes and title searches).

Closing is also the time when "adjustments" will be made. For instance, suppose you've pre-paid taxes four months in advance. In this case, the closing agent will compensate you for the prepayment at closing by having the buyer pay you additional money.

It could also work in reverse. If you are behind on property taxes, the closing agent will reduce the money due to you at settlement by the amount of the unpaid taxes.

### How do you prepare to sell?

It's important to look at the sales agreement and review your obligations. For instance, if you have agreed to paint a room or replace the dishwasher, such work must be completed before closing. Your REALTOR® can discuss your agreement and the steps which must be taken to complete the transaction.

The closing agent will handle both the settlement papers and related documents.

## The Home Inspectors Coming

Regardless of what the inspector may uncover, you shouldn't be overly concerned about the actual home inspection.

Your home is in escrow, and the buyer has scheduled a home inspection. Should you be worried about what the inspector might find? The answer depends, of course, on the condition of your home and how well you've maintained its major components over the years. Regardless of what the inspector may uncover, however, you shouldn't be overly concerned about the actual home inspection. Keeping in mind that disclosure laws and customary real estate practices vary from place to place, here are six suggestions as to how you might help the home inspection process go smoothly:

1. **Leave the premises.** It's perfectly reasonable to absent yourself from your home during the home inspector's visit and turn over the duties to your real estate agent. Your agent should be familiar with the home inspection process and be able to act as your representative. In fact, in most cases, many listing agents prefer that the seller not be at home during the buyer's home inspection.
2. **Not an Adversary.** Some sellers mistakenly assume the home inspector is an adversary. Experienced professional home inspectors aren't on a mission to find fault with every tiny aspect of your home. The home inspector's role is to offer the buyer a fair assessment of the property.
3. **Negotiating Negative Comments.** The time to explain and negotiate negative comments will come after you receive and review your copy of the inspector's report.
4. **Don't make statements about your home that are beyond your personal knowledge or can't be verified.** For instance, if you are asked how old the roof is or when certain appliances were installed, check your records before you answer. If you have documentation, provide a copy of it. If repairs or modifications were made prior to your purchasing the home, don't guess when that work was performed. The same caution about misrepresentations applies to questions about whether permits were obtained for remodeling, the exact square footage of your home, the name of the architect who designed it and so on.
5. **Don't block access to normal living areas of your home.** If the home inspector can't enter a room or complete some other aspect of the inspection, that will be noted in his or her report and the buyer may question it.
6. **Make agreed-upon repairs promptly.** The buyer may ask the inspector to okay any repairs you agree to make as a result of the inspection. The sooner you make the repairs, the sooner the contingency can be met. Delaying the repairs until the last minute won't stop the buyer from having those items re-inspected, but it could delay the closing of escrow.

## **Seven Steps to Selling Your Home**

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#### **Step 7 - Moving**

Even the smallest home contains a lot of furniture, clothes, kitchen equipment, pictures and other items. For a short move, it may be worthwhile to transport small goods by yourself, but larger items will likely require a professional mover.

It's ideally best to get rid of excess furniture and other goods by having a sale before you move. This will reduce the volume of goods to be moved and thus lower moving costs. Unwanted furniture which cannot be sold can often be donated to charitable groups, many of which will come to your home to pick up donations. All other unwanted items should be taken to a landfill. You should provide the U.S. Postal Service with a forwarding address, and utility companies should be advised when to end service. Check with utility companies to see if there is deposit money which should be returned.

#### **How do you plan a move?**

The time to plan your move begins once you've decided to sell your home. Some of the activities required to sell the home can actually help with the moving process. For example, cleaning out closets, basements and attics means there will be less to do once the home is under contract.

Your planning will be guided by a number of things:

- Are you moving a long distance? If yes, you'll likely require an interstate mover and the use of a large van.
- Moving internationally. Contact the embassy in Washington, D.C., for information. Be aware that items which may be entirely common in the United States can be prohibited in foreign countries. Ask about customs protocols, duties and taxes.
- Moving locally? If yes, will you move yourself? You'll need to consider packing boxes, peanuts, blankets or padding and a van rental.
- Planning is key. Stock up on boxes, packing materials, tape and markers. Always mark boxes so that movers will know where goods should be placed.

#### **Who should you use?**

There are a number of factors to consider. Money is one issue: You'll want to spend as little as possible, but choosing only on the basis of cost can be a mistake. Movers must have the right equipment, training and experience to do a good job. A mover, no matter how large or small, should be able to provide recent references for home sellers with a similar volume of goods to transport.

Get mover estimates in writing. Be aware that it's possible to get discounts through membership organizations and, sometimes, on the basis of your profession: Clergy, for example, sometimes qualify for a discount.

Always confirm mover credentials. Movers should be licensed and bonded as required in your state, and employees should have workman's comp insurance.

#### **Get a checklist.**

Moving is a big job and checklists can make it more organized and easier. Here are some of the major items to consider:

- Money. If you're moving more than a few miles then you should have enough cash or credit to cover travel, food, transportation and lodging.
- Medicine. Keep medicines and related prescriptions in a place where they will be available during the move.
- Number boxes so that all items can be counted on arrival. Make a list of boxes by number and indicate their contents.
- If moving with children, make sure that each has a favorite toy or toys, blankets, games, music and other goods.
- Moving historic, breakable or valued items? Such goods routinely require special handling and packaging.
- Have address books readily available in case you need help.
- If you have a laptop computer with a modem, make it accessible during your trip to pick up business and personal e-mail.