

The Knowledge Resource for For Sale By Owners



So...You Want to Sell Your Own Home

You Obviously Enjoy a Challenge

You Want to Save the Commission

So Does the Buyer

How Hard Can This Be?

You Be the Judge

What Does It Take?

Dot Your "I"s and Cross Your "T"s

You've Found A Buyer

Your Work Has Just Begun!

Liability

Laws Protect Buyers

Safety

Don't Get Ripped Off

Equal Opportunity to Housing

Even a Private Seller Is Bound by the Law

Your Sale Fell Apart – What Now?

No Time to Waste, Decisions Need to Be Made

For Sale By Owner We Are Here to Help



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So... You Want to Sell Your Own Home

There are many good reasons for you to consider doing this:

- You want to save the commission
- You enjoy a challenge
- You have the time
- You are not in a hurry
- Who knows your home better than you do?
- You know how much your neighbour's house sold for
- How hard can it be?

But do you have the necessary skills?

- Do you have the necessary knowledge?
- How will you qualify buyers?

So... You Want to Sell Your Own Home But do you have the necessary skills?

- Do you understand the legal complexities of today's real estate processes?
- Are you ready for constant interruptions by potential buyers walking through your home?
- To attract buyers, are you prepared to keep your home in showplace condition at all times?
- Are you willing to give up family and private time, evenings and weekends until your home sells?
- Will you feel safe letting strangers into your home?
- What type of advertising will you do and at what cost?
- How skilled are you at setting and negotiating a price?
- Can you handle the massive amount of paperwork, legal disclosures, offers, counteroffers and contracts?
- Selling a home is fraught with legal pitfalls; can you avoid liability issues?
- What about appraisals, home and pest inspections, home warranty, title search?
- Can you provide financing information to buyers?
- How will you proceed with closing?
- How will you get the money in your pocket?
- How much will you have to pay an attorney if disputes arise?

It does take more than a For Sale sign in the front yard. Real estate professionals do a great deal of studying to learn and keep up with the complexities and legalities of their profession. If you are going to do the professional's job, don't you think you need a comparable education? We suggest you go to the library and check out books on real estate and on selling your own home.



You Want to Save the Commission

This is easily the number one reason for people to tackle what can be a monumental project: selling their homes themselves. Hey, there is nothing wrong with wanting to save money! However, while trying to save money, you can lose money, and there is something wrong with doing that.

How many potential buyers for your home do you currently have?

Know how many a real estate professional potentially has? Do the math: if there are 1,000 professionals in your town or city and each professional has 10 buyers, the professional you hire has 10,000 potential buyers.

We are here to help!

Selling property can be confusing, costly, even dangerous, if you are inexperienced:

- A professional knows the market and can offer your home to the largest number of buyers.
- A professional will qualify and bring only those buyers who can afford your home.
- A professional will perform a Comparative Market Analysis to help set a realistic and competitive selling price, which might turn out to be higher than you would have asked.
- A professional will design a customized marketing plan for your home.
- A professional is familiar with the local financing market and can advise you on strategies to expedite the sale of your home.
- A professional can tell you, based on your outstanding loan balance and closing costs, what your proceeds from the sale will be.
- A professional has access to large numbers of potential buyers through the Multiple Listing Service, industry networking, referrals and marketing.



You Want to Save the Commission

Selling property can be confusing, costly, even dangerous, if you are inexperienced:

- A professional will show your home to qualified buyers and hold open houses.
- A professional uses the Internet to display photos or give virtual tours of your home.
- A professional objectively handles all communications with potential buyers, and all negotiations, offers, counteroffers and contracts.
- A professional can explain every step of the process.
- A professional monitors the progress of your transaction until the closing and you receive the proceeds of the sale.

Some statistics about REALTORS®:

- Sellers have been hiring real estate professionals for more than 100 years.
- The vast majority of “For Sale By Owners” end up listing with a real estate professional.
- Real estate professionals get a higher price in less time.
- Real estate professionals offer you access to thousands of potential buyers.
- The longer your home remains on the market, the less it will sell for.



How Hard Can This Be?

Well... it can be pretty difficult. You be the judge! Here are a few obstacles you will need to overcome:

No MLS listing

This most useful of tools, frequently accessed on the Internet by potential buyers, is only available to real estate professionals. This leaves you with the options of placing a "For Sale" sign in your yard, advertising in the newspaper and spreading the news through "word of mouth."

No real estate cooperation

Without a professional's help, your pool of buyers is significantly smaller. You will probably be working with the unrepresented and the unqualified. Since real estate professionals are not guaranteed a commission for selling your property, they will likely take their buyers elsewhere.

Incorrect pricing (translate: overpricing)

Overpricing is the #1 reason for a home's failure to sell. Most homeowners are convinced that their homes are worth more than others in the same area. That, however, is hardly an objective assessment, and should not be the basis of your sales campaign. Hiring an appraiser or other professional to help you determine the value is a much better method.

Intimidating climate

A real estate professional is an objective party, and buyers will discuss all aspects of the home, the transaction and even their finances with him or her. Most buyers will feel uncomfortable discussing negative aspects of your home in front of you and will be hesitant to discuss their qualifications with you since they don't know you and you have no professional credentials to assure them of confidentiality.



How Hard Can This Be?

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Complexities and legalities

It would be almost impossible to mention everything on this subject. Suffice it to say that overlooking even one required form or legal disclosure could have you facing a lengthy and costly lawsuit from the buyer following closing.

Not to mention:

Basic selling and real estate skills

There is more to selling property than the planting of a sign on the front lawn, much more! Real estate professionals really do earn their money. Make sure you do your homework and read up on both selling skills and general real estate information.

What Does It Take?

We have talked about many aspects of selling your own home, including the legalities, skills, the advisability of using a real estate professional versus selling on your own, and more.

While owners typically concentrate on dressing up the house and yard before placing the house on the market, it is imperative that the necessary “due diligence” and fact-finding be done. Errors in documentation could result in loss of the sale or, worse yet, in a lawsuit. You can always sell the property as a fixer or reduce the price and still sell, but even then you may, or will, be asked to:

- Order a description and property tax information from the courthouse or a title company as your property tax assessment notice might contain errors.
- Provide the exact square footage of the house; this must be livable space, not crawl space, garages, porches or patios.
- Complete a detailed description of the property similar to the listing form used by real estate professionals.
- Provide property disclosure, which is the seller’s obligation to disclose defects that could affect the sale price or influence the buyer’s decision. A major cause of post-sale lawsuits centers around defects and disclosure. Obtain the form you need from the local real estate board.
- Contact your lender for your mortgage payoff information. You may have to pay a nominal amount to secure the information.
- Ascertain from public records whether any liens or other legal actions are posted against your home. If there are and you proceed without the knowledge, you may be prevented from selling before these are cleared up.
- Provide details about your homeowner’s insurance policy including amount of premiums, number of claims, and coverage exceptions.

This work can be time consuming. You may wish to hire a real estate consultant to assure that this is all done accurately and in a timely manner.



You Found a Buyer!

Great news! Nonetheless, your work is not over; it has just begun. If anything goes wrong, you could be right back where you started. Maybe not out any money but with a lot of time and effort wasted.

To summarize, at this point, you have shown the house and have found someone who is seriously interested.

Time for the next steps:

- Make sure buyer is pre-approved – obtain documentation.
- Once the buyer is pre-approved, finalize negotiations.
- Draft a purchase and sales agreement (forms are available at many stationery stores). Consider having an attorney review the contract for a fee (\$250-\$750).
- Find a local settlement agent to handle the monies and expedite the necessary paperwork for closing.
- Obtain good-faith deposit (1% to 3% of purchase price) and deposit with your settlement agent.
- Complete “due diligence” information and paperwork on the property for the buyer as well as the property disclosure form (even individual sellers are bound by disclosure laws).
- Coordinate home inspection, pest inspection, buyer’s walk through after inspection and the appraisal (a lender will only lend based on the actual appraisal, regardless of your contract).
- If the buyer included a provision in the contract that required the property to appraise for the purchase price and it didn’t, the buyer could pull out of the deal without losing the deposit.
- Locate companies to make repairs required by buyers as a result of the inspection or be prepared to renegotiate with buyers. Buyer must verify that repairs have been made.
- Once the transaction is in escrow, stay in touch with the buyers and your settlement agent until the end of closing. Take your cheque to the bank and pat yourself on the back. You deserve it.

Liability

Let's talk about the pitfalls we referred to earlier. Unscrupulous and unethical sellers of property have caused courts and lawmakers to establish stringent requirements to protect unwary buyers. All one needs to do is look at the thick pile of documents needed to make an offer and counteroffer and be signed and initialed prior to the closing. Incurring liability is of grave concern to sellers.

Although most commonly used by legal and financial professionals, the words "due diligence" are now part of the real estate industry vocabulary. An owner who sells his own home must comply and make full disclosure to the buyer of all information relevant to the property and the sale.

It is not unheard of for buyers to back out of sales without forfeiting their deposit. They might also sue the seller for any information not disclosed fully. The following is a partial list of potentially litigious, if missing, information:

- Property disclosure forms and fact sheets
- Current and applicable property conditions, covenants and restrictions
- Information on local improvement district liens or financial obligations that would become the responsibility of the buyer at closing
- Accurate property square footage
- Property tax amount
- Any and all disclosures required by the laws of your municipality or province, such as any death(s) that may have occurred in the home.

You should know that:

- For Sale By Owner buyers usually offer 6-10% less than your asking price because they know you are saving the commission.
- You are facing considerable risk if you agree to "carry back" a note from the buyer. You stand to lose thousands of dollars.
- If the buyer assumes your loan and defaults, your credit rating could be damaged.
- If you finance the buyer's purchase, the buyer could remain in possession of your property for many months after he/she defaults and actually live there free all that time.
- Your buyer's damage claims could cost you thousands of dollars in legal fees.
- Failure to make certain disclosures may result in lawsuits.

Lawsuits are on the rise... and they can ruin your day!



Safety

Not to instill fear but rather caution, it is seriously suggested that you place the issue of safety very near the top of your list when preparing to sell your own home. While we would all like to think kindly of all people, the reality is that crimes do occur and there are those who would use any and all opportunities to separate you from your possessions, i.e. “rip you off.”

- Show your home only by appointment and ask callers for their names, addresses and phone numbers—this is also a good time to ask them if they have spoken to a lender to be pre-qualified.
- Pre-screen visitors before they enter your home.
- Do not show your home to a stranger just showing up at your door.
- It is best not to be alone when showing your property.
- A familiar scenario: buyers showing up in pairs with one going to the kitchen and the other to the bedroom – sellers later discover items missing.
- Do not forget bogus buyers looking for ways to break in later—“casing.”

No amount of prevention is too great when it comes to your family’s safety.

Equal Opportunity to Housing

An owner who sells his own home is bound by federal and provincial regulations regarding equal opportunity to housing, just as real estate professionals and landlords are. The laws are intended to protect buyers, and the penalties for breaking them can be severe.

Under the law, it is prohibited to discriminate in a real estate transaction according to:

- Race
- Colour
- Gender
- National origin
- *Handicap, or
- The presence of children in a family.



Overt discrimination – such as refusing to sell, rent or negotiate with anyone in a protected class—is not the only way to run afoul of the laws. Even more subtle forms of discrimination meant to produce the same result—such as changing terms, conditions and services—are also forbidden.

Additional protected classes may be covered by laws enacted by individual provinces or municipalities; it would certainly be wise to find out what is applicable in your own locality. Some additional laws might pertain to sources of income and sexual orientation.

Investigation units are funded by government and local special interest groups to prevent and punish discrimination. In some cases, trained persons representing themselves as potential buyers observe and take note of whether equal treatment is practiced.

Although this is mentioned to make sure you are in compliance with the law, this is also an opportunity for you to do your share to remedy inequities against your fellow man.

*The handicapped category can include those suffering from hearing, visual and mobility impairment as well as chronic alcoholism, AIDS and mental retardation. Excluded are those currently using illegal drugs or who pose a threat to the health or safety of others.

Your Sale Fell Apart – What Now?

No time to waste. You need to find out what caused the sale to collapse. Be brutally honest with yourself. Of the many aspects involved, which one was responsible? Find the weak link.

Maybe all is not lost. If the buyer is still interested, why not enlist the help of a real estate professional for those services that caused problems the first time around?

Where do you need help and from whom?

- Renegotiating with the buyer: Real Estate Professional
- Locating new financing: Mortgage Broker/Lender
- Escrow/Closing: Settlement Agent
- Liability/Disclosure issues: Attorney or Real Estate Professional

If you still want to go it alone, ponder these questions:

- Do you know how to price property accurately?
- Do you know how to prepare your house for sale?
- Do you know how to market your property?
- Do you know how to separate genuine buyers from looky-loos?
- Do you have sufficient negotiating skills?
- Do you know enough about the laws involved?
- Do you know how to close a sale?
- Do you need more education on the subject?
- Do you fully understand the advantages of cooperating with real estate professionals?

Best of luck in your home sale!

The practices described herein may vary depending on province and municipality.
Not intended to solicit clients/customers who are currently under a Listing Agreement or Buyer Representation Agreement with another Brokerage.