



FSBO - Selling Your Home  
On Your Own

**Welcome** to the exciting job of selling and marketing real estate. The purpose of this booklet is to give you the tools you need to get your home sold in today's challenging market. Using these tips and techniques will give you the competitive edge you need to conquer not only the other "For Sale By Owners" in your community... but also the competition of all homes for sale.

Selling on your own requires that you think like a buyer. When you put yourself in a buyer's shoes you realize that every home for sale competes with each other. This competition includes all the other "For Sale By Owners" and professionally listed homes in your market area... short-sales, foreclosures, real estate owned (REO's) must be factored into this competition ... and in order to be successful selling on your own you need to have a proven plan in place to capture that elusive "right buyer" at the right price.

***IF** you have the knowledge,*

***IF** you have the marketing expertise, and*

***IF** you know the process involved getting a home sold on your own then you will have an above average chance to do just that... and literally save thousands of dollars in commissions.*

One thing you need to understand right up front is that the only differences between you and a real estate professional or another "For Sale By Owner" are knowledge and experience. Experience is tough to gain but knowledge is available here and at other sources.

In 2013 roughly 9% of all residential real estate sales will be "For Sale By Owner." The National Association of Realtors Profile of Home Buyers and Sellers reports this and several other interesting facts; a little over half of all FSBO sellers knew their buyer before they sold their home (i.e. they sold to a friend or relative or neighbor.) That leaves 3% to 5% (out of roughly 4.8 million sales) selling on their own to a buyer they didn't know before they started this process. That's a lot of successful For Sale By Owners. This booklet assumes you don't already know your buyer and need to find them. The truth is that you can sell your home on your own. We talk to people that sell on their own. It's hard work, involves a lot of time, some expenses, and having a plan. You need to decide whether the costs savings are worth the effort involved.

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## Why You Should Sell Your House on Your Own

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People have been selling homes for years without real estate agents, so why is there some much new information designed to teach homeowners how to sell a house on their own?

Because times have changed. Homebuyers are concentrated online, thus the process for selling a home has changed. Yard signs, newspaper ads, and For Sale By Owner Magazine advertisements have been replaced by the internet. A home seller must have a targeted marketing plan, utilizing the best resources available on the internet if he or she is going to get top dollar from today's slumping market.

With roughly 40% of the homes listed in the US for sale failing to sell last year, it is no wonder that many home sellers are thinking about selling without a real estate agent. This e-book is designed as an overview of what a home seller should be prepared to do to get a home sold in today's market.

## Significant Money Savings

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Historically, the top reason why a home seller chose to "go it alone" was the significant money savings from not having to pay a real estate agent. This has not changed, and the amount of money involved in hiring a real estate agent has grown.

The average sales price of a home in the US is roughly \$150,000. That means a home seller, paying a real estate agent 6%, will spend \$9000 to get a home sold. A quarter of the homes in the US are over \$300,000, meaning a commission payable in the amount of \$18,000. And a growing number of \$1M plus homes might expect to pay \$60,000 or more to sell a house! It's no wonder that many are considering other alternatives.

## Control Your Sale

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Another issue is control. The top complaint against real estate agents after they "list" a home for sale is that they just put up a sign, slap on a lock-box, and then disappear. Home sellers are trapped into a 6 month listing agreement and nothing is being actively done to sell the home. If the seller is lucky enough to hear from the agent, all the agent recommends is a price reduction.

If price were the only thing keeping a home from selling, why would a homeowner ever hire a real estate agent to begin with? Sellers who have had unfortunate experiences with poor real estate agents should regain control of their home selling situation.

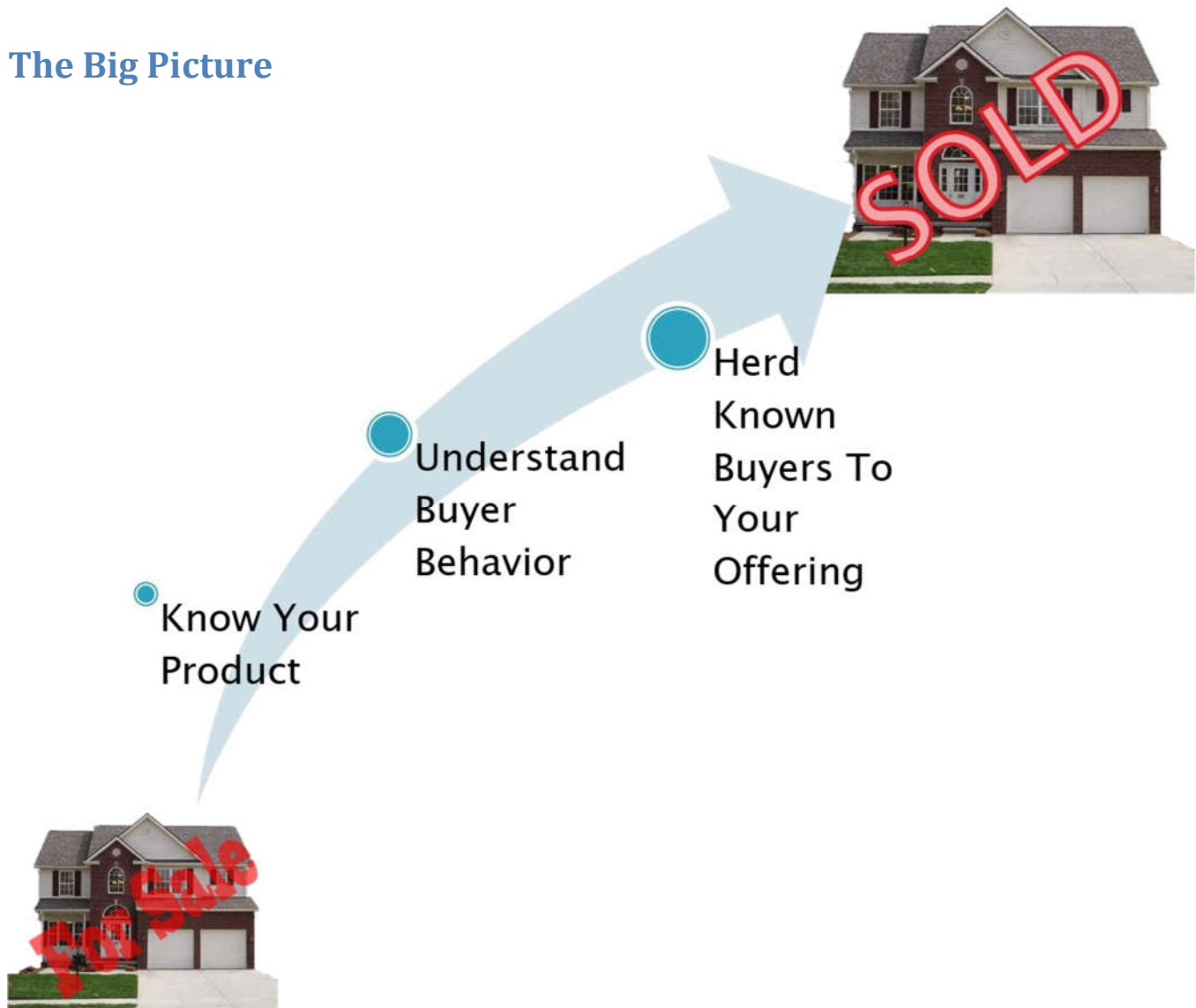
## Lack Of Better Alternatives

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Roughly 40% of the homes listed for sale last year **FAILED TO SELL!** The sad truth is that the changes that have occurred in the process of selling a home have not yet reached the typical real estate agent. Sure, there are some great real estate agents out there, but 95% of agents sell fewer than four homes per year.

If you cannot find a top-notch real estate agent who understands how to orchestrate an active, targeted internet marketing plan, then the only alternative is for you to do it yourself. Of course, the giant money savings probably will make you feel a little better about doing all the work 😊.

## The Big Picture



### Know Your Product

Selling is selling, and whether you are selling marbles or houses, cars or jet aircraft, there are some irrefutable rules about selling that you need to understand.

Selling a house requires very little additional “product” training because we all “use them” all the time. We know more about houses than we do most other major-ticket items that can be sold, so we can use this to our advantage when we decide to sell a house on our own.

## A House Versus A Home

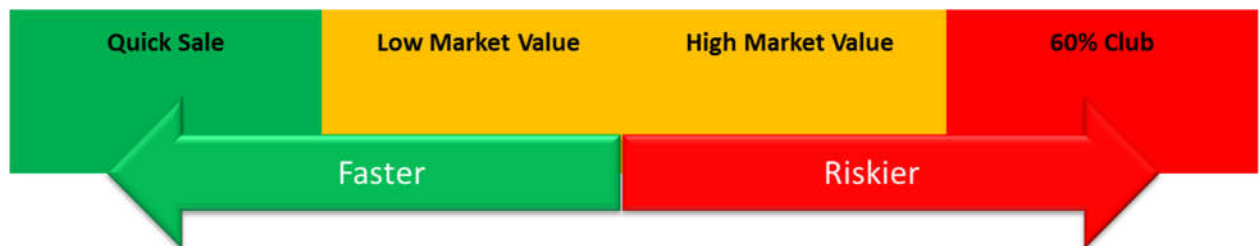
The first thing to understand is that your home is a castle ... (to you). But to everybody else, it is a commodity, and so I would recommend that you start thinking about your home as a house. You want to sell it, so you need to fall out of love with it right away.

In the higher price ranges in most US markets, there are far more sellers than buyers, so being objective about what you really have is the first step in getting your home sold. You need to be able to see its relative value ... what it is worth in comparison to what buyers can purchase today in the market.



## Conducting Research

We can determine its value fairly accurately by doing research on the internet. So many websites offer valuations tools, but the ones that will work best for you will show you the two key value categories: Homes currently for sale with which your home must compete, and homes that have sold to give you a baseline for what an appraiser might say.



Your research should not be limited to the computer. Next weekend, go out and visit selected open houses and try to get inside of the best homes priced the same as you hope to ask for your home.

How do they compare? If you were a buyer, which home would be top on the list (try not to sell yourself on yours ... you already bought it!). Sometimes it is hard not defending the value of your home, but you want to know the truth and it is critical that you discover the prices that your competition will be offering.

It is not uncommon for less-than-serious home sellers to determine that they do not wish to sell their homes right now. Often times, the competition is fierce, and many home sellers are downright shocked at the amount of money homes are bringing in today's current market.

## Inspections & Repairs



Hire a home inspector to come out and do a full-blown inspection of the home, before you even put it on the market. This will allow you to identify problems that need to be addressed.

Don't make the "as-is" mistake. Some sellers think that they can sell the home "as is" and not have to do repairs. The mistake in this logic is assuming that buyers won't inspect the home before they purchase it. Additionally, many home buyers want "ready homes," so they do not view or purchase homes that are offered "as is." This means "as is" home sellers often are dealing with investors only, and investors expect to buy at a discount.

When homebuyers do discover repairs, they will expect a price concession that exceeds the cost of the repairs, in order to be compensated for the additional effort required to buy your home. Remember, it's a competitive market, so don't create a negative starting point for your house.

## Staging the Property



Staging your property is simply preparing your property to be viewed by the people who might want to buy it. Contrary to the people who are peddling home staging consultation, there is a relatively simple approach to staging that you should take.

The most important thing to remember is that your "house" needs to be open and airy and light and bright. You want prospective buyers thinking about living there, and if you have the home so cluttered with your "stuff," they might not be able to see "their stuff" in your house. De-cluttering, cleaning, and fresh paint are the basics for home staging.

## De-Clutter and Clean

Too much clutter and lack of home preparation is one of the biggest mistakes I see many "For Sale By Owners" make.

This subject probably has the most expert advice available on the Internet and in the bookstores. Feng-shui, staging, and "How to sell a home" books and articles abound. I've put together a short chapter for your review here.

Cleaning and packing stuff away is the most important of all the basic preparations. Rooms, closets and garages need to look neat and clean and as roomy as possible. Cluttered rooms and closets full of boxes and "stuff" make the home look smaller and buyers wonder if their stuff will fit.



The solution to the clutter is to simply get rid of it. Everything that you don't use on a regular put in storage or at least out of plain sight. Seriously get rid of a lot your things by packing them away.



Kitchens are the number one spot in most homes for clutter. Quick, count the appliances and other items on your counters. Where can you put all of them? A few weeks of inconvenience in getting them out and putting them away or doing without them is well worth it. Now go through each of your cabinets in your kitchen, all of the counter space, and all of the cupboards to make sure all are clean and neat of “unnecessary stuff.” I’m especially fond of putting away about 2/3rds of all the coffee mugs and glasses into a box and storing them.

Remember that in your bedrooms less stuff is more appealing. Pack away your clothes and shoes; only save the 25% to 35% that you’ve actually worn recently. Take a close look to determine what can go.

- Pack away the books, toys, and gadgets you have lying around. You might buy new bedspreads. Make sure there is plenty of light in each bedroom; curtains and blinds open, freshen the air if needed. Make sure all nooks and crannies are clean.
- Bathrooms: clean out under the sink and the medicine cabinets (people will nose around) make sure there is plenty of light and they are spotless. Do you need to re-caulk the tub and sinks? No mildew allowed. Air fresheners might also be in order.
- Living rooms, family rooms, and dining rooms: pack away the stuff. Make them well-lit and immaculately clean.
- Clean or re-paint all nicks and scuffs. The newer Magic Erasers sponges work wonders on minor scuffs and may preclude the need for repainting.
- Prepare the home when you can for each showing, dust, clean, spruce up, put out fresh flowers, turn on all the lights, and leave with your pets if they’re with a professional real estate agent! If the buyers are on their own be prepared to answer questions honestly but don’t get emotional if they speak poorly about your house; someone has told them they can get it for less if they “tell you” why it’s in poor shape.
- The yard should be free of debris, toys and clutter too. Nice flowers can brighten up any area! Coil your hoses. Put tools away. What can you do to make the yard more appealing – a table and chair under a shade tree? Repainting the swing set? New mulch or flower beds? Tree or shrub trimming?
- I don’t recommend spending a lot of money on granite countertops, new cabinets, appliances, etc. Home improvements of this type rarely provide a good return on dollars spent. Some real estate agents advocate spending a lot of your money without any supporting evidence that you’ll sell quicker and for more money. For example spending \$15,000 in a kitchen might only bring in \$8000 at resale.

In some parts of the country swimming pools, spas, and upgraded appliances add no value at all according to the appraisers.

Here’s a continuation of some items that you might consider. They are inexpensive – but prudent – when getting your home ready for sale:

- Make sure that the front of your home is spotless all the way up to the front door. Repaint and replace light fixtures if necessary. Often times the buyers spend a lot of time there while they wait for their real estate agent or you to open the door. First impressions are hard to modify.
- Make sure that all of your walls and outside exterior are washed down. No flaking paint.
- No wasp nests, no cobwebs.
- Keep the window coverings open and the lights on at all times during showings unless you are hiding an outside eyesore or very close neighbor.
- Clean and wash all visible features... like your windows, fireplaces, countertops and your tables before anybody sees your home.
- Consider filling in any foundation cracks in the sidewalk, patios, driveway, or walls.

- Repair any leaky faucets in the bathrooms and kitchen.
- Keep your pets out of the way. If you hear them, or worse, smell them you may cost yourself a sale.
- Fix any faulty, rusty, older appliances.
- No drafts. Fix or caulk all windows and doors.
- If your roof leaks or is visibly damaged, it may be a good idea to hire a good roofer now; especially if your home is older. A roof near the end of its life or damaged will be a problem during the inspection.
- Outdoor lighting. If you're going to be showing your home at night -outdoor lighting is going to be crucially important.
- Replace dead trees and shrubs. It's a good investment, especially in the front yard, to add new trees and shrubs or remove the old dead branches.
- Everybody loves flowers, keep yours blooming. The cost of replacing flowers is usually minor in comparison to the perceived value it gives your home.
- Make sure the doorbell works. You can replace it with a wireless one if needed. A broken doorbell is a bad start to any showing.
- Have your mailbox repaired or replaced if not in great condition.
- Oil or WD40 any squeaky hinges or doors.
- Put out fresh towels in the bathroom.
- Eliminate all pet odors.
- Use potpourri types of fresheners throughout the house.
- Try to get up the oil stains on your driveway or in your garage. Most hardware stores have concrete cleaner.
- Paint, paint, paint. Nothing freshens a home up more.
- Clean the gutter. Replace downspouts. Make sure there are no running trails of water erosion in your yard.
- Re-stain wood decks if necessary. Replace any rotted wood.
- Make sure all stair railings are tight and secure.
- Mow the grass. Trim all the edges and hedges of your yard.
- If you have a fence – make sure it looks good. Paint it, replace broken boards etc.
- Professionally clean all the carpets in your house. You may need to replace them. Again, this is relatively inexpensive – but very profitable to your bottom-line.
- Clean and Wax all appropriate floors.
- Clean the curtains and window coverings. Replace them if they need replacing.
- Make sure any wallpaper is secure to the walls. Peeling wallpaper is a turnoff.
- Straighten all pictures and mantel decorations. Too many pictures on a wall clutter it up.
- Make the kitchen sparkle for each showing.
- Gather the operating manuals and warranties for all major appliances and fixtures.
- Replace any loose, chipped, or broken tiles in the bathrooms.
- Replace shower curtain with a new, clean, bright and fresh one.
- Make all beds – this seems obvious but it's amazing how many homes I've shown with the beds not made and the rooms a mess. You may have to bribe a teenager to keep their room clean. Pay them.
- Keep all stairways uncluttered.
- Have the furnace cleaned and inspected if you haven't done it in over a year. This always comes up during the inspection anyway.

- If your garage or basement is jam-packed full of “stuff” – rent a storage facility and move all the “stuff” to it immediately.
- If you have an automatic garage door opener – makes sure it works. Be sure that you go through each room before a showing or an open house. Remember that each new buyer is “new.” They haven’t seen your home before-first impressions are critical.

## Curb Appeal

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“Curb appeal” is “real-estate-ese” for everything prospective buyers can see from the street that might make them want to take a further look. If the curb appeal is negative they’ll drive by slowly and move on. Enhancing curb appeal is critical to getting buyers to want to come inside. You can sum up curb appeal by driving by your house and seeing if it invites you to come inside.

Remember, if you do your job correctly, your curb appeal is going to greatly influence your internet buyers. Did you know more homes are “rejected” online by how they look on the outside than any other feature? It’s funny, most people “know” they really need to see inside a home as the pictures don’t tell the whole story ... but not with outside pictures. Curb appeal is how you will “sell” buyers into wanting to see inside.

Neatness sells. Crisp paint, trimmed lawn, neat shrubbery, a clean driveway, potted plants at the front door—put them all together, and drive-by buyers will probably want to see the rest of the house.

Hand in hand with neatness is “neutrality.” If you are going to repaint, stick to light, neutral colors. Keep the yard free of gardening tools and toys. Remember, when a family looks at a house they are trying to paint a picture of what it would be like as their home.



## Photography

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You do not need to hire a professional photographer to prepare the pictures that will be used to market your house, you can do these yourself. But do not overlook the critical necessity of having great shots featuring the top benefits of your home.

I have included a fairly typical picture from the MLS. Apparently, a real estate agent felt that this image was very important in conveying value to the prospective buyers, and so the solo-shot of the toilet is part of the image package being syndicated across the internet.

Are you looking to buy a toilet?



## General Notes About Property Maintenance

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- Remove/replace any special items that you don't intend to leave behind; for example, the chandelier that you love. Replace it before a buyer makes it a part of the negotiations.
- Repair or replace all doors, closet doors, and windows and screens if there are holes, cracks, or rips.
- Check that your doors don't stick or have loose knobs. Make sure your cabinet drawers have no loose knobs, as well.
- Any cobwebs, wasp nests, ant hills etc. should be removed.
- Organize closets and remove stuff which is not necessary and put it in storage. Large closets sell houses; well-organized closet looks much bigger than one crammed with clutter.
- Remove excess extension cords, especially those in traffic ways.
- Dress up windows in freshly laundered curtains, or dust/clean window blinds.
- If any decoration is needed, (especially in the kitchen or bathroom), do it before the house is put on the market! \$20.00 worth of paint may balance \$100.00 in a price cut.
- Open doors to the areas you want the buyer to see such as walk-in closets, pantries, etc. Make sure those areas are neat.
- If you have hidden features, like a stairway to the basement, consider making a sign that spells out that feature.
- Ensure that all light fixtures are cleaned (dust chandeliers; clean out bugs from overhead lights; and lamps, etc.), and that there is a light bulb in every socket.
- Clean all windowsills, as well as any space between windows and storm windows.
- Windows should be in good repair with no cracks.
- Any paint on windowpanes should be removed with a razor blade prior to cleaning.

## Showing Advice / Preparations

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When someone is coming by to see your home, I suggest a few practical preparations such as:

### Lighting

- Keep all doors unlocked within the home. Buyers want to see all the rooms (and closets); if they can't, it slows up or even stops the buying process.

- Turn on all lights—day or night! For a night showing, turn on all of your inside and outside lights, create a glowing warmth around your home as the potential buyers drive up.
- Open all the drapes and shutters. Make your property as bright as possible. Buyers these days typically want homes with lots of light!

### *Kitchen*

- Make sure the sink is clean and free of dirty dishes.
- De-clutter the countertops: they appear more spacious when clean and uncluttered.
- Freshly mop the floors and baseboards of your kitchen — sparkling is the goal.

### *Mood*

- Leave soft music playing. Turn off any blasting television or radio.
- Place some potpourri throughout the home to help make it smell fresh and clean.
- Create a positive mood. If it is a cold day, make sure your home is heated, and if it is summertime, keep your home cool. Snacks and drinks might also be offered.
- Add a special accent to make your house appear comfortable and inviting: an open cookbook, cut flowers in a vase, or something baking in the oven (or bread maker.)
- Never leave valuables that could be easily “pocketed” (watches, jewelry, smaller items of emotional value) out in plain view. Unfortunately there are some unscrupulous types out there. Also never tell “prospects” your schedule; when you’re not home etc. You never know who might be casing your house out. If you must turn down a showing simply state that it’s not possible at that time.



*During the Showing, place your property brochures in a conspicuous place; you could place a small sign asking agents to leave their business card. (This is for your safety and it allows you to track who has shown the property and call them for feedback.)*

### *The Presence of Pets*

Keep pets out of the way when showing, preferably out of the house. Some buyers get annoyed or are allergic or are scared and another gets their attention diverted and can’t remember anything about your house except for your pet.

If at all possible don't have too many people present during a showing since the potential buyers may feel like intruders and want to hurry through your house. Worse still is that they'll put you on the spot by asking you direct questions. "Is that staying with the house?" and force you to make a hasty decision. Your goal should be to get them to spend as much time in your home as possible so that they can "see how it could be their new home."

*If they have a real estate agent.* Take a short walk with your children and pets. Leave the premises to the potential buyers or, if that is not possible, let them go through the home without interruption or discussion! If they're on their own, walk them through your home but don't be overly chatty. Do not have guests over during the time a showing is scheduled, if at all possible.



## Everyday Checklist

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1. Remove any and all toys, bikes, tools, trash, and animal waste from your yard
2. Keep all steps clear of hazards—old newspapers, laundry, toys, pet toys, etc.
3. Wash dishes
4. Put away clothes
5. Straighten up newspapers, etc.
6. Make beds
7. Open the draperies, pull up the shades and let in the sunlight.
8. Install high wattage light bulbs so that there is a lot of light. Turn on all lights.
9. Remove "clutter" from each room. Remove things such as coats, shoes, clothing, pet toys, pet food, pet food bowls, trash cans, toys, child safety barriers. (Rooms with no clutter look bigger.)
10. Dust and vacuum floors often (daily, if possible).
11. Wipe showers after each use.
12. Water and prune indoor plants
13. Wipe down the bathroom counters. Make sure towels are hung up, and the bathroom rugs are straightened. If you have any energy left, just relax!! Once the clutter is in check, tidying up prior to showings should take a minimal amount of time. And remember, the need to keep the home "show ready" is temporary.

## Fact Sheets and Single Property Websites

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Buyers look at more than one home. Give them something to remember yours by. I recommend preparing a simple brochure: Basic information on the front, how to buy it on the back (meet with a local lender to discuss various financing options that might make sense for your home). Prepare a single page web tour of your home (see ideas for this later in the booklet) and highlight it on your sheet so the potential buyers can send it to their family, friends, and advisors so they can help everyone get excited about buying your home.

### *Understanding how to value your home so that a buyer has bragging rights!*

Simply stated if the buyer doesn't have a quick and logical answer as to why your house is a "great deal" for them they don't have bragging rights. Bragging rights are what allows them to feel good about buying your home when someone tells them "it's a horrible time to buy"; or that "prices are still dropping"; or "this is a bad decision." They need to be able to counter with – it was too good of a deal to pass up because "the sellers paid closing costs"; or "we bought for \$XX less than the last sale"; or "it was bought for under appraisal." Pricing the home correctly is the first component to creating bragging rights.

### *All the marketing in the world can't sell a nickel for a dime.*

I don't know who said it originally, but nothing could be more true in this market. You can have the best marketing, every buyer can see the home, it can look terrific and no one will buy your home if you are overpriced. All the preparation we just completed getting your home looking great won't matter if no one comes to see it. So, pricing it correctly and marketing it properly is very important after it's ready for showings.



It's easy to see why many FSBO's over price their homes. You're attached to them, you've poured your sweat and money into your property, and "you need to get X\$ out of it." Overpricing a home is a fatal mistake. Many good real estate agents will show your home and then "sell" another one using yours as a comparison to show why the next home is such a good value. We call this using a property as a "set-up" home.

While all this is important, some For Sale By Owners will actually "leave money on the table" by underpricing a home. This is why pricing a home correctly is so critical.

Now, undoubtedly you have an idea what your home is valued at; you've researched the websites (Zillow, Trulia, local company sites); you've visited other homes for sale, and you may have even talked to a real estate professional.

Remember that you should look for homes with a similar number of bathrooms, square footage, condition, lot size, number of bedrooms, garage spaces, amenities and location if possible. It won't take you too long to determine what ballpark your asking price should be in.

Call the ads and talk to the owner or real estate agent about the details of the home. Better yet go visit them. This will help you to narrow down the range even further to a realistic price. Ask lots of questions about the condition, how they arrived at their price, amenities, and their motivation for selling.

Another opinion you should get is from a real estate professional or two that sells full-time and consistently works in your area (in this market many real estate agents have a "real" job in addition to trying to sell a home or two a year.) A real estate agent should also be able to tell you more about the current conditions of the marketplace... such as where buyers are coming from (internet, newspaper, relocation or other). They should provide you with statistics and charts to help you justify your pricing to a buyer that is interested.

There's no obligation to a real estate agent to conduct a "Market Analysis" for you... but it is a good policy to be direct and honest with him or her about your situation and that you are planning on trying to sell your home yourself.

Most real estate agents will be glad to conduct a FREE "Market Analysis" for you even if you tell them that you plan to go "For Sale By Owner". This is because the odds that you will eventually list are still in their favor... but they don't know you have this manual!

Make sure you use homes that have actually sold in your area, not ones that are actively on the market. Sold versus Active is an important distinction. The difference between asking prices and selling prices can be substantial, which means, you want a "Market Analysis" from homes like yours that have actually sold... not from homes that are still currently on the market and unable to sell.

### *Beware of The Unscrupulous Agent*

Some real estate agents tend to overestimate homes value as an enticement for you to list your home with them. This is called "buying the listing" in the business. Agents do this knowing that once you are under a contract you have to work with them and they'll beat you down week after week after week to get you to lower your price.

Remember what your ultimate goal is: to *save the real estate commission*. So don't get over excited or have unrealistic expectations based on a "Market Analysis" from an overly optimistic real estate agent who's trying to "buy" your business and telling you, you can sell for more than your home is worth in the hopes of getting the listing and then getting you to lower your price over time.



If you take a more conservative approach to pricing your home (especially because you are a "For Sale By Owner") you'll have a much better chance to sell your home inside of 30 days. Remember also that all the buyers and the agent who bring their buyers to see your home know that you are selling "by owner." They expect the home to be priced more than fairly.

## Understanding Buyer Behavior

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You might never have sold a home, or maybe you've sold one many years ago, so you might be wondering what home buyers are like these days! Understanding homebuyers is a very critical element of selling a home.

## Buyers Have Not Changed

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I will tell you that the good news is that buyers have not changed. They have all the same emotions running as they have had in the past, and all the same hopes, fears, excitement and worries as ever. Buyers haven't changed.



## The Tools Buyers Use Have Changed

But the tools that buyers use have changed a lot. In fact, the changes in technology have totally changed the process that buyers use to find a home. Home sellers need to know what changes are required in order to lure many prospective buyers to their homes.

## To Sell to A Buyer You Must Think Like A Buyer

I like to tell my home selling clients that “to sell to a buyer, you must think like a buyer!” Observing the activities of homebuyers gives sellers a clear roadmap for attracting them to a house that needs to be sold. It’s a little like fishing ... if you want to catch a bass, go to where the bass are!

First of all, you have to understand the process that your prospective buyers utilize when it comes to shopping for a home.

A recent study by the National Association of REALTORS found that 94% of homebuyers are using the internet when they buy a home. That means the best way to reach homebuyers is through the internet, thus the need for an internet marketing plan when selling your home.

If this sounds daunting, don’t despair, it is far simpler than you might think.

You see, most real estate companies have not caught on. They are “advertising” on the internet, but they are failing to reach the vast pool of internet consumers. Just think about your own personal experiences on the web, do you “click” on ads? Do you even notice them there? From my experience, advertisements on the internet are a great waste of money.

So I am not going to urge you to spend much money “advertising” your home on the internet. Instead, I will share with you the 3 stages of the home buying process on the internet so that you can focus your limited efforts where they will generate the most potent results.

The graphic above was created from a real estate internet marketing study which showed that homebuyers go through 3 distinct stages during the prolonged process of buying a home. They start out as “**information seekers**” who want to know more about the types of homes that are available. They look at properties on the large aggregate real estate sites which spend millions of dollars each year to get them to their sites.

These information seekers are not buyers. Some will buy within 9 months; others are merely curious or are interested for reasons other than buying. The real estate internet marketer must fulfill the needs of this shopper or most likely there will be no return visit. Ironically, most of the internet marketing I see from real estate companies is designed to lure this information seeker, yet nothing on their websites is geared to answer their questions and gain a return visit from this seeker of information. But you as a “For Sale By Owner” are not interested in this group of shoppers, you should be seeking buyers!



After several months, the information seekers either lose interest in real estate, or they become a more serious type of visitor, which I refer to as a “**comparison shopper**.” These people have decided that they want to make a move, so they start gravitating towards regional websites that have local information that the large aggregate sites just cannot produce. Information about neighborhoods, local real estate market analysis, map-based property search engines, and many key tools are the most often utilized resources that comparison shoppers want on a real estate company website. They will return often to utilize these tools that help them fine tune their needs and wants. Again, you as a “For Sale By Owner” are not interested in this group, as they will not be making a buying decision in the next 90 days. You want to sell your home now!

Finally, these visitors become “**ready buyers**.” After months of researching the processes and tools, as well as their needs and wants, the ready buyer is just waiting for the emotional trigger that will push them to make a move. A real estate internet marketer who understands the ready buyer will have just the right devices ready to assist, but only when this buyer is ready. Now you as a “For Sale By Owner” can just show up and grab the ready buyers in the market. Most will not be seeking a house just like yours, but the ones that are a fit will make an offer right away. The key is knowing how to market primarily to these “ready buyers.”

The role of internet marketing in real estate is growing at a feverish pace, and techniques and processes that are working best continue to change on a near-daily basis. Internet marketing is not something one learns, rather it something one studies all the time and the learning process never ends. I expect to see the world of real estate brokerage change in the coming years, perhaps in a similar fashion as the stock brokerage industry experienced starting more than ten years ago. The general confusion in our industry has created a window of opportunity for you to sell your home without an agent, all you have to do is replicate the work that a better agent would do.

## You Are Now in a Competition

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Too often, sellers do not recognize that they are competing with all the other sellers out there who have similar homes. A great analogy can be seen in car sales. If you are selling a used Honda Accord, then you are competing against all the other Honda Accords out there. But you are also competing against Toyota Camry’s and other similar cars. To get a car sold, you have to be priced attractively within the group of cars that you are competing against.

What are you doing to make the buyers think your house is the best value? You are not just competing against homes for sale in your neighborhood, you are competing against all similar homes in a geographic range that buyers would consider living. Even if the homes are miles away, they still might be competing for the same group of buyers as you.

## Winning the Battle For Buyers Requires Targeted Marketing

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A targeted marketing campaign will allow you to go directly to these buyers and present your case! Most US housing markets have way more sellers than buyers, but you can gain a leg-up on your competition by targeting the buyers that are ready to make a decision today.

Here's a thought that you should really ponder... Most real estate listing agents will tell you "I'll put your home in the MLS, and on realtor.com, and on trulia.com, and on Zillow.com, and on century21.com ... in fact, I'll put your home on more than 500 websites!"

Now to me, that sounds like massive exposure. How about you? 500 websites that all attract people interested in real estate. Sounds like a good plan, right?

Well, consider this. In 2012, more than 40% of all listed properties on those sites failed to sell! Ouch! I guess being massively exposed is not the answer.

Targeted exposure is bringing those "ready buyers" on the internet to your house on the internet. That's right, you need a single property website so that you can present your home to those ready buyers right away.

Targeted marketing is about herding the right buyers from all across those 500+ websites and bringing them to your home.

## Herding Buyers to Your House

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Many sellers have a "build it and they will come" mentality to getting a home sold, and that is just a poor methodology that rarely works today. The fact is, we know where the buyers are, and we have to take the home to the buyers. I refer to this as "herding buyers" to your house.

Of course, prior to computers, the methods that were used to drive traffic to each real estate listing were very different than the ones that we use today. But the processes that defined each method has not changed one iota!

You see, marketing is marketing. Marketing is about spreading the word, about moving people to take a step, to create interest and desire. Marketing is about herding buyers across the world to a very important location in time and space. And that is what successful real estate marketers do to get a home sold, so that is what you need to do as a "For Sale By Owner" if you want to sell your home fast, and for top dollar!



We used to herd buyers that we found in newspapers, magazines and specialty publications, but the internet changed all of that. We now have to travel the dusty plains of the internet to find 94% of the free-roaming buyers who need to be brought to our home pasture. We accomplish this with three different processes.

## The 3 Critical Processes In Real Estate Marketing

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Everything we do in our marketing to herd buyers to our listings can be boiled down into three separate groups. Each of these groups or processes has a different purpose and a different shelf life, but all are part of a critical triad of "must do" processes if we want to drive the maximum number of home buyers to our listings. As a "For Sale By Owner," you should copy some of what we do, but not all of what we do. Here are the three types of processes and why we do them:

**Active Marketing** -These processes are the things that we do each and every day in order to drive new traffic to our web site and to our listings. We post internet and social media ads, with a focus on what information seekers and comparison shoppers are targeting. Finally, our reverse-marketing is a “must have.” While you cannot produce the volume of content that we publish ... you don’t have to. You only are marketing to sell 1 home.

**Passive Marketing** –We have many sidebar enticements on our web site that pull our visitors to our listings. This additional exposure is often the difference between a competitive sale (multiple buyers) and one that either fails to sell or only has one interested buyer. Unfortunately, passive marketing is not a recommended process for the “For Sale By Owner,” as you are looking to sell now, not create a name as somebody who wants to sell a home in the future.

**Progressive Marketing** – Progressive marketing is to real estate as mayonnaise and ketchup are to the McDonald’s Big Mac. This is our Special Sauce! It is what we do to drive a significant amount of our traffic to our sites.



The great part about our progressive marketing processes is not so much about “what” we do, rather it is “how” we do it. We are able to derive so much more traffic from these techniques because our creative application of available tools on the internet. And best of all .... You can do them too.

From running multiple ads daily (free) on Craigslist to promoting your home through Facebook, Google Plus, Twitter, and Pinterest, the key is to bring the power of your social network to the effort of selling your home. Very often, the buyer for a home is somebody who knows somebody who knows the owner of the home. Use your social network to bring them to your single property site!

## How to Get “Ready Buyers” to See Your Home

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Ok, you are motivated to sell. You are confident you’ve got the right price. It’s time to let the world know.

When you market the home it’s important to understand that you are marketing to two very distinct markets: 1) The buyers out there looking on their own for a home; and 2) The agents who have buyers committed to working with them.

There are disadvantages and advantages to each of those two markets. The buyers out there on their own will either be looking for a bargain (because that’s what every financial investor guru tells them to look for when shopping FSBO’s) or need a lot of hand holding.

The real estate agents out there don’t like to show FSBO’s in general because of the negotiated commission, increased workload, and increased liability. If an agent has other options to show their buyers, they will skip over a FSBO like yours in favor of a comparable property listed with another agent. This is a reality. So your marketing to the agents needs to show them why showing your home is important to their clients.

Thus the “bragging rights” we discussed previously.

Marketing is a numbers game. You want as many potential buyers as possible to see your offering and then decide to come see it. Because you priced it fairly you'll be able to generate offers. The more offers you'll get, the more competition you create for the buyers, the more money you'll put in your pocket.

You might have to answer *dozens of phone calls and emails for every showing*. You'll need to be prepared to talk with real estate agents and bargain hunters. You may have to hold open houses every Saturday and/or Sunday for 4-6 weeks. You'll need signage and flyers.

You'll need to be able to talk to people who really, really want your home but can't buy it because of poor credit, they have a home to sell before they buy, or just plain old can't afford it.

You have to realize that you may have to show several unqualified buyers through your home... because they lied to you over the phone. And how about those late-night TV buyers who want to buy your house "no money down" and have a manufactured contract for lease to own or seller financing or some other crazy notion. You must be prepared for all types of buyer candidates.

All of this is part of marketing your home... and it's what your real estate agent would deal with if you were working with one. But you're not – so you have to prepare for and handle it as it comes up.

You just have to remind yourself that all of this work will result in a large pile of money when you sell your home and don't have to pay a commission.

#### *What is it that is most important to the buyer?*

Because no one cares why you like your home – you're not the one buying it. You have to understand this key point when you are creating marketing pieces to advertise your home. I like to suggest you write down the 10 things you liked best about the home and living in that neighborhood. You can expand these points into emotional marketing points that will appeal to buyers. For example, if there's a great family room with a high ceiling you might tell about the large Christmas gatherings you have around the 15 foot tall tree.

The most crucial, important aspects of your home – and why buyers would be attracted to them needs to come out in every ad, letter, flyer or brochure you create to sell it. If it does not come across loud and clear – you have little chance of selling your home. Ads like "4/2 spl't lvl with master on main" don't sell. "Room to roam in this expansive home with huge master suite on the main level" is more attractive and descriptive.

The first step in marketing is your "For Sale By Owner" sign. The quickest way to get one is to go to a local sign maker that the real estate agents in town go to for their signs. You can call us for this information if you are selling in the area. The sign is part of the curb appeal and first impression ... so don't skimp on it.

Next it's time to prepare a flyer. I suggest both a printed and electronic (.pdf preferably) version with the price, the address, bedrooms, baths, square footage, lot size, some pictures, and the main emotional selling points. Make sure you post ways to get in touch with you (email, cell phone, text at a minimum.) Everything you produce should refer buyers to your single address website.

Next it is time to get the word out. The best place to start is with everyone in your “sphere of influence.” This includes all your neighbors, friends, relatives, co-workers, church and little league contacts, etc... Facebook, email, text them all with an electronic flyer, announcing your home for sale.

It’s amazing how many people you know that know of someone who is looking to buy a home.

Many “For Sale By Owners” have had success in the past without having to do any formal marketing whatsoever... by just telling everyone they know about their home for sale. So please start here and capitalize on all of your personal contacts first. Again, I would have the single property website set-up and ready before promoting it even among friends and family.

If you don’t have success with your “sphere of influence” then you must market your home in other ways.

Newspapers have diminished greatly in effectiveness as an advertising venue. I do not advocate wasting your money on print advertising. The internet is the way to go.

It’s the “green way” ... meaning you won’t waste paper and you should be able to generate all the green you want for your home.



#### *The Basics of Creating & Writing Ads That Produce Buyers!*

Creating winning ads is critical to your success as a “For Sale By Owner.” It's something that you can learn to do.

Online and craigslist ads can be a powerful and inexpensive marketing tool if you do it correctly. They can reach a lot of people. There's nothing clever, nothing elaborate... I think that "the simpler the better" when it comes to creating winning classified ads. But, there's one thing that you've got to understand from the beginning. And that is this:

No one will read or respond to your classified ads if you don’t put their needs, wants, desires, details and passions first.

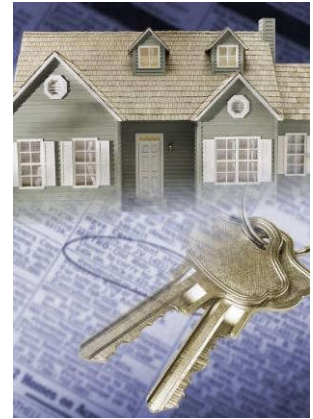
Your buyer is only interested in looking at your home to the degree that he understands what it has to offer him.



In every word you write, every sentence you construct, in every paragraph that goes into your advertisement, and in every picture you post you must realize that your prospect's desires, anxieties and aspirations must always come before your own.

If you doubt that this is true.... read through your local craigslist and search real estate for sale and notice all the bad ads that are in there.

Compare them to what you learn in this section and you'll understand that there are very few effective ad writers out there.



You've got to understand that successful ad writing is "all about your target audience" in your case the potential buyers and real estate agents with buyers out there.

### *Write Powerful Ads by Avoiding These Typical Mistakes*

- 1) Do not focus on the prospect... they focus on the property, the agent, the company, etc...
- 2) Assume the prospect is as excited to respond to you, your property, your offer, as you are to sell!
- 3) Try to be clever and creative without saying anything. The minute you get clever with your copy is the minute you may lose your prospect. Cute as a button doesn't really do anything does it?
- 4) Try to create an "image." This is ridiculous... but happens all the time! **Your property's image should always come second to THE PROSPECTS' NEEDS, WANTS, AND DESIRES.** Nothing should be more important than your prospect, especially not your home's "image"!
- 5) Drone on and on and on about the features of a home and not on the benefits and what they can do for the prospect.
- 6) Are boring and dull. Copy should be written full of action, spunk and enthusiasm. It should move the prospect to action!
- 7) Do not give the prospect a reason for acting NOW. After your prospect reads your ad they should be so excited about the benefits they get, that they drop whatever they're doing and take immediate action!
- 8) Do not address the anxieties and aspirations of the prospect. If you don't know your target buyer, don't even try to create and write classified ads.
- 9) Do not sell specific benefits to the prospect. For example, the best listing classified ads are stuffed with specific benefits for the buyer... like "average electric bill is only \$67 a month." For each individual market you target, your copy must be specific. Stop writing general classified ad copy.
- 10) You have no pictures.

11) And my favorite – the ads don't list the basic information needed list price, address and a phone number to call. Most have an email but it's a complicated Craigslist generated one that may be sent to your junk mail – use a real email (set up a new one at Gmail or at yahoo.com for privacy purposes.)

***These are only a few examples of the mistakes that most "For Sale By Owners" make.***

After you've created a new ad, always turn back to these pages and test your ad against these listed mistakes.

Transforming Your Features into Benefits That Will Make Your Prospect Pick Up the Phone And Call You, NOW!

If you don't know what your prospect wants to buy, then how are you going to sell it to them? You can't. In general, a buyer needs to know how much down and how much per month. Then they see if they like the house, can get qualified, etc.

### **FEATURES**

Features are all about your home.

Features are important, but only to the degree that they relate to a benefit that the prospect gets from the feature.

Features will not sell your home... benefits will. Benefits are the advantages to your buyer.

### **BENEFITS**

Benefits are what cause a prospect to buy your home. Benefits are what your prospect gets from a feature.

Benefits answer the prospects biggest question "What's-in-it-for-me?" Your prospect wants to know the answer to this question RIGHT FROM THE START. So tell him!

Having said that, let's assume that you know what your prospect wants and why he needs to look at your home, and talk about how to turn your features into benefits. Features are the elements of what you're selling. They are the parts of your property that are desirable for your prospect.

*Thus, if you want to write successful ads then you've got to get good at transforming features into benefits.*

One of the basic rules of successful ad writing is this...

***You Must Always Lead with the Benefits, and Then You Can Follow With Features***

Prospects always want to know what's in it for them first. After they know that, they might want to know the in's and out's of your home.

If you have a feature that doesn't offer a strong benefit, then leave it out... don't even waste your time with it, or consider it. You should never list features of your home as if they were in and of themselves, something meaningful.



They aren't!

A feature is only meaningful if it tells your prospect what he gets from the feature... and by their very nature, features don't do it. If you understand all of this, then you are ready to begin the process of turning features into benefits.

### HERE ARE THE STEPS FOR TURNING FEATURES INTO BENEFITS:

- 1) List every feature that you can think of. The features are basically the key facts about your home: age, style, address, price, availability, square footage, color, bedrooms, baths, lots size, storage, parking, etc...
- 2) Now answer this question for each and every feature: "What does my prospect get from this feature? How much? How often? Why does it matter? What problem of the prospects does this feature solve? How well does it solve the problem? Etc." If you do this, you'll have a list of benefits that mean something to your buyer.
- 3) Rank the benefits in order of importance to the prospect.
- 4) Rank the problems that your home solves in order of importance.

You see, all of this is critical to your classified advertising success. A prospect doesn't care about your features.... they just want to know what's in it for them.

**They care only about what you or your home provides for them.**

Rules for Writing Ads That Motivate Your Prospect to Respond NOW

Remember, the main question to continually ask yourself, with each word or sentence you write, with each paragraph you finish, is this:

**Does This Help Get My Prospect To Act Now, Or Not?**

**If It Doesn't It Should Be Pulled-Out and Thrown Away!**

The purpose of your advertising is to get your prospect to respond NOW! If the copy does not have a call to action, then it won't work as well as it should!

*Never forget this!*

Realize that no matter what anyone else says, classified ads should always be written so that's its focus is on the prospect, never on the home you're selling or anything else. .

Put your ego aside, and realize that you will win at creating ad if your focus is on your prospects, their desires, their wants, their interests, etc...

Tell your prospect that you have the solution to their problem. Prove it in your copy! Let them know that you understand what THEY are looking for. To do this you must:

## *Let Them Know You Have What They Are Looking For!*



More basic rules for writing classified ads that sell:

1. Target your market specifically.
2. Write the ad as if you were writing to one specific, select person.
3. Read your copy as if you were the prospect, consider it only from his point of view.
4. Never assume that your prospect understands what you are saying, tell him specifically what it is you mean.
5. Make your copy short and spunky, full of energy. Use action words and avoid adverbs and adjectives. Using non-specific adverbs and adjectives tell your prospect that you don't have any specific facts or numbers to share about your property. You must prove each of these words when you use them.
6. Make Your Copy Interesting. Write everything so that it focuses on the prospect. That alone will make your copy interesting to the prospect. If what you write is not about the prospect, then it doesn't belong!
7. Use emphasis devices to draw attention to words that are important, words that are more likely to get your prospects attention sooner.
  - You can underline important words.
  - You can make them **bold**.
  - You can use \*asterisks\* to set them off.
  - You can indent them.
  - USE CAPITAL LETTERS.
  - Use boxes, or other outlining devices
  - Use different colors

Basically, you should use anything that lets your prospect know that

THIS IS IMPORTANT. READ ME! I'VE GOT THE PROPERTY YOU'VE BEEN LOOKING FOR!

8. Pictures, pictures and more pictures.
9. This is a key rule to never forget: Always Lead with Prospect Benefits & Follow with Features.
10. Make it easy for your prospect to respond. Don't hide your phone number and email by burying it deep in the text

These emphasizing devices work and will guide your prospects eyes across the page to the important messages you are trying to convey to them to get them to act in their own best interest.

Here are a few winning classified ads that use these highlighting techniques. Try to use these as a model for just how much highlighting you should do. Obviously, it can be overdone... and that's not what you want.

Following this rule alone will help increase your response to a large degree. Make sure these benefits:

- Speak Directly to Your Prospects
- Excite Them
- Frighten Them
- Let Them Know What They Have to do to Get the Benefit

In short, motivate your prospect by leading with the benefits he gets, not with you, your property or its' features.

Writing ads that compel an immediate response is something that you can do, if you work hard at it and follow the guidelines in this section.

This section is full of the tips, hints and techniques that I have learned and used hundreds of times across the country --they will help you write classified ads that will get your prospect to call you NOW and buy your property.

*Here are some sample Ad headlines that may grab a prospective buyers' attention:*

- Priced below Appraisal
- Priced Below Assessed Value
- Lowest Price 4 bedroom in the area
- Why Rent when Owning is cheaper?
- Do you know how much you save in taxes by owning a home?
- Need a creative outlet? Gardening, paint and decorating await your touch in this home. What is your passion?
- Do you have a dream kitchen? Not in that rental you don't. Come see what this home has to offer.
- Buy Now, lock it in and smile. Interest rates are at record lows.
- When you own your own home you pick the colors. Tangerine or peacock blue – what's your color?
- I've got 10 reasons why owning this home is a good thing. How many can you name?
- Did you know you can start building equity for \$50?
- What if I could help you buy a house with payment lower than your rent?
- Think you can't afford to buy a home? You can't afford not to. How would your life be different if you owned this home?
- Pet deposit, no pets allowed, pet fee ... forget all that and welcome Fido to your own home!
- Rents usually go up but house payments stay the same with a fixed interest rate. Be your own landlord.
- You upgrade your software, why not upgrade your home?
- My dad always said "I wish I had bought that house." This is "that" house.
- How do you know when home prices have hit bottom? When they go back up. The time to buy is now.
- It is never the wrong time to buy the right home.
- The average renter moves every 5 years and has nothing to show for it. Buy this home now and you stand to make a profit.
- THIS IS IT!

With many internet sites pictures are allowed –the brighter and clearer photos the better. Nothing sells as well as a good picture. And here are some marketing ideas you may not have thought of:

### *Here Are Some Progressive Marketing Techniques You Can Use to Get More Exposure For Your Property:*

- Create a single property website which allows for you to syndicate your property to 20+ search portals. This great service also integrates with a stats tracking service that gives you the ability to watch visitors to your page in real time, giving you valuable insight into how internet based buyers are in your property. There are lots of other sites out there too! Get one and create an easy to remember web address for your home  
(123mainstreetYourTown.com for example.)
- Create a video of your property and post it to YouTube. Did you know that YouTube is the second largest search engine in the US? Yep, getting your property onto YouTube could go a long way toward getting you organic search exposure. And you don't even need a video camera to create the video! You can use a free service like Animator to create a video photo slideshow... or a free service like Screenr.Com to give a photo tour of your property as you talk about its better features...
- Post Your Property to Craigslist, but do it right! Sure, we know you've probably been using Craigslist already, but have you been titling your Craigslist posts so they stand out? Or in such a way that you can benefit from the organic search juice Craigslist is capable of getting you... Have you been making it possible for visitors to your listing on Craigslist to join a list to be notified about upcoming open houses at the property? Why not capture your prospective buyer and engage him/her with some modern follow up!
- Run A Locally Targeted Facebook Ad for Your Property. In no time, you can have an ad for your property live and viewable to thousands of Facebook users in your area! You've seen those ads on the right side of Facebook right? Your property can be there in 15 minutes!  
It's costs a bit but may be worth it.
- Create A Blog or Facebook Page for Your Property... Get people to subscribe or become a fan in order to learn about how the sale is going! Here's a link to a service that creates great looking Facebook Pages built for Lead Capture.
- Find some local blogs in your area. Comment on them, be sure to use the Website for your single property page so when folks see your comments and want to know more about you... they see your property! You can also approach local bloggers and offer them advertising \$\$\$ in return for a banner ad on their site. Many bloggers we know would be thrilled to pick up \$20-\$50 in return for plugging your property to their readership! You can also try a service like BlogAds.Com to execute this step.
- Create a Twitter account for your Property! Then use a great service like TweetSpinner.Com to make your property automatically "follow" other tweeters in your area! Yeah, for real... you can do this!
- Google – "Real Estate In" Your Area. Then go to every agent's website you find and "Friend" him/her. Be sure to drop a line or 2 about your property to your Facebook profile on a daily basis. Sure, agents will see your property and approach you for your listing... But the best among them will keep your property in the back of their mind in order to do the best possible job for their buyer clients.

So marketing involves getting the word out to everyone out there looking to buy or sell a home.



If you are willing to work with real estate agents, make sure you state that in your ads. “3% commission to buyer’s agent, buyer’s agent protected, agents welcome. Etc.” will let them know that you are at least willing to show them the house. Prove to them you’re easy to work with, return calls or emails promptly, allow showings, meet them, etc. One note of caution 90% of the agents who say they have a buyer for your home are trained to say that even if they don’t have one. Their goal is to get in the door and pitch you on why they should be your agent.

## Being Prepared for Ready Buyers

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If you are following this simple advice ... to herd buyers across the internet to your single property site, then you must be prepared to sell your home immediately. These ready-buyers are waiting for a good deal to come along, so you must be ready to sell your home the moment you place it on the market. If you follow my advice and instruction, you should expect to receive an offer on your home within 4 to 14 days. Don’t be surprised, be sold!

## Your Single Property Website

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You will need a website that solely exists to demonstrate the benefits of your home. There are many cheap or expensive products that you can purchase to do this.

## Why You Might Not Need A Real Estate Agent

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And because of this strong web presence, your site will be better at herding buyers than 99% of real estate agent websites! This claim might sound bold, but most real estate websites get no traffic! Your website must be able to herd ready-buyers for it to enable the sale of the house, and this product is dynamite.

## Important Websites You Will Engage

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There are thousands of websites that offer guidance and promote grand claims of helping you sell a house, but the fact is you will only need the select few because you only have one home to sell. These sites offer you everything you need (and most are free!) to get your house sold in a very short period of time. I recommend you build your site, then immediately start to promote it to all the sites recommended by your single property

website provider. At a minimum, create three ads per day (for four straight days) to run morning, noon, and evening on Craigslist. You can renew these ads every few days and this will expose your home to the majority of Craigslist shoppers. Each ad should only target one key benefit of your home (i.e. "Large Backyard"). Don't try to tell too much to the Craigslist shopper, just give them a benefit and a link to your single property website.

As you develop a list of your daily "active" marketing requirements, you will soon come to understand the need to be organized. I recommend developing a daily schedule so that you can maximize the results of your efforts. Sure, you'll have to do some work to sell this home on your own, but think about what you are making "per hour" with the thousands of dollars you can save by selling your house on your own.

## The Importance of Scheduling

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You might be starting to get a feel for the amount of work it takes to create and execute a targeted marketing plan on the internet. This is something that we do every single day, so I can tell you that success comes from preparation and organization. Make sure your scheduling works to ensure that you know what to do and when to do it.

## Online Activity Is an Active Process

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In the past, many sellers (in a seller's market) were able to sell their homes simply by placing a "for sale" sign in the yard and maybe running an ad or two in the newspaper. But times change. And markets change.

This is a buyer's market and you will have a lot of competition. Online marketing is an active process, one that requires daily work. Now I know what you might be thinking ...

"I don't have to do all of this, I can just sell it with a sign in the yard and an ad or two in the paper!" Well ... you're right, you can.

Of course, you will reach so few of the ready buyers for your home, it is likely that you'll only reach the investor market. And you know investors, they want to "buy low and sell high."

So for you to sell your home with little work, you will need to offer the buyer a healthy discount. And remember, you chose to sell your house on your own in order to save money, so passing all the savings on to the buyer (and then some) doesn't make sense. You do all the work, and you get less money when you sell the home? Certainly, that cannot be your plan, right?

For you to pocket the commission savings, you have to replace the workload that a top real estate company would be providing in the marketing of your home. Anything short of reaching the entire market is going to mean less money for you (and it's all about the money, right?).

So just as you have your schedule coming together to ensure that your active marketing efforts are consistent, you also need to create a schedule to allow for buyers to come and see your home.

## The House Needs to Be Available For Viewing

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Part of your scheduling requirement is a posted schedule for viewing opportunities. Your competition has a full team of real estate agents that are prepared to show the home at the convenience of any buyer, but you most likely (have a life) and will not be available at the beck and call of every buyer. By posting a schedule of available times for viewing, you will be able to get your home seen by the people most ready to buy it.

## Pricing Schedule Should Be Pre-Determined

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Most sellers want to try a higher price when they first hit the market to sell their home. I believe this is a mistake, but if it is one that you are dedicated to making ☺, then create a pricing schedule. You should have a schedule prepared before you even begin, and it will dictate your pricing changes required and on what dates they will occur. This is not a published schedule, rather it is one for you alone, and it will keep you on the time schedule that you desire to be sold.

## Create Your Schedules Up Front

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All of your schedules should be prepared and completed before you hit the market. The activity that you will encounter once your home is officially for sale will keep you plenty busy, you don't want to mis-manage your time because of a lack of preparation.

## Working with Buyers

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The first thing to do when a potential buyer calls is to be polite and positive (even if it is a real estate agent on the other end.) You should then try to get the caller to give you as much information about themselves and what they are looking for as possible without driving them away. This balancing act is one of that only experience and training with different personality types will allow you to perfect. You might want to allow every showing request and then "prequalify" them once they arrive in your home.

The first call or email is your opportunity to "pre-qualify" the buyer prospect and eliminate time wasters. Asking the following questions will help you eliminate most of the "tire-kickers." These are direct questions that get to the point with your buyer prospects and are crucial to your success. Remember the balancing act of gathering information versus chasing them away. You don't want to waste your time showing to some who's just declared bankruptcy and is looking for you to owner-finance the home however you also don't want to have the home not shown because you ask too many questions. A conversational, friendly tone will get you more answers and feel less like an inquisition. Notice also that most of the questions are open-ended to allow them to share with you and build a relationship.

### *Questions for Potential Buyers*

1. What is your desired home size and square footage?
2. What is your desired number of bedrooms and bathrooms?
3. What lot size is ideal for you?
4. How do you feel about a home with a \_\_\_\_\_ (pool, fireplace, master on the main, etc.)?
5. How did you plan on buying your home?



6. Do you have a home to sell?
7. Are you currently renting or owning?
8. Where will you get the money for the down payment?
9. Which lender have you been pre-qualified with?
10. Where are you currently employed?
11. Where is your spouse currently employed?
12. Are you working with a real estate agent?
13. What type of financing are you going after?
14. What price range you are looking in?
15. What is your approximate gross monthly income (combined)? (May be too personal at first)
16. What is the most important thing about the home you're looking for?
17. Have you looked at other homes in this area?
18. When do you have to move by?
19. How's your credit?
20. Have you ever owned a home before?

In addition to these questions you may want to compile other questions that come out of your time on the phone with prospects. Remember to keep it conversational and easy.

Another suggestion that I have for most "For Sale By Owners" is to make contact with a local lender... someone who will be glad to pre-qualify prospects as they come through or contact you through your ads. This saves you time and gives you peace of mind when showing the property. We know of some great lenders if you want a referral.

As a serious "For Sale By Owner" (besides notifying your "sphere of influence" and running smart classified ads) it's also a good idea to hold open houses – sometimes every weekend until your home is under contract.

The reason for this is simple – the right buyer for your home may be someone who is just out driving around on the weekends. Since you don't have it on a multiple listing service more frequent open houses are necessary.

### *OPEN HOUSES*

You can hold an open house for a minimal amount of up front expense or hassle. You'll need a large "OPEN" sign for the front yard and at least 6-8 directional arrows to direct people through the maze of side streets and into your home.

And that's it – along with your normal flyer that you'll have already created. Most areas have "normal" open house times but don't be afraid to be a bit different. Saturday instead of Sunday. 1 to 4 instead of 2 to 5. Thursday Evening if you're in a place where there is walk-by traffic.



The main rules when conducting an open house are the same as when you prepare your property for sale. There are two other key items to remember when holding your house open.

Understand that many of the people who come through your home are not qualified and are only there to see what type of decorating or upgrades you have done – often times neighbors come by to compare their house, and value, to yours. There is no way to avoid this. Be gracious.

When showing your home – never, ever give buyers the “Grand Tour” of your home. This is a mistake and will cause even a serious buyer to delay making a decision on your property. Buyers don’t need tours – they need space. Give it to them. If you give a tour you can turn into an overeager seller or a slimy salesperson. People don’t like slimy salespeople and they take advantage of over-eager sellers.

Maximize every opportunity that you have in an open house situation by making everybody sign in. This makes it easier to follow-up with them later if you lower your price or change some term.

### *Closing the Sale*

Next let's go on to closing the sale. It is the most crucial aspect of the whole process after pricing the home... why? Because if you can't take an interested buyer and close them – you will lose the sale.

### *A Few Words on Real Estate Agents and the Buyers they Work With*

Once you start to advertise FSBO you'll likely get calls from real estate agents trying to secure your listing. Many real estate agents with motivated, qualified buyers will not show FSBO offerings unless there is simply nothing else to show. In a buyers' market the agent has multiple properties within most price ranges and communities to show their buyers. Some of these agents are trained that FSBO's are to be avoided because of three basic reasons.

**Reason #1** – The commission is negotiable. Decide whether you will be offering payment to an agent who brings you an acceptable offer. This compensation to the agent is sometimes called a finder's fee, a commission, a courtesy, or advertised as “agent protected.” The agent is taught that the FSBO doesn't have a contractual agreement to pay this fee and therefore the commission is negotiable. If the home is on the multiple listing service the cooperating broker commission is contractually set and stated. As a FSBO it is a negotiated item.

**Reason #2** – The work involved in closing a FSBO may be up to two times the work needed to close a home listed by another professional agent. Since you are only selling this one house even if you are willing to do the work you may not know how to do it. The agent is licensed by the state and must “protect the consumer” and this means they must do both sides of the work if you can't.

**Reason #3** -There is increased liability. Virtually all agents and their company's carry what is called E&O Insurance (errors and omissions.) It is business insurance that protects the agent and their company if they get sued over a transaction. You as a FSBO cannot get this insurance and therefore there is increased liability if there is a lawsuit because the attorneys always go after the parties who are protected by insurance money.

Since almost all of the motivated, qualified buyers work with agents (over 90% of them and a lot of the rest buy from someone they know already) you might be asking yourself “how can I get agents to show my home to buyers?” Here are a couple of thoughts:

### *Working with Real Estate Agents*

Offer a commission and state what it is in your ads. This is counter-intuitive and erodes into the savings you are trying to generate by selling on your own but it does accomplish two things: an easy way to get most new salespeople off the phone by saying “bring me a buyer and I’ll pay you X%” and it removes some of the need to negotiate from the salespersons mind.

1. Make sure you acknowledge that there is work to be done in the sale and express how cooperative and “on the ball” you’ll be in trying to do your fair share.
2. Make your home extremely easy for real estate agents to show.
3. Price it right so the agents will be compelled to show their buyers a “good deal.”



So, you think you have a seriously interested buyer – what’s next?

### **Avoiding “Un-closable” Buyers**

Most home sellers think that finding a buyer for their house is the hardest part of being sold today, but that is not the case. Finding a buyer is only half the battle, getting them to the closing table is the other half!

Most homebuyers look alike, so being able to avoid the ones that will waste your time and possibly make you miss the best buyers is as important as any other part of the information provided in this document.

Do not take your home “off the market” with a contract that is not secured with a large binder and a proof of funds or loan commitment for the buyer. Don’t just take the buyer’s word for it, demand to see a letter from

his or her bank that specifies the amount of the loan for which they are approved and all the contingencies in the loan commitment. Personally, I would not go to contract with anybody who could not produce this document with their offer, and the contingencies should be few (i.e. contingent upon the home appraising at the contract amount, contingent upon a satisfactory boundary survey and clear title).

## The “Extra” Costs of Selling

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There are many additional costs of selling besides the commission that you are going to save. These “closing costs” must be accounted for in the sales contract or you most likely will see your closing fall apart.

First of all, real estate closing costs are the fees, costs, and taxes (over and above the price of the property) that occur when real estate is transferred from one party to another. The conveyance of real estate is initiated and directly by a contract for sale and purchase and closing costs should be specifically identified in this document. So how do you know who pays what?

### *Real Estate Closing Costs Are Identified in The Sales Contract*

The short answer to the question of who pays for closing costs is really quite simple. Whomever the contract identifies as the party who must pay the fee is the party who must pay the fee! The contract between the buyer and the seller in real estate is purely negotiable on each and every point, therefore there exists no reason why a seller cannot pay discount points on the buyer’s loan nor a reason why a buyer cannot pay the taxes on the transfer of the deed.

### *Local Custom Typically Rules the Allocation of Closing Costs In Home Sales*

In the State of Florida, we have an interesting phenomenon among REALTORS® that seems to be North / South separator. In North Florida, it is typical and customary that the Buyer pay for title insurance in the real estate transaction. The opposite is true in Central and South Florida, where I have heard many a REALTOR® say that “the law requires the Seller to pay for title insurance!!!” You can imagine then, when a South Floridian decides to sell their home in South Florida (paying for title insurance in the transaction) in order to move to North Florida (and then pay title insurance again on the new home). This has angered more than just one transferee. But the fact is, this is a negotiable point, both in South Florida as well as in North Florida.

Just because something is customary in an area does not mean that a creative solution cannot be implemented. In the example of title insurance, this is something that the lender requires (and every buyer should obtain title insurance) in order to safeguard its investment in the property. There is no law that requires home sellers to pay for an insurance policy for a buyer.

## Creating A Win-Win

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I am a big proponent of creating a “win-win” scenario when selling a house today. You should endeavor to provide for the buyer’s needs while ensuring that you get your house sold. The best way to do this is to focus on bottom line negotiation.

## Bottom Line Negotiation

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The purchase agreement for your home is much more than just a sales price and a closing date. There are so many negotiable items in a real estate sale that it is very common for home sellers to lose sight of their true goals: Sell the house and gain the bottom line dollar that they want to achieve.

The most important thing for a home seller (in order to create more value to gain top dollar when selling a home) is to increase the size of the buyer pool for the seller's home.

The reason that all sellers should be willing to pay buyer closing costs is due to the fact that there are many people who are cash-strapped after selling a depreciated home, so they do not have enough funds to pay a down payment and all of the closing costs associated with a sale.

### *Pay Buyer Closing Costs*

If a seller is willing to pay buyer closing costs, then the seller has effectively increased the size of his/her buyer pool. The more people that want the home, the greater the value.

So the key is focusing on how much money the seller nets (walk away money so to speak).

My way of looking at it is this. I don't care if I pay a billion dollars in closing costs so long as I get more money at closing than I would if I paid no closing costs.

Think about it. If paying buyer closing costs facilitates a sale at a higher price than anybody else is willing to pay, and if you net more money from closing, do you really care about what's happening with the buyer's side? Do you care what the buyer pays, or what you get?

It's all about the bottom line. Use any contractual trick possible to optimize your net when you sell.

## Contracts and Negotiation

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Many new home sellers are shocked when they discover all the paperwork that is involved in selling a house today. My office provides hundreds of hours of tutorials, training and video guides for our real estate agents to become experts at the contracts we use, so this is not a trivial matter. Remember, you will not be an expert negotiator if you are using a 20-page form in which you are not familiar. You might think you've negotiated a spectacular sale, only to find yourself paying tens of thousands of dollars towards the buyers closing costs (because you missed the small print on page four of the contract).

At a minimum, you should study the local board of Realtors contract, as 92% of homebuyers use a real estate agent (this includes the ones that buy a "For Sale By Owner"). But you also should pick up a generic contract from the local office supply store in case no real estate agent is involved in your sale. The Realtor contract is copy-righted, and you don't want to have to pay all of your commission savings to an attorney to defend you for using a contract for which you did not have permission.

You should also seek out a competent real estate attorney (not just a good attorney, but one who handles real estate closings on a regular basis) to help ensure that you are not giving away the farm or leaving yourself open to a lawsuit with the agreement you execute with the buyer.

## Learning the Paperwork

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Learning the paperwork is not the most exciting thing you'll ever do, but remember you are selling your house on your own to save thousands of dollars, right? So just figure out the "dollars per hour" that you are earning while learning the paperwork, and it will put a 😊 on your face.

## Preparing the Contract And Closing the Sale

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The easiest way to move the process forward is to have sample contracts available for them to review and sign. Having it mostly filled out allows you to be in control of a lot of the negotiation items by having them typed in so they don't question whether it should be there or not.

A common question that many "For Sale By Owners" have is "How do I do the paperwork?"

Rest assured that it's not as hard as you might think, and it can be done with a minimal amount of investment on your part. The paperwork is designed for two things: *1) your home gets closed and 2) everyone stays out of court in the long run.*

Many FSBO's approach the close with trepidation or over-aggressiveness. A simple "let's see how it looks on paper" generally suffices. You can do all the paperwork yourself and save even more money... but with the ever-changing real estate laws... I think it's a wise move to have a professional do it for you.

You can hire a real estate attorney or real estate agent to draw up the contract for you. This will protect you, the buyer and the entire property in the long run... plus, in most cases won't cost you more than a couple of thousand dollars if you are a decent negotiator. Get a copy of the local offer and disclosure forms before you start showing so you can familiarize yourself with the terms and conditions and blanks that need to be filled in. If you don't have them I can share the standard forms with you. Be sure that you have the following in your contract:

### Minimum Contract Requirements

1. **Your Name** – The name under which the buyer wishes to take title.
2. **Tenancy** – This refers to how the buyer will "take title" to the property. It signifies their interest in the property and rights of survivorship.
3. **Earnest Money Deposit** – The amount of Earnest Money due is negotiable and varies with the value of the property. The range is up to you but between 2% and 5% is common and is rarely less than \$1000.00. Its purpose is to show good faith that the offer is serious. It also is the source of payment for damages to you should the buyer default on the terms of the contract. It is made payable to the title company, Real Estate Company or the closing agent (title company) and held in trust. Should the contract fall apart you and the buyer will have to decide how it is to be released.

4. **Legal Description and Street Address** – The legal description is the technical information from the government regarding plat location, section, Tax info, etc. The street address is the name by which the property is commonly referred (i.e., 123 Maple Street, Anytown USA).
5. **Purchase Price and Terms** – This section details the agreed purchase amount and the terms of down payment, loan amount, interest rate, and other loan conditions. A description of the loan should be here. If the buyer has not yet received loan approval, they will need to specify the interest rate, loan conditions, and down payment limits. (For example, your contract can specify, “offer is contingent upon buyer’s ability to obtain loan approval on a 20% down, market interest rate, 30-year loan within 15 days.” Therefore, if they cannot find such a loan, these stipulations will allow them to be released from the contract, should you desire.) The contingencies are ways for a buyer to get out of the contract so be sure to review any contingency carefully.
6. **Inclusions and Exclusions** – This section details any items that are to be included in the purchase price that are not permanently attached or built-in to the real property. Also, this section details any items you do not wish to leave that may be construed as attached or staying with the property. For example, these items may include the washer, dryer window coverings, refrigerator, stove, dishwasher, microwave, shed, doghouse, garage door opener, etc.
7. **Liens, Encumbrances and Restrictions** – The contract should detail all liens, encumbrances, easements, restrictions, etc. which are not recorded. Homeowners’ association dues and assessments should be spelled out here.
8. **Special Assessments** – Any special assessments must be disclosed by you. For example, if a property recently got a special assessment to build new sewers, who is to pay for it, etc.
9. **Homeowners/Contractors/Building Inspection** – The buyer has the right to request a physical inspection of the property and its inclusions; generally done by a contractor. If the inspection proves unsatisfactory, both buyer and seller have a set time to reach a settlement of how to correct the unsatisfactory conditions. Remember the inspector oftentimes will need to justify their existence and point out minor defects. Be prepared to spend some money to fix some “defects.”
10. **Title Insurance Policy** – A title insurance policy is required by the lender. As the seller, you may pay for the title insurance policy. The buyer is required to purchase a mortgage policy which is a part of their loan fees at closing.
11. **Closing Procedures** – This section details who is to be responsible for conducting the closing. Usually all monies and documents are handled by a title company (i.e., the closing agent). The closing agent acts as a depository for funds. They disburse funds to the proper parties, handle the adjustment of taxes, insurance, etc. between the buyer and seller. They are also responsible for obtaining pertinent documents such as the deed, title insurance policies, and are responsible for the recording of documents with the state, etc.
12. **Date of Closing Procedures** – This section details what date the proceedings close.



13. **Date of Possession** – Although this date is negotiable between buyer and seller, it is customary for possession to occur between the day of (0) and five (5) days after closing.
14. **Occupancy** – This section details what happens if you do not give occupancy.
15. **Terms of Contract Termination** – The number of days you have to accept the offer.
16. **Additional Provisions** – This is where you put all items which may be in doubt or which could be contested later. Often times these include lead based paint addendums, short sale addendums, financing addendums, and other things not generally covered in the contract.
17. **Signatures** – In most states, an offer and acceptance must be in writing. If acknowledged in the body of the contract, fax signatures will be binding until original signatures are obtained.

## Accepting an Offer

Once an offer is accepted “Be Reasonable!”

*One thing is for sure if you want a hassle-free closing... and that is Be Reasonable!* Realize that real estate contracts fall apart at an alarming rate due to home inspection issues, obtaining the loan issues, and buyers “cold feet” issues. Many real estate agents feel more than half their job is holding a contract together. Become very aware that buyers have several contractual “outs” in addition to the ones just mentioned. Prepare your offer carefully and do everything you are supposed to do.

There will probably be something in the sale of your home that may delay the dates laid out in the contract; or require you to do a little more than you expected. No big deal. As long as the buyer is still serious about buying your home, my suggestion is to be reasonable during the process.

The biggest issue in today’s market is the appraisal coming in at a price below the contract price. Meet the appraiser and show him or her (actually give them copies) of your documentation of your pricing. He’ll be looking specifically for comparable properties. Having 4 to 5 active and 4 to 6 less than 6 months old sold comparable properties will be extremely helpful. If you do all this and the home still appraises low – seriously consider negotiating the price with the buyer as the appraisal may be an accurate valuation.

Obviously, you want everything on a tight timeframe and the buyer to fulfill all their responsibilities... but to save your long-term sanity... relax a little and be reasonable.



## Don't Have to Go It Alone ... While on Your Own

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One of the biggest mistakes that I see sellers make is their choice to save a few dollars by cutting corners. Don't miss out on saving tens of thousands of dollars in commissions because you are too cheap to hire a home inspector to come in and identify what needs to be remedied in the home!

If you were sharp enough to catch my recommendation of interviewing real estate agents before you list your home For Sale By Owner (with full disclosure of course), then make a note to ask them to refer you to their favorite home inspector. You can always call my office if you want to get a list of suggestions.

## Don't Be Penny Wise and Pound Foolish

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The same goes for the home warranty and any other repair costs that you can fix up-front. There are some great home warranty products that you can get super cheap as a seller, and then pay (at closing) a remaining amount to cover the buyer. I've heard of sellers spending less than \$400 and end up getting an air conditioner replaced before the house even sold! Again, if you want a recommendation for the right warranty company, simply call my office.

## What to Do If You Owe More Than Your Home Is Worth

Short sales have become a fact of life in most real estate markets across the country. And with the huge number of mortgage holders who are more than two months behind on their payments due to their economic conditions this phenomenon can be expected to continue for the foreseeable future.

One report said recently that 11.3 MILLION home owners (or 25% of all mortgage holders) were upside down or under water (source: First American Core Logic) when the housing market was bad. Navigating the tricky path that results in a short sale closing and being able to avoid a foreclosure can be emotionally trying and time-consuming. There are definite advantages and disadvantages to conducting a short-sale, but if you have to sell your home right now, the short sale is often times the best solution.

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*Lenders require a real estate agent to be involved in a short sale – if you are anywhere close to being “upside-down” on your property. Contact me now.*

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Please note that this guidebook is a general guidebook and does not include all the unique rules, laws, and regulations for every state and county. Lenders are not required to participate in a short sale and there is no time limit for your lender's approval. Please consult with your legal adviser to see if there is anything unique to closing short sales in your marketplace. We recommend that all sellers considering a short sale contact a legal adviser and their tax adviser to discuss the ramifications.

What is a short sale? Answers from Wikipedia:



A short sale is a sale of real estate in which the sale proceeds fall short of the balance owed on the property's loan. The sellers owe more than the property is worth and they are unable or unwilling to bring money to the closing. The seller is most often in the pre-foreclosure process because many lending institutions will not consider a short sale unless the borrower is at least three months' delinquent. (This "rule" may be softening and some lenders may be making exceptions.)



It often occurs when a borrower cannot pay the mortgage loan on their property, but the lender decides that selling the property at a moderate loss is better than pressing the borrower. Both parties consent to the short sale process, because it allows them to avoid foreclosure, which involves hefty fees for the bank and poorer credit report outcomes for the borrowers. This agreement, however, does not necessarily release the borrower from the obligation to pay the remaining balance of the loan, known as the deficiency. Many times the deficiency is waived.

The advantage to the mortgage holder is that generally a short sale is less disastrous to their credit rating and can many times get a new mortgage in 24 to 36 months after closing. It may also help control future costs/losses that may occur if the property goes through the foreclosure process. The advantage to the bank is generally lower costs to complete a short sale and one less property in the REO inventory to manage, keep up, and sell.



### Real Estate Terms You May Need to Know

**Amortized Loan** – a loan that is completely paid off, interest and principal, by a series of regular payments that are equal or nearly equal. Also called a "Level Payments Loan."

**Appreciation** – an increase in value of real estate. Depreciation is a decrease in value.

**Assumption of Mortgage** – the taking of title to property by a grantee, wherein he or she assumes liability for payment of an existing note secured by a mortgage or deed of trust against the property, becoming a co-guarantor of a mortgage or deed of trust note.

**Balloon Payment** – the final payment of a mortgage loan when it is larger than the regular payment. It usually extinguishes the note.

**Capital Gains** – the taxable profit derived from the sale of a capital asset. It is the difference between the sale price and the basis of the property, after making appropriate adjustments for closing costs, fixing-up expenses, capital improvements, allowable depreciations, etc.

**Closing** – the final settlement of a real estate transaction between buyer and seller. It is also known as “recording.”

**Condominium** – a system of individual fee ownership units, combined with joint ownership of common areas of the structure and land.

**Contract for Deed** – a contract ordinarily used in connection with the sale of property in cases where the seller does not wish to convey title until all or a certain part of the purchase price is paid by the buyer.

**Contract of Title** – a summary or digest of the conveyances, transfers, and any other facts relied on as evidence of title, together with any other elements or record which may affect the marketability of the title.

**Conventional Mortgage** – a mortgage securing a loan made by investors without governmental underwriting, i.e., not FHA-insured or VA-guaranteed.

**Counter-Offer** – a seller’s rejection of an offer made by a buyer accompanied by an agreement to sell the property to the potential buyer on terms differing from the original offer.

**Close of Escrow (COE)** – the loan has been funded; documents have been signed; what has been recorded at the title company. Sometimes possession of the home is immediate, sometimes after a certain number of days.

**CRV** – Certificate of Reasonable Value -A document of appraisal issued by the VA establishing their opinion of the maximum value.

**Deed** – the written instrument which, when properly executed and delivered, conveys title.

**Discount Points** – additional charges -made by a lender at the time a loan is made. Points are measured as a percent of the loan, with each point equal to one percent. These additional interest charges are paid at the time a loan is closed to increase the rate of return to the lender so as to approximate the market level.

**Earnest Money Deposit** – a down payment made by a purchaser of real estate as evidence of good faith.

**Easement** – created by grant or agreement for a specific purpose, an easement is the right, privilege or interest which one party has in the land of another.

**Equity** – the interest or value an owner has in real estate over and above the liens against the real property.

**Escrow** – the deposit of instruments and funds with instructions to a neutral party (Escrow Agent) to carry out the provisions of an agreement or contract. When everything is deposited to enable carrying out of instructions, it is called a complete, or perfect, escrow.

**Exchange** – the trading of equity in a piece of property for equity in another property.

**Fannie Mae** – the nickname of the Federal National Mortgage Association (FNMA), a tax-paying corporation created by Congress to support the secondary mortgages insured by FHA or guaranteed by the VA, as well as conventional home mortgages.

**Fee Appraisal** – the act or process of estimating values of real estate or any interest therein for a fee.

**FHA Loan** – a loan which has been insured by the federal government guaranteeing its payment in case of default by the owner.

**Firm Commitment** – a lender's agreement to make a loan to a specific borrower on a specific property. An FHA or PMI agreement to insure a loan on a specific property, with a designated purchaser.

**FMHA Loan** – a loan insured by the federal government similar to FHA loans, usually used for residential properties in rural areas.

**Foreclosure** – The legal process in which a bank takes over a home for non-payment of the principle and interest. May also apply for State and City Taxes.

**Freddie Mac** – the nickname of the Federal Home Loan Mortgage Corporation (FHLMC), a federally controlled and operated corporation to support the secondary mortgage market. It purchases and sells residential conventional home mortgages.

**Investor** – the holder of a mortgage or the permanent lender for whom the mortgage banker services the loan. Any person or institution that invests in mortgages.

**Joint Tenancy** – joint ownership by two or more persons with right of survivorship. All joint tenants own equal interest and have equal rights in the property.

**Land Contract** – a contract ordinarily used in connection with the sale of property in cases where the seller does not wish to convey title until all or a certain part of the purchase price is paid by the buyer.

**Lease Purchase Agreement** – the buyer makes a deposit for the future purchase of property with the right to lease the property in the interim. This is extremely tricky (and unlikely to ever close) so get professionals involved.

**Lien** – an encumbrance on the property, which usually names the property as security for the payment of a debt or discharge of an obligation. Examples: judgments, taxes, mortgages, deeds of trust, etc.

**Loan Commitment** – a written promise by a lender to make a loan under certain terms and conditions. These include interest rate, length of loan, lender fees, annual percentage rate, mortgage and hazard insurance, and other special requirements.

**Loan to Value Ratio** – the ratio of the mortgage loan principal (amount borrowed) to the property's appraised value (selling price). On a \$100,000 home with a mortgage loan principal of \$80,000, the loan to value ratio is 80%.

**Marketable Title** – merchantable title, free and clear of objectionable liens or encumbrances.

**Mortgage/Deed of Trust** – an instrument recognized by law by which property is pledged as security or collateral for debt without transfer of title or possession, to secure the payment of a debt or obligation to the lender. Title transfers to the lender during the foreclosure process which occurs in the event that the debtor defaults on the loan obligation to the lender.

**Mortgage Insurance Premium (MVP)** – the consideration paid by a mortgagor for mortgage insurance either to FHA or a private mortgage insurance (PMI) company. On an FHA loan, the payment is one-half of one percent annually on the declining balance of the mortgage. It is a part of the regular monthly payment and is used by FHA to meet operating expenses and provide loss revenues.

**Mortgagee** – the lender of money or the receiver of the mortgage document.

**Mortgagor** – the borrower of money or the giver of the mortgage document.

**Note** – a written promise to pay a certain amount of money with or without specific terms.

**Origination Fee** – a fee or charge for the work involved in the evaluation, preparation, and submission of a proposed mortgage loan. Origination fees are paid by the borrower to the lender.

**Personal property** – any property which is not real property. For instance, money, savings accounts, appliances, cars, boats, etc.

**Point** – one percent of the loan amount.

**Prepayment Penalty** – the fee paid to the mortgagee for paying the mortgage before it becomes due. Also known as the "Prepayment Fee" or "Reinvestment Fee."

**Prepayment Privilege** – the right given a purchaser to pay all or part of a debt prior to its maturity. The mortgagee cannot be compelled to accept any payment other than those originally agreed to. Private Mortgage Insurance (PMI) – insurance written by a private company protecting the mortgage lender against loss occasioned by a mortgage default.

**Privately Insured Mortgage** – a conventional mortgage loan on which a private mortgage insurance company protects the lender against loss.

**Promissory Note** – following a loan commitment from the lender, the borrower signs a note promising to repay the loan under stipulated terms. The promissory note establishes personal liability for its repayment.

**Purchase Agreement** – an agreement between a buyer and seller for the purchase of real estate.

**Real Property** – any land and whatever, by nature or artificial annexation, is part of it.

**Rent with Option** – a contract which gives one the right to lease property at a certain sum with the option to purchase it at a future date.

**Second Mortgage/Second Trust** – also known as a “Junior Mortgage” or “Junior Lien.” An additional loan imposed on property with a first mortgage, generally at a higher interest rate and shorter terms than a “first” mortgage.

**Short Sale** – A process in which a bank mitigates losses by accept less than is owed and allowing a seller to sell their home.

**Special Assessment** – a legal charge against real estate by a public authority to pay the costs of public improvements such as street lights, sidewalks, street improvements, etc.

**Straight Loan** – a loan with periodic payments of interest only; the principal sum is one lump sum upon maturity.

**Subdivision** – a parcel of land that has been divided into smaller parts.

**Tenancy in Common** – ownership by two or more persons who hold undivided interest, without the right of survivorship. Interests need not be equal.

**Term of Mortgage** – the period during which a mortgage must be paid.

**Title** – often used interchangeably with the word “ownership.” It indicates the accumulation of all rights in a property.

**Title Insurance** – an insurance policy which protects the insured (purchaser or lender) against loss arising from defects in title.

**Trust Account** – an account separate and apart and physically segregated from a broker’s own funds, in which the broker is required by law to deposit all funds collected for clients.

**VA (Veteran’s Administration) Loan** – a loan guaranteed by the Veteran’s Administration.

**Warranty Deed** – a deed used to convey real property which contains warranties of title and quiet possession, and the grantor agrees to defend the premises against lawful claims of third persons.

## If Your Home Does Not Sell

You still have some options. One is to consider renting your home to quality tenants. This process has its benefits and risks also. You need to decide whether you can handle the emotions of being a landlord. Tenants bring a unique mind-set to living in your home. They expect you to pay for all repairs while expecting you to understand if they can't pay the rent, and they likely will not care for your house as you would.

If you can rent and cover your costs you may be able to hold onto the home and then sell when the market improves (often times this improvement may take several years to be realized.) Of course, you will continue to build equity in your home with your monthly principal payments. I've had some owners thrilled to be investors and others think it's a nightmare.

You need to do the research and determine what a fair market rent is for your property. Is fair rent enough to cover your monthly expenses? Many owners under-estimate the costs they need to pay in order to rent their home out. Some costs to consider are advertising, vacancy (plan on a minimum of 5-10% per year), payments to agents who bring in the tenants, credit check costs, travel costs, repair costs, increased maintenance costs, property management costs (if you hire a property manager expect to pay them for their work – costs vary widely by region but are normally 10-15%), and cost to evict a nonpaying tenant.

In general, a good rule of thumb is to estimate 20% of the yearly rent for standard maintenance, repair, and vacancy costs. Major repairs (appliances, roofs, etc.), non-payment of rent, and eviction costs are NOT included in this 20% estimate.

Many owners also under-estimate the amount of time they will need to spend in renting a property to tenants. Showing, background checks, minor maintenance, site inspections, and monthly accounting can be very time consuming and may not fit into your busy schedule. A property manager may help here.

If you end up renting out for three years, the tax basis of your home changes from owner-occupied to investment. The tax laws force you to account for the gain with no owner-occupant exclusion. This is made up somewhat by depreciation rules etc. Consult your local tax expert before making a final decision.

Another option will be to give the home back to the bank. I've already mentioned the benefits to you and the bank for completing a short sale. *If you are considering letting your home go into foreclosure please give me a call to discuss the negative consequences of this action.*

And your last option is to stay put. Ride this market out and make this home livable for you for that time period. Many owners are doing this. I welcome your call to discuss any and all of your options.