

HomeAvenue's Step By Step Guide to a Successful Sale



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Fizzbos

Congratulations! You've made the wise decision to sell your own home. Like thousands of others choosing to sell "For Sale by Owner," you too can save big money in commission costs and have more to invest in your future. This savvy financial step also makes sense in another way: You're the best person to sell your own home. After all, you know your property and can tell potential buyers about its features and the lifestyle you've enjoyed there. To ensure your success selling your home as a "FSBO" (pronounced fizzbo), this guide offers the basic tools you'll need to reap the personal and financial rewards that come from doing it yourself.

Concerned about what's involved? Don't worry. This guide takes the mystery out of it by answering your questions in seven easy steps. As you follow this guide, you'll not only be confident that selling your own home is easy, but you'll also be convinced you can do it yourself.

Whether this is the first or fourth home you're selling, use this step-by-step guide for helpful tips, tools, and advice on everything you'll need to know, from pricing to marketing to closing the deal — all the basics for getting the job done right. And remember that we're always available to answer your questions. Call HomeAvenue at (952) 929-7355.

Wondering where to begin? It's simple. Start by sprucing up your property and making it look clean, well-maintained, and attractive. There's no better way to increase your odds of selling it fast and getting the highest possible price. So pull out your wash pail and dust off your tools. Home improvement 101 is about to begin!

Now, take the first step and...

Put out the Welcome Mat!



First Impressions

Remember what first attracted you to your house when you bought it? What excited you about its most appealing features? Now that you're selling your home, you'll need to look at it as if you were buying it all over again.

A spruced up house makes a great first impression on potential buyers. An attractive property grabs their attention and makes them excited about finding a house that looks and feels well-cared for. Because buyers know they'll encounter fewer problems if they buy it, your house becomes more appealing and stands out from the competition. So if you prepare your home correctly, you'll save time selling it when it's on the market.

A good first impression makes an impact on a number of levels. It's not just the way your house looks to potential buyers, but how it feels and smells to them, how their friends and family will react, how they imagine it would be to live there.

With simple improvements throughout your house, you can grab the attention of potential buyers and help them see why your house is right for them.

Plan Ahead

Create a plan to enhance your property. Keep a notebook for your selling project, and as you stroll through your yard, make a list of what needs to be done. Consider what your property looks like to people driving by or walking through your door. What will they like or dislike? What needs fixing, painting, cleaning? What can you improve? Whether you paint your house or fix up the yard, your efforts don't need to be costly; even inexpensive improvements and minor repairs go far toward attracting serious buyers. But remember, those seemingly insignificant problems you've learned to live with can actually discourage potential buyers. Here are ideas for increasing your home's appeal in order to sell it quickly at the best price.

Interior

Clean Everything

Buyers expect a spotless house, inside and out. So clean everything, especially your windows and window sills. Scrub walls and floors, tile and ceilings, cupboards and drawers, kitchen and bathrooms. Wash scuff marks from doors and entryways, clean light fixtures and the fireplace. Don't forget the laundry room. And put away your clothes.

Cut the Clutter

People are turned off by rooms that look and feel cluttered. Remember, potential buyers are buying your house, not your furniture, so help them picture themselves and their possessions in your home by making your rooms feel large, light, and airy. As you clean, pack away your personal items, such as pictures, valuables, and collectibles, and store or get rid of surplus books, magazines, videotapes, extra furniture, rugs, blankets, etc. Consider renting a storage unit to eliminate clutter in your garage and attic.

It's hard to get rid of possessions, but cleaning and clearing out the clutter can really pay off in the end. Packing away your clutter also gets you started packing for your next move. Make your garage and basement as tidy as the rest of your house. Simple little tasks such as storing your tools and neatly rolling up your garden hose suggest that you take good care of your house. Don't let anything detract from making your best first impression.

Closets

They're an important consideration to many buyers. By storing clothing you won't use soon, you'll make closets look spacious.

Paint

A new coat of paint cleans up your living space and makes it look bright and new. To make rooms look larger, choose light, neutral colors that appeal to the most people, such as beige or white.

Carpet

Check its condition. If it's worn, consider replacing it. It's an easy and affordable way to help sell your home faster. Again, light, neutral colors, such as beige, are best. If you don't replace it, you can suggest to potential buyers that they could select new carpet and you'll reduce your price; buyers like to hear they're getting a deal. At the very least, have your carpet cleaned.

Repairs and Renovations

It's best to avoid making major renovations just to sell the house since you're unlikely to recoup those costs from your selling price. Make minor repairs to items such as leaky faucets, slow drains, torn screens, gutters, loose doorknobs, and broken windows. Make sure repairs are well done; buyers won't take you seriously if your home-improvement efforts look messy, shoddy, or amateurish.

Leaks and Moisture

Water stains on ceilings or in the basement alert buyers to potential problems. Don't try to cosmetically cover up stains caused by leaks. If you've fixed the water problem, repair the damage and disclose in writing to the buyer what repairs were made.

Exterior

Curb Appeal

The "Wow" factor — that first visual, high-impact impression your home makes on potential buyers — can turn a looker into a buyer. To determine your property's curb appeal, drive through your neighborhood and note other properties; then approach your own house as if you were a potential buyer. How does it look? Does it "wow" you? Will its curb appeal attract buyers? Note what needs improving, such as trimming trees, planting shrubs, or painting gutters. Little things convey that you've cared for your home, and this is your opportunity to sell that important message to buyers who are shopping from the street, simply cruising neighborhoods just looking for houses for sale. To get them through your door, do what you can to make your property look like someone's dream home.

Paint/Stain

If it's peeling or blistering and you can't remember the last time you painted it, your house needs some attention. That also goes for stain that is significantly faded. A newly painted or stained exterior will help sell your house faster. And whether you do it yourself or hire someone, you'll also increase your home's value.

In the Yard

Grab people's attention by enhancing your yard and landscaping. If your house looks inviting and well-maintained from the street, people will imagine that it's attractive on the inside, too.

- Prune bushes and hedges; trim trees.
- Keep your lawn looking healthy and green by mowing it often, fertilizing it, and keeping it edged and trimmed.
- Clean up and dispose of pet mess.
- Weed your gardens; add fertilizer and mulch; then plant colorful flowers.
- In winter, keep your driveway and sidewalks shoveled, de-iced, and well-lit.
- Stack firewood, clean out birdbaths, repair and paint fences.

The Front Door

An attractive entry catches a buyer's eye and says "Welcome," so highlight this area of your house with decorative touches, such as a wreath on the door or new shrubs and flowers around the steps. For an even grander entry, clean and paint your front door, or replace it with a new one for a few hundred dollars. Don't forget to fix and polish doorknobs, repair torn screens, and then put out that new welcome mat.



Get yourself organized with the following checklist.

Clean and Maintain

- ✓ Windows, sills, and screens
- ✓ Walls and floor
- ✓ Tile
- ✓ Ceilings
- ✓ Cupboards and drawers
- ✓ Kitchen
- ✓ Bathrooms
- ✓ Light fixtures
- ✓ Ceiling fans
- ✓ Carpet and rugs
- ✓ Mirrors
- ✓ Garage
- ✓ Attic
- ✓ Basement
- ✓ Laundry room
- ✓ Yard
- ✓ Gutters
- ✓ Replace furnace filter
- ✓ Dust furniture, TV and computer screens
- ✓ Closets
- ✓ Remove clutter
- ✓ Pack personal items

Repair

- ✓ Leaky faucets and plumbing
- ✓ Torn screens
- ✓ Slow drains
- ✓ Gutters

- ✓ Loose doorknobs
- ✓ Deck boards
- ✓ Broken windows
- ✓ Electrical fixtures
- ✓ Water stain damage
- ✓ Broken appliances
- ✓ Damaged walls and ceilings
- ✓ Worn carpet and rugs
- ✓ Damaged sidewalks and steps

Improvements

- ✓ Stain or paint deck
- ✓ Store tools
- ✓ Roll up garden hose
- ✓ Paint or stain exterior
- ✓ Prune bushes and hedges
- ✓ Trim trees
- ✓ Mow lawn, fertilize, edge, and trim
- ✓ Weed gardens, plant flowers
- ✓ Shovel driveways, de-ice
- ✓ Stack firewood
- ✓ Clean out birdbaths
- ✓ Caulk windows and doors
- ✓ Repair and paint fences
- ✓ Seal asphalt driveway
- ✓ Make sure doors close properly
- ✓ Enhance entryway
- ✓ Replace welcome mat



Step Two: Legal Ease

Before you put the finishing touches on your home spruce-up and repair projects, take a well-deserved time-out to consider a few legal matters involved in selling your own home.

Do You Need Purchase Agreement Assistance? Call 952-929-7355

You probably do, unless you feel competent to manage the technical issues of selling your own property. Purchase Agreements, financing addendums, Inspection Addendums are just a few of the many forms that must be correctly completed to ensure a smooth transaction.

Once you've found a buyer, HomeAvenue can help you finalize the sale of your home. For a flat fee, a licensed real estate agent can provide many services, including explaining the selling process, drafting and reviewing the purchase agreement, and attending the closing.

You should expect the licensed agent to:

- Explain local truth-in-housing laws
- Explain the selling process
- Assist with the Seller's Property Disclosure Statement
- Draft or review a purchase agreement before you sign
- Arrange for escrow of earnest money
- Explain all contingencies and addendums
- Be available to answer all your questions
- Arrange to have your title updated
- Arrange for the closing
- Review all closing documents
- Attend the closing

* Available to listings in the state of MN only.

Protect Yourself

Once you've sold your home and moved in to a new one, you don't want the buyers to accuse you of not telling them about a costly problem. So it's important to disclose and explain, in writing, the condition of your property. On a form called a Seller's Property Disclosure Statement, you should explain which property items have been repaired and which ones need repair, as well as document the general condition of the property. Typical structural and mechanical items that should be included are the roof, plumbing, heating and cooling systems, foundation, and basements. Both the sellers and the buyers sign the completed form. Make sure to keep a copy for your records; if problems arise after the closing, you have proof that the buyer was aware of their potential. You can also make copies available to prospective buyers at showings and open houses.

Tips for Writing a Disclosure Statement

- Contact your city or state office to learn what type of code or truth-in-housing compliances are required in your area.
- Document in writing every known defect, problem, or deficiency in order to protect yourself.
- Contact a real estate attorney. He or she can tell you what the disclosure laws are, guide you through the compliance process, and write or review your disclosure statement.
- You can either make the disclosure statement available to everyone who looks at your house, or you can wait and provide it to potential buyers during the negotiation process.
- Be prepared for buyers to ask you to reduce your price for problems you've disclosed or that have been found during an inspection.
- Require buyers to sign the Seller's Property Disclosure Statement and keep a copy for your records.

Truth-in-Housing Report

Some local municipalities have a required truth-in-housing or code-compliance inspection. Call your city inspection department to find out what's required in your area. Some cities require that the inspections be completed before you put your home up for sale.

As you continue to prepare your house for sale, you'll need to discover its true value so you can? Contact HomeAvenue to find out which cities require time of sale inspections.



Step Three: Price It Right

The most important decision you'll make about selling your home is setting the correct sale price. If your price is too high, you'll scare off buyers, you may not get offers, and your house may languish on the market long past your frustration point. If it's too low, you'll sell it faster but you'll lose money, and then you'll kick yourself for not asking for more.

What's it Worth?

No matter how much you love your house and how much you think its worth, you need to rationally calculate its value and price it fairly. That amount is called the "fair market value" of your house — the price a qualified buyer will pay within a reasonable period of time. Below you'll find several methods you can use to determine the value of your home. One of the easiest is the comparable method: you base your selling price on what comparable homes in your neighborhood have sold for over the past six months. This speeds the selling process, makes you confident in your price, and puts you in the best position to negotiate.

Why Not Price High?

A common FSBO mistake is to price higher than other comparable homes in the neighborhood. Buyers, in fact, often assume that FSBO homes will be cheaper because there's no agent's commission. If you ask too much, they'll look elsewhere for a better deal.

In a "sellers' market," with lots of buyers and few sellers, you can ask more for your home than in an average market. But if you're not getting offers after four to six weeks, adjust your price. If you priced it realistically, you may have multiple buyers actually bidding for your house and maybe even offering more than you asked.

Market Intelligence:

Three Ways to Determine Your Home's Value

1 - Do It Yourself

The comparable method is one of the easiest ways to determine the value of your home. Each of these four pricing options uses this method in some way. To do it yourself, start by getting a list of homes sold in your area in the last six to twelve months that have features comparable to those of your house. You can ask a real estate agent for the list and explain that you'll consider listing with him or her if you don't sell your own house. Compare those features, which include the number of bedrooms and baths, square footage, location, and selling price; then average their prices to determine a fair idea of your home's worth. You can also get a comparable list from city hall or the registry office.

Tips for Analyzing Your Market

- Ask an agent for a list of homes sold in your area in the past six months.
- Compare details — such as price, style, number of bedrooms and baths, square footage, fireplaces, age, location, and price — with your own home.
- Calculate the average sales prices of these homes and then price yours.
- Review houses for sale on the Internet at www.HomeAvenue.com.
- Be a detective. That is, attend open houses and visit similar houses that have sold or are for sale in your area; gather details such as price, style, number of bedrooms and baths, square footage, fireplaces, location, etc., and compare that information to your home.
- Ask friends and neighbors what they've learned about houses sold in your area.
- The Internet is a great resource for finding comparable home information. Visit our Web site at www.HomeAvenue.com for a list of other helpful Web sites.

2 - Call HomeAvenue for a Comparative Market Analysis (CMA)

HomeAvenue has provided pricing assistance to Twin Cities homeowners for more than twenty years. We thoroughly research the Multiple Listing Service (MLS) database and select similar homes that have sold recently in your vicinity. We then enter the information into a software program that adds or subtracts dollars based on differences in the homes. Our detailed Comparative Market Analysis provides data on what the homes have sold for, what they sold for vs. what they were listed for, how long they were on the market at that price, etc.

Please call our office or visit our website to get started. Allow about three days for completion.

3 - Get a Professional Appraisal

One of the best ways to determine your home's value is to hire a state-certified, professionally trained appraiser to assess your property and compare similar homes recently sold in your area. The evaluation by these professionals is based on many of the same factors about your home found on a comparable list, such as style, square footage, number of bedrooms and bathrooms, etc., as well as considerations about the social and economic conditions of your area that would affect the value. You'll receive a written estimate of your home's value, which you can show to potential buyers to demonstrate that your home is fairly priced.

Appraisals typically cost about \$400, and you can check with your mortgage company or the Yellow Pages for a list of names. Some of the most qualified appraisers are members of the American Institute of Real Estate Appraisers or the Society of Real Estate Appraisers. If you choose to have a professional appraisal, schedule it soon after you've decided to sell because it often takes a few days to get one completed. Call HomeAvenue if you need a referral for a reliable, experienced appraiser.

Now, Set Your Price

You've done your detective work and investigated your market. Now it's time to set your price. Decide on the lowest amount you're willing to accept and then add a buffer — typically 3 to 5 percent — to your asking price for negotiating room. If you reduce your price, buyers will feel like they're getting a better deal while you're still within your established range.

Pricing Reminders

- Overpricing is very risky. Your home may sit on the market too long and lead buyers to think there's something wrong with it.
- A buyer's lender always appraises your home; if your asking price doesn't represent a fair market value, the lender might not grant the loan and the sale may fall through.
- Your home may be overpriced if, after four to six weeks, potential buyers are positive and complimentary about it but won't make an offer. Consider lowering your price and/or raising the real estate commission you'd be willing to pay (if applicable), which might attract more agents and buyers.

Your home looks great and the price is right.

Step Four: Get the Word Out



Your house looks beautiful, the squirrels are enjoying life in your immaculate yard, and the neighbors are curious about what you're up to. It's time to tell them — and everyone else — that you're selling your home.

Spread the Word

Just as networking is important when looking for a job, it's also crucial when you're selling your home. Here are eight proven and effective ways to market your home.

1 - MLS Exposure

The Multiple Listing Service is one of the most effective & powerful ways to promote your property. A listing on the MLS will expose your property to thousands of licensed real estate agents whom represent thousands of serious and qualified buyers. And best of all, you won't give up your flexibility. If you find a buyer on your own, you'll still pay no commission. If a Realtor brings you a buyer, you'll pay the Realtor a reduced commission, between 2.5% and 3.5% of the selling price at closing. MLS has been uniting buyers and sellers for many years. Now, you can have all the same advantages of listing your home with a traditional Realtor and keep more of the equity you deserve.

MLS access provides these additional benefits for our sellers:

- Your home will be part of the broker reciprocity database, a system by which real estate brokers agree to share their listings with each other on their respective Web sites. If you are a HomeAvenue customer and have listed your home on the MLS, a photo and listing data will be displayed on all cooperating broker Web sites. This provides a powerful and effective vehicle for you to expose your home to many potential buyers.
- You'll receive fewer calls from agents trying to list your home. The Board of Realtors prohibits Realtors from soliciting a homeowner who is currently listed on the MLS. If a Realtor calls, tell the agent that your home is listed on MLS with HomeAvenue.

2 - Advertise on the Internet

Listing your house on the Internet is the way to reach the widest audience. Millions of homes are now listed on the Web sites of many real estate services, which provide local and national internet exposure for your listing. When you list on the MLS, HomeAvenue publishes your listing to hundreds of local and national websites including; Zillow.com, Realtor.com, Trulia.com, Edinarealty.com, cbburnet.com, etc. Your house will not only be seen by potential buyers living in your area but also by people relocating to your region. HomeAvenue's www.HomeAvenue.com website has the largest database of homes in the Twin Cities and receives thousands of visitors per month. Make sure buyers can find your home at this popular and heavily promoted site.

3 - The Sign of a Good House

Another important step in marketing your home is to rent a professional sign from HomeAvenue. A great-looking "for sale" sign says you're serious about selling, you're prepared to answer buyers' questions, and you're ready to show your home. You also gain the added credibility that comes from choosing a company that provides the most recognized sign and that offers you professional guidance and expertise. You've worked hard getting your house in shape to sell; don't risk sending the wrong message to buyers by displaying an unprofessional-looking sign.

- **Professional Yard Signs**

Professional yard signs quickly catch the attention of prospective buyers and make a great first impression as they drive by your home. In fact, almost 25 percent of homes are sold by using the sign alone. Make sure to rent a double-sided, post-style, multicolored sign with your phone number on it. Have HomeAvenue place the sign on your property where it's most visible to cars coming from either direction; please allow 5-7 days business days for installation or removal of the sign. Check with your city or homeowners' association about possible sign ordinances, especially if you're selling a townhome.

- **A Brochure Box Is a Must**

Some of our customers distribute hundreds of brochures, which they keep stocked in a box attached to their for sale sign. Always keep the box filled with plenty of brochures. Buyers appreciate having immediate access to your home information. Your brochure also helps buyers remember your house when they sift through the information they've collected about homes they've seen.

- **Directional Signs**
Signs that indicate "Home for Sale" and "Open House" make it easier for buyers to find your property. These should match your yard sign's color and logo to easily guide people to your home. Place signs in strategic locations on busy streets and highways. Your "open house" signs should be posted just before you hold your open house and removed immediately afterward. You'll be amazed by how many people respond to your directional signs! Check with your city about possible sign ordinances.
- **Sign Additions**
These signs list your open house days and times, appointment guidelines, and information about whether you'll work with agents or not. You can attach a sign saying "No Agents, Please" to your yard sign if you wish to minimize calls from agents. Or you can attach a "By Appointment Only" sign so people won't drop by without calling first.
- **Sign Smarts**
Using the most professional yard signs, directional signs, and brochure box will maximize your home's exposure to the greatest number of prospects. The traffic flow increases, cars slow down and heads turn when a savvy seller takes advantage of eye-catching signs and a well-stocked brochure box.

4 - Fact Sheet

You can help potential buyers remember your house by giving them a fact sheet. If you don't use brochures provided by HomeAvenue, just type up a page or two of your home's features on a computer, print it, attach a picture of your house, and make copies. Include factual data about your property, such as price, year built, lot size, room dimensions, taxes, age assessment, etc. Keep your brochure box filled. Pass fact sheets out to potential buyers, your friends, and neighbors, and keep them handy by your phone. In addition to including features, highlight the best parts of your house and location, such as a park-like yard, newly remodeled kitchen, proximity to shopping, quiet neighborhood, central air, or fireplace. List features that provide value and benefits to buyers and that help your house stand out from the competition.

5 - Open Houses

Now you can advertise your Open House via MLS and reach thousands of potential buyers. Contact HomeAvenue for information on placing your Open House on MLS and broker reciprocity websites.

6 - Get Your Neighbors on Your Sales Team

Don't surprise your neighbors by suddenly putting up a for sale sign in your yard. Make sure they're the first ones to know of your plans to sell, because many homes are bought by people in the neighborhood. You can also get them on your marketing team by distributing a fact sheet to their homes and talking about your plans. They'll appreciate being told and may help work for you by telling others.

Other Ways to Spread the Word

- Put a notice in your company newsletter.
- Call, e-mail, or send a letter, your fact sheet, or an e-mail to friends, family, and colleagues.
- Post your fact sheet or a flyer with a picture and description of your house on bulletin boards in stores, libraries, your church, and schools and on social media.

7 - Working with Agents (non-MLS users)

In some situations, you can actually work with an agent to sell your home faster but not have to pay a full commission. The benefit to you could be a quicker sale; the drawback might be that you'd pay a partial commission and lose some of the money you hoped to save. Your goal as a FSBO is to sell your home on your own. But if you want some help and you don't mind making less money on the sale, consider working with an agent. Here's how it works.

Two Types of Agent Requests:

A. "Will you list with me?"

This is the most common request you'll receive from agents who have seen your "for sale" sign or ads and who hope that, if you can't sell your house, you'll list it with them. It's best to politely tell the agent that you aren't interested in listing your home with a Realtor. If you are willing to pay a partial commission (typically about 3 percent) to a buyer's agent, you may want to inform the agent that you will sign a one-time showing agreement if he or she produces a qualified buyer (see below).

B. "I've got a buyer. Will you pay a commission?"

Sometimes an agent will ask to show your home to one of his or her clients and wonders whether you'd be willing to pay a commission fee if that client purchases the house. If you work with the agent, you agree in writing to a one-time-showing agreement that states you'll pay a commission to the agent if the buyer noted in the agreement buys your home. You then negotiate the agent's fee, which generally is between 2.5 and 3 percent. **Warning: Many agents ask for more than a normal commission because they think FSBOs are uneducated about the selling process. But you know what you're doing, so don't pay more!**

Tips for Working with Agents

- Remember, most agents represent the buyer, not you, the seller, so it may be a conflict of interest for them to help you fill out legal documents required for selling. It's best to contact HomeAvenue if you need someone to handle the paperwork.
- There is no "standard" rate of commission.
- All agreements to pay a commission must be in writing and are negotiable.
- Hang an attachment on your yard sign saying "No Agents, Please" if you wish to discourage agent traffic.

Step Five: It's Show Time!



The moment has arrived for you to showcase your efforts and present your home to potential buyers. Although showing your home probably takes less than a half hour, the more time you spend getting prepared, the greater the impression you'll make.

Work the Phone

The combination of your Internet listing, professional signs, MLS listing and other marketing efforts will surely get your phone ringing. Because you can't always have someone available to answer it, make sure your phone message is an effective marketing tool when you're not at home. It should include enticing information about your house so people are encouraged to leave their name and number. Whether you speak with them directly or let your phone message do the talking, describe your house well enough so potential buyers can determine if it's what they're looking for.

Remember: Selling your house is like running a business — you must provide excellent customer service if you're going to successfully sell your product. So treat potential buyers as customers, and accommodate their individual needs and schedules. Your phone manner and the message you leave on your answering machine must convey your professional approach to selling your property.

Tips for a Phone Conversation or Message

- Be warm and friendly.
- Include the price.
- Mention the number of bedrooms and baths.
- Describe special features, such as remodeling.
- Ask for the caller's name and number.
- Schedule an appointment or tell the caller you'll call them later to schedule one.
- Keep your fact sheet by your phones for easy reference.
- Make sure family members know who should handle house-related calls.
- Don't let anyone discuss the home or set an appointment that's not fully informed.

Open Houses

An open house is a specific time that you set aside for potential buyers to visit your home without an appointment. (A showing, on the other hand, occurs when one party views your home by appointment.) An open house is a great opportunity to show your house to many people at once and to tell them about its qualities and features. You can also make a good impression on potential buyers by welcoming them graciously and making your house a showplace.

Here are other benefits to holding open houses

- You control the time of the week when you want to show people your house, so you don't have to upset your schedule.
- The house will be cleaned for the event. You can make a nice presentation of your home by setting a warm and welcoming tone; create special touches such as a fire in the fireplace.
- You'll have the greatest number of people coming through at one time, increasing your word-of-mouth and sales potential.

Strategies for Making Your Open Houses Successful and Productive

A. Plan Your Open House

- Schedule open houses for two to four hours on a weekend, preferably both days. If you must choose only one day, make it Sunday.
- Find someone to care for your kids and pets away from your house.
- For safety reasons, always have at least two people showing the house.
- Place open house directional signs in your neighborhood and on well-traveled roads just before the open house.
- Include open house information in your ads
- Advertise in the MLS Open House Directory – Call 952-929-7355 or email info@homeavenue.com to place your Open House on MLS

B. Ready Your Home

- Be sure the exterior of your house makes a great first impression.
- Clean your house thoroughly
- Create a warm, relaxed atmosphere, so people don't feel pressured into talking with you.
- Pack away all your valuables, breakables, and items that can be stolen.
- Open the shades and turn on all the lights so the interior is cheerful.
- Bake something or put potpourri out so the house smells pleasant.

C. Open Your Doors

- Make your visitors comfortable with a warm greeting, a fire in the fireplace, and pleasant aromas.
- Give everyone a fact sheet with the details of your house, and then leave them alone to browse.
- Ask potential buyers for feedback and request that they sign a guest registry form with their name, address, home and work phone numbers, and agent's name, if they have one. Use this information to confirm that the potential buyers are motivated and to make follow-up calls.
- Be relaxed and have a positive attitude
- As you answer questions about your home, tailor your responses according to visitors' interests.
- Ask questions about what they're looking for and what types of homes they've seen.
- Present a photo album with pictures of your property taken during the four seasons.
- Don't come on too strong or describe every detail in the house; some deals are lost by sellers talking too much.
- If you hear comments that upset you, don't get angry or into a verbal sparring match. Just take a deep breath and walk away.
- Don't verbally negotiate. If someone offers you less than what you are asking, tell them politely that you consider only written offers from qualified buyers.
- Rehearse your house tour with family and friends, so you feel more comfortable.

Don't discriminate against buyers

Remember, the Civil Rights Act prohibits you from rejecting an offer based on race, religion, color, gender, or national origin. The Fair Housing Amendments Act also says you cannot discriminate due to disability (mental or physical) or familial status (families with children under age 18).

Safety First

- To ensure your security when showing your home, ask interested parties for their names, addresses, and phone numbers when setting up an appointment, so you can determine if they're motivated and qualified potential buyers.
- Confirm the information they provide by looking them up on-line or calling them back to confirm the appointment.
- Instruct children who answer the phone to never discuss details about the house. Women and children shouldn't tell a caller that they're home alone.
- Never show your house after dark. If someone drops by without an appointment, politely ask for his or her name and phone number and say you'll call and schedule a more convenient time to see the house.
- Never show your home alone. Ask a friend or family member to join you.

You've shown your home at its very best and impressed potential buyers.

Step Six: Accept an Offer



Finally, the day you've been waiting for: Someone makes you an offer! Or maybe you even get more than one! It's both exciting and a little daunting. But before you start celebrating, here's how to prepare for that important day.

First, Contact HomeAvenue

Selling a house is a complex legal transaction, so even before you receive an offer, contact one of our experienced agents, who can prepare and handle the purchase agreement. Once you have a buyer, a HomeAvenue agent will draft or review the purchase agreement and revise it as needed. The buyer may also feel more comfortable handing over earnest money (a good-faith deposit) to HomeAvenue instead of to you; HomeAvenue can then deposit the money into our trust account.

Hearing the Good News

If a prospective buyer or agent calls and offers you a price over the phone, encourage him or her to submit an offer in writing. That way you have a better chance of negotiating the terms and striking a deal agreeable to both of you. Remember, you have to help the buyer "buy" your house. If a buyer who is not represented by an agent wants to submit an offer consider having one of our agents facilitate the transaction for both of you — obviously much less than a real estate commission — for the buyer to retain an agent's representation.

Reviewing the Offer

Although verbal offers are not legally binding in real estate transactions, even the simplest written offer may be binding if all parties sign it. Therefore, make sure all the terms and conditions are present in the purchase agreement before you sign it. You should also get the agreed-upon earnest money with the purchase agreement. Keep in mind that earnest money alone, without a signed purchase agreement, does not bind the buyer or seller to the sale. The purchase agreement should contain all agreed-upon terms and applicable contingencies, including, but not limited to, the buyer's mortgage information, lead-based paint disclosure, sale of the buyer's home, inspections, personal property, and well and septic disclosures.

1 - Earnest Money

Buyers should provide you with earnest money (a good-faith deposit) after the purchase agreement is signed. There is no required amount, but it's common to get between 1 and 2 percent of the sale price. Although not required, it's a good idea to have this money held in a trust account. HomeAvenue can hold the earnest money in its trust account.

2 - Your Options

When you review the purchase agreement, your options are to:

- Accept the offer,
- Reject the offer (try negotiating first), or
- Counter the offer by changing some of the terms. This is called a counter-offer.
- Make your changes on the purchase agreement and initial and date them. Stipulate how much time the buyers have to consider your changes (typically, two days). The buyers may choose to counter your offer or walk away from the deal. Just make sure you're happy with the terms before you sign the purchase agreement.

Tips for Negotiating

- Determine ahead of time what amount you're willing to accept.
- Avoid confrontation.
- Set a calm, relaxed mood.
- Be willing to compromise.
- Anticipate beforehand what negotiating position the buyers might take.
- Review their contingencies and plan your response

3 - Terms and Conditions

Important points to review in the offer:

- **The bid:** It's an offer worth considering if it's within 3 to 5 percent of your asking price.
- **Financing:** Make sure you get a pre-approval letter from either the buyer or real estate agent (if you've agreed to work with one) that shows the buyer has been qualified for a certain loan amount by a lending institution. This is different from being pre-qualified, which is an initial indicator of the buyer's likelihood of being granted a loan. But it's not legally binding and doesn't guarantee that the buyer will receive financing. If the buyer hasn't been qualified, make sure to indicate in a counter-offer document that you must receive a pre-approval notification letter within five to seven days indicating that the buyer has qualified for a loan or you'll cancel the sale.
- **Contingencies:** Buyers often add reasons why they would cancel their offer, such as they can't sell their house, your home doesn't pass their professional inspection, or something in your house wasn't fixed. It's your choice whether to agree to these contingencies, but weigh them carefully. You can always say no to "fix-up" contingencies, which ask that repairs be made, by stating that the house will be sold "as is." Or you can reduce your price for the cost of the repairs. If the potential buyers indicate they will buy your house contingent upon the sale of their house, stipulate that you'll leave yours on the market and can sell it to another buyer if one comes along. Remember, most purchase agreements are contingent on the buyers receiving approval for their loan.
- **Home inspections:** The buyers may request an inspection of your property by a professional. If you agree, you increase the chances of a sale because you're essentially saying that you have nothing to hide. If the buyer chooses not to have an inspection, it's a good idea to include a clause in the purchase agreement stating that the buyers declined the opportunity.
Inspections performed include:
 - Heating and air conditioning
 - Roof
 - Electrical and plumbing
 - Foundation and basement

4 - Disclosures

Provide the buyer with your Seller's Property Disclosure Statement and/or truth-in-housing report before the purchase agreement, and make sure the purchase agreement acknowledges that the buyers have reviewed them.

5 - After the Inspection

- You have the option either to repair any problems or not repair them and return the earnest money to the buyers, canceling the deal.
- The buyers can walk away from the deal if they're unsatisfied with what the inspection reveals.

6 - Multiple Offers

In some hot housing markets around the country, many home sellers receive more than one offer on their homes. Here's how it can happen...

Let's say you receive a purchase agreement from a buyer, which probably will state that you have from 24 to 48 hours to respond to the offer. But during that time, you receive other offers on your home. What do you do?

Treat the first party fairly by disclosing immediately that you've received other offers. (But don't disclose the terms of those offers.) This approach can work in your favor: a buyer who seriously wants your house may choose to submit a new, higher offer.

Because some of the offers you've received may stipulate that you must decide within 48 hours, you need to act quickly and review each one. Don't automatically choose the offer with the highest price. Be sure to consider the proposed closing dates, how each buyer will finance the home, and whether the buyers are prequalified or preapproved for their loans.

Once you've decided which offer you're interested in, you can either accept it as is or counter it by changing specific details. As in the typical negotiation process, you and the buyer will discuss the various points until you reach an agreement. If you can't do that, call those who made the other offers to see if they're still interested, and then begin the negotiation process with one of them. Remember, if you respond in writing, deal with only one purchase agreement at a time. Now that your hard work has gotten you a serious offer that you've accepted, you're ready to sign on the dotted line.

Step Seven: Close the Deal



It's not over 'til it's over. After signing the purchase agreement, you'd think there'd be little left to do but pack. The truth is, it can take from one to three months to close the deal. To make sure you reach closing day with everything in order and all parties ready to sign, you'll need to supervise a few important details. The title company will prepare the legal forms and documents that will be signed and change hands. But you must make sure other steps are taken on time, so closing day comes and goes with no surprises, just happy people — one party with a new house, the other with a check.

You've probably heard people say, "We're in escrow." That's the one-to-three month period when you'll need to coordinate the steps that must occur before the title of your home is transferred and you get your money. Here's what to expect.

Steps Leading to the Closing:

Scheduling the Closing

When you sign the purchase agreement, you and the buyer will agree on a closing date that is convenient for both of you. Make sure to allow at least five weeks for both parties to complete their terms of the agreement. Remember, the buyer probably will want to take possession of your home at the closing.

Once the date has been determined, the buyer should schedule the closing with a title company, which handles the closing for the mortgage company. Because the buyers are responsible for the cost of title insurance, they have the ultimate choice of which company closes for their side of the transaction. If you choose to have one of our agents facilitate your transaction, they can assist you with evaluating costs and fees and can recommend a title company.

Earnest Money

You should set up an escrow account for the earnest money given to you by the buyers. Make sure your purchase agreement stipulates what happens to the money if the deal falls through. Here are three approaches to setting up an account.

1. HomeAvenue can hold the money in a trust account.
2. You can keep it in your account.
3. The buyer's real estate agent can hold it (if you're working with an agent).

Title

Typically, the buyer chooses a title company to handle the closing. You'll need to give the company the purchase agreement so it can begin a title search to ensure that there are no liens (claims against the property) or unresolved issues against your property. In Minnesota, property title is either abstract or Torrens, and in some circumstances both. An abstract is the summary of public records describing the history of a property; a Torrens is a method used to record the history of ownership. If your property is abstract, you must locate your abstract of title and have it brought up to date. The title could be in a safe deposit box or at a title company. If your property is Torrens, you're no longer required to provide your Owners' Duplicate Certificate of Title.

Mortgage Company

Be sure the buyer's mortgage company receives a copy of the purchase agreement you and the buyer have signed. The company will then arrange for an appraiser to contact you to perform the appraisal. The lender relies on the appraisal to verify that the price the buyer is paying for your home is realistic. If the appraisal value is significantly below the purchase price, the lending institution may consider the loan to be too risky and deny the buyer financing.

Even though your buyers may be pre-qualified or pre-approved, the lending company must verify the buyer's income, employment record, and credit history to confirm his or her ability to handle the loan. If bad credit or other problems are discovered, it could jeopardize the closing.

Final Walk-Through

Prior to closing, the buyer may choose to have a final walk-through of your property to confirm that its condition has not changed and that any required repairs have been completed

The Closing!

After the final walk-through, you'll attend the closing at the title company's office. At this meeting, all required legal forms are signed according to the terms of the purchase agreement. These documents and procedures include:

- A warranty deed transferring your ownership of the property to the buyer
- An affidavit stating that, among other things, you have no outstanding judgments, liens, or bankruptcies, as well as where you're employed and your addresses for the past 10 years
- A bill of sale transferring your interest in any personal property that you're selling to the buyer
- A Certificate of Real Estate Value (C.R.V.)
- The title company will pay off all loans on the property
- The mortgage company will issue a Satisfaction of Mortgage, which will be recorded with the county
- All closing expenses related to the sale of your property are paid off
- You'll receive copies of everything you signed, as well as a proceeds check

What You'll Need to Pay at Closing

Yes, that's right; it's not only the buyers who have costs to pay at closing. Ask your closer to give you a list of fees you owe before the closing so you can review it and check the math. Mistakes can be costly.

Here's a list of the closing costs that sellers typically pay:

- Real estate commission (if you agreed to pay a real estate agent)
- Lender-discount points
- Loan-prepayment penalty
- Deed-recording fees
- Inspection/appraisal fees
- Abstract or title search
- Real estate taxes and assessments
- State deed tax
- Conservation fee
- Closing fee (if you hired a closing agent)
- Title-insurance premium

Congratulations!!

That's it. You've sold your own home. Now turn over the keys and the garage-door opener. The new owners can move in, unless you've agreed to a later date.

It's likely to be a bittersweet moment. You'll be happy to have completed this great adventure but probably a little sorry to say good-bye to your home.

Well, you won't have much time to be sad because there's more to do. You've got to move out of your old home and in to your new one. To help you get started, here are a few things to remember to do before you move out.

Movin'-On Checklist

- ✓ Contact your utility companies and arrange to have utility meters read as of the possession date. Have final bills sent to your new address.
- ✓ Provide the post office with your forwarding address and the date to stop your mail.
- ✓ Contact your newspapers and magazines and do the same.
- ✓ Thoroughly clean your empty house to welcome the new owners.

Now, as a distinguished FSBO alumni, you can spread the word about how your success and hard work have helped you keep more of your equity for your future and given you more to apply to your new home.

Go ahead and celebrate your accomplishment! And best wishes, wherever your next move takes you.

Your Quick Guide Checklist for a Successful Sale



Use this handy reference to track your progress. Remember, the most important step you can take is to educate yourself about how to sell. By investing time and preparing well, you will reap the benefits.

Your Quick Guide Checklist for a Successful Sale

Step 1. Prepare Your Home

Interior

- Remove clutter
- Clean carpet and closets
- Thoroughly clean your home
- Store valuable items
- Donate or store unneeded items
- Paint interior, if necessary
- Fix leaks
- Make repairs

Exterior

- Create curb appeal by improving the appearance of your home's exterior and its surroundings
- Make repairs
- Paint exterior
- Beautify your front entryway

Step 2. Prepare to Sell

- Comply with local truth-in-housing inspection requirements and seller disclosures. (See our Web site [www.HomeAvenue.com] for phone numbers.)
- Find a mortgage company that you could recommend to a buyer who hasn't been preapproved. (Call HomeAvenue for a referral.)

Step 3. Price Your Home

- Price your house fairly
- Determine your home's value through market analysis or appraisal
- Research newspapers and the Internet for comparative information
- Visit open houses in your area
- Decide what price you're willing to accept before you show your house

Step 4. Market Your Home

- List your home on your local Multiple Listing Service (MLS), if you're willing to pay a commission to the selling agent.
- Make sure your MLS listing is published on broker reciprocity websites like Realtor.com, Trulia.com, Zillow.com, etc.
- Install professional yard signs from HomeAvenue
- Place "Home for Sale" directional signs (check for city sign ordinances)
- Get the word out: Tell everyone you know you're selling your home
- Create a marketing plan to promote your house
- Distribute color brochures to potential buyers
- Advertise in the MLS Open House Directory

Step 5. Show Your Home

- Hold open houses and private showings
- Provide fact sheets to potential buyers
- Keep a guest registry form for names and addresses of prospects and notes about them
- Pre-qualify buyers
- Put an informative message on your answering machine or voicemail
- Instruct family members on how to respond to phone calls from prospective buyers
- Secure valuables before showings
- Follow up with potential buyers

Step 6. Accept an Offer

- Contact HomeAvenue to review the Purchase Agreement. 952-929-7355
- Review the offer
- Draft a purchase agreement
- Accept offer or negotiate with a counter-offer
- Set up an earnest-money account
- Make sure buyer is pre-approved for a loan
- Encourage buyer to hire an inspector
- Submit seller disclosure and have buyer sign acceptance form
- Be fair to original party when considering multiple offers

Step 7. Close the Deal

- Make sure escrow money is in an account
- Resolve any problems involving the title to your property
- Make sure inspections are completed
- Make sure buyer is approved for financing before you complete inspection repairs
- Hold final walk-through
- Sign on the dotted line
- Sweep up and celebrate!

Remember

Call HomeAvenue to inform us of your sale, schedule the removal or return of your signs, and update your MLS listing (if applicable).

FAQs (Frequently Asked Questions)



Preparing to Sell

Q What is a truth-in-housing, or inspection, report?

Truth-in-housing or Code Compliance is a report showing the results of a city-required inspection to determine if your home meets current building codes. The inspection report details any serious structural or mechanical problems and requires that you repair them before you place your home on the market.

Q Do I need a well or private septic test?

If your property has a well or private septic system, most mortgage companies and some buyers will require a professional to perform a test prior to closing. Contact an inspector for costs and details.

Q What do I do with an unused well?

Most states require that an unused well be capped by a professional. Proof that this procedure has been completed must be filed with the state or county and recorded with the deed. Contact a professional for a quote.

Marketing Your Home on MLS

Q What is MLS?

The Multiple Listing Service (MLS) is a computerized network that lists homes for sale and those that have sold. Real estate agents use the service to locate homes for buyers. HomeAvenue customers have the option of listing their home on the MLS for a low monthly or one-time fee.

Q What is Broker Reciprocity?

Broker reciprocity is a system by which real estate brokers agree to share their listings with each other. All participating brokers may publish each other's data on their respective Web sites without discrimination of company or price. If you are a HomeAvenue customer and have listed your home on the MLS, a photo and listing data will be displayed on all cooperating broker Web sites. This provides a powerful and effective vehicle for you to expose your home to many potential buyers.

Q Will I pay a commission if I'm listed on MLS?

It depends. If a Realtor brings you a buyer who eventually purchases your home, you're obligated to pay a predetermined commission to the Realtor. However, if a buyer purchases your home directly, without Realtor representation, you owe no commission.

Q If I'm not listed on MLS, how should I respond to agents who bring buyers?

First, decide whether or not you're willing to pay a reduced commission to a Realtor who brings you a buyer. If not, take the Realtor's name and phone number and kindly tell him or her that you're currently not interested in paying a commission but that you'll contact him or her later if your situation changes. If you will pay a commission, the Realtor will request that you sign a "one-time showing agreement," a legally binding contract that includes the buyer's name, date, price, and required commission (typically 2 to 3 percent).

Q Do agents really show and sell FSBO homes?

Yes. The majority of our customers who list on MLS receive numerous calls from agents. This added exposure generally translates into a faster sale. The few agents who boycott FSBO listings are doing a disservice to their buyers. Realtors have a fiduciary duty to select homes that most closely match their buyer requirements, regardless of where they find the home.

Accepting an Offer

Q Do I need to get a pre-approval letter?

Yes. Make sure to get a pre-approval letter either from the buyer or real estate agent (if you've agreed to work with one), which shows that the buyer has been qualified for a certain loan amount by a lending institution.

Q What's the difference between pre-approval and pre-qualification?

Pre-approval means that the buyers have been officially approved for a certain loan amount by a lending institution. Pre-qualification is an initial indication of the buyer's likelihood of being granted a loan.

Q What is the lead-based-paint-disclosure addendum?

If your home was built before 1978, you're required by law to provide buyers with a disclosure and with information about lead-based paints. Even if you have no knowledge of lead-based paint in your home, you're required to submit the disclosure to the buyer.

Q What is earnest money and how much should I require?

Earnest money is a deposit made by the purchaser to express his or her desire and commitment to the seller. There is no required amount, but between 1 and 2 percent of the sale price is typical. It's a good idea to have this money deposited into a trust account.

Q What happens if I get multiple offers?

1. Treat all parties fairly.
2. Immediately disclose to all parties that there are multiple offers, but don't disclose the terms of each.
3. Choose the best offer in terms of price, financing, closing date, down payment, etc.
4. Notify the other parties of your decision to select another offer, and tell them you'll contact them later if the initial offer falls through.
5. Negotiate the offer. If you and the buyer cannot agree, move on to the next offer.
6. NOTE: Many buyers require that the seller respond within a certain time period (typically 24 to 48 hours). If you receive an offer, don't intentionally delay your response because you think you may receive other offers.

Traits of Successful Sellers



- They're willing to invest money and take risks. That is, they spend money to make money.
- They price their home correctly.
- They don't give up too soon. By being patient, they reap rewards.
- They're available to buyers, and return calls promptly.
- They aggressively market their home, using professional signs, social media, newspaper ads, Web sites, open houses, word-of-mouth, and the Multiple Listing Service (MLS).
- They rely on their team of "experts": attorneys, inspectors, etc.

“Let’s Make a Deal”: A Home Seller’s Experience



John is a freelance writer who sold a house and condo in the past two years using HomeAvenue. His story first appeared in Minnesota Monthly’s Midwest Home and Garden magazine.

Let’s Make a Deal

by John Rosengren

What does one wear to one’s own open house? I didn’t want to overdress and look like a realtor, nor did I want to appear too casual, like I’d just been doing home repairs. When you list your house with a real estate agent, you don’t worry about such things. You just turn over the keys and details and leave for the afternoon. You also pay for it, typically 6 to 7 percent of the sale price. Balking at this expense, I decided to sell my house on my own, which meant I also shouldered the worries.

I finally settled on khakis and a button-down shirt, aiming for a comfortable, trustworthy homeowner look. I admit I got a bit neurotic about details. I’d scrubbed the basement floor on my hands and knees, hired a professional to clean the house, washed the windows and so on.

I’d bought fresh flowers, baked bread and carefully selected music (Jimmy Buffet, Kenny G and the Eagles) that would appeal to younger first-time homeowners, my target market. I’d also done a cost analysis. Even with the additional expenses of renting signs from HomeAvenue, running newspaper ads and hiring a real estate attorney (I didn’t trust myself with too many details), I came out way ahead. I’d designed my own flyer and carefully recorded, then re-recorded messages on my answering machine describing the house’s favorable features.

While I waited and hoped a buyer would show up, I second-guessed how I’d priced the house. At \$129,900, it was a bargain by Linden Hills standards, but at \$150 per square foot, it was way on the high end. One realtor who offered a free market analysis had told me I could go higher, confident he could get mid-130s, but another realtor, the friend who’d helped me purchase the house, warned me that too high a price would discourage people from even looking. I didn’t want to lose money by pricing my house too low, but didn’t want to miss potential buyers by pricing it too high.

I didn’t have to worry about people showing up. For three hours, cars filled the street and shoes piled up on the front porch. Over a hundred people streamed through my house, opening closets and cupboards, inspecting the furnace, asking questions about the roof. It

was like hosting a party with strangers. In a way, it felt more like an invasion. That was the beginning of my realization that selling my house meant I was relinquishing my home. When you buy a home, you're purchasing a dream; when you sell, you're letting go of one.

After they came, they left, and I was alone again, waiting for one — or, preferably, more — to come back with an offer. There had been the expected tourists and naysayers, but several people had seemed quite interested — they'd asked a lot of questions, commented on how clean the basement floor was and passed significant looks to friends or parents or spouses who accompanied them. I waited for them to call.

When the phone finally rang, it was a young couple that hadn't been able to make it to the open house but had driven by afterward. They came by the next evening and so did a single woman who wanted to come back for another look. They both put in offers. Handling the sale like a closed auction, I gave them each the chance to raise their offer. They both did. I accepted the higher of the two, which came in \$3,000 over my asking price. I couldn't believe it. Within three days of the first showing and as many nerve-wracked nights, I'd just accepted an offer higher than I could afford to pay myself. With great satisfaction, I hung the "Sold" sign out front.

Two days before the closing, I suffered a scare. The buyer's special loan inspector suddenly required that I scrape, prime and paint several areas. But he didn't say exactly which areas. That evening, I scraped any place I found paint peeling until it was too dark to see. I took the next day off from work and hired a friend to help. We managed to get the scraping, priming and painting done by nightfall.

The following morning, the inspector came back. I waited inside while he looked around the house and garage. When he gave me the thumbs up, I heaved a huge sigh of relief and headed for the closing.

While I'd had the sign up in my yard, I received a number of offers from agents to help me sell my house. They didn't think I could do it on my own. Driving away from the closing with a check that included a \$9,000 savings for not paying realtors' commissions, I figured I'd done the right thing.

Glossary of Real Estate Terms

Abstract of Title

A summary of the public records describing the legal history of ownership of a piece of property. A licensed abstractor must update the abstract of title prior to closing. It shows the purchases and sales, mortgages, judgments, and other liens or rights against the property recorded with the county. It reflects the records of the county through the date shown on the abstract.

Adjusted Sales Price

An estimate of value after all adjustments have been made to account for differences between the subject and comparable properties.

Adjustable-Rate Mortgage (ARM)

A type of loan with an interest rate that fluctuates with the market. Though ARMs are appealing because their starting interest rates are quite low, they are riskier than fixed-rate mortgages.

Agency Disclosure

A signed document explaining the relationship between the client and broker. A broker may represent buyer, seller, both, or neither.

Agent

A person licensed by the state who represents a buyer or seller in the purchase or sale of a house. Real estate agents earn a commission from the sales transaction, and they must work for a licensed broker or real estate company.

Amortization

A payment plan that reduces a borrower's loan debt through monthly payments of principal and interest. A schedule shows the amount due each month and the loan's balance.

Appraisal

An estimate or opinion of the value of a property provided by a professional appraiser.

Assessed Value

The value of property established for tax purposes.

Assumable Mortgage

A buyer takes over the obligations and payments of the seller's loan agreement. The seller may transfer, in writing, to the buyer all legal responsibilities for the mortgage. Most lenders require that the buyer be approved, prior to assuming the mortgage.

Balloon Mortgage (or Payment)

A type of mortgage wherein a borrower pays principal and interest each month up to a specified date; then the entire balance of the loan is due.

Broker

A licensed person who acts as an agent for a seller or buyer while working for a real estate company or independently.

Broker Reciprocity

Broker reciprocity is a system by which real estate brokers agree to share their listings with each other. All participating brokers may publish each other's data on their respective Web sites.

Buy-down

A term for when one or more of the parties pays points at closing, to lower the interest rate on the buyer's loan.

Buyer's Broker

A real estate broker who represents buyers through a contract to find the best property for them and negotiate the best price and terms.

Buyer's Market

When the home-selling market favors the buyer with more homes for sale than buyers to purchase them, often leading to lower prices.

Certificate of Title

Often referred to as Torrens, a written document that indicates the homeowner legally owns a piece of property. When the property is sold, the title is transferred to the buyer, who eventually receives a new title of ownership.

Closing

The day when sellers and buyers finalize the agreements made in the purchase agreement, including signing documents, settling financial details, and transferring the title of a home to new owners.

Closing Costs

All costs paid by sellers and buyers related to closing on a piece of property, including lender-discount points, loan-prepayment penalty, deed-recording fees, inspection-appraisal fees, attorney fees, brokerage fees, title insurance premium, etc.

Commission

The amount of money paid to a broker by a seller (or buyer) for selling a home. A commission is always negotiable and is usually a percentage of the sale price of the home.

Comparable

A list of properties with similar features to a home being sold used to determine the home's value.

Comparative Market Analysis (CMA)

A study of comparable homes, usually in close proximity to a specific property. Indicators such as square footage, number of bedrooms, lot value, etc., are used to determine an estimate of value.

Contingency

Specific conditions in a purchase agreement that must be met prior to closing. The contract may be terminated if contingencies aren't met. Typical contingencies include financing and inspection.

Conventional Mortgage

A mortgage loan underwritten by banks, savings and loans, or other types of mortgage companies.

Counter Offer

When a seller or buyer responds to an offer with new terms and/or price.

Credit Report

Used by lenders to verify a borrower's ability to repay a mortgage loan. It lists all credit accounts, debts, and late payments reported to a credit company.

Deed

The document that transfers ownership of a property from seller to buyer.

Down Payment

The cash that buyers pay toward the purchase of a property.

Earnest Money

The money a buyer gives to a seller as a sign of a good-faith commitment to buy the house. Earnest money deposits typically range from 1 to 3 percent.

Equity

The monetary value of a property beyond any amounts owed on it in mortgages, claims, liens, etc.

Escrow

A situation when a third party holds documents or funds for buyers and sellers until the sales transaction is completed.

Fixed Rate

A mortgage interest rate that does not change over the life of the loan.

FSBO

Stands for For Sale by Owner (pronounced "fizzbo"). A property and/or person that is marketed by the owner without the assistance of a conventional real estate broker. FSBOs account for approximately 25 percent of all real estate transactions.

Good-Faith Deposit

Money given by the buyer to the seller with a signed contract or offer to purchase, showing a good-faith or serious, commitment. Also called earnest money.

Inspection

The service performed by an inspector scrutinizing a home for possible structural defects.

Interest

Money charged for using borrowed funds. Usually an annual percentage of a total loan amount.

Lender

A person, company, corporation, or other entity that lends money for the purchase of real estate.

Lien

The legal right to claim on a person's property.

Listing

A property for sale that a real estate agent represents in return for a fee.

Loan

Money lent to a buyer to purchase a home.

Lock-in

When a borrower tells a lender that he or she accepts an interest rate for a specific amount of time.

Mortgage

The legal document that gives the lender a legal right to the property if the loan is in default.

Multiple Listing Service (MLS)

A computerized listing of all properties offered for sale by member real estate companies.

Origination Fee

The fee a lender receives for securing a loan.

Personal Property

Property that can be moved and that is not intended to stay with a house, such as furniture, appliances, clothing, etc.

PITI

An acronym for Principal-Interest-Taxes-Insurance — the costs included in a monthly mortgage payment.

Point

A point is one percent of a loan amount charged as a fee for borrowing money to lower a loan's interest rate.

Prequalifying for a Loan

A mortgage company tells a buyer approximately how much money he or she can afford to borrow.

Principal

The amount of money borrowed and remaining on a loan.

Private Mortgage Insurance (PMI)

A lender's insurance policy to allow for financing more than 80 percent of a property's value.

Property Tax

A county, city, or state tax on the value of a property.

Purchase Agreement

A legal document between a seller and buyer for the purchase of a property.

Real Estate Agent

A state-licensed person, acting on behalf of a seller or buyer, who receives a commission on the sale of a house based on a percentage of the sales price.

Real Estate Attorney

An attorney who has experience in handling real estate transactions.

Realtor

A designation for real estate agents and brokers who are members of the National Association of Realtors.

Sellers Disclosure Statement

A statement in which the seller must disclose any "adverse condition" (e.g., radon gas, lead paint) or material defect (wet basement, leaking roof) to potential buyers.

Seller's Market

Housing-market conditions that favor the seller. When there are few homes for sale and a large demand, homes often sell at higher prices.

Selling Broker

The licensed real estate agent or broker who procures the buyer.

Special Assessment

An assessment charged against a property to pay for a city or public improvement.

Title

The ownership of a particular piece of property.

Title Company

A corporation or company that insures a title and handles aspects of the closing.

Title Insurance

Insurance that protects a lender and property owner against defects or problems with a title.

Title Search

An examination of the public records to verify ownership and identify encumbrances affecting a property.

Torrens Title

A method used to record the chain of ownership for property.

Trust Account

Otherwise known as an escrow account; a separate bank account in which the broker or attorney deposits all money collected for clients.

Variable Interest Rate

An interest rate that rises and falls based on economic indicators.

Warranty

A legally binding promise provided by a seller to a buyer at closing, regarding the condition of the property.