



Aware Realty

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Designated Broker

Jay & Francy's Advice For Selling Your Home

Provided by:

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Information and materials Jay & Francy Thompson can provide you to help you sell your own home.

- This informative, 48 page booklet.
- Forms you will need, including:
 - Contracts
 - Addendums
 - Sellers Property Disclosure Statement (SPDS)
 - Lead-based paint addendums
 - Swimming pool addendums
- A no cost, no obligation Comparative Market Analysis to help you set your homes price.
- Free Advice. Yes, free.

Why do Jay & Francy Thompson provide you with this information and materials?

You are probably asking yourself this question—“Why are a couple of real estate agents providing me with information and material to help me sell my home. What’s in it for them?”

That is a great question! And the answer is simple...

There are a lot of studies out there that show the vast majority of people trying to sell their own home will at some point solicit the services of a licensed real estate agent. We sincerely hope that YOU are NOT one of these people. But the statistics say there is a good chance you will hire a real estate agent. Should you chose to list your home with a real estate agent, we ask for only one thing:

Please give Jay & Francy the opportunity to list your home. Of course you aren’t obligated to list with us. All we ask is for the opportunity to talk to you about listing your home with us. In exchange for the information and materials we provide you, all we ask for is 30 minutes of your time should you decide to list your home. We strongly believe that after you talk to us and a few other agents (and you should always talk to more than one!) that you will decide to list your home with us.

The other thing we ask for is a copy of your guest register. You should log *every* visitor that comes to view your home. This will allow you to follow up with them. All we ask for is a copy of your guest log. Why? Because people coming to see your house are interested in buying a home. We’d like their contact information so we can see if they’d like our help in buying that home. (We’d love to help YOU buy your next home too!)

And it’d be great if you could give our names to anyone you know who is interested in buying or selling a home.

That’s it! That’s all we ask. Good luck!!

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CHECK-LIST FOR SELLING YOUR HOME

PREPARE:	Done
1. Set your asking price based on the selling price of similar homes in your neighborhood.	
2. Estimate how much cash you will get from the sale after the mortgage and other bills are paid.	
3. Decide if improvements are needed to get your asking price, and if the cost of the improvements can be justified (will that \$1000 deck add \$2000 to the selling price?).	
4. Make improvements that are justified by an increase in the sales price of your home.	
5. Prepare the Exterior of your home for viewing by prospective buyers.	
6. Prepare the Interior of your home for viewing by prospective buyers.	
7. Get a set of real estate contracts and disclosure forms (OfficeMax, Office Depot, Staples or from our Seller's Kit).	
8. Consider a Seller's Home Warranty, a form of insurance against damage to your home or other real estate while it is up for sale.	
9. Consider a professional inspection; one way to find out what a Buyer's inspector will say about your home.	
10. Arrange for a third party to hold deposits or down payments you receive from prospective buyers. A neighbor will do, but attorneys who do a lot of real estate work will often perform this "escrow" function for a nominal fee (in expectation of the larger "closing fee").	
11. Designate the days your home will be available for viewing by prospective buyers (at least the weekend plus one other day).	
ADVERTISE:	Done
1. Write an ad for the real estate section of your local newspaper's weekend edition.	
2. Compose an 8 1/2 x 11 inch real estate fact sheet / flyer that describes your home, the location, the price and how to reach you. Make about 200 copies.	
3. Make or purchase a large "For Sale By Owner" sign and place it in your front yard.	

CHECK-LIST FOR SELLING YOUR HOME

4. Place a dozen 8 1/2 x 11 inch fact sheet / flyers in a transparent envelope or large zip-loc bag and attach to your "For Sale By Owner" sign.	
5. If your home is at the back of a sub-division, or far from the main streets, place directional signs at the main intersection and at corners leading to your home.	
6. Investigate other forms of real estate advertising available in your area: "By Owner" services; Internet ads, TV ads; Real estate magazines.	
SELL:	Done
1. Plan and execute an "Open House" for prospective buyers.	
2. Post your fact sheet / flyer on neighborhood bulletin boards; distribute in shopping center parking lots.	
3. Buyer Qualification: learn to tell if a prospective buyer can afford your home.	
4. Negotiate with all serious buyers	
5. Get Buyer's signature on a contract and collect "earnest money deposit."	
6. Arrange to be at home when Buyer's inspector and appraiser come to examine your home. Smile, entertain, schmooze!!	
7. Select a real estate attorney to handle the closing (in some states the closing is hosted by an attorney for the institution providing the buyer's mortgage, but in most cases the Seller's attorney hosts the closing).	
CLOSE:	Done
1. Re-calculate your estimate of how much cash you will get from the sale after the mortgage and other bills are paid.	
2. Get a copy of the Settlement Statement at least a day before the closing. Make sure the "net cash to Seller" is near to what you estimated.	
3. Closing day: Bring your driver's license and the deed to the property. Question anything on the Settlement Statement that you don't understand.	
4. Celebrate with your family and friends.	

PREPARING FOR THE SALE OF YOUR HOME

Adding Value to Your Home:

Consider the following before making improvements to the home you plan to sell:

- If the house is in poor condition, improvements can increase the sales price.
- A thousand dollars spent to improve a home that is in good condition, seldom adds a thousand dollars to its sales price.
- Nothing adds value like improvements to kitchens and bathrooms.

Cost vs. Improvement in Sales Price: A recent magazine survey confirms advice we've been giving for years.

<u>Improvement Project</u>	<u>\$ Added to sales price for every \$1000 spent on project</u>
Minor Kitchen remodeling	\$990
Adding a Bathroom	\$900
Major Kitchen remodeling	\$850
Adding a Family room	\$830
Adding a Deck	\$700
Replacing Windows	\$680
Replacing Siding	\$680

Reading the table: On average, a person who spent \$1,000 to add a bathroom, saw a \$900 increase in the price of his home. The family who spent \$1000 to add a deck, saw a \$700 increase in sales price.

Note: If you do the work yourself, and cut the cost of adding a deck to \$500, you can still expect the \$700 increase in sales price. On the other hand, shoddy looking work can detract from the value of a home.

If you plan to sell your home within a year, a thousand dollars is best spent on cosmetic touch-ups covered under "Tips for the Interior" and "Tips for the Exterior" on next two pages.

PREPARING FOR THE SALE OF YOUR HOME

Tips for the Interior:

People buy homes that appear spacious, clean and solid.

Spacious:

- Clutter and dark colors turn off most buyers. That means getting rid of everything you can live without.
- Have a garage sale to eliminate unnecessary items. Use the money you earn to put some of your bulkier possessions in storage.
- Bright lights and white walls make rooms look bigger. If you plan to paint, use white or off-white. Replace lights with higher wattage bulbs.
- Clear kitchen countertops as much as possible.
- Reduce number of items in cabinets.
- Arrange clothing neatly in each closet and reduce number of items stored on shelves and on the floor.

Clean:

- Clean and organize your basement, attic and garage.
- Clean everything - carpets included. Ask a friend to assess your efforts, especially sensitive issues such as odors.
- Wash windows and mirrors.
- Clean the oven and all appliances. Remove grease spatters and polish chrome fixtures and surfaces.
- Clean smudges, especially around doorknobs and light switches.

Solid:

- Rattles, squeaks and leaks leave the impression that house needs a lot of work. Eliminate them.
- Repair squeaking steps and wobbly banisters.
- Repair leaking roof and remove all signs of water damage: Paint over water stains and replace discolored wallpaper.
- Repair leaky faucets and pipes. Repair or clean caulking around tubs and sinks.
- Tighten loose doorknobs, light switch plates and cabinet hinges. Repair sticking doors and windows.
- Tack down all loose molding.

PREPARING FOR THE SALE OF YOUR HOME

Tips for the Exterior:

You get only one chance to make a "First Impression." Spruce up the exterior of your home to improve "curb appeal" and make buyers want to see the inside.

Lawn & Yard:

A well kept lawn implies a well maintained home. Cut lawn weekly while showing your home. Rake leaves and sweep sidewalk on weekends when house is to be shown. Where possible, remove dead limbs and debris from shrubs and trees.

- Plant extra flowers for more color or spruce up landscaping with potted flowers.
- Repair fences and touch-up with paint or stain.
- Store lawn equipment, toys and other outdoor items away neatly.
- Board dog or other large pets with neighbors while showing the house
- Repaint or replace mailbox.

Front Entrance:

The front entrance is a key part of the "First Impression."

- Paint, clean or stain front door. Remove old screens if they don't fit or operate properly.
- Make sure entry light and doorbell are in working order.
- Replace missing house numbers and make sure the number is visible from the street in the early evening.
- Put out a nice welcome mat and a potted plant if you have room on steps or entrance way.

Roof, Windows and Siding:

Experienced home owners often ignore miss-aligned shutters, bent gutters and loose shingles (unless there is a leak), but these things jump out at first-time buyers.

- Paint and repair gutters. Repair loose shingles and flashing in roof, especially when visible from the ground.
- Paint window sashes, trim and shutters. Replace cracked window panes, and wash entire window.
- Clean and paint siding as needed. White or something very close is the best color for aluminum, wood or synthetic siding.

PREPARING FOR THE SALE OF YOUR HOME

Setting the Best Price - A four step approach:

- Step 1.** Estimate the True Market Value of Your Home:
- Step 2.** Consider closing fees and the amount of cash you want after the sale.
- Step 3.** Look at financial terms that might increase the selling price.
- Step 4.** Consider the time of year and how quick you need to sell.

PREPARING FOR THE SALE OF YOUR HOME

Setting the Best Price

Step 1. Estimate the True Market Value of Your Home:

Most people have a feel for the value of their home, usually based on the price they paid, the improvements they made, and prices received by neighbors who recently sold. By far, the most important determinant of price is what buyers are paying right now for similar homes in your neighborhood. Pick up 'for sale' flyers and talk to other sellers to get a feel for neighborhood prices, but use the following resources for a more precise estimate of the value of your home:

- Real estate agents
- Internet listings
- Home appraisal
- Engineer's inspection

Real estate agents:

Invited or not, **real estate agents** will call so you might as well get them to provide information.

Ask for a free "Comparative Market Analysis (CMA)." The CMA includes the selling price of comparable homes recently sold, and the asking price for homes currently on the market in your neighborhood. Doing CMAs is a normal part of an agent's job. Asking for one entails no commitment on your part. If you are in the Phoenix, Arizona area, Jay & Francy Thompson will be happy to prepare a CMA for you at no charge. Our contact information is at the bottom of the page.

Internet Sites: - As alternatives to a CMA, Domania (www.domania.com) and Home Gain (www.homegain.com/home_prices/) both provide selling prices of homes recently sold in your neighborhood. Realtor.com (www.realtor.com) provides the asking price of homes currently offered for sale in your neighborhood .

Home appraisal: - For a fee (\$250 - \$350 in the Atlanta area), you can hire a real estate appraiser to put a value on your home, based on its condition, plus past sales of comparable homes. This appraisal can be used to help justify your price when negotiating with buyers. (You can find appraisers in your local phone book.)

Engineer's Inspection: - If you suspect problems with the roof or other major components such as the plumbing or heating system, you can hire a professional home inspector (for \$200 - \$300) to assess the condition of your home. The engineer's written report will arm you against similar reports prepared by inspectors hired by prospective buyers.

Making repairs - You can avoid repair costs by selling your home "as is," but an "as is" property will sell for less than top dollar and may take longer to sell. We suggest making the repairs and putting the cost into the selling price.

PREPARING FOR THE SALE OF YOUR HOME

Setting the Best Price

Step 2. Consider closing fees and the amount of cash you want after the sale.

Closing Fees that should be included in your price:

- **Buyer's mortgage costs:** In some states, the Seller traditionally pays fees associated with the Buyer getting a mortgage. These fees are typically 1% to 1.5% of the mortgage amount.
- **Other Closing fees:** These include attorney fees, title search, and recording fees (see settlement statement on page 44). A good estimate is 1% to 1.5% of the sales price.
- **Real Estate Brokerage fees:** Real estate brokerage fees can easily be the Seller's biggest cost. If the Seller lists the home with a real estate agent, he can expect to pay between 6% and 7% of the purchase price. If Seller sells home on his own, but accepts a Buyer brought by a real estate agent, the Seller will usually have to pay half of the above amount or 3% to 3.5% of the purchase price. The best situation is where the Seller advertises his own home, gets his own Buyer and pays nothing to real estate agents.

The Seller can limit his costs by stipulating in the Sales Contract a maximum amount he will pay towards the Buyer's mortgage costs and Other Closing fees. Real Estate Brokerage fees are subject to a separate agreement with the real estate agent and cannot be limited in the Sales Contract. See "Net Cash from Sale" on page 39 for a calculation of how much cash you can expect after the mortgage balance and fees are subtracted from your selling price.

PREPARING FOR THE SALE OF YOUR HOME

Step 3. Look at financial terms that might support a higher price for your home:

- **Assumable Mortgage Loans:** If a buyer can assume your present mortgage loan without having to qualify with a mortgage company, your home might sell for a higher price than a similar house without an assumable mortgage. This is especially true when the interest rate on your mortgage is lower than present market rates. Check with your mortgage company to see if your mortgage is assumable.
- **Seller Financing:** In some situations a good Buyer is temporarily unable to get a big enough mortgage loan to purchase your home. For example:
 - The Buyer's funds are tied up in an IRA or other long-term investment.
 - A strong Buyer has twin daughters in the last year of college.

The above buyers might pay a higher price for your home, or agree to buy your hard-to-sell home, if you finance the purchase with a Seller's mortgage, either balloon or regular.

Balloon Mortgage: The buyer begins by making equal monthly payments, but must pay the entire balance at the end of a short period (usually from six months to three years). This type of Seller financing gives the Buyer time to arrange a bank mortgage and repay the Seller.

Regular Mortgage: Usually, this is a second mortgage to cover the difference between the price of the home and what the Buyer can finance. This differs from the balloon in that the buyer makes equal, monthly payments until the mortgage loan is paid off.

We suggest seeing a lawyer before engaging in seller financing, but the forms for balloon and regular mortgages are available at OfficeMax, Office Depot, and other large office supply stores. Filling out the forms and having your lawyer review them should be less expensive than having your lawyer draft the documents.

Lease with option to buy: Use when a home proves impossible to sell because prospective Buyers can't qualify for a mortgage. Your prospective Buyer rents the home with an option to buy within six months to two years. If he exercises the option, the Buyer/renter pays a non-refundable lump-sum of 3%-5% of the purchase price to the Seller. In addition to this down payment, the Buyer/renter pays a monthly sum (usually \$50-\$300) in addition to the regular rent. This monthly sum is credited to the purchase price and is non-refundable. "Lease with option to buy" agreements are available at OfficeMax, Office Depot, Staples and other large office supply stores.

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Setting the Best Price

Step 4 - Seasonal Pricing & Other Considerations:

In most parts of the country few Buyers search for homes in the Fall and Winter. A seller might have to lower his selling price to get a Buyer during Fall and Winter. Home Buyers come out in droves during Spring and Summer. The abundance of Buyers allows Sellers to set higher prices during Spring and Summer.

In warm-weather regions, the above trends reverse. Buyers avoid hot summer months and do their house hunting in Fall and Winter. Sellers in warm-weather states can set higher prices in Fall and Winter.

What's included? You might be able to set a higher price if you include things not usually included with the sale of a home.

Usually Included

Dishwasher

Stove

Gas Grill

Not Usually Included

Refrigerator

Clothes Washer

Dryer

The general rule is that things bolted down or connected to gas pipes are included in the sale of a home.

In a hurry to sell? If you need to sell quickly, you may want to price your home just under the market value. Studies also show that sellers using a real estate agent usually sell their homes faster than those selling their own home.

Dangers in overpricing your home:

Your home may take longer to sell: - Studies show that 80% of potential buyers view a home in the first month it is on the market. If 40 people view the home in the first month, it can take up to 3 months to get another 40 to view the home. Keep the names and addresses of people with a favorable impression of your home and notify them of any price reductions by phone or mail.

Negative impression: - People may wonder why the house is on the market so long and suspect something is wrong with the home.

Appraisal problems: - If the home does not appraise for the selling price, the Seller might have to provide financing or reduce the price to close a deal.

PREPARING FOR THE SALE OF YOUR HOME

Selecting a Lawyer:

Need for a Lawyer: In many states and many circumstances you can sell a home without a lawyer. We recommend a lawyer for the following services:

- Acting as escrow agent to hold a down payment or earnest money deposit.
- Evaluating complicated offers from potential Buyers.
- Hosting and handling the closing, or representing you if the closing is to be handled by the lending institution's lawyer.
- Evaluating and filing Seller financed mortgages or Lease with Option to Purchase Agreements.
- Evaluating any other document that has to be filed with County or Court.

Type of Lawyer: You want a lawyer who handles real estate as a significant part of his or her practice. Don't hire a criminal or corporate lawyer who has never handled a real estate closing.

- Talk to neighbors and other people with "For Sale" signs; ask them about their lawyer.
- Ask a real estate agent to refer you to a lawyer.
- Check with your minister, priest, rabbi, or members of the congregation where you worship.
- The American Bar Association, www.abanet.org/referral/home.html will refer you to local real estate attorneys, but,
- The Lawyers.com site, www.lawyers.com seems the best designed to help you find a local attorney. The site is loaded with information for people seeking legal help.

Legal fees: The Supreme Court has ruled it illegal for bar associations to fix minimum fees, so feel free to bargain and shop for fees you can afford. Find out the fees for reading a document and giving advice concerning that document. Also find out the fees for representing you at the closing. You should get a significant discount for documents you prepare and fill out versus those the lawyer has to prepare. If the fees seem too high, find another lawyer.

In the State of Arizona – Licensed Real Estate Agents are authorized by the Arizona State Constitution to complete all aspects of a real estate transaction—purchase contracts, addendums, lease options, etc. In addition they work closely with title companies, lenders, and inspectors. There is rarely, if ever, a need to secure an attorney if you have a real estate agent helping you buy or sell a home. All services are included in the cost of commission.

ADVERTISING THE SALE OF YOUR HOME

Every real estate advertising campaign should include:

- An effective newspaper ad.
- 8 1/2 x 11 inch advertising flyers.
- A "for sale" sign for the front of your home.
- An Open House.

We discuss each of the above plus the following:

- "For Sale by Owner" Services
- Internet Advertising
- Multiple Listing Services.
- Real Estate Magazines.

ADVERTISING THE SALE OF YOUR HOME

Tips for writing an effective newspaper advertisement

A good ad grabs the reader's attention with a catchy headline. Remember what motivated you to buy your home and put it in a headline:

Example:

A Gourmet Kitchen and More! Assume loan
on 3 bedroom brick ranch with finished
basement, on Cul-de-sac near schools and
shopping. Upper Saddle River.
\$110,000.
Nothing like it at this price!
See pictures on the Internet
at www.ThompsonsRealty.com

“A Gourmet Kitchen and More!” “Snuggle by the Fire!” “Solid as a Rock!” are all examples of catchy headlines. You can probably think of a better one for your home, but if not, the list of headlines on page 17 should include something you can use.

The body of the ad should list the features of your home that mean the most to your probable buyer. Based on the size of your home, its location and price, **make a guess as to your probable buyers**. Will they have school-age children? If so, include proximity to schools in the body of your ad. Describe features of the property which appeal to your probable buyers, rather than the entire public. The availability of a loan and a finished basement are examples of features that translate as benefits to the buyer. Use the list of features on page 18 as a checklist of what you might include in the body of your ad.

Always give the **location** of the property. Buyers are interested in specific areas, and will pass over your listing if location is omitted. Similarly, a missing **price** suggests the property is too expensive. Always include the price.

End by giving the reader a reason to call, then ask them to do it:

- “Don't let this one get away!”
- “Nothing like it at this price!”

See page 19 for a list of effective closing statements

Note that the newspaper ad refers to an Internet ad.

Internet ads with up to ten pictures of your home are available at several web sites for under \$30. In addition to pictures the Internet ad can include driving directions, instructions on how to reach the Seller, plus more details about the property than can conveniently be included in a print advertisement.

ADVERTISING THE SALE OF YOUR HOME

Headlines that sell Use these phrases as headlines in your advertisements when appropriate.

<p>Features of House No Steps! Tender Loving Care. Pampered. Refreshed and Rejuvenated! Brand New Smile! Buy a lifestyle! No Hassles! Change Your Life! Heat Holder! Stop Stairing Hate Hard Work! Tennis Anyone?</p>	<p>Charm and Beauty Hey, Look Me Over! Antique Lover's Delight! Put a SMILE on Your Face! Panache! A Touch of Class! Suburban Oasis! A Golden Oldie. Star Studded Home! Quality From the Past. Looks Like a Million! Star Quality! Once in a Lifetime... Ageless Beauty. One of a Kind!</p>	<p>Price and Value One for the Money. BIG HOME, Little Budget. The Price is Right! More for Your Money! Tired of High Prices? Econo-miser! Thrifty Thinking. Dollars and Sense. Do a Little & Save a Lot! Try to Beat It Terms of Endearment. A Price to Brag About! The Price is Startling!</p>
<p>Setting Tucked Away... Accent on Views. Hop, Skip & Jump to Beach! Sell Your Lawnmower! Beachcomber's Delight! Go Jump in the Lake! The Sounds of Silence. Urban Cowboy. Gone Fishing!</p>	<p>Size of House Bring Your Tape Measure! Small Wonder! Petite Retreat Room to Romp Soooo BIG!!! Growing Pains?</p>	<p>Miscellaneous Paint Brush Special! The Right Stuff! Born Yesterday. Privacy Plus. If You Love to Shop... How Fast Can You Move? Walk Right In! Sweet as Honey Look No Further!</p>

ADVERTISING THE SALE OF YOUR HOME

Features and Benefits: Use these phrases in the body of your advertisements where appropriate.

<p style="text-align: center;">Construction</p> <p>Frame Brick Brick and Frame Masonry Stone Stucco Cedar</p> <p style="text-align: center;">Condition</p> <p>Remodeled Freshly Decorated Immaculate Excellent Well Kept Restored Brand New One Owner Year Built</p> <p style="text-align: center;">Basement Features</p> <p>Finished Basement</p>	<p>Open Basement Wine Cellar Recreation Room Work Shop</p> <p style="text-align: center;">Financing</p> <p>Assume Loan Low Assumption Owner May Carry FHA VA Reduced Price Below Appraisal Reduced Interest Rate Submit Offer</p> <p style="text-align: center;">Land</p> <p>Corner Lot Fencing Garden Fruit Trees Manicured Lawn Automatic Sprinkler Barn Horse Facilities</p>	<p style="text-align: center;">Interior Specifics</p> <p>No. of Rooms No. of Bedrooms No. of Bathrooms No. of Fireplaces Square Footage</p> <p style="text-align: center;">Location</p> <p>Near Schools Near Shopping Near Public Transportation Easy Commute Quiet Street Near Tennis Courts Near Golf Course Near Country Club Near Park On Cul-de-sac</p>
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ADVERTISING THE SALE OF YOUR HOME

Closing Phrases Use the following phrases at the end of you advertisement when appropriate.

<p style="text-align: center;">Urgency</p> <p>Don't let this one get away! The perfect choice. Act now! For the alert buyer... Bound to sell quickly... Tomorrow means SOLD! Call today! What are you waiting for? Have it all. Call now. Too good to last at... Jackpot for the quick buyer If dollars count, see this home now! Going! Going! Gone! Nothing like it at this price.</p> <p style="text-align: center;">Desire to Own</p> <p>Make this lovely home yours. Luxury you deserve.</p>	<p>Be the proud owner! If you want the best... Your dreams come true... Waiting for your personal touch... Don't compromise on quality... To see it is to want it! Your friends will be envious..</p> <p style="text-align: center;">General</p> <p>Make it yours for only... Seeing is buying! For the opportunity of a lifestyle! Spoil yourself. The home you deserve! Welcome home. Grab the good life!</p>	<p>Waiting for you at only... It will steal your heart at... For the best move of your life... Start packing! Take the landlord off your payroll!</p> <p style="text-align: center;">Investment related</p> <p>Bag a bargain! Packaged to go... Tap the potential! A real budget pleaser at only... A tempting value at... A diamond in the rough at... Priced to break the rent habit!</p>
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ADVERTISING THE SALE OF YOUR HOME

Flyers :

The 8 1/2 x 11 inch flyer is the most underrated advertising media. Whether hand-written, typed, or professionally printed, it has room for details that won't fit in a newspaper ad and it remains with the potential Buyer.

SOLID AS A ROCK!

1111 Some Place
Anywhere, AZ, 22222

A Steal at Only \$100,000

Imagine sipping your coffee while sitting in the quiet of your sunroom, nestled amongst the trees in your private backyard. Enjoy 3 spacious bedrooms, 2 full baths, a large family room for entertaining, and an eat in kitchen with plenty of cabinets. This home also features a fireplace, brick front, 2 car garage, upstairs laundry, landscaped yard with privacy fence.

For an easy appointment
Please call Jane Doe at 333-4444

You can create flyers as good or better than our example. Just think about why you bought your home, and use our lists of headlines on page 17, feature descriptions on page 18, and closing lines on page 19, to create a flyer to highlight the best features of your home. And don't forget, a picture (or 3 or 4) is worth 1,000 words! Take pictures of the exterior and interior of your home, and include them on your flyers.

Distribution: The best flyer is useless if not distributed.

In front of your home: Staple a weather resistant envelope to your "for sale" sign or mail-box-post and fill it with flyers. A transparent plastic envelope is best, but a zip-lock freezer bag will work.

Neighborhood stores: Supermarkets, drugstores, and even restaurants often have a rack or bulletin board for real estate advertising. See **9 Ways to Attract Buyers.**

ADVERTISING THE SALE OF YOUR HOME

“For Sale” Signs:

Composition basics: Make sure your sign is large and the print bold enough to be read from the street. Don't try to include the features of the home, leave that information for your flyer. For the phone number, use reflective, stick-on letters that can be read in the evening (about 50 cents per digit at hardware stores). **Do not use magic markers!** Markers are almost impossible to read from a car at night.

Add "Agents Welcome" to your “for sale” sign and your flyers if you are open to paying 3% - 3.5% of the purchase price to a Buyer's real estate agent.

Where to get a "For Sale" sign:

- **Realtor:** If you listed your home with an agent, the agent should provide a professional sign, plus a water-resistant envelope or cylinder for your flyers.
- **Hardware Stores:** "For Sale By Owner" signs can usually be found at Home Depot & Lowes. Under \$3 for light-weight 15 X 19 inch signs; under \$8 for heavier stock 18 X 24 inch.
- **Hand Made:** Staples, OfficeMax and other office supply stores carry sturdy sign-boards and stick-on letters. Many homes have been sold with hand-made signs, but ten or even twenty dollars for a professional sign is a good investment if it adds to the "curb appeal" of your home.

Flyers should complement your “For Sale” sign: The "For Sale" sign announces your home is for sale, but it is the 8 1/2 x 11 inch flyer that describes the features of the home, price and details like your willingness to pay the real estate agent who brings a Buyer.

Envelope for Flyers: Staple a weather resistant envelope to your lawn-sign or mail-box-post and fill it with flyers. A transparent plastic envelope is best, but a zip-lock freezer bag will work. Passing drivers are more likely to call if they have your flyer rather than just a phone number.

Directional Signs: If your house is on a quiet street with little passing traffic, consider small, directional signs leading in from the main street. These can be "hand-drawn" and stapled to sticks driven into the ground. Some communities periodically remove these signs, so check them weekly and be prepared to replace them. Plastic directional signs are available at Home Depot and other home supply stores for under a dollar each.

ADVERTISING THE SALE OF YOUR HOME

Open House:

After preparing your home for showing, an Open House is a great way to kick off your sales campaign. Hold your Open House on a Sunday or Saturday afternoon. Sunday is usually better than Saturday and 2 - 5 PM is the best time. Check the calendar to make sure your Open House is not competing with the Football Playoffs, the World Series, college basketball's Final Four, or major religious observances.

Advertise in your local paper, but make a special effort to tell the neighborhood. Neighbors are the best promoters of living in the area, and some of their friends are prospective buyers. Attach flyers to mail boxes for blocks around your house.

Put up an Open House sign in your front yard. Attach balloons to draw special attention to your yard sign. If you are on an extra-quiet street, place directional signs at corners of main streets.

Don't go overboard with the refreshments. Cookies and punch are fine. Freshly baked cookies or bread is a good improvement - the aroma fills the house and creates a wonderful atmosphere.

Be sure to have:

A guest book: get the name and address of everyone who attends. Make notes, jot down positive impressions and comments and make sure you can get back to people who show interest. This becomes important if you lower your price or change terms later on.

Blank sales contracts in case someone wants to buy your home. Real estate sales contracts can be purchased at Office Depot, Staples and other major office supply stores, or contact Jay & Francy Thompson and we can provide it for no charge.

8 1/2 x 11 inch Flyers: Fact-sheets describing your home, listing your price and how to reach you. Every guest should leave with an 8 1/2 x 11 inch real estate flyer.

Show time: Anyone can show his or her home, but if you are truly reclusive, hire a gregarious relative or friend to help with the hosting.

Innocent Questions: Slip these into the conversation while showing the house.

- “Are you planning on buying within the next two or three months ?”
- “Have you applied for a mortgage ?”

People who respond with a “yes” to either question are serious buyers. Make sure you get addresses and phone numbers for your guest book.

ADVERTISING THE SALE OF YOUR HOME

"For Sale By Owner" Advertising Services:

High real estate fees have promoted organizations geared to people selling their own homes. Two examples are:

- BUY Owner - Real estate advertising service
- HomeQuest - Real estate specialists

Both organizations offer packages of services for a fixed price of \$1200 to \$1600. The typical package includes the following services.

- "For Sale by Owner" sign and flyers
- Ads in a local newspaper (4 weekends)
- Ad in a Real Estate Magazine (1/4 page)
- Internet Listing (3 months exposure)
- Television program (extra cost)

Internet: The value of these Internet listings is limited because the Web sites have few homes compared to the million and a half homes listed by Real Estate Brokers in their Multiple Listing. For a flat fee of about \$600, the above organizations will put your home in the regular **Multiple Listing**.

Pro: Real estate agents will see your listing and bring pre-qualified buyers

Con: You will have to pay the agent at least 3% of the selling price

Television: Typically a local access cable channel, several times a day. The TV program consists of a series of ads, each a still photograph with text, and a voice-over reading the text and announcing contact phone numbers.

Call your local access cable channel if you are interested in TV ads, but if you have lived in your area for more than a year and never saw TV real estate ads, don't pay much more than you would pay for a newspaper ad.

ADVERTISING THE SALE OF YOUR HOME

Internet Advertising:

The number of Web sites that list homes for sale by owners has grown to over a thousand. This appears to be the real estate advertising medium of the future, but for now people looking for homes in your neighborhood still look in the real estate section of the local newspaper. A growing number of these Buyers also search the Internet but with thousands of real estate advertising sites, few find your ad.

The strength of the Internet in reaching millions of people in all 50 states, is actually a disadvantage in that thousands might see your ad but the bulk live in other states and few of these are likely to buy in your neighborhood (sellers in Aspen, Beverly Hills, Manhattan, Orlando, and other places with world-wide appeal are exceptions).

How to sell your home with the Internet

Use your Internet ad in combination with your newspaper ad, your yard sign and your flyers. Most Internet advertising sites allow five or more pictures of your property plus a more detailed description than can be put in a print ad. Create your Internet ad then advertise its location in your print advertising.

REPEAT! List the web location of your Internet ad in your newspaper ad, on your yard sign, and most important: on your flyers! Potential Buyer who read your newspaper ad, or picks up your flyer should be able to see your home on the Internet and be enticed to see the real thing.

Some Web sites that will list your home

BY OWNER SALES

www.byownersales.com

NO BROKER NETWORK

www.nobrokernetwork.com/sellers/index.html

4SALE-BY OWNERS

www.4sale-byowners.com

FSBOFreedom

www.fsbofreedom.com

Sample Offerings*

6 pictures \$59.95/month
or \$149 until sold

Marketing package - \$135
- 4 pictures until home is sold
- "For sale" yard sign
- toll free contact phone
- book of advice for sellers

10 pictures - \$19.99
for 120 days

4 pictures \$29.95 per month

* Offerings and prices are subject to constant change. Visit the site before making a decision. In general, sites with the highest prices have people to help create and make changes to your Internet ad.

ADVERTISING THE SALE OF YOUR HOME

Multiple Listing Service:

Maintained by real estate associations in all fifty states, the Multiple Listing is, by far, the largest list of homes for sale. In exchange for your agreement to pay approximately 6% of the selling price, your local real estate agent will "list" your home in the Multiple Listing, making it available to all other real estate agents plus prospective Buyers on the Internet.

Example of fees for a \$100,000 home:

Selling Price	\$100,000
Mortgage balance	<u>85,000</u>
Net	\$ 15,000
Real estate fee (includes Multiple Listing Service)	6,000
Closing costs	<u>2,000</u>
Cash to Seller	\$ 7,000

In the above example the seller pays \$6,000 in real estate fees (6%). Typically, half of this fee goes to the buyer's agent, and half to the selling agent. For the \$3,000 selling agents commission, the real estate agent:

- Determined the market value of your home
- Placed the home in the Multiple Listing Service
- Provided yard signs and flyers
- Advertised the home
- Promoted the home among other real estate agents
- Pre-qualified all prospective buyers
- Negotiated the best price with the buyer's agent
- Completed all necessary legal forms
- Answered any questions you may have regarding the sale of your home

The Multiple Listing Service is effective because most Buyers use real estate agents, and real estate agents use the Multiple Listing as their main tool to find properties for their buyers.

ADVERTISING THE SALE OF YOUR HOME

Other Options : Seller revolt against high fees has given life to organizations willing to put your home in the Multiple Listing for a flat fee. In Wisconsin, Homes4sbo.com will put a home in the local Multiple Listing for about \$600.

Example

Selling Price		\$100,000
Mortgage bal.		<u>85,000</u>
Net		\$ 15,000
Real estate fees		
Homes4sbo	600	
Buyer's agent	3,500	
Total	4,100	4,100
Closing costs		<u>2,000</u>
Seller gets:		\$ 8,900

In the above example, the seller would still have to pay \$3,500 to the agent who brought a buyer (Buyer's agent) plus the \$600 to Homes4sbo.com. In effect, Homes4sbo.com reduces real estate fees from \$6,000 on the prior page to \$4,100, for a savings of \$1,900.

However, “flat fee listers” will not:

- Help determine the price of your home
- Provide yard signs and flyers
- Advertise the home
- Promote the home among other real estate agents
- Pre-qualify all prospective buyers
- Negotiate best price with the buyer's agent
- Complete all necessary legal forms
- Answer any questions you may have regarding the sale of your home

ADVERTISING THE SALE OF YOUR HOME

Real Estate Magazines:

Real Estate Magazines or Guides are distributed free, at malls, supermarkets and large drugstores. The advertising format is similar to a newspaper, but almost always includes a picture of the property. Make sure pictures of your property are taken in the best possible light. Photographs in the evenings or on cloudy days are acceptable only if you have things to hide.

A Gourmet Kitchen and More! Assume loan on 3 bedroom brick ranch with finished basement, on Cul-de-sac near schools and shopping. Upper Saddle River. \$110,000.



Nothing like it at this price!
See us on the Internet at www.thompsonsrealty.com

Some magazines accept ads only from licensed real estate brokers. Be sure to check if they will accept "FSBO" (For Sale By Owner) ads.

BUYOwner and **HomeQuest** bundle their magazines with newspaper, TV and Internet advertising for between \$1200 and \$1600 for six weeks of exposure.

Reference to an Internet ad is as effective in a magazine as in newspapers. The Internet ad provides pictures, driving directions, and more details about the property than can be reasonably placed in a print ad.

SELLING YOUR HOME

9 Ways to Attract Buyers:

After putting up your "For Sale" sign, and writing your ad for the local newspaper, try some of the following:

- Print 8 1/2 by 11 inch flyers highlighting the features of your home, the price and how to reach you to see the property.
- Send or deliver the flyers to 100 neighbors, 100 business associates, and 100 relatives.
- Post a flyer with 'tear offs' at 10 local supermarkets. Find out the day of the week the bulletin board is cleared, and replace each week.
- Put a flyer on 100 cars in the supermarket.
- Put a flyer on 200 cars in local apartment complexes.
- Rent a pager and use the pager number as the contact number for your signs and flyers, so that people can always reach you about seeing the home.
- Create an Internet ad for your home and place its web location on your signs and flyers. Take pictures of your home and upload them to your Internet ads along with a script describing the features of the home and driving directions. Internet ads are available from services listed on page 24
- Include a reference to your Internet ad on your "For Sale" sign, your flyers, and your newspaper advertisements
- Pre-qualify all prospects to make sure they can afford your home.
- Use a guest register to sign in prospective buyers. Follow up with these buyers for feedback or to inform them of any price reductions.

SELLING YOUR HOME

The Hard to Sell Home:

The quickest ways to move a hard-to-sell home are:

1. Reduce the Price
2. Provide Seller Financing
3. Offer a Lease/With Option to Buy

Reduce the Price: Reducing the price is easy to do. It is effective, but it is expensive. Before reducing the price you might consider the following.

Seller Financing: In some situations a good Buyer is temporarily unable to get a big enough mortgage to purchase your home. For example:

- The Buyer's funds are tied up in an IRA or other long-term investment.
- A strong Buyer has twin daughters in the last years of college.

The above buyers might pay a higher price for your home, or agree to buy your hard-to-sell home, if you finance the purchase with a Seller's mortgage, either balloon or regular. (The following paragraphs are reprinted from a previous page)

Balloon Mortgage: The buyer begins by making equal monthly payments, but must pay the entire balance at the end of a short period (usually from six months to three years). This type of Seller financing gives the Buyer time to arrange a bank mortgage and repay the Seller.

Regular Mortgage: Usually, this is a second mortgage to cover the difference between the price of the home and what the Buyer can finance. This differs from the balloon in that the buyer makes equal, monthly payments until the mortgage is paid off.

We suggest seeing a lawyer before engaging in seller financing, but the forms for balloon and regular mortgages are available at OfficeMax, Office Depot, and other large office supply stores. Filling out the forms and having your lawyer review them should be less expensive than having your lawyer draft the documents.

Lease with Option to Buy: Use when a home proves impossible to sell because prospective Buyers can't qualify for a mortgage. Your prospective Buyer rents the home with an option to buy within six months to two years. If he exercises the option, the Buyer/renter pays a non-refundable lump-sum of 3%-5% of the purchase price to the Seller. In addition to this down payment, the Buyer/renter pays a monthly sum (usually \$50-\$300) in addition to the regular rent. This monthly sum is credited to the purchase price and is also non-refundable. NOTE: There are many legal ramifications in a Lease Option. Consult a real estate attorney or licensed real estate agent!

Make Repairs: If none of the above gets you a Buyer, you might have to consider adding value by making major repairs or at least cosmetic changes to make the property more attractive.

SELLING YOUR HOME

Showing Your Home to Get it Sold:

Visit a builder's model home and take note of their techniques. They appeal to the senses by making the home as light, cheerful and serene as possible. "Easy in a model home," you might say, but here are some tips that can be applied to any home:

Space: Open blinds and curtains and turn on all lights to make the place look open and large. Make sure this includes the dining room chandelier, living-room lamps, foyer chandelier and any other entrance lights.

Buyers sometimes have a hard time picturing themselves in a house that is filled with too many pictures of others, so remove personal or family photographs from walls, bookshelves and mantles. Sparsely decorated walls also give the illusion of larger space. Replace pictures with plants or fresh flowers. Fresh flowers on the kitchen table or counter top also adds appeal.

Aromas: Bake bread or cookies, or boil cinnamon sticks in water on the stove to give your home a welcoming aroma. Set out bowls of potpourri in the bedrooms and bathrooms. Put out fresh towels and new soap in bathrooms.

Keep pet areas especially clean and free of odor. Put the pets away, and if possible, arrange to have them out of the house. Some people are allergic or just afraid of animals.

Eliminate Distractions: This might sound mean, but children can be distractions, have them visit a neighbor. Turn off the television. If you're using an agent, arrange to be out of the house so buyers can feel free to open closets and cabinets and discuss their observations.

When showing the house yourself don't apologize for the appearance; it will only draw attention to something the buyer may have overlooked.

Availability: Limit showings to the weekend and perhaps another day during the week. With this arrangement you can realistically have the house looking its best for prospective buyers.

SELLING YOUR HOME

Pre-Qualifying the Potential Buyer:

Never enter a contract with a buyer who can't get a mortgage. In the worst case, your home is tied up for months while a buyer with poor credit shops for a mortgage.

Definitions:

- **Pre-Qualified** - An unofficial estimate of the size mortgage a Buyer can afford (hopefully big enough to purchase your home).
- **Pre-Approved** - A lending institution has processed the Buyer's loan application and approved a specific mortgage amount.

A good real estate agent will pre-qualify buyers before showing them your home. If you are not using a real estate agent, use the following resources to get your potential buyers pre-qualified:

- Local Mortgage Brokers
- Internet Mortgage Services
- Pre-Qualification Worksheet

Local Mortgage Broker: Your past mortgage broker or one referred by a friend would be happy to help you pre-qualify a buyer. If you've lost track of your mortgage broker, <http://www.mortgageinfo.com/> will refer you to a mortgage broker in your area.

Internet Mortgage Services: <http://www.eloan.com/> and <http://www.homes shark.com/> will let your buyer apply for a loan and pre-qualify on-line. <http://www.QuickenMortgage.com/> will even let your buyer print a pre-qualification letter from their site. While at your home, the potential buyer can sign-on and find out how much he can borrow.

Pre-Qualification Worksheet (next page): This requires sitting with your prospective buyer and getting two simple, but sensitive pieces of information: income and present debts. Don't be embarrassed, people answer these questions whenever they make large purchases.

Once you have annual income and monthly long term debt, the qualification worksheet takes you through four simple steps to estimate how big a mortgage the prospective buyer can afford.

Sample Buyer Pre-Qualification Worksheet

Buyer's Estimated Price Range

Information supplied by Buyer:

A. Gross Annual Income (Before Taxes)		\$ 48,000
B. Monthly Long Term Obligations		
Automobile	\$ 200	
Alimony / Child support	\$ 100	
Credit Cards	\$ _____	
Student loan	\$ 50	
Other	\$ _____	
Other	\$ _____	
Total Long Term	\$ 350	\$ 350

Calculations based on above information:

C. Gross Monthly income (Line A divided by 12)		\$ 4,000
D. Monthly Allowable Housing Expense plus Long Term Obligations (Line C multiplied by .36)		\$ 1,440
E. Monthly Allowable Housing Expense		
E1. Line D minus line B	\$ 1,090	
E2. Line C multiplied by .28	\$ 1,120	
Line E1 or E2, whichever is less		\$ 1,090
F. Monthly Principal and Interest (Line E multiplied by .80)		\$ 872
G. Estimated 30 year Mortgage Amount (at 7.0% interest) (Line F divided by Factor corresponding to Interest Rate)		\$ 130,149
<u>Interest Rate Factor</u>		
6.0%	.0060	
6.5%	.0063	
7.0%	.0067 ***	
7.5%	.0070	
8.0%	.0074	
8.5%	.0077	
9.5%	.0080	
H. Estimated Affordable Price Range (at 10% down) (Line G divided by Factor corresponding to Down Payment %)		\$ 144,610

<u>Down Payment %</u>	<u>Factor</u>
3%	.97
5%	.95
10%	.90 ***
15%	.85
20%	.80

This prospective Buyer should not be considered for a home priced above \$145,000.

The Sales Contract (continued):

4. RESTRICTIONS, EASEMENTS, LIMITATIONS. The buyer shall take title subject to: (1) Zoning, restrictions and requirements imposed by government authority, (2) Restrictions and controls appearing on the plat or common to the subdivision, (3) Public utility easements of record, provided said easements are located on the side or rear lines of the property, (4) Taxes for year of closing, assumed mortgages, and purchase money mortgages, if any, (5) Other: None
Seller warrants that there shall be no violations of building or zoning codes at the time of closing.

Most homes won't have "Other" special restrictions, easements or limitations. If you do have a unique restriction, write it in the space provided.

7. GENERAL INSPECTION. The Buyer or his agent may inspect premises of the property at least 15 days prior to closing. Inspection may include appliances, heat and air conditioning systems, electrical systems, plumbing, machinery, sprinklers and pool system included in the sale. Seller shall pay for necessary repairs. Within 72 hours before closing, buyer shall be entitled, upon reasonable notice to Seller, to inspect the premises to determine that said items are in working order.

The above is usually followed by a Roof Inspection, and Termite Inspection clause, each requiring the Seller to pay for the repair of any damages. One way to avoid charges arising from inspections is to stipulate that the property is being sold "As Is." This can be written in under Special Clauses.

18. CLOSING DAY. This contract shall be closed and deed and possession shall be delivered on or before the Fifth day of July, 2000 (year), unless extended by other provisions of this contract.

Closing is usually 30 to 45 days from signing of the contract, but can be set to coincide with your moving plans.

22. **RADON GAS DISCLOSURE.** As required by law, the Seller makes the following disclosure: "Radon Gas" is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present a health risk to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in N/A. Contact your county public health unit for additional information regarding radon and radon testing.

Write in the name of your town if radon levels higher than federal standards have been found in buildings in your town, otherwise, write "N/A" or leave this section blank.

SPECIAL CLAUSES. All parties agree that the Property is being sold "as is," with all faults including lead-based paint and lead-based paint hazards. The seller shall have no obligation to make repairs to the Property.

Anything written in under "Special Clauses" supercedes the printed provisions of the contract. Although we don't usually suggest selling "As Is," our example is a hand-written clause to sell the home "As Is."

Note: See an attorney for advice on writing special clauses. This web site is not intended to give legal advice.

The Sales Contract (continued):

COMMISSION TO BROKER. The Seller hereby recognizes **Coldwell Banker** as the broker in this transaction, and agrees to pay as commission **7%** of the gross sales price, the sum of **seven thousand** Dollars (**\$7,000**)

This is what you want to avoid: By selling your home without a real estate broker, you can leave this section blank and save up to seven percent of the sales price, (\$7,000 in this example of a \$100,000 home).

Where to get sales contracts:

Under \$5 at Office Depot, OfficeMax, Staples and other office supply stores. Ask for "Agreement to Sell Real Estate."

(To be valid in all 50 states, these forms include clauses to handle regional issues like termite inspections, necessary in south-eastern states but not a concern in Alaska.)

Free from Jay & Francy Thompson, your neighborhood real estate agents.

(In most states, a Board of Realtors publishes a contract and makes it available through real estate brokers. Referred to as the "state" sales contract, it is a favorite of real estate lawyers because they know it so well they only need to look for changes. This is a more complex document, loaded with commission splits, and mortgage details more helpful to the realtor than to the Seller and Buyer.)

Other forms required with the sales contract:

- Seller's Disclosure Form; a check-off list where the seller indicates known problems with the property.
- Lead Based Paint Addendum for homes built prior to 1978.

SELLING YOUR HOME

Offers From Buyers:

An Offer is a sales contract prepared by the buyer. Once seller and buyer sign the offer, it becomes a legal and binding contract.

Make sure you understand **SPECIAL CLAUSES** written in above the signature block. This is where the buyer makes non-standard demands, asks you to pay portions of his costs or demands you move by a specified date.

Things to watch for:

- Purchase contingent on sale of buyer's home.
- Excessive time for buyer to get financing.
- Low earnest money deposit.
- Penalty if seller can't move by specified date.
- Requirement for seller to pay buyer's mortgage costs

Make Sure:

- Buyer has been pre-approved or at least pre-qualified for a mortgage big enough to buy your home.
- Do not sign the offer until the Buyer has been pre-qualified.

After reviewing the offer, you have several options:

- Accept the offer as is. In most cases, you simply sign the offer, but in some states you sign a binder, which is a more detailed contract.
- Make a counter-offer. Cross out unacceptable terms on the offer, or fill out your own contract, and specify the terms you want.
- Reject the offer.

If the offered price is less than what you wanted, look at the offer as a whole. There may be terms that counterbalance the lower price (i.e.: fast closing, buyer paying their own closing costs, etc.). Be prepared to split the difference if you and the buyer come within \$1000 of each other.

The buyer should provide at least \$500 in earnest money. Some people won't sign an offer until an earnest money check has been made out to them, but if you judge the prospective Buyer to be serious, you may forego the earnest money. The earnest money check is made out to you and held by a third party (your attorney, the buyer's real estate agent, or whomever you stipulate in an escrow agreement). Under many conditions, this check is yours to keep if the buyer defaults on the contract.

Once you have signed an offer, you may still accept a backup offer, as long as you make sure the backup buyer understands the house is under contract, and his contract is second in line.

SELLING YOUR HOME

Negotiating with Buyers:

Americans are conditioned to pay the posted price for everything from apples to televisions. We seldom bargain until it gets to things that really matter: our automobiles and our homes.

The Good News: Unlike foreigners who hone negotiating skills at every visit to the butcher, American buyers are generally poor negotiators.

The Bad News:

We get emotional and walk away when you characterize our offer as "ridiculous."

More Bad News:

Your own emotions can easily kill a good deal. It is hard to smile when the Buyer plots to mow down a garden you slaved over.

Some Rules:

Establish Trust.

- Be sensitive: avoid responses that may offend, (even when the buyer plots to mow down your prize azaleas).
- Tell the truth: If the Buyer notices water marks on the attic ceiling, blaming it on condensation can destroy your credibility in future negotiations.

Don't waste time with Buyers who can't afford your home.

- If you want \$110,000 and the prospective Buyer qualifies for no more than a \$50,000 mortgage, forget her unless she has \$55,000 to \$60,000 cash in the bank.

Consider every serious offer.

- Engage the Buyer in negotiations. Talk to him / her / them!
- If the Buyer offered \$10,000 less than your asking price, get an explanation!
 - Did the Buyer check the prices of comparable homes?
 - Is there a perceived defect in the property?
 - What is the basis of the low offer?

Always make a counteroffer.

Let the Buyer know you have considered her position
Reduce your asking price by a small amount.
Explain your calculation of comparable home prices in your neighborhood.
Discuss perceived defects in the property

SELLING YOUR HOME

Negotiating with Buyers:

If the Buyer believes he will have to replace the roof, let him have the roof inspected at his expense.

If there is a problem, offer to reduce your price by a portion of the repair cost.

Be Objective about the cost of holding out.

- If you are paying \$1,000 per month to keep the property, selling for \$2,000 below your asking price might be better than holding out for two months.

Remember that price is not the only negotiating point

- How is price to be paid? (The standard all cash at closing is best for the Seller, if the Buyer needs extra time beyond closing, she should pay a higher price.)
- Who pays what part of the closing costs? (Seller can lower price by 2% - 3% if Buyer agrees to pay closing costs.)
- Terms of financing: (asking price can be firm if Seller provides the financing)
- Time and date of closing
- Date of possession
- Contingencies and penalties
 - The Seller might not want to close until she finds another home.
 - The Buyer might not be able to close until he sells his current home.
 - Completed building inspection. *
 - Mortgage approval. *

* Building inspections and mortgage acceptance are the top deal breakers!

SELLING YOUR HOME

Net Cash From the Sale of Your Home:

Estimate net proceeds from the sale of your home by starting with the purchase price, and subtracting amounts you will have to pay at or before the closing. These amounts are grouped below as:

- Known Costs
- Estimated Closing Costs
- Other Potential cost

Below, are typical amounts based on a \$100,000 house.

Start with the estimated sales price: \$100,000 (A)

Known Costs. These are, by far, the largest costs. Your mortgage holder can tell you the amount needed to pay off the mortgage, plus any prepayment penalty.

Amount to pay off present mortgage:	\$81,000	
Real estate commissions:	3,500	
Prepayment penalty on mortgage (if any):	0	
Unpaid property taxes (if any):	0	
Subtotal	\$84,500	-84,500 (B)

Estimated Closing Costs. Closing costs include attorney fees and recording fees and are detailed on the second page of the Settlement Statement. A good estimate for this group is 2.5% to 3% of the purchase price.

-2,500 (C)

Other Potential Costs:

Buyer's Home Warranty:	\$300	
Repairs for termite or roof damage:	0	
Subtotal:	\$300	<u>-300 (D)</u>

Net Cash to Seller:

\$12,700

A-(B+C+D)

SELLING YOUR HOME

Inspections:

Standard real estate sales contracts give the Buyer the right to conduct several inspections of the property.

General Inspection.

The Seller is obligated to repair major appliances, heating, plumbing, air-conditioning and electrical systems, and keep them in working order until the closing.

Roof Inspection.

The Seller may be obligated to spend up to 3% of purchase price to repair leaks or other damage to the roof. This is especially important in areas with heavy snows.

Termite Inspection.

In some states, the Seller must provide the Buyer with a letter guaranteeing that the home is free of termites (This is TRUE in Arizona). This letter must be provided by a licensed pest control company. The cost is usually between \$50 and \$75 assuming there is no infestation. Any infestation must be corrected before closing.

In other states, the Buyer pays for the inspection, and the Seller is obligated to spend up to 3% of purchase price to repair any termite damage.

Most contracts specify a time limit for inspections. If the inspection is not completed by this date, the Buyer forfeits his right to the inspection. If the inspections are completed in time, a report is forwarded to the Seller.

If concerned about inspection problems:

- Hire your own inspector. For about \$200 you can get a written report on the condition of your home. Problems identified by your inspector can often be repaired at a lower cost than after they are pointed out by the Buyer's inspector.
- Sell the home "as is." The Seller can stipulate in the Sales Contract that the home is being sold "as is." This usually requires the Seller to accept a lower price on the property.

SELLING YOUR HOME

Home Warranty:

A home warranty is a form of short term insurance to cover major appliances and systems while the home is for sale. Builders always offer home warranties with new homes. We recommend warranties for older homes as an inexpensive way to make prospective buyers feel comfortable with the age of appliances, plumbing, etc.

If you buy a Seller's warranty: **Advertise the fact !**

Seller's Warranty: Paid for by the Seller. Cost: \$300 - \$400. Insurance to cover following items while home is for sale.

- Major appliances
- The plumbing system
- Electrical system
- Heating and air conditioning

Will repair or replace the above (with a deductible of \$50-\$60).

Buyer's Warranty: Paid for by the Buyer. Cost: \$300 - \$400. Covers same items as a Seller's Warranty, but starts on day of closing and lasts for a full year.

Companies providing Warranties: American Home Shield, 2-10 Warranty, R. S. Andrews. A complete list of home warranty companies can be found at <http://www.ThompsonsRealty.com>

SELLING YOUR HOME

The Finishing Details:

Events between signing a sales contract and the closing day.

- **Appraisal:** The buyer's lender will send an appraiser to determine the value of your home. If the appraised value is below the agreed sale price, the lender will not provide a mortgage. You can avoid this deal-killing problem by hiring your own appraiser during the price-setting process (\$250 - \$350 in the Phoenix area). CAUTION! Some lenders require the use of certain appraisers. If you hire your own appraiser, the lender may require a second appraisal from one of their approved appraisers. A Real Estate agent can provide a list of approved appraisers.
- **Surveyor:** Some lenders will send a surveyor to determine the boundaries of your property.
- **Inspectors:** Under the sales contract, the buyer can order several inspections at his own expense.
 - Termite inspection
 - Roof inspection
 - General inspection.

The seller is often obligated to pay up to 3% of the sales price to repair damages found in the above inspections. Check the contract terms.

Things the Seller needs to do:

- Make repairs as agreed in the contract so the buyer can make a final inspection before closing.
- Notify your lender that you will be paying off your mortgage and ask for a statement of the remaining balance.
- Gather all warranties and instruction books for your home's appliances and systems to give to buyer at closing.
- Once closing has been scheduled, notify utility, telephone, water, trash and other services to advise them of your final billing date.
- Get a copy of the settlement statement from the closing attorney prior to the closing date. Review it and question anything you don't understand. Pay special attention to the amount of "Cash due to the Seller." This number should be within a few hundred dollars of the amount you calculated on your net to seller worksheet.

SELLING YOUR HOME

Closing Day:

On closing day, the closing attorney will:

- Collect all monies
- Transfer the deed to the Buyer
- Pay outstanding taxes and utility bills
- Pay himself and all other closing fees
- Give all remaining monies to the Seller

The closing date is typically 30 to 45 days from when the Seller and Buyer agree to terms and sign a sales contract. In most states the closing is hosted by the Seller's attorney. (in Arizona, this is typically done at a Title Company). In others, the lender's attorney handles the closing with Seller and Buyer seldom having their own attorneys.

The closing attorney will prepare a Settlement Statement detailing:

Monies Received.

- Lending institution check for the new mortgage amount
- Buyer's check for the down payment
- Buyer's earnest money deposit

Together, the above should at least equal the agreed selling price.

Monies Paid out.

- Outstanding balance on the seller's current mortgage
- Fees to real estate agents, if any
- Closing costs (see Settlement Statement).
- Cash to the Seller.

Be sure to bring your driver's license or other proof of identity. Also, bring the deed which will be transferred to the buyer, and a termite letter if one is required in your state..

Often there is money left over in your mortgage escrow account. You will not receive this money at closing, but a check will be sent to you some time after closing.

SELLING YOUR HOME

Settlement Statement:

Filled with unfamiliar terms and lots of numbers, the settlement statement looks confusing to most people. No need to worry. Take a few minutes and you'll see it as just a listing of funds paid by the Buyer and Seller.

The settlement statement refers to the Buyer as the "Borrower" because the Buyer is the one taking out a mortgage. His transactions are listed on the left side of the statement and the Seller's transactions are listed on the right side. Below are boxed sections from a settlement statement plus our comments in italics. This example is based on home with a sales price of \$90,000.

The top of the statement summarizes the amounts the Borrower (Buyer) must pay, and the amount the Seller should receive. In both cases this includes the sales price of the home, plus any personal property, such as furniture, included in the sale. In the case of the Borrower, the summary includes total settlement charges (closing costs) assessed to the Borrower and detailed on the 2nd page of the statement.

Summary of Borrower's Transaction		Summary of Seller's Transaction	
Sales Price	\$90,000	Sales Price	\$90,000
Personal Property	\$ 0	Personal Property	\$ 0
Settlement Charges to Borrower	\$ 978		

Taxes and assessments already paid by the Seller are added as adjustments to both the Borrower's (Buyer's) side and the Seller's side.

Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
Taxes	\$ 425	Taxes	\$ 425
Assessments	\$ 0	Assessments	\$ 0
Gross Amount Due From Borrower	\$91,403	Gross Amount Due to Seller	\$90,425

The next two sections list monies paid on behalf of the Borrower, and monies to be paid by the Seller at the closing ("Reductions in Amount Due To Seller")

Paid By Or In Behalf of Borrower		Reductions in Amount Due To Seller	
Earnest money deposit	\$ 1,000	Settlement Charges	\$ 2,500
Principal amount of loan (mortgage)	\$81,000	Payoff of first mortgage	\$67,800
		Payoff of 2nd mortgage	\$ 0

Settlement Statement (continued):

Taxes and assessments due, but not paid by the Seller, are added to amounts paid by Borrower (because he inherits the liability), and also added as a reduction in amount due to the Seller.

Adjustments for items unpaid by Seller		Adjustments for items unpaid by Seller	
Taxes	\$ 0	Taxes	\$ 0
Assessments	\$ 0	Assessments	\$ 0
Total Paid By/For Borrower	\$82,000	Total Reduction to Seller	\$70,300

The bottom sections of the statement list total cash due from Borrower (Buyer) and total cash due to the Seller.

Cash at Settlement From Borrower		Cash at Settlement To Seller	
Gross amount due from Borrower	\$91,403	Gross amount due to Seller	\$90,425
Less amounts paid by Borrower	\$82,000	Less reductions to Seller	\$70,300
Cash From Borrower	\$ 9,403	Cash To Seller	\$20,125

"Cash To Seller" should be within a few hundred dollars of what was calculated on your "Net to Seller Worksheet".

"Cash From Borrower" is the amount of the certified check Buyer must provide at the closing .

SELLING YOUR HOME

2nd Page of Settlement Statement:

The second page assigns settlement charges to the Borrower (Buyer), or the Seller. Totals from Borrower's column, and Seller's column, are carried to the first page as "Settlement Charges to the Borrower" and "Settlement Charges to Seller."

L. Settlement Charges

Real estate commissions, listed at the top of the page, are normally charged to the seller.

In this case, the Seller did Not use a real estate agent, so the charge is zero.

Total Sales / Broker's Commission	Paid From Borrower's Funds	Paid From Seller's Funds
Commission paid at Settlement		\$ 0

The second group of charges relates to the cost of processing a mortgage, new or assumed. These charges are assigned to the Borrower or the Seller based on what was agreed in the Sales Contract. In this case the Seller had agreed to pay the mortgage fees.

Items Payable in Connection With Loan	Paid From Borrower's Funds	Paid From Seller's Funds
Loan origination Fee	\$ 0	\$ 900
Appraisal Fee	\$ 0	\$ 250
Lender's Inspection Fee		
Assumption Fee		
Underwriting Fees	\$ 0	\$ 420

Items the mortgage lender requires to be paid in advance are grouped next. These are usually charges to the Borrower.

Items Required by Lender to be Paid in Advance	Paid From Borrower's Funds	Paid From Seller's Funds
Interest	\$ 25	\$ 0
Mortgage Insurance Premium	\$ 0	\$ 0
Hazard Insurance Premium	\$ 300	\$ 0

The final group of mortgage related charges are the reserves deposited with the mortgage lender to set up an escrow account. Funds in the escrow account are used by the lender to pay things such as property taxes for the Borrower / Buyer. They are charged to the Borrower.

Reserves Deposited With Lender	Paid From Borrower's Funds	Paid From Seller's Funds
Hazard Insurance	\$ 60	\$ 0
Mortgage Insurance	\$ 0	\$ 0
Property Tax	\$ 468	\$ 0
Annual Assessments	\$ 0	\$ 0

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2nd Page of Settlement Statement (continued):

Fees to establish and guarantee the legitimacy of the title are grouped and assigned to Borrower and Seller based on agreements in the sales contract.

Title Charges	Paid From Borrower's Funds	Paid From Seller's Funds
Title Search	\$ 0	\$ 150
Title Insurance	\$ 0	\$ 295
Document Preparation	\$ 0	\$ 125
Notary Fees	\$ 0	\$ 0
Attorney Fees	\$ 0	\$ 250

Government recording and transfer charges are grouped near the bottom of the page.

Government	Paid From Borrower's Funds	Paid From Seller's Funds
Recording Fees	\$ 0	\$ 25
Tax & Stamps	\$ 0	\$ 50

The last group of charges is a miscellaneous category.

Additional Settlement Charges	Paid From Borrower's Funds	Paid From Seller's Funds
Survey	\$ 0	\$ 0
Pest Inspection	\$ 125	\$ 0
Courier Service	\$ 0	\$ 35

Total Settlement Charges (enter here and on First page)	\$ 978	\$ 2,500
	Paid From Borrower's Funds	Paid From Seller's Funds