

# **HOMESELLER'S GUIDE**

## **Step 1: Plan/Prepare**

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 homebuyers - 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 local 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.

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.

## 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. Because Realtor.com is the largest real estate site online, it's a perfect place to look when seeking realty services. Realtor.com lists realty professionals nationwide, and you can find those active in your community through extensive directories and property listings.

### 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®?

Whether you're a first-time seller or someone who has sold many homes, there are several ways to find a local REALTOR®:

- Use the "Find a REALTOR®" search engine on REALTOR.com® to find individuals who actively sell in your community.
- Get recommendations from past sellers.
- Look for REALTOR® signs in your community.
- Check the classifieds in local newspapers and "shopper" publications.
- Look at the listings in local real estate magazines.

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®?**

Once your home is listed with a REALTOR®, he or she will immediately begin to market your home according to the most appropriate conventions for your community.

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.

## **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.

## 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 outreach 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), 37 percent of all buyers check 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.
- [The Basics of Marketing Your Home](#)

### **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.

## **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 preapproved 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.

## Step 6: Close

It might seem as though once a sale 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 begin.

A sale 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 preapproval 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 sale 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 sale 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 sale 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.

## **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.

The [moving center](#) on Homestore.com provides calculators as well as information on moving options, storage, truck rentals and related topics. This information, plus assistance and advice from your REALTOR®, can ease the moving process.

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?

The decision of who to use can begin with a visit to REALTOR.com's® [moving center](#) and discussions with the REALTOR® who is marketing your home.

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 homesellers 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.