

Seven Questions to Ask Before Selling Without an Agent

Have you been paying attention to all the newspaper, radio and TV reports of record sales prices and volume of new and resale homes in most areas? Sorting through the sometimes-conflicting statistics, you will probably conclude this is a great time to be a home seller (except in the hurricane ravaged areas, which will recover in a few months).

The primary reason home sales are setting records is mortgage interest rates are still ultra-low and many renters realize it's not too late to buy a house or condominium. Move-up buyers also understand they can still afford to buy a larger home.

If you are a home seller, you might be thinking this is a great time to sell. You are 100 percent correct.

Unless you overprice your home, in most communities there is an abundant supply of prospective buyers who can afford to purchase during this second-best home sales season (spring is traditionally the best time to sell a home when the largest number of prospective home buyers are in the market).

Should you sell your home alone and save the sales commission? After you decide to sell your house or condominium, the next issue is whether to list it for sale with a professional real estate agent. Here are the seven key questions home sellers should answer before deciding:

1. Can I correctly set the asking price for my home alone?

Unless you are a professional appraiser with access to up-to-date recent home sale prices of nearby residences like yours, you probably don't know how much your home is really worth. Most do-it-yourself home sellers either overprice or under-price their residences.

If a home is overpriced, it will languish on the market unsold. Home buyers, and their real estate agents, know when a home is overpriced based on recent sales prices of similar neighborhood homes.

If a home is under-priced, below the market value of nearby home sales prices, the home will sell fantastically fast. Often, the seller doesn't realize thousands of profit dollars were left on the table by under-pricing his/her home.

The easy solution for home sellers is to interview at least three successful realty agents who sell homes in your vicinity. Even if you think you can sell your home alone, the agents you interview won't mind.

The reason is they know at least 80 percent of do-it-yourself home sellers decide to list with a professional agent after 30 to 60 days. Chances are you will list your home for sale with one of the agents you interviewed.

Ask each agent you interview lots of questions. Write them down in advance so you don't forget what you want to know.

As part of his/her listing presentation, each agent should give you a written CMA (comparative market analysis). The CMA form shows recent sales prices of nearby homes like yours, asking prices of neighborhood homes now listed for sale (your competition), and even asking prices of recently expired listings that didn't sell.

Each agent will also give you their opinion of your home's market value, based on their CMA. This is valuable information, especially if you try to sell your home alone.

2. Can I successfully market my home alone?

Most "for sale by owner" home sellers attempt to market their residences by placing newspaper ads, holding weekend open houses, and posting a "For Sale" lawn sign. Some tech-savvy home sellers even create websites for their homes and list them on "for sale by owner" websites.

But these efforts are usually not enough to reach all prospective home buyers in the market. The reason is, according to a recent survey by the National Association of Realtors, over 70 percent of today's prospective home buyers begin their quest on the Internet.

Unless your home is listed for sale with a member of the local MLS (multiple listing service), you will be cutting yourself off from 70 percent of prospective buyers for your home.

3. Can I prepare a legally binding sales agreement and comply with the home sale defect disclosure laws?

As part of their listing presentations, most real estate agents explain all the written disclosures required by state, federal and local laws. For example, where I live if I sell my home I must provide a certification my sewer line to the street doesn't leak.

In addition, there is the all-important requirement of preparing a legally binding sales agreement.

Perhaps you know a local real estate attorney who can prepare these vital documents for you. Please be very wary of buying these forms at local stationery stores, as they may not be up-to-date to comply with the latest disclosure requirements to keep the home seller out of a lawsuit in your community.

4. Will I be able to help my buyer obtain a mortgage?

Most home buyers need to obtain a new mortgage to afford to purchase your home. Can you explain FHA, VA, PMI (private mortgage insurance) and conventional mortgage alternatives?

Unless you are very fortunate to receive a purchase offer from a buyer who is pre-approved (not just pre-qualified) for a home mortgage, even if the purchase offer is acceptable, the sale isn't a "sure thing" until the buyer obtains mortgage approval.

5. What contingency clauses in the sales contract are normal?

Experienced real estate agents recommend their home buyers include contingency clauses in their purchase offers for (a) mortgage finance approval and (b) a professional home inspection. This is normal.

But your home buyer might insist on additional contingencies, such as for sale of their current home. How will you respond to such a purchase offer contingency? Are you willing to take your home off the market while your buyer tries to sell their present residence?

6. Who will handle the home sale closing details?

As a do-it-yourself home seller, have you arranged for an attorney, title insurance company, escrow firm, or mortgage lender to handle the details of the title transfer? Who will hold the buyer's good faith or earnest money deposit?

Additional home sale closing issues include who will pay the closing settlement costs, which party will pay for the title insurance, and who pays the recording and title transfer fees? There will probably be additional issues, such as pro-rated property taxes.

7. Will the buyer expect a price reduction because you are saving the sales commission?

Additional issues which are likely to arise include the issues of a price reduction if no sales commission is paid and if the seller will pay half of a customary sales commission to the home buyer's agent.

If the home seller refuses to pay half the customary sales commission to the buyer's agent, that buyer's agent might refuse to even show your home to their prospective buyer.

Summary

These seven questions are likely to arise if you decide to sell your home without a professional real estate agent. Because of the difficulty selling a home without expert help, most do-it-yourself home sellers decide to list their residences for sale with one of the agents interviewed within 30 to 60 days after trying to sell alone. That's a big reason why more than 80 percent of resale homes are sold with the help of a professional real estate agent.

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