

FSBO 101

How to sell your house

In these challenging economic times all of us are looking for ways to save, and when it comes to selling their home many homeowners are tempted to try to avoid paying sales commissions by selling it by themselves.



This can be relatively simple if you have a buyer who knows and trusts you, for instance a friend or family member, and have agreed on a price. In this case all you may need is some legal advice and a title company.

On the other hand, if you are planning to market to a broader audience you'll find it much more challenging. And doing business with friends and family isn't always smooth sailing either.

The following is a brief guide that may help you to get started and avoid some of the most common pitfalls.

1: Market analysis and pricing

It's critical that when you first put your house on the market you start with a competitive price. Why? The best opportunity to sell is when your house is first exposed to all of the potential buyers in your area. Since they are actively shopping and are familiar with the alternatives they will quickly determine whether your house is priced competitively or not. If it is, you'll have a relatively large pool of buyers competing to purchase it. If not you'll lose your best opportunity for a quick sale.



So how *do* you determine the selling price?

Ultimately the price for your house will be based on the competition. What are the alternatives available to a buyer? What have similar homes sold for recently?

Buyers will not take into consideration what you paid, what you spent on upgrades, what your neighbors would like it to sell for, or even what you 'need'.

Since Texas is a non-disclosure state (sale prices are not public information), information on recent sales is not readily available. This means that popular sites like Zillow and Trulia,

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although helpful, can only provide estimated values. For instance, according to [Zillow](#) only 29% Zestimates for Travis County are within 5% of the actual sales price.

Your best bet is to ask your favorite Realtor® for help. As members of the local board of Realtors and MLS he or she will have access to an extensive database of information on inventory and sales prices. Of course you need to keep in mind that an accurate market analysis can be a lot of work, so you're likely to get raw data and will need to invest a fair amount of your own time to adjust for age, size, condition and other factors that purchasers may take into account when shopping.

Other factors that I use for my clients include information from expired and withdrawn listings and details like cost of repairs or contributions to closing costs.

Another way to get up to date market data for your area is to subscribe to my free *Market Snapshot* service which automatically compiles market statistics every month and delivers them via a private, interactive web site. [Click here](#) to take a look.

Finally, I'd highly recommend that you plan to compensate buyer's agents. Many buyers are not comfortable making a purchase of this size without professional assistance, so if you don't offer compensation you may be limiting your pool of buyers significantly.

2: Preparing Your House for Sale

As our mothers all told us, first impressions are important, and after all of the time and effort that you'll spend to get a potential buyer to take a look at your house it's critical that you put your best foot forward.

The first step is to make sure that any maintenance issues are taken care of and that the paint and carpet are in good condition.

Unless you have an interior designer in the family I highly recommend that you engage a staging service. I consider this so important that I include a free appointment as a standard part of my marketing package.

A professional stager will come to your home and make recommendations on furnishings and showing that can significantly improve your prospects for a full price sale. The most common recommendations include removing clutter and unnecessary furniture.



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Finally, make sure that all valuables, jewelry and prescription drugs are secured.

3: Marketing

Ready to sell? The next step is to inform as many potential customers as possible about your house and convince them to take a look. Since over 80% of today's buyers start their search on the Internet it's critical that you have good materials and broad exposure. Of course sites like FSBO.com and Craig's List are absolute requirements, but there are a lot more like them, so it's best to subscribe to as many as possible. For instance, I publish my client's listings to over 100 real estate web sites.



Required marketing materials should include photos, a virtual tour and color brochure. And since your first impression is through your photographs it's critical that they be professionally produced. I recommend a two sided color brochure with a floor plan to help buyers visualize the layout.

Other materials you should have on hand include your seller's disclosure, existing survey and T-47 affidavit, energy audit report, lead based paint addendum if required, and HOA transfer form and cost if necessary.

Other marketing tools that can help include a yard sign with flyers, postcards to neighbors, open houses, and personal calls to everyone you know.

4: Showing

If you've done a good job marketing you should get requests for showings within days. (If not that's a good sign that you are priced too high or not reaching your audience.) It's important that you respond quickly and provide timely access. Keep in mind that most buyers will be represented by real estate agents who have lock box access to the majority of your competition.



In addition to potential buyers as a For Sale By Owner listing you'll also be getting calls from real estate agents. Many are calling because they know that 80% of FSBO seller's ultimately engage an agent and they want the business, but you'll also get calls from agents with potential buyers, so be patient and courteous. You never know where your ultimate sale will come from.

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One warning is to make sure you know who is in your home. It's a good idea to request identification and take precautions such as having a friend or spouse present when meeting clients. Real estate agents have the benefit of the lock box system which automatically verifies that the visitor is a licensed agent. It also records the time of their visit and identification which can be used to follow up.

During this time it's very important to get as much feedback as possible on the perceptions of both agents and potential buyers. In some cases buyers will be reluctant to share negative information with the owner, so you may want to consider asking an agent to hold your house open for you.

5: Negotiating

Congratulations, you have an offer! But it's still a long way to the closing table. And in my opinion this is the most difficult and part of the process and where your efforts will have the greatest effect, positive or negative, on the bottom line. Here's what to expect.



You'll be presented with an offer on the standard Texas Real Estate Commission's One to Four Family Residential Contract (resale), which you can download and review from www.trec.state.tx.us. The contract will probably have several addenda attached, most commonly Third Party Financing Condition, Property Subject to Mandatory Homeowner's Association, and depending on the age of your home, Lead Based Paint Addendum. I'd also recommend that you get a commitment or pre-qualification letter from the buyer's lender.

Terms of the contract can get a little involved, so it's probably best to start by reading the contract and then reviewing it with a real estate attorney if you have questions. Decisions that you'll have to make include the amount of earnest money, length and cost of the option period, financing type and down payment, contributions to closing costs, purchase of a homeowner's warranty, payment of title insurance and survey if required, and credit worthiness of the buyer.

Keep in mind that although the contract will probably state that the offer is for the property 'as-is' the buyer will be able to modify or terminate the contract at any time and for any reason during the option period. In most cases there will be a second round of negotiation after the buyer does their due diligence.

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Once you thoroughly understand the offer, you can either accept it by executing the contract, or modify the offer and return it to the buyer's agent, called a counter offer. When both parties agree to the terms and the contract is executed time limits for the option period, deliveries, and financing approval begin. Remember, it's very important to keep track of these dates and the associated obligations. Failing to do so could cost you money.

After the option expires you may think that it's clear sailing to closing, but the buyer can still void the contract and get their earnest money back if financing can't be arranged. Typical scenarios include the lender's appraisal won't support the loan or the buyer's credit rating has changed between qualification and funding. The best way to avoid these and many other potential problems is to stay in close contact with your title company.

6: Closing

This is the easy part. Just show up with your ID and sign a stack of papers. It may take several hours for funds to transfer, and there are sometimes other delays, but usually things go smoothly at this point.

Congratulations! You sold your house.

Summary

As you can see, although selling your own home is not rocket science, it does require a significant investment of time and money to price and market your home competitively. In my opinion the biggest challenge for a homeowner is during contract negotiation. You'll be across the table from someone who may have negotiated hundreds of contracts so it's a good bet that you'll be at a bit of a disadvantage, which could cost you money.

If you or someone you know is determined to do it yourself, give me a call and I'll be happy to answer any additional questions. And if you decide to seek professional help I'd appreciate an opportunity to share my 10 point marketing plan and explain why I believe that you can actually end up with more money in your pocket at closing by using my services.