

# River Realty Selling Guide

Of course you already know that selling in today's market is harder than it was a few years ago. The steps in selling haven't really changed; but nowadays you have to be ready to go the extra mile to prepare your house for sale, to wait patiently for the market to find you, and to be flexible and non-defensive in negotiations. Prices have fallen since 2005, and competition is fierce: many homeowners find that they have "lost" the equity needed to move on to the next house. We could go on, but if you read the paper or watch TV you know it's tough out there.

So, as a prospective seller, what can you do? Our advice: get smarter. Get smarter about the value of your home, about getting it ready for sale, about being on the market, about negotiating intelligently. We don't mean to insult you; we just know that every homeowner could benefit from more information before selling. Knowledge makes it possible for you to be realistic in your expectations and reasonable in your responses, giving you a critical edge in today's market.

In this section we want to take you on a comprehensive journey through the selling experience, from your initial contact with an agent through house preparation, pricing and listing, marketing, negotiation and closing. Ours will be a more personal presentation than you'll see anywhere, full of examples offering you an "on the ground" perspective with lots of selling tips and opinions. It's extremely long, so we've broken it into 5 major topic areas. Topics include:

- **Getting Started**---Start With the Agent---Selecting an Agent---First Meeting---Market Analysis---Second Meeting---Buying a Listing---Commissions---Who Do You Trust
- **Getting Ready**---The Listing Agreement---Agency---Preparing the House---Municipal Inspection---Projects---Staging---Seller's Disclosure---Final Pricing---Seller's Net Sheet
- **On the Market**---Showings---Housekeeping---The Truth About Open Houses---Advertising---Marketing to Agents---Agent Feedback---The Market Speaks
- **Negotiation**---The Offer---Win-Win---The Buyer's Inspection---The Second Negotiation
- **On to Closing**---Title Work---Appraisal---Work Orders---Final Walk-Through---Closing

## Getting Started

You've probably got a lot of questions as you consider moving to another home, beginning with the most important: Can we do it? Starting with the right agent can help you learn everything you need to make the decision.

In this topic area we'll take you through the process of selecting an agent. Along the way you'll learn how to find agent candidates and get a glimpse of the process involved in evaluating your home. We'll define your tasks to answer the most important question. We'll take a hard look at agent practices, discuss commissions and offer our best advice to help you decide on the right real estate professional.

### Start with the Real Estate Agent

Most homeowners do just that when they want to sell, or even when they're just curious about the value of their home. They call an agent for a market evaluation, and often the selling process begins right there. But it's rarely a quick process. Many good agents walking through a prospective seller's home find the experience—well, sobering, as they see the uphill battle they face to make the house competitive in today's market.

So when we say, "start with the agent" we hope you start many months, even years, before you really plan to sell. An experienced agent gets a perspective on the market that you, as a homeowner, can't acquire—no matter how savvy you are. It's simply that the agent actually *works* with the very people you hope to impress: prospective buyers for your house, and the agents who bring them to your door. The agent knows what features most buyers are looking for; what size and condition is acceptable; what expenditure will bring the best return, or make a sale possible in a tough market. The idea here is to get critical feedback long before going on the market, and before spending your money on improvements that may not improve your chances of sale. A good general example: bungalow sellers who've already drained the fix-up fund for white vinyl windows can get pretty unhappy when they discover that bungalow *buyers* want to see natural wood. Of course, this is generally true; and it may be obvious to you. But many improvement decisions specific to an individual house need to be carefully weighed with help from a professional.

### Buyer's Eyes

Let's say you have a small kitchen with three doorways, and a houseful of carpeting, and only \$4000 to spend on the most important thing necessary to get your house sold. You can't afford to both remodel the kitchen and refinish the floors. What to do? There is no general answer for this; no book, no website (not even ours!) can help. The answer depends on a lot of factors including size, location, price and condition of surrounding and competing homes, your floor plan—the list goes on. But it really boils down to this: how bad is the kitchen, really? You've used the kitchen for years; you may not like it (in fact it may be one of the reasons you want to sell) but you know how it works. So you must recuse yourself from the judgment. You need a **buyer's eyes**, the trained ones on each side of the nose of a good real estate agent, to see if the kitchen is a stopper. No? Then get ready to sand those floors!

So, after parting the clouds for yet another grateful homeowner, let's leave the kitchen in this long example and sum up: while we've stressed the importance of an agent's input in making remodeling decisions, we know that most homeowners have, in fact, muddled through without us—often with good instincts and happy results. Of course we're always glad whenever you call us; we're ready to help you make critical decisions no matter how far you've already come.

### **The Question**

**Can we do it?** That really is the question, and the answer doesn't come all at once. Of course you need to find out the market value of your house, but that won't give you all the information you need in order to make a decision to sell. You know what you owe on your home; and you hope to learn what your house preparation and selling costs might be, so you should be able to get an idea of the net proceeds range (note we said "range") that you can use to buy your next home. You'll need to talk to a mortgage banker to find out what size loan you could qualify for; and you still need to determine if your next dream home awaits you, safely inside your buying limits. Access to all this information passes through your trusty real estate agent: the one person who can focus your fix-up priorities and direct you to contractors and handy people; who can give you a reliable valuation of your house; who can refer you to inspectors and lenders; who can expose you to the marketplace you plan to enter as buyers. And somewhere in the middle of all this activity the agent has set in motion—presumably before you've made any dollar commitment—you'll have the information you need to answer The Question.

We've quickly sketched the steps above in making a decision to sell; it's obvious that if you start with a real estate agent you can tack a more efficient course toward your goal. But we don't need to remind you that some agents are more qualified to help you than others. How do you find a good one?

### **Selecting An Agent**

Standard wisdom has it that you should interview at least three agents before making your choice. That may be good advice, particularly if you're starting completely from scratch, unfamiliar with any agent candidate by past experience or reputation. But most people—being people—abandon the protocol as soon as they feel comfortable with the Realtor across the table. If that happens to be Realtor number one, then it behooves you to do some research to bring the best agent candidates into your home.

Homeowners already know at least one agent, in connection with the house they own now: the selling agent they worked with, and perhaps the listing agent. Those who have had a good experience may stop looking right there. But it may be worthwhile to pause first: if the agent who sold you the house works primarily with buyers and doesn't list many homes, or doesn't list homes in your neighborhood, you may want to do a little research. Some homeowners turn to the original listing agent in these cases, especially if the listing agent "farms" the area and keeps in touch with the neighborhood.

Other homeowners jump in the car and look for lawn signs: an agent with several For Sale signs obviously has local experience. Some sign shoppers are influenced by the number of signs any single company has, although there is little to be learned: a big

company might have an impressive number of signs in a neighborhood, but no preeminence by any individual agent—careful scrutiny might show that the agent phone numbers are from all over the metro. This is less of a concern with small companies (like ours). Since a small company tends to concentrate listing efforts and sales activity near its office, local expertise is more easily gained and shared by agents at company meetings, tours and informal conversations.

Some would-be sellers meet an agent at an open house while doing a little premature scouting for their next home, and invite that agent to do a market evaluation for them. That's fine if the open house is in your neighborhood; otherwise we don't recommend this approach unless you can determine that the agent actually has experience in your area. The same applies to relatives and friends "in the business." Your brother-in-law from Minnetonka, no matter how expert he is in the western suburbs, might well founder in south Minneapolis if he doesn't know the differences between neighborhoods.

We've outlined most of the ways you can use to discover an agent candidate. We'll add that you can call a company and ask for a referral; this is very common among owners who have been in their home for many years and really feel out of the game. They are most likely to call the largest companies that have peaked their awareness through television or other traditional big media. The effectiveness of this hit-or-miss approach is necessarily limited by the sales manager's priorities as he/she seeks to balance out company referrals among many hungry agents: the homeowner may wind up ushering in a "greenhorn" who needs the practice! If you are able, it's always best to do some research yourself to find suitable agent candidates.

### **First Meeting**

After you've decided upon the agent candidate(s) the process of confirming your choice usually takes place over the course of two meetings. You've called, of course, to get a "market analysis" or 'market evaluation,' to find out the value of your home. Typically the agent will walk with you through the house, taking notes and pictures, learning as much as possible about your property and your plans. The agent may take this time to point out various components of your home as they relate to a possible sale: if the furnace is an old gravity unit, the agent may talk about the cost of removing it and putting in a new forced air unit, or point to a condition that needs work to comply with a municipal inspection requirement.

The agent will probably sit with you for a while to get to know you better and to answer some of your questions about the current market. At this time the agent may be asking you questions to see how far along you are in the process, and may refer you to several loan officers if you need one. The agent will want to know the size of your current mortgage and any other debt attached to the house in order to ascertain that "range" of proceeds when the probable sale value is known. You'll be tempted to ask, "What is my house worth?" and, "How long will it take to sell?" but you're not likely to get much satisfaction until the second meeting. The agent needs time to complete a market analysis of your home, and to structure a plan for house preparation and marketing if the work-up shows enough value to allow you to sell.

## **The Market Analysis**

The market analysis (the “MA”) is critical to pricing your home. Theoretically performed just like the all-important “market approach” portion of a formal appraisal, the MA establishes the value of the “subject property” (your home) by comparing it to other houses (comparables, or “comps”) sold in your area over the past six months; these comparables (in the form of sold MLS listing sheets) should be approximately similar in style, square footage, features and floor plan. Differences in features are adjusted up or down in the subject property: if a comp has a fireplace, and your house doesn’t, then we might subtract \$3500 from the proposed value of your property in relation to the already established value of the sold comp. Or we’d add \$10,000 to your property for a double garage, when the comp only has a single garage. You can see how rigid adherence to this method can get very complicated and possibly misleading, particularly if the appraiser (or Realtor) hasn’t actually been inside the comparable homes. And if the 6-month sample is too small, comps sometimes have to be pulled from the past 12, or even 18 months, and adjusted for price differences in the older markets. Or pulled from a wider geographic area to stay within a more recent time frame. Sometimes a small two-story makes a better comp for a bungalow, if it sold just down the block, than a similar bungalow a mile away in a lower-priced neighborhood. These are just a fraction of the variables that can affect the accuracy of the MA: obviously establishing value is as much art as science, and it better be informed by a lot of common sense and experience—and integrity.

## **Second Meeting**

**Agent # 1.** You’ve waited impatiently (but politely) for several days to get an expert opinion of the value of your home. The veteran agent across the table wastes no time in giving you the information you seek. She spreads half a dozen MLS sold sheets across the table and points to them, one by one, to explain the choices made in determining the value of your home. The agent uses pictures from the comparable houses to illustrate differences or similarities to your home; perhaps she has been in some of them, or even sold some of them. The agent carefully and methodically leads you to an informed, realistic conclusion about your expected sale price. You may or may not like the number; but it feels like you’ve just heard an honest analysis that will help you to make your selling decision.

**Agent # 2.** You’ve fidgeted through a 15-minute flip chart presentation about the agent’s company; finally he hands you a programmed “market analysis,” the comps picked by computer from a list of houses that have sold in the area. He names a price range, and asks, “Should we get started right away?” Maybe you like the number better; but you don’t like the agent, and you don’t necessarily trust what he says.

Not hard to pick one of them, is it? Unfortunately, in real life meetings you’ll probably come across variations of the two, and your decision may be further complicated by the nagging question, “what IF I could get more money for my house?” Although some would-be sellers realize they have to turn back at this point, since the numbers simply do not add up, others want to find a Realtor who thinks they can get a better price.

## **Buying a Listing**

In our discussion of the market analysis we spoke of the need for common sense and integrity, and this seems to be the best time to talk about an unfortunate agent practice

called **buying a listing**. Three different agents are likely to arrive at three different prices when doing a market analysis, and of course it's not lost on them that the highest valuation has a leg up in competition. Since comps can be pulled to justify a wide range of prices, who is to say who's right? With all the "wobble-room" available in pricing a unique product (no two existing houses are alike) it's possible to propose and defend a price of \$220,000, or even \$240,000, on a home that should be accurately priced at \$200,000. The idea is to secure the listing for 3 to 6 months, and persuade the seller to reduce the price over time until the home is finally positioned properly in the market. This was a much more common practice a few years ago, when rising prices helped cover the problem. These days few agents are eager to secure an overpriced listing, since even seemingly well-priced homes often have to undergo painful price reductions. Yet some persist in painting a rosy picture (even unintentionally) that only serves their own purposes—while the extra months of market time is spirit-crushing to unsuspecting sellers, who started out with unrealistic expectations because they only heard what they wanted to hear.

### **Commissions**

Although many homeowners ask about commissions at the first meeting, the second meeting is usually the time to "talk turkey." The agent in some circumstances can reduce a big company's stated commission, although usually only with manager approval. Smaller companies are generally much more flexible: at River Realty we allow our agents to make grown-up decisions that can affect your interests as clients. But, as any good agent should point out, that whopping 6% commission is eventually split between four parties: the listing agent /listing broker, and the selling agent /selling broker. Marketing expenses, maintenance and un-reimbursed seller costs all come from the listing agent's pocket, plus the cost of the increasing number of listings that don't pay back because they don't sell—all these things are on the agent's mind while contemplating your 4-6 month selling project at a reduced commission.

A quick word about "discount" companies. As buyers, did you notice that the worst maintained and least appealing properties often displayed the lawn signs of discount brokers? For a gross profit of one percent the discount broker can afford to do little more than list your property on MLS and hope. A full-service real estate agent can do everything necessary to get your home to market standards and work continuously until it's sold and closed. This is a difficult, responsible job; when it's done well, you should expect to see more than the commission difference come back to you.

One final commission rant before we move on, from an "insider" standpoint. This has to do with the curious nature of the real estate business: structured as commission sales (think car sales) but providing a myriad of services from informal financial planning to contracting, negotiating, counseling and teaching, the agent's total "product" (unlike the shiny new car) varies greatly according to the demands of the transaction and the agent's ability. Most brokers in our area charge 6 percent; thus nearly all sellers pay the same cost for a Realtor's services, no matter the quality or experience or track record of the agent. Is there another occupation on earth that allows you to hire the services of a 20-year seasoned professional for the same price as a rookie doing on-the-job training?

### **Who Do You Trust?**

The second meeting is a further opportunity for you and the agent candidate to learn more about each other. You know the price opinion by now, but you want to know more about how the agent would sell your home, and what is needed to bring the home up to market standards. You should be asking about the agent's track record in your area, and of course you should be looking very carefully at the comps used to justify the price opinion. As we've tried to show, it's not always an easy choice when you invite several agents in for market evaluations; but when the agent who has sold dozens of homes in your neighborhood gives a market opinion, or makes a recommendation for preparation, you should listen. What if you simply like the less-experienced agent better, or believe that agent would work harder for you? Elsewhere on this website we recommend you look for certain qualities in a buyer's agent: competence, ability to communicate directly and honestly, and willingness to answer your questions openly. In selling also, it comes down to, "who do you trust?" as you look for a guide to take you through a complicated and sometimes frustrating process. Our advice: ask the probing questions, and then trust your own instincts. You should be able to tell when an agent is really on your side, and capable of doing the job for you.

### **Getting Ready**

You've decided on an agent. Now comes the big push to get your house ready for market. You'll start by entering into a listing agreement with your Realtor, who will then refer you to inspectors, contractors and handy people as needed. When the house is ready the agent will begin to prepare materials for marketing. Before listing on MLS the agent will confirm the offering price.

That's the short version.

### **The Listing Agreement**

We aren't going to go into great detail on the listing agreement itself. Essentially it gives the broker an exclusive right to sell your property—that means no other broker can share the listing, although all Minnesota licensed brokers are welcome to sell it—for a specified length of time, usually 3-6 months. The contract needs to specify starting and ending dates, must specify the listing price and terms, and spell out specific obligations of the seller and the listing broker.

Here are a few of the most important aspects:

- Seller authorizes the broker to market the home exclusively, to place a sign on the lawn and put the listing on MLS.
- Seller agrees to cooperate with the broker to sell the property by providing all documentation necessary, and to maintain and insure the property during the listing period.
- Seller agrees to pay the broker's commission when the property is sold; and otherwise agrees to pay a commission if an offer comes in at the stated price and terms.

- The Fair Housing Notice requires that the seller not discriminate against anyone due to his/her race, color, creed/religion, national origin, sex, marital status, public assistance, handicap, sexual orientation or family status.
- Seller elects at this time to arrange for closing services, or to have the broker arrange them. The listing company usually suggests a title company for closing.
- The Agency Representation section describes **dual agency** and offers sellers a chance to decline dual agency representation. We've never seen a seller do this, however, since it effectively eliminates all buyers represented by the listing agent's company. We'll discuss more on dual agency below.

### **Agency**

Another form that sellers sign at the time of listing is called "Agency Relationships in Real Estate Transactions." This is not a contract, but a state-required notice that describes the different agency relationships between client and broker, spelling out the broker's fiduciary duties to clients under contract: loyalty, obedience, disclosure, confidentiality, reasonable care, and accounting. These so-named duties have specific legal definitions spelled out in the form; basically they require us, as agents, to treat you, as clients, fairly and ethically. Several defined agency relationships pertain to buyers and/or "customers," but two will be of interest to you as sellers: Seller's Broker and Dual Agency. As a **Seller's Broker** the listing agent represents the seller and owes only the seller the fiduciary duties we just mentioned, but is still required to disclose to the buyer any material facts which could affect the buyer's "use or enjoyment" of the property.

**Dual Agency** occurs when a broker represents both buyer and seller in a transaction. This can happen when the listing agent and selling agent both work in the same company, or when a listing agent has a buyer under contract who makes an offer on that listing. Prohibited from acting exclusively for either party, the broker (or agent) cannot disclose confidential information about price, terms, or motivation unless given written permission. In all other respects, fiduciary duties to both parties remain the same as in the Seller's Broker relationship; and again, dual agents must disclose any adverse material facts to the buyer.

Dual Agency got a black eye from a lawsuit back in the 1980's involving a few agents at one of the Twin Cities' largest companies who shared information about how low an offer a seller was really willing to take. Most of the public would probably not consider that a hanging offense (particularly since the seller was always free to say no to any offer), but fallout from the case resulted in the forms we use today to define agency responsibilities, and a lot more care within the industry to live up to them. An ethics course is a mandatory part of continuing education requirements for all Realtors—and just in case we forget, we're required to repeat the course every two years. While there's still a hangover of caution in the marketplace, we believe that, as a seller, you have no more to fear from a dual agency situation than any other: an unethical agent eager to make a sale would be as likely to disclose confidential information to an agent friend from another company as he would to someone in his own company. And an ethical agent will live up to his fiduciary responsibilities in dealing with agents from all companies, including his own. Lest we leave you with an impression that the world is equally divided between ethical and unethical agents: in our experience over 30-plus years, the number of times we have seen an intentional unauthorized disclosure of

confidential information is zero—and very few instances where careless agent performance resulted in buyers learning more than they should know about sellers. Buyers are more likely to get inside information from neighbors or mutual acquaintances; particularly in tight-knit communities where turnover is low.

Once you have signed the listing agreement, your Realtor (we'll make her a "she" in this section) can fully commit her resources and energy to your cause. She'll help develop your timeline and focus your attention toward the many details that need attention before going on the market.

### **Preparing the House**

Apart from pricing, nothing is more critical to the sale of your house than the house itself. Duh, you say—but we state the obvious because everyday we see sellers ignoring the obvious. Let's pick up the car sales analogy once again: would a dealer let a dirty car sit in his showroom, with doors that didn't close properly and oil leaking onto the floor? Yet a random inspection of any six homes on the market is often like walking on to a "lemon lot" of gas leaks, water drips, putty falling out of sticking windows, floors that need refinishing, stairs that squeak, paint peeling, concrete splitting open, kitchens and baths that are functionally obsolete. Perhaps one of the six homes will look really well-maintained and "showroom ready." Which one do you think will be the first to sell; or has the best chance of getting a price that will allow the sellers to move?

### **"Buyers are Liars"**

We don't mean to insult buyers with these words—we're just quoting an old Realtor saying that rather ruefully expresses the frustrations of working with certain buyers: the ones who say, "Show us houses that need fixing, we want to build sweat equity!" only to turn away from perfectly good homes because the kitchen floor needs replacing, or the woodwork is painted. Of course some buyers can see past the rough spots, and can envision a great kitchen or a future built-in to add charm and function. But, sadly, most cannot: they need to literally see it before their eyes. Good listing agents, then, will push sellers to put it there. Of course there are limits of practicality: no matter how much a new kitchen is called for, most sellers just can't swing the time and money needed (although we've seen some surprising remodels done on a small budget). Decorating, exterior painting, and general repair is a different matter, however—and it's a shame to see sellers lose 75% of the market because they didn't know it was worth the effort.

### **Dear Pat**

On this website we've compiled dozens of real estate advice columns by our broker Pat Rosaves. Many of these Dear Pat articles address specific repair and remodel questions that you may have. We invite you to look over the whole section (use the Google search tool) to see if anything is helpful to you; meanwhile let's resume our big push to get on the market.

### **Municipal Inspection**

About a dozen metro-area suburbs in addition to the cities of Minneapolis and St. Paul require an inspection of the property before you can go on the market. If you live in either of the big towns you'll need a Truth-in-Sale-of-Housing inspection report, which

costs around \$200. The city-licensed inspector is required to walk through the entire home and garage with a checklist of about 100 items that compare the mechanical and material components in your house to current city codes. The report is limited to a visual checklist and is not technically extensive: the furnace won't be inspected with instruments, for instance, as it would be in a full-blown buyer's inspection. We won't get into the maize of coded ratings here; suffice it to say that many of the homes in the city will have an abundance of items that are rated below current building codes. In St. Paul, the report is "disclosure only" requiring sellers to do nothing except install at least one hard-wired smoke detector if none currently exists.

Minneapolis takes a more active approach, requiring repair or replacement of certain items by the seller, or the buyer within 90 days after closing. The requirement is lifted if the house doesn't sell. Most of these items are small and inexpensive; the city has compiled a list of common required repairs and your agent should be able to direct you in your own efforts, or find handy-people who specialize in these types of repair. Most sellers discover that it isn't that hard to take care of the repair/replace items in advance of going on the market—and of course it's an advantage if they have a clean report to hand to buyers. Once the repairs are made and the house re-inspected, the city will issue a Certificate of Approval to be given to the buyers. Unless it's an "as-is" sale, city-required repairs rarely land in the lap of buyers to finish after closing, as the buyers' agent will make sure they are negotiated in the terms of the offer.

The municipal inspection report, along with the state-mandated Seller's Disclosure (more on this form later) will need to be displayed on premises when your home goes on the market.

### **Consider a Pre-Sale Home Inspection**

Here's a chance for you to get more than "buyer's eyes"—it's your chance to get "buyer's **inspector's** eyes." As you know, the eventual buyer for your home will be getting a full home inspection. Many sellers are caught completely off guard by discoveries made during the buyer's inspection (it's much more thorough than the city inspection), and find themselves thrown into a second round of tough negotiations to keep the sale alive. By getting an inspection yourself before the sale you eliminate nearly all chance of being surprised, and your report becomes useful as a detailed work list in getting the house ready for sale. A pre-inspected house with many items already corrected gives you a huge edge in the marketplace: buyers and their agents are more comfortable making an offer when already fully informed of existing conditions. In some states where this is a more common practice, buyers may opt to skip their own inspection and rely on the seller's inspection report. We discourage selling agents from suggesting this, however, since you—our client—are better protected if the buyers have their own inspector to blame in case of a problem after the sale. The inspection costs about \$350, a small percentage of your overall selling costs; yet it could make you or save you thousands by putting you above the competition. In all honesty, sellers in Minnesota rarely get their own inspection—but we invite you to get ahead of the curve.

## Projects

Your agent will help you to prioritize your efforts in getting the house ready. We can't address needs that are specific to a given house, but generally speaking, fix-up money is well spent on the following, in order of importance:

- Removing carpeting and refinishing the hardwood floors.
- Minor kitchen remodel (cabinets, countertops, sink).
- Installing shower in bath if none exists.
- Replace older gravity furnace with new forced air unit
- Replace roof if it looks bad and is over 20 years old (you'll have to do it anyway as the result of the buyer's inspection, and doing it now will help sell the house).
- Drain tile basement if it's chronically wet.

Projects that usually take less money but just as important:

- Clean the basement until it squeaks, including floor joists, water heater, furnace, laundry. Make sure basement is well-lit. Paint floor if already painted, or if it's unsightly.
- Interior painting and decorating. Unless you are a color expert, rely on your agent for suggestions.
- Exterior painting and repair.
- Repair all gas and water leaks.
- Repair any hazardous electrical conditions.
- Have furnace cleaned and certified.

Even if willing, few sellers can do everything needed to make their home perfect, but if you do as much as you can you'll have a much easier time on the market. Naturally, you'll need to clear the basement and many things from the rooms above in order to complete various jobs, and to look good on the market. Your agent should help you decide what to take out. Sometimes you can get away with storing the overload in the garage, but that isn't completely satisfactory as it just detracts from the garage. Remember, buyers need to actually see the spaces clear—many have a hard time visualizing. Storage lockers aren't that expensive and they solve the problem completely.

## Staging

When you've done all you can (bear) to get the house ready, your agent will look everything over and make arrangements for final decorating and staging. Agents in some upscale markets use the services of staging companies that supply everything from the tiniest knick-knacks to huge sectional living room suites in an effort to give the house that "model home" feel. In our world, however, your agent might bring a dozen items such as pictures, an accent table and a few lamps, perhaps a rug or two to highlight a color scheme. Scale is as important as color in wooing buyers: if your couch is just too large for your circa 1927 living room (a situation all too common these days due to the annoyingly persistent popularity of oversized furniture) then a good listing agent will urge you to store it someplace off premises. The idea behind all this concerted fakery is to make your home appear so perfectly refined that, for just a moment, you forget yourself and wonder: *what superior, intelligent beings live in this place?* Now your house is ready to go on the market!

## **Marketing Materials**

At this time your agent will arrange to have photos taken, or will take them herself, for the eventual MLS listing, sales brochures, website and possible newspaper exposure. Lots of time and effort should be spent in getting the pictures just right; busy buyers (and their agents) rely on photos to narrow down a list of candidates for showings. You'll get a chance to see the finished materials before going on the market to verify listed data about square footage, room sizes and other material facts.

## **Seller's Disclosure**

Your agent will help you fill out the state-mandated Seller's Property Disclosure Statement, which is intended to disclose any material fact that could adversely affect the buyer's "use or enjoyment" of the property. You're probably familiar with this form already, as you read the previous owner's Disclosure when you bought the property. It's grown some over the years—up to nine pages now—to address the ever-changing adverse material facts of the typical modern home, such as possible meth labs and on-site human remains!

Dozens of questions range from general real estate information, such as title evidence and easements, to specifics about each appliance in the house. Your realtor will help you answer the questions (it usually takes about 20 minutes), but you are required to fill in the information yourself. It's important to answer all the questions as truthfully as you can: the Seller's Disclosure is critical to the case of every buyer who seeks redress after the sale. If you get 2 inches of standing water in the basement every spring, don't call it "seepage."

A copy of the Seller's Disclosure, along with a copy of the Truth-in-Sale-of-Housing report (if you live in Minneapolis or St. Paul) needs to be available on premises while your home is on the market.

## **Final Pricing**

You may already know that the sale of real estate revolves on three major factors: **location, condition, and price**. Since you cannot change your location, you only have control of the other two. By now, if your agent has done her job, and you've done yours (at least up to the limits of exhaustion) then condition is no longer an adjustable factor. This leaves **price** as the critical remaining factor to adjust your value to the marketplace. Buyers will ignore the Taj Mahal if it's overpriced; but line up by the dozen for a ramshackle foreclosure they see as a bargain.

When you first met with your agent she performed a market analysis. That may have been weeks or months ago; we imagine your house has undergone a life-changing transformation in that time (think Extreme Makeover without the tears...not that your house was such a dog before!). And of course, the market is always changing. Perhaps the latest sold comparables will encourage you and your agent to try for a higher price than you could have expected earlier—or perhaps your hopes will be diminished by a few recent prices that are lower. At any rate, your agent should carefully update her market evaluation at this time and share the results with you.

Another tool we often use in final pricing is feedback from office tours. Your agent will want others in her office to tour your home to give price opinions and staging suggestions. These price opinions are off-the-cuff and sometimes can vary widely, but a group of opinions from “players” can be very helpful—and encouraging, if they trend upwards.

It’s sometimes helpful to look at homes currently on the market in your anticipated price range, especially if there is a dearth of actual sold comparables. But be aware that unsold houses are likely to sell below their current asking price—how much lower, and when, are still unanswered questions. Your agent can view these homes as an opportunity to see where you might stand in the current inventory at a given price, but she understands that a given price is always subject to reduction.

Thus armed with all the information available, and having reconciled your desires with your agent’s best advice, you agree on a final market price. Sellers who still want to try for a higher price need to be aware that it will take longer to sell; and extra time on a declining market (even cyclical 4<sup>th</sup> quarter declines) can possibly result in a lower selling price than they could have gotten by starting out lower. If you want a faster sale you need to price for an advantageous position in the marketplace and should **always try to be in the top three homes at any given price**. If you aren’t among the three top candidates for any buyer to consider, your home probably will languish on the market—until you lower your price to find easier competition.

### **Seller’s Net Sheet**

Your agent likely provided you an estimate of proceeds—the net sheet—when you first did the paperwork for listing; but at the time of final pricing an adjustment may be necessary. The net sheet lists nearly 20 possible charges that you may incur during the transaction. At first glance you may feel like a baker in a mobster-run neighborhood, with all the bullies lining up for their “taste,” but you’ll soon accept (just like the baker) that this is how the world turns.

First in line, of course, is your mustache-twirling lender who will extort you to pay off your mortgage balance. Then you’ll see the government muggings for real estate taxes, special assessments and state deed tax; followed by the title company pilferings for abstract updating, recording fees and closing fees. Then you’ll notice the line called Buyer’s Closing Costs. What’s this, the buyer gets to hold you up, too? These days, it’s entirely possible—your agent should plug in a number here of 2.5% of your projected sale price. More on this later when we talk about negotiation. And, of course, our own eye-popping Realtor fee will fairly leap from the page and cause you to forget all we’ve done for you, all the hard work and sacrifice. That’s OK, we forgive you!

All these expenses are subtracted from the projected sale price to arrive at your bottom line: your total estimated net proceeds. Most net sheets have two columns, to show how the bottom line could differ at two different sale prices. Hope for the higher one; but be the realist baker and make your plans based on lower expectations.

## **On the Market**

Once the listing goes to the Multiple Listing Service (MLS) you are officially on the market. The MLS listing sheet will contain all the pertinent data about the house, sales helps for showing agents, photos and financing options. Now begins the nail-biting time, when you discover what buyers actually think about the home you've worked so hard to present. You've priced for what you hope will be a quick sale—but try not to think of it as opening weekend for a big blockbuster movie. Your future success may not depend on the first few days' exposure. Remember, with a lot of inventory on the market it sometimes takes a while for buyers to compare your house to all the competition, or to even make their way to your door. It's best to remain as detached (read: resigned) as possible while you wait for an offer.

In this topic area we'll consider aspects of life on the market, we'll jab at a few sacred cows and explore some of the most effective strategies for success. And we'll show you how to listen when the market speaks.

### **Showings**

Showings will be handled through the agent's office, or through a specialized appointment company hired by the broker. Sellers can choose to require showing notification in advance, up to 24 hours; but most sellers require only short notice, and none on workdays, in order to accommodate buyers as much as possible. You'll need to leave the house if a showing is scheduled for your at-home hours, so plan to spend about an hour away (the normal window of time allowed for showing, although the actual showing might last only 10 or 20 minutes).

Of course you'll have to make arrangements for pets to keep them safe, and safely away from your visitors. Your agent will put a lockbox on premises and arrange for keys. You'll want to turn lights on (especially the basement) when a showing is scheduled during your workday; and you can leave instructions for the showing agent about lights, locks and pets when the party leaves. The showing agent is expected to leave a card so you know who was in your house.

Listing agents occasionally get calls from irate sellers complaining that the showing agent didn't lock the door; or locked the wrong door; or left the lights on; or failed to leave them on when another party was scheduled to see the property—there are many opportunities for a harried showing agent to screw up. Try to understand if this happens to you; and picture the responsibility involved in ushering 2-4 people through perhaps as many as 8 different properties, many with special requirements for locking, pets, lights, shoes, blinds/drapes, garage keys, and more. One type of call we've never had: a call from a seller to say something was missing.

## **Housekeeping**

Obviously all sellers know they need to keep their house as spotless as possible during the time on the market, but it's a dramatic change in lifestyle for many to make the beds, wash every dish, clean the bathroom and kitchen, sweep the entries, shake out the rugs, vacuum the carpeting, clean the litter box, put away the kids' toys, clear the mess from the dining room table, then set it with brochures and Seller's Disclosures—all before leaving for work in the morning! This harsh regimen may not be necessary every day; but you'll want to be ready if a showing is suddenly scheduled when you're already at work, or if you get a one-hour notice showing request just as you're sitting down to supper with the family. We're not trying to pile on here—we won't even mention snow removal and lawn care (oops!)—but it doesn't hurt to remind you that time spent on the market can turn you into the housekeepers that your mothers always wanted you to be.

## **The Truth About Open Houses**

Try to remember the long-ago time when home ownership was but a gleam in your eye: you probably pictured an open house whenever you thought of real estate activity. Indeed, most people are first introduced to the housing market by stepping (timidly) into an open house. Maybe you still remember how you sensed the excitement as clusters of people were drawn to the shiny new kitchen; how you had to wait for a crowd to pass so you could climb the stairs. It was here, perhaps, that you met the agent who sold you your home; or where you first began to practice your now-perfected technique for deflecting a salesperson's queries. Ah, memories!

Thus the venerable, iconic Open House holds a charm for sellers that far outweighs its actual value as a marketing device. The fact is that a home rarely sells because of an open house. Many people go to open houses randomly (think bicyclists on the River Road who noticed an open house arrow on the corner), or walk into a house they know they can't afford but want to see just for fun. Some people routinely go to opens to check out decorating, or to keep up with market prices, or to see the inside of their neighbor's house. These folks greatly dilute the population of actual prospective buyers in the home, effectively reducing the open house to a low-percentage activity, far surpassed by agent showings set up through MLS. The truth is that holding an open house is not a necessary part of marketing, and that many houses sell without ever going through the effort.

So why does the open house continue to be such a popular marketing tool? Actually there are a number of good reasons, but you'll want to consider them in the light of your own interest and effort. Some important ones:

- It gives buyers who have already seen your house by appointment a chance to bring family and friends back through to get their blessing, without having to set up another formal appointment with their agent. A busy open can increase their sense of urgency. A smart listing agent may introduce them to any recognized neighbors who happen to be there, to help them get comfortable with the block.
- It gives your agent a chance to meet neighbors who might know someone interested in moving close to them.
- It gives your agent a chance to meet potential buyers and sellers who are shopping around. (This rarely helps *you*, of course, but if you like your agent...)

- In the case of First Opens only, it gives you a deadline and frames your efforts to get the house completely ready for viewing. There is a strong motivation for sellers to make their house look good to the neighborhood as they “debut” on the market.

Not all Realtors will agree with us about the value of open houses to the seller. We willingly concede that every effort made to sell your home, whether high-percentage or low, helps your cause. But since the overwhelming majority of sales come from arranged showings by Realtors who are working with qualified buyers, you may well ask if it's worth it to welcome the unfiltered public into your home on Sundays.

To the real estate industry, it is clearly worth it. Open houses play an important role in sparking interest in home ownership, turning random lookers into qualified, motivated buyers, and providing a meeting ground for agents and potential sellers. It's where the great getting-acquainted party happens: beginning the process of fueling real estate demand and production, thereby stimulating economic activity and creating jobs; green-lighting more buyers, thus sustaining values for homeowners. So where do you stand? The choice is yours—we're just here to tell you the truth about open houses.

### **Advertising**

If you bought your home more than five years ago you may be mildly surprised to discover that newspaper want ads have gone the way of the dinosaur. It happened suddenly, just a few years ago, when one of the Twin Cities' largest real estate companies announced that it was ending newspaper advertising to focus its resources on the Internet. Within months nearly all brokers had followed suit; and the big metro newspaper's classified section dwindled to a skeleton. While some brokers still place picture ads, they have mostly institutional value; mainly fishing for buyers by casting a wide net over a huge area, they are of questionable value in selling a specific house.

Nowadays the Internet reigns supreme as the industry's medium for advertising and communication. Realtor websites (such as ours) can direct buyers to all open houses across the metro; or summon up detailed information about every broker's listing, complete with photos, videos, maps, aerial views and dancing bears. The net is the Great Equalizer that allows a small company to market your home just as completely as any big company can. The key to this is the regional MLS, which has expanded and consolidated its function as the single repository of listing information for all member brokers—effectively that means all brokers. All Realtor websites get their information from the MLS database and deliver the “consumer” version to the public. And the public is plenty hip these days: buyers are frequently ahead of their agents in ferreting out a new listing.

Since MLS is every broker's main tool for advertising, it's important that your listing be as attractive as possible, with carefully staged, well-lit photos and a well-written description of features and amenities. Nearly all buyers first see their eventual home on a Realtor website. With so many houses to pick from, agents and buyers rely on photos to help them select the ones they want to tour: a perfectly good home will suffer on the market if the photos don't do it justice. With this in mind, we strive to update photos as

necessary (clean white snow on your lawn doesn't look so great in May) and retake photos that haven't captured your home's best attributes.

We've talked about the power of MLS as an advertising tool, but we don't want to overlook the considerable value of the listing broker's website itself. A buyer who has discovered our website by Googling, say, "Longfellow houses" or "homes along the river" will easily find your listing in our Search section. Here your listing gets more personal treatment than it receives on the MLS listing that's available to all brokers, and it includes your agent's photo and contact info. We've designed our website to make it easy for visitors to quickly access all information about our listings, our agents, our process and philosophy. Except for this wordy tome, we believe that less is more—that your listing shouldn't be buried deep inside a confusing mash of blinking lights, pitches and irrelevant distractions.

### **Marketing to Agents**

So—if open houses aren't all that effective, and the newspaper's impact is minimal, and the MLS is a level playing field where all listings on Realtor websites are treated alike—what can a listing agent do to attract special attention to your house? At this point we need to ask another question: who are we trying to reach? The answer, obviously, is agents. Agents have the qualified buyers who make offers; they take the time to sift through the new listings, to preview them and recommend them to their clients for showing.

So how do we reach out to agents? Some listing agents use spam emails in a wide-net approach. Possibly effective, but they can be a turn-off to most busy agents. Office tours are a useful approach: remember, just before you went on the market your agent brought her office through your home to get price opinions and suggestions for showing. Later, but very soon after listing on MLS, your agent may hold what is called an "agents open," inviting Realtors from all offices in the area for more price opinions and to get valuable market exposure for your home. Usually there's a free brunch or lunch involved, which may help to attract the most diligent agents and is certain to attract the hungriest (these affairs are subject to the law of diminishing returns, losing their value as more agents use them). Office tours are sometimes used again by the listing agent after the home has been on the market a while; especially if there is a significant improvement to unveil, or a substantial price reduction.

But the best tool we have to reach agents is the MLS listing itself. Buyers agents are sure to see your listing in the course of doing their jobs: if we're doing our jobs as listing agents, your listing will make an impression on them. We've already touched on this, but it doesn't hurt to repeat that a well-written presentation and enticing photos in the MLS listing are critical to the chances of your sale. And no seller should discount the power of a well-liked veteran Realtor to create awareness among a wide circle of agent friends and acquaintances. Reputation is everything in this business, and if agents come across a listing by someone whose work they respect, the home is more likely to be shown.

## **Agent Feedback**

Until you get an actual offer, the only way to see how you're doing on the market is to get feedback from agents. As we mentioned earlier, you got some early feedback just before listing with MLS when your agent brought her office through your home to get price opinions.

But the agent showing feedback you're going to get while actually on the market is much more important, since it comes from agents after they have shown your home to their clients. An agent who has shown your home will get an automatic email from the appointment services company requesting feedback, asking for opinions about the price and condition of the property and if there is any buyer interest; additional space is provided for the agent to make comments. This feedback is forwarded on to the listing agent and the seller without identifying the showing agent (although of course we know exactly who showed your house and when). The comments often tell you the unvarnished truth about how your house shows. Comments such as, "the basement smells like cat litter" or, "the house seems crowded" can be very helpful, no matter how much they sting. But to hear "your street is too busy" simply stings. We've had a few clients who opted not to get feedback just because it was too upsetting; but we urge all sellers to swallow their pride and pay close attention, because feedback is the best guide to help us correct our course.

After you've had a number of showings you may start to see a pattern that can help you make decisions. If lack of a shower is mentioned repeatedly, for instance, you probably should consider adding one. If more than half the feedbacks say your house is overpriced it may be time to take a hard look at your position in the inventory.

## **The Market Speaks**

It's no secret that the marketplace can be fickle. Some odd houses sell quickly while others, seemingly better, languish for months. But that's no reason to turn a deaf ear when feedback is negative, or showings fall away. Yet many sellers do just that. Pride of ownership becomes prideful ownership as they cling to their price and defend their condition. If the feedback is overwhelming that their price is too high, some sellers will say that they need more exposure: more ads, more opens, more signs and balloons. But the market is telling them that the price is too high—and if their poor agent throws a party every day and gets all that exposure, the sellers will just have more people to tell them that their price is too high.

The market speaks through agent feedback and measurable buyer interest: when a house sells, the market has spoken. When a house sits for six months, the market has spoken. Perhaps the market is fickle, but when it speaks you need to listen. Agents and sellers who do listen understand that being on the market is most often a humbling experience, requiring patience and flexibility. You can't outsmart the market, but you can listen; and you can react with intelligent purpose. A well-timed price drop or a new kitchen floor can make the phone ring with good news.

We're going to make you work for it in the following example. Let's say you need to find a larger home even though you have very little equity in your house. At the time of

final pricing you elect to go on the market higher than your agent recommended. In these cases, listing agents often propose a strategy that calls for a price adjustment within a given time frame: usually two weeks, if feedback establishes that you are overpriced. You agree; and when the reduction proves necessary, you lower your price without much hesitation. Two months go by; feedback indicates you are still overpriced, and showings slow down to one or two a week. The market is telling you that you need to adjust something: either you need to make your house worth the price you are asking, or you need to reduce the price. Listen carefully to the feedback: if a condition or lack of a feature is repeatedly mentioned, you may be able to repair or remodel your way to a sale. If no fix is called for, or is impractical, then your agent needs to help you re-think your plan.

Remember the question: Can we do it? The answer was based on how much you could get from the sale of your home; but it also rested upon how much you'd have to pay for the next house, what kind of financing was available to you, and what other sources of cash might be available for down payment. You may need to look at all these components again (and some we haven't thought of) to see if adjustments in any or all of them can allow you to sell at a reduced price and still get on to the next home. Maybe the new home will have to be more of a project than you'd hoped for (your new remodeling skills could pay off here), or maybe you could cash in that whole-life policy and switch to term insurance, or raid the IRA for ten grand. The idea here is to be proactive and keep your wheels moving toward your goal. We've seen too many sellers paralyze themselves when the going gets rough. When the market speaks to them, they hear: "Nobody wants your house, just give up," or "Nothing is selling now, the economy is terrible."

When the market speaks to you, listen carefully and you might hear the truth: "Other houses similar to yours are selling for \$10,000 less. If you lower your price we will buy yours, too." No judgment, just opportunity. You lower your price. A week later, the phone rings.

## **Negotiation**

If you've owned your house for more than 25 years you might be surprised at the changes that have occurred in the negotiation phase of a real estate transaction. The advent of buyer's housing inspections, the clarification of agency relationships, the rise of new technologies—all have changed the character and affected the outcome of a negotiated transaction. No need to clear the dining room table and put the coffee on: buyers' agents rarely present the offer in person to sellers these days; it's usually emailed to the seller's agent, who may elect to go over details with the seller by phone.

In this topic area we want to take you through the steps of the initial offer and acceptance, the buyer's inspection, and the resulting second negotiation.

Let's get ready to rumble.

## **The Offer**

Your agent has just called with the big news: an offer has been written on your house. But your joy soon turns to disappointment as you hear the offered price and terms: an FHA offer with minimum down, for \$185,000 on your listed \$200,000 property, with \$5000 more for buyers closing costs, 5 days to perform a buyer's inspection, and closing two full months from now. That's a total of \$20,000 under the asking, just for starters, before dealing with FHA work orders and buyer's inspection demands. Gulp.

Take a deep breath and relax. This is not an insult. Nor is it the market speaking, telling you what your house is worth. Rather, this is a buyer trying hard to discover your bottom line (not your net sheet bottom line, of course, but the lowest price you will take.) There is usually plenty of room to raise a low offer such as this. And before you curse the buyers for making you play price games, try to put yourself in their position: we know that prices have declined for several years, with only fitful signs of stabilization. Just as we see inventories getting in line with demand, we hear about a new "tidal wave" of foreclosures about to hit the market. Every night on network news we see the sufferings of those who've lost their jobs; or their jobs, house, and car; or their jobs, house, car, wife, and children. You'd think it's an act of courage to buy a house these days—is it any wonder that buyers are cautious?

Although a few buyers will make just one low offer and walk away, most low offers such as this are routinely handled with 2 or 3 counteroffers. In the example above, your agent may discover that the closing costs are most important to the cash-strapped buyers, and that (with some prodding) they're willing and able to go up \$10,000, or even \$12,000 in price, since at today's rates \$12,000 only represents an additional \$65 a month in payments. Your agent will help you look at all the variables: if the closing could be pushed up a month, you could save \$1500 in mortgage payments. If you limit your commitment to FHA work orders to not exceed \$500, the buyers may be willing to shoulder anything beyond that. Just about everything is negotiable in a real estate contract, including personal property that was noted as included in the MLS listing. And your agent will probably want to shorten the length of time allowed for inspection, so you can get right back on the market if things don't work out.

When the dust settles, you wind up with a gross sale price of \$197,000, and net sale price (net of "seller concessions") of \$192,000. Favorable disposition of some personal property and the interest saved by closing early don't necessarily add to your net sheet bottom line, but they make a real cash difference above your closing proceeds. Perhaps when you first called to get a market evaluation, so long ago, you never imagined your house would sell for only \$192,000. But your real "bottom line" has been met: you have enough to move on the next house—which is why you went through all this in the first place. And the buyers, who never expected to spend more than \$185,000 for a house, have found they had to stretch to \$197,000 (including their closing costs, which ultimately are financed into the price) to buy the house they love. A house they couldn't have afforded a few years ago.

## **Win-Win**

We've used the example above to show how a buyer and seller who seem to be very far apart at the outset can come together when their separate interests can be addressed to mutual advantage. Sellers' interests are always best served by paying attention to their bottom line, no matter how psychologically oriented they may be to the top line—price (spelled very much like “pride”). Buyers, particularly first-timers, have been traditionally motivated by considerations such as “How much a month?” While that is still true, these days it is accompanied by a much more cautious look at the top line, as buyers ask, “What if prices fall?” It's important for agents to help keep their client's goals firmly before them if negotiations heat up toward the breaking point. Just as with on-market strategy, negotiation requires patience and flexibility—and an eye on the prize.

Successful reconciliation of apparently conflicting interests between buyer and seller is called creating a “win-win” situation. This takes the efforts of both agents and at least two principals to the transaction. While the fiduciary responsibilities owed to their clients are clearly spelled out, many agents have learned how hard it is to get results in an adversarial atmosphere. The good ones respect the other side and communicate clearly.

## **The Buyer's Inspection**

You likely had a buyer's inspection when you bought your home, but we're going to do a short primer here anyway.

The home inspection was born in the 1980's as a simple informational aid for buyers and has grown in importance over the years to become an essential element in a transaction. These days we believe that everybody benefits from the home inspection: it brings nearly all conditions of the house to light, providing buyers with necessary information, and an opportunity for them to ask that certain conditions be met in order to proceed with the transaction. It's a benefit to sellers, too (although you might see it merely as a pocket-picking), because a buyer who has been fully apprised of existing conditions is far less likely to kick up a fuss after the sale.

Here's how it works: the purchase agreement is made contingent upon the buyer approving the results of a home inspection, usually allowing 2-4 days (the time periods are negotiable) for the buyer to get a home inspection performed on the house, and one more day to formally reject or accept the purchase agreement as written. The seller then has a day to respond to any buyer demands that arise from the home inspection.

Inspections usually take around 3 hours for a single family home; sellers are never present during this time, so plan accordingly. Often the inspector will start without the buyers, and expect them to join in for the last hour or so. As we mentioned earlier, when we recommended you get your own home inspection before going on the market, the buyer's inspection is much more rigorous than a municipal inspection. Everything accessible in the home will be inspected, including the roof and exterior, all mechanical systems, appliances, foundation and structure: around 400 items in all. The buyers will always get a full written report from any reputable home inspector, but it's advisable for them to spend as much time as possible with him/her to get an education as well as the report they're paying for (usually around \$350). Many buyers' agents like to be around

for the verbal wrap up at the end of an inspection to hear about any concerns, and to help make sure the right questions are being asked to determine the real importance of any problems discovered.

After the inspection the buyers will meet with their agent to discuss the inspection report and to make decisions.

### **The Second Negotiation**

Very occasionally a house will “flunk” the inspection, often because of a foundation problem that is too expensive to negotiate. But in our experience 99% of inspections turn into either an acceptance of the house as it is or Negotiation Round Two. Of course all existing houses have problems, some larger than others; the home inspection should give the buyers an idea of what can be ignored, or deferred, or what needs immediate attention. After the inspection buyers have a day or more to go ahead with the contract as written; or to ask the seller to correct any unsafe conditions, and for any other work they believe needs to be done as a condition of their final acceptance. There is no standard approach: some buyers present a long laundry list of smaller fix-ups, or ask for a price reduction in exchange for taking on the work themselves. Other buyers have lower expectations in buying a used house and limit their requests to health or safety issues.

The seller then has a day or more to respond. Any reasonable seller (like you) will agree to correct unsafe conditions, but may balk at what looks like an unreasonable list of fix-ups, or a demand for money. Your agent should have prepared you for this eventuality, and may have reminded you during the initial offer negotiations that some of your anticipated proceeds may still be up for grabs. Large items such as end-of-life roofs and worn-out furnaces are the big money drainers, followed by electrical repair and updating. But generally, if your mechanicals are up to snuff, you might expect to spend perhaps \$1000 or less (BIG disclaimer here!) for the kinds of smaller items often requested. Rarely does this second negotiation end in a broken deal, but the ride can get a little bumpy if sellers smell any greed in buyers’ demands. At an impasse, both parties need to view the specifics in the larger context and ask themselves: will giving on this issue keep me from my ultimate goal? Again, the parties are communicating via their respective agents, and experienced agents will wisely choose to keep the negotiation positive even over the rough spots, until a “win-win” can be achieved.

## **On to Closing**

You’ve agreed to repair certain items and the buyers have removed their contingency. With the sale thus finalized your agent can hang a SOLD tag from the lawn sign, turn over the buyer’s earnest money check for deposit into her broker’s trust account, and propel the paper-pushing process primarily promising perfect property (sorry)—actually your agent will start by gathering all necessary information about the transaction and providing a “closing information” form along with a copy of the purchase agreement to the lender, the title company and the real estate broker.

In this topic area we’ll qualify the house via title work, appraisal and resulting work orders; we’ll look at the walk-through inspection and take you on to closing.

### **Title Work**

The title company will be working to verify that your house has a clear title by investigating the history of the property and looking for any new or old encumbrances such as unpaid taxes, liens, judgments or mortgages. They'll also do a names search to find out if anyone with your name or a similar name has any legal problems or entanglements (this is when you wish your name wasn't Olson). If a judgment against someone with a similar name shows up, you'll have to sign an affidavit saying it is not yours, which will be recorded with the closing documents. Occasionally an old loan of yours will show up on the search and you'll need to provide proof that it's been paid off. If this proves difficult, a good title company (such as the one we use) often can clear up simple title flaws without extra charge. For a really difficult problem you may need to use the title insurance that we hope you purchased when you bought the property; otherwise you may need to contact a real estate attorney who can work on your behalf. But big problems are very rare because of careful checks each time a house sells.

The title company will contact your mortgage company to arrange payoff at closing; they'll prepare the deed and other documents needed to transfer title from you to the buyer; and they'll send their closer to handle your (seller's) side of the closing.

### **Appraisal**

The buyer's mortgage company will order an appraisal on their behalf. The appraiser will make an inspection of your property, looking at such things as square footage, floor plan, features and amenities, landscaping, proximity to schools, neighborhood quality, and comparing it with similar homes that have recently sold. The appraisal report establishes the value for mortgage purposes, and may include observations and recommendations for repair of some conditions. That's a brief summary of the appraisal process—but if you want the real nitty gritty, we've included a Dear Pat article from April 2010 below:

## **Appraisals These Days**

Dear Pat,

We're getting our house ready to sell, but our neighbor had an experience recently that gives us pause. After they sold their house the appraisal came in low and they were forced to close for less money. What's happening to appraisals nowadays?

---Smells Fishy

Dear Fish Smellers,

You might be getting a fish story from carping neighbors. Most appraisals come off without a hitch these days; although the situation you describe sometimes occurs when the appraiser (or the bank underwriter) values the property below the sale price and both parties are forced to renegotiate. Remember, the seller is free to drop the deal at this point, and find another buyer who may have a more reasonable (to his thinking) lender/appraiser. Or the buyer may try to find another lender who likes the sale price (assuming the seller won't budge on his price). And sometimes the renegotiation includes a lower sale price but with some compensating

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concessions from the buyer. So that rotting bullhead may turn out to be a grilled walleye by dinnertime. Keep in mind that we've always seen the occasional low appraisal.

But there have been major changes in appraisal procedure since Fannie Mae handed down new guidelines in May last year. In-house appraisers are a thing of the past. Lenders are expected to choose by case from a large pool of appraisers; most large mortgage companies take it a step further by hiring a third party company to pick the appraiser. Thus the mortgage company has no affiliation with the case appraiser, and no undue influence (keeping that fishy smell far, far away). Unfortunately, since the appraiser comes off a very large list, he/she may know nothing about the area of town where the subject property sits. In the past a bank would choose their "south Minneapolis expert" to appraise a house in Longfellow—nowadays it could easily be an appraiser who lives in Blaine who has a keen understanding of the northeast suburbs!

So, as it turns out, these days one of the few people who may have contact with the appraiser is the listing agent, who sets up the appraisal appointment, and sometimes meets the appraiser at the house. At this time a savvy agent is able to impart useful information about recently sold houses in the area that the appraiser might not find in MLS records. This can be of great value if the listing agent has been in the comparable homes and can shed light on the differences. Surprisingly, since the guidelines have changed we haven't seen a big increase in low appraisals. It could be that appraisers, whether local or not, are working extra hard these days to find the best comparables in a very close area, or it could be that listing agents have stepped up to provide more information to appraisers about recent sales in their neighborhood.

One thing that hasn't changed is the problem of getting the "odd-fit" house through the appraisal process: a split entry in a 1920's bungalow neighborhood, or an exceptionally upgraded home that may be smaller than its less-stylish neighbors. The problem is finding nearby comparable properties that have sold in the last six months. But that's not your problem, Fishy ones—pick a good agent, trust the process, and soon you'll be smelling only the roses. Good luck!

[This, along with dozens of other relevant real estate articles can be found in the Dear Pat section of our website. We invite you to look them over for more in-depth exploration of some of the topics we're covering in this Seller's Guide. Use the blog's Google search tool for specific questions.]

### **Work Orders**

Some types of loans such as FHA and VA may require the appraiser to check for what they consider health and safety concerns. If the exterior of the house or garage has any chipping or peeling paint the FHA requires it to be scraped, primed, and painted before the closing. This kind of "work order" will have been negotiated as part of the purchase agreement, defining the seller's limits of obligation. (We kept it to \$500 maximum in our example). Most often the seller will take care of small work orders but occasionally the new buyer takes on the obligation. Usually the work is completed and re-inspected before the closing; but in the winter when exterior work can't be completed the buyer's agent or your agent will get bids from contractors to determine the cost; and the money needed for the repairs will be put into an escrow account at the closing. The funds are then disbursed to a contractor when the work is completed, as weather permits. Your

agent will be communicating with you and the selling agent so that this can all go smoothly.

### **Final Walk-Through**

The buyers will get a chance to tour the home with their agent before the closing to make sure you've moved out completely (or are on schedule), and to check the condition of the property. Things they'll be looking for:

- To make sure appliances are working properly.
- To make sure that any requested work has been completed
- Debris must be removed from house and garage.
- Property should be "broom clean" at a minimum.
- Any leaks under sinks, or in basement water lines.

Occasionally a seller has removed something that the buyer assumed was part of the house: perhaps a mirror hanging over a bathroom sink, or a pot rack hanging in the kitchen. This kind of misunderstanding is usually avoided by spelling out "gray area" items in the purchase agreement. But if the walk-through uncovers a situation like this you'll need to negotiate with the buyer immediately, before the closing.

Conversely, you may find the buyers less than receptive when you leave an old but still-useful workbench in the basement; or original millwork in the garage rafters, removed from the house in a long-ago renovation. Of course, garden chemicals and pesticides need to be removed; leftover paints can be a problem, even if they match the existing colors in the house. The purchase agreement is clear: if it's not attached to the property, and if there was no disposition spelled out in the purchase agreement, and if the buyer considers it to be debris, then the seller is obligated to remove it. Leftover debris is often handled by holding a small portion of the seller's proceeds at closing to pay for removal, or as a guarantee that the seller (or listing agent) will be responsible for it. Agents need to be at their diplomatic best in all these walk-through discoveries and misunderstandings; obviously these aren't deal-breakers, but a buyer and seller at loggerheads just minutes before closing can put a real damper on the party.

In most cases, however, the walk-through is a positive experience. Normally the surprises are pleasant ones: buyers appreciate a small welcoming gift that the seller has left for them, or notice that the seller has left the place in spotless condition. We recommend that you walk through with the buyers, to show them how to light the water heater or find the shut-off for the outside water line. It's a chance for buyers to learn first hand about the house and neighborhood, and a chance for you to say a respectful goodbye to your home as you show them the ropes.

### **The Closing**

The day of closing can be both hectic and exciting, as sellers scurry to move out and buyers get ready to move in. Occasionally a last-minute problem has to be negotiated: a discovery during the walk-through, or maybe a change in the hour of possession because the movers showed up late. Rarely does a new problem arise at the closing table, although it may be at this time that a check or signature is required to finalize an informal

adjusting agreement made just minutes earlier. Even with last-minute problems, most people are all smiles by paper-signing time.

So we're off to our closing. Your title company has told you what to bring to the meeting:

- A photo ID
- A list of your addresses for the past ten years
- Your checkbook, in case of last-minute adjustments or charges

Title company closers do a remarkable job of taking buyers through a mountain of paperwork in a short time (most closings only last an hour). But, since you're not taking on a mortgage, your portion of paperwork is mercifully small. We won't get into a list of the documents required for buyers and sellers, but here are the bare bones of what happens at the closing meeting:

- The buyer agrees to pay the lender the amount specified on the new mortgage (the mortgage note), and pledges the house as collateral (the mortgage).
- The lender provides the mortgage amount specified ("funds the closing") to pay the seller.
- The seller signs papers that pay off all existing loans and encumbrances, thus clearing title. Seller signs a deed that gives the buyer title to the property.

### **The HUD**

These things all happen virtually simultaneously (unless the seller has pre-signed due to time constraints or geographical limitations), along with various adjustments including prorating of property taxes, state mortgage and deed taxes, title company and lender charges, real estate broker commissions and fees—all spelled out on the HUD-1, a federal form that is a comprehensive accounting of all monies collected and disbursed at closing. You should have had a chance to look at the HUD the day before closing, but delay in preparation by the title company (often due to lender delays) sometimes prevents the early look we'd all like to have. So buyers, sellers, their agents and the loan officer (if present at the closing) should be prepared to check carefully at the closing table for anything that seems out of place, or missing. Such occurrences are very rare, however, and usually easily fixed.

### **Moving On**

The atmosphere at a typical closing is often surprisingly relaxed, given the enormity and complexity of a real estate transaction. Credit should go to the title company closers, who, seemingly without exception, handle their complicated jobs with pleasant efficiency. Buyers and sellers who haven't already met get a chance to talk and learn about one another across the table as the property is smoothly transferred.

When all the documents are signed the closers leave the room to make copies and cut checks. While they are gone your River Realty agent will distribute a useful form that allows both parties to provide contact information for each other, and for you to shed light on mysteries such as, "when is garbage day?" You may need the buyers' phone and email to let them know about a just-remembered detail; and of course it's important for buyers to have a forwarding address for you, in case anything important-looking

shows up in their new mailbox. At this time you'll hand over the keys and any security codes; and when the closers return with document copies for everyone—and your long awaited, hard-earned proceeds check—the closing is over. You've sold your house. Congratulations!

\* \* \* \* \*

It's been our pleasure to take you along on our journey through the selling process. We can't guarantee that what you learned here will make it easy to sell your home; but if you've managed to stay with us the whole way, you should have a good sense of the undertaking. Good luck!