

Handouts for Consumers: For Sellers

Section Index

Understanding Agency.....	38
5 Things to Do Before You Sell.....	39
Tips for Holding a Yard Sale.....	40
10 Ways to Make Your House More Salable.....	41
5 Ways to Speed Up Your Sale.....	42
7 Steps to Preparing for an Open House.....	43
10 Ways to Make Your Home Irresistible at an Open House..	43
7 Terms to Watch for in a Purchase Contract.....	44
What You'll Net at Closing.....	45
Moving Tips for Sellers	46
6 Items to Have on Hand for the New Owners.....	46
20 Low-Cost Ways to Spruce Up Your Home.....	47
What Is Appraised Value?.....	48
Understanding Capital Gains in Real Estate.....	49
Does Moving Up Make Sense?.....	50
Remodeling That Pays.....	51
12 Tips for Hiring a Remodeling Contractor.....	52
FSBOs	
Tips on How to Price Your Home.....	53
Open House Tips.....	54
17 Service Providers You'll Need When You Sell.....	55
6 Forms You'll Need to Sell Your Home.....	56
Is Your Buyer Qualified?.....	57
Web Site Resources for Consumers	58

Understanding Agency

It's important to understand what legal responsibilities your real estate salesperson has to you and to other parties in the transactions. Ask your salesperson to explain what type of agency relationship you have with him or her and with the brokerage company.

1. **Seller's representative** (also known as a listing agent or seller's agent). A seller's agent is hired by and represents the seller. All fiduciary duties are owed to the seller. The agency relationship usually is created by a listing contract.
2. **Subagent**. A subagent owes the same fiduciary duties to the agent's principal as the agent does. Subagency usually arises when a cooperating sales associate from another brokerage, who is not representing the buyer as a buyer's representative or operating in a nonagency relationship, shows property to a buyer. In such a case, the subagent works *with* the buyer as a customer but owes fiduciary duties to the listing broker and the seller. Although a subagent cannot assist the buyer in any way that would be detrimental to the seller, a buyer-customer can expect to be treated honestly by the subagent. It is important that subagents fully explain their duties to buyers.
3. **Buyer's representative** (also known as a buyer's agent). A real estate licensee who is hired by prospective buyers to represent them in a real estate transaction. The buyer's rep works in the buyer's best interest throughout the transaction and owes fiduciary duties to the buyer. The buyer can pay the licensee directly through a negotiated fee, or the buyer's rep may be paid by the seller or by a commission split with the listing broker.
4. **Disclosed dual agent**. Dual agency is a relationship in which the brokerage firm represents both the buyer and the seller in the same real estate transaction. Dual agency relationships do not carry with them all of the traditional fiduciary duties to the clients. Instead, dual agents owe limited fiduciary duties. Because of the potential for conflicts of interest in a dual-agency relationship, it's vital that all parties give their informed consent. In many states, this consent must be in writing. Disclosed dual agency, in which both the buyer and the seller are told that the agent is representing both of them, is legal in most states.
5. **Designated agent** (also called, among other things, appointed agency). This is a brokerage practice that allows the managing broker to designate which licensees in the brokerage will act as an agent of the seller and which will act as an agent of the buyer. Designated agency avoids the problem of creating a dual-agency relationship for licensees at the brokerage. The designated agents give their clients full representation, with all of the attendant fiduciary duties. The broker still has the responsibility of supervising both groups of licensees.
6. **Nonagency relationship** (called, among other things, a transaction broker or facilitator). Some states permit a real estate licensee to have a type of nonagency relationship with a consumer. These relationships vary considerably from state to state, both as to the duties owed to the consumer and the name used to describe them. Very generally, the duties owed to the consumer in a nonagency relationship are less than the complete, traditional fiduciary duties of an agency relationship.

5 Things to Do Before You Sell

1. Get estimates from a reliable repairperson on items that need to be replaced soon, such as a roof or worn carpeting, for example. In this way, buyers will have a better sense of how much these needed repairs will affect their costs.
2. Have a termite inspection to prove to buyers that the property is not infested.
3. Get a pre-sale home inspection so you'll be able to make repairs before buyers become concerned and cancel a contract.
4. Gather together warranties and guarantees on the furnace, appliances, and other items that will remain with the house.
5. Fill out a disclosure form provided by your sales associate. Take the time to be sure that you don't forget problems, however minor, that might create liability for you after the sale.

Tips for Holding a Yard Sale

Hold a yard sale to reduce the clutter in your home and get rid of items you don't want to move.

1. Check with your city government to see if you need a permit or license.
2. See if neighbors want to participate and have a "block" sale to attract more visitors.
3. Advertise. Put an ad in free classified papers, and put up signs and balloons at major intersections and in stores near your home.
4. Price items ahead and attach prices with removable stickers. Remember, yard sales are supposed to be bargains, so don't try to sell anything of significant value this way.
5. Check items before the sale to be sure you haven't including something you want by mistake.
6. Keep pets away from the sale.
7. Display everything neatly and individually so customers don't have to dig through boxes.
8. Have an electrical outlet so buyers can test appliances.
9. Have plenty of bags and newspaper for wrapping fragile items.
10. Get enough change, and keep a close eye on your cash.

10 Ways to Make Your House More Salable

1. Get rid of clutter. Throw out or file stacks of newspapers and magazines. Pack away most of your small decorative items. Store out-of-season clothing to make closets seem roomier. Clean out the garage.
2. Wash your windows and screens to let more light into the interior.
3. Keep everything extra clean. Wash fingerprints from light switch plates. Mop and wax floors. Clean the stove and refrigerator. A clean house makes a better first impression and convinces buyers that the home has been well cared for.
4. Get rid of smells. Clean carpeting and drapes to eliminate cooking odors, smoke, and pet smells. Open the windows.
5. Put higher wattage bulbs in light sockets to make rooms seem brighter, especially basements and other dark rooms. Replace any burnt-out bulbs.
6. Make minor repairs that can create a bad impression. Small problems, such as sticky doors, torn screens, cracked caulking, or a dripping faucet, may seem trivial, but they'll give buyers the impression that the house isn't well maintained.
7. Tidy your yard. Cut the grass, rake the leaves, trim the bushes, and edge the walks. Put a pot or two of bright flowers near the entryway.
8. Patch holes in your driveway and reapply sealant, if applicable.
9. Clean your gutters.
10. Polish your front doorknob and door numbers.

5 Ways to Speed Up Your Sale

1. Price it right. Set a price at the lower end of your property's realistic price range.
2. Get your house market-ready for at least two weeks before you begin showing it.
3. Be flexible about showings. It's often disruptive to have a house ready to show on the spur of the moment, but the more often someone can see your home, the sooner you'll find a seller.
4. Be ready for the offers. Decide in advance what price and terms you'll find acceptable.
5. Don't refuse to drop the price. If your home has been on the market for more than 30 days without an offer, be prepared to lower your asking price.

7 Steps to Preparing for an Open House

1. Hire a cleaning service. A spotlessly clean home is essential; dirt will turn off a prospect faster than anything.
2. Mow your lawn, and be sure toys and yard equipment are put away.
3. Serve cookies, coffee, and soft drinks. It creates a welcoming touch. But be sure the kitchen has been cleaned up; use disposable cups so the sink doesn't fill up.
4. Lock up your valuables, jewelry, and money. Although the real estate salesperson will be on site during the open house, it's impossible to watch everyone all the time.
5. Turn on all the lights. Even in the daytime, incandescent lights add sparkle.
6. Send your pets to a neighbor or take them outside. If that's not possible, crate them or confine them to one room (a basement or bath), and let the salesperson know where to find them.
7. Leave. It's awkward for prospective buyers to look in your closets and express their opinions of your home with you there.

10 Ways to Make Your Home Irresistible at an Open House

1. Put fresh or silk flowers in principal rooms for a touch of color.
2. Add a new shower curtain, fresh towels, and new guest soaps to every bath.
3. Set out potpourri or fresh baked goods for a homey smell.
4. Set the table with pretty dishes and candles.
5. Buy a fresh doormat with a clever saying.
6. Take one or two major pieces of furniture out of every room to create a sense of spaciousness.
7. Put away kitchen appliances and personal bathroom items to give the illusion of more counter space.
8. Lay a fire in the fireplace. Or put a basket of flowers there if it's not in use.
9. Depersonalize the rooms by putting away family photos, mementos, and distinctive artwork.
10. Turn on the sprinklers for 30 minutes to make the lawn sparkle.

7 Terms to Watch for in a Purchase Contract

1. **The closing date.** See if the date the buyer wants to take title is reasonable for you.
2. **Date of possession.** See if the date the buyer wants to move in is reasonable for you.
3. **The earnest money.** Look for the largest earnest-money deposit possible; since it is forfeited if the buyer backs out, a large deposit is usually a good indication of a sincere buyer.
4. **Fixtures and personal property.** Check the list of items that the buyer expects to remain with the property and be sure it's acceptable.
5. **Repairs.** Determine what the requested repairs will cost and whether you're willing to do the work or would rather lower the price by that amount.
6. **Contingencies.** See what other factors the buyer wants met before the contract is final—inspections, selling a home, obtaining a mortgage, review of the contract by an attorney. Set time limits on contingencies so that they won't drag on and keep your sale from becoming final.
7. **The contract expiration date.** See how long you have to make a decision on the offer.

What You'll Net at Closing

To find out how much money you'll net from your house, add up your closing costs and subtract them from the sale price of the house.

<i>Closing Costs for Sellers</i>	
Mortgage payoff and outstanding interest	
Prorations for real estate taxes	
Prorations for utility bills, condo dues, and other items paid in arrears	
Closing fees charged by closing specialist	
Title policy fees	
Home inspections	
Attorney's fees	
Survey charge	
Transfer tax or other government registration fees	
Brokerage commission	
<i>Total</i>	

Moving Tips for Sellers

1. Give your forwarding address to the post office, usually two to four weeks ahead of the move.
2. Notify your credit card companies, magazine subscriptions, and bank of the change of address.
3. Develop a list of friends, relatives, and business colleagues who need to be notified of the move.
4. Arrange to have utilities disconnected at your old home and connected at your new one.
5. Cancel the newspaper.
6. Check insurance coverage for moved items. Usually movers only cover what they pack.
7. Clean out appliances and prepare them for moving, if applicable.
8. Note the weight of the goods you'll have moved, since long-distance moves are usually billed according to weight. Watch for movers that use excessive padding to add weight.
9. Check with your condo or co-op about restrictions on using the elevator or particular exits.
10. Have a "first open" box with the things you'll need most—toilet paper, soap, trash bags, scissors, hammer, screwdriver, pencils and paper, cups and plates, water, snacks, and toothpaste.

Plus, if you're moving out of town:

1. Get copies of medical and dental records and prescriptions for your family and your pets.
2. Get copies of children's school records for transfer.
3. Ask friends for introductions to anyone they know in your new neighborhood.
4. Consider special car needs for pets when traveling.
5. Let a friend or relative know your route.
6. Carry traveler's checks or an ATM card for ready cash until you can open a bank account.
7. Empty your safety deposit box.
8. Put plants in boxes with holes for air circulation if you're moving in cold weather.

6 Items to Have on Hand for the New Owners

1. Owner's manuals for items left in the house.
2. Warranties for any items left in the house.
3. A list of local service providers—the best dry cleaner, yard service, etc.
4. Garage door opener.
5. Extra sets of house keys.
6. Code to burglar alarm and phone number of monitoring service if not discontinued.

20 Low-Cost Ways to Spruce Up Your Home

Make your home more appealing for potential buyers with these quick and easy tips.

1. Trim bushes so they don't block windows and cut down on light.
2. Buy a new doormat.
3. Put a pot of bright flowers (or a small evergreen in winter) on your porch.
4. Put new doorknobs on your doors.
5. Put a fresh coating on your driveway.
6. Edge the grass around walks and trees.
7. Keep your garden tools out of site.
8. Be sure kids put away their toys.
9. Buy a new mailbox.
10. Upgrade the outside lighting.
11. Use warm, incandescent light bulbs for a homey feel.
12. Polish or replace your house numbers.
13. Clean your gutters.
14. Put out potpourri or burn scented candles.
15. Buy new pillows for the sofa.
16. Buy a flowering plant and put it in a window you pass by frequently.
17. Make a centerpiece for your table with fruit or artificial flowers.
18. Replace heavy curtains with sheer ones that let in more light.
19. Buy new towels.
20. Put a seasonal wreath on your door.

What Is Appraised Value?

It's an objective opinion of value, but it's not an exact science so appraisals may differ.

For buying and selling purposes, appraisals are usually based on market value—what the property could probably be sold for. Other types of value include insurance value, replacement value, and assessed value for property tax purposes.

Appraised value is not a constant number. Changes in market conditions can dramatically alter appraised value.

Appraised value doesn't consider special considerations, like the need to sell rapidly.

Lenders usually use either the appraised value or the sale price, whichever is less, to determine the amount of the mortgage they will offer.

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Understanding Capital Gains in Real Estate

When you sell a stock, you owe taxes on your gain—the difference between what you paid for the stock and what you sold it for. The same is true with selling a home (or a second home), but there are some special considerations.

How to Calculate Gain

In real estate, capital gains are based not on what you paid for the home, but on its adjusted cost basis. To calculate this:

1. Take the purchase price of the home: This is the sale price, not the amount of money you actually contributed at closing.
2. Add adjustments:
 - Cost of the purchase—including transfer fees, attorney fees, inspections, but not points you paid on your mortgage.
 - Cost of sale—including inspections, attorney's fee, real estate commission, and money you spent to fix up your home just prior to sale.
 - Cost of improvements—including room additions, deck, etc. Note here that improvements do not include repairing or replacing something already there, such as putting on a new roof or buying a new furnace.
3. The total of this is the adjusted cost basis of your home.
4. Subtract this adjusted cost basis from the amount you sell your home for. This is your capital gain.

A Special Real Estate Exemption for Capital Gains

Since 1997, up to \$250,000 in capital gains (\$500,000 for a married couple) on the sale of a home is exempt from taxation if you meet the following criteria:

- You have lived in the home as your principal residence for two out of the last five years.
- You have not sold or exchanged another home during the two years preceding the sale.

Also note that as of 2003, you also may qualify for this exemption if you meet what the IRS calls “unforeseen circumstances,” such as job loss, divorce, or family medical emergency.

Does Moving Up Make Sense?

Answer these questions to help you decide whether moving up makes sense.

1. How much equity do you have in your home? Look at your annual mortgage statement or call your lender to find out. Usually, you don't build up much equity in the first few years of paying a mortgage, but if you've owned your home for a number of years, you may have significant unrealized gains.
2. Has your income increased enough to cover the extra mortgage costs and the costs of moving?
3. Does your neighborhood still meet your needs? For example, if you've had children, the quality of the schools may be more of a concern now than when you first purchased.
4. Can you add on or remodel? If you have a large yard, there might be room to expand your home. If not, your options may be limited. Also, do you want to undertake the headaches of remodeling?
5. How is the home market? If it's good, you may get top dollar for your home.
6. How are interest rates? A low rate not only helps you buy more home, but also makes it easier to find a buyer.

Remodeling That Pays

Upgrading your home is always appealing, but which enhancements really get you a good return for your money when it's time to sell? The 2003 Cost vs. Value Report by *Remodeling* magazine and REALTOR® Magazine has the answer.

To see the complete article, visit <http://www.realtor.org/rmomag.NSF/pages/costvaluedec03>.

	2003	2002	Variance
Bathroom Remodel			
Midrange	89.3%	87.5%	1.8%
Upscale	92.6	91.0	1.6
Bathroom Addition			
Midrange	95.0	94.2	0.08
Upscale	84.3	81.4	2.9
Major Kitchen Remodel			
Midrange	74.9	66.6	8.3
Upscale	79.6	79.8	-0.2
Master Suite			
Midrange	76.4	75.1	1.3
Upscale	76.9	76.8	0.1
Family Room			
Midrange	80.6	79.5	1.1
Deck			
Midrange	104.2	N/A*	N/A*
Basement Remodel			
Midrange	79.3	78.7	0.6
Siding Replacement			
Midrange	98.1	79.1	19.0
Window Replacement			
Midrange	84.8	73.8	11
Upscale	87.0	77.0	10
Attic Bedroom			
Midrange	92.8	N/A*	N/A*

12 Tips for Hiring a Remodeling Contractor

1. Get at least three written estimates.
2. Get references and call to check on the work. If possible, go by and visit earlier jobs.
3. Check with the local Chamber of Commerce or Better Business Bureau for complaints.
4. Be sure that the contract states exactly what is to be done and how change orders will be handled.
5. Make as small a downpayment as possible so you won't lose a lot if the contractor fails to complete the job.
6. Be sure that the contractor has the necessary permits, licenses, and insurance.
7. Be sure that the contract states when the work will be completed and what recourse you have if it isn't. Also remember that in many instances you can cancel a contract within three business days of signing it.
8. Ask if the contractor's workers will do the entire job or whether subcontractors will do parts.
9. Get the contractor to indemnify you if work does not meet local building codes or regulations.
10. Be sure that the contract specifies the contractor will clean up after the job and be responsible for any damage.
11. Guarantee that materials used meet your specifications.
12. Don't make the final payment until you're satisfied with the work.

For FSBOs: Tips on How to Price Your Home

- **Consider comparables.** What have other homes in your neighborhood sold for recently? How do they compare to yours in terms of size, upkeep, and amenities?
- **Consider competition.** How many other houses are for sale in your area? Are you competing against new homes?
- **Consider your contingencies.** Do you have special concerns that would affect the price you'll receive? For example, do you want to be able to move in four months?
- **Get an appraisal.** For a few hundred dollars, a qualified appraiser can give you an estimate of your home's value. Be sure to ask for a market-value appraisal. To locate appraisers in your area, contact The Appraisal Institute (www.appraisalinstitute.org) or ask a REALTOR® for some recommendations.
- **Ask a lender.** Since most buyers will need a mortgage, it's important that a home's sale price be in line with a lender's estimate of its value.
- **Be accurate.** Studies show that homes priced higher than 3 percent over the correct price take longer to sell.
- **Know what you'll accept.** It's critical to know what price you'll accept before beginning a negotiation with a buyer.

For FSBOs: Open House Tips

- **Advertise your open house.** Ideally you should advertise both the weekend before and the weekend of the open house. Check with the local paper to see when their ad closing deadlines are.
- **Create a property summary sheet.** This sheet gives prospective buyers an overview of your home. Include dimensions for each room, copies of a property survey, summaries of utility costs and property taxes, and a list of when capital items, such as roofs and furnace, were added.
- **Develop a sign-in form for prospects' addresses.** You'll ideally want both phone numbers and e-mail addresses to follow up with prospective buyers.
- **Put up signs.** One or two days before the open house, place directional signs at major intersections within three to four blocks of your house. Be sure you check on anti-sign regulations in your area.
- **Get your house ready.** Remove clutter, clean your house, wash your windows, add flowers, turn on lights, open draperies and blinds, remove valuables and breakables, confine pets, turn on soft music, and set up a table for your property fact sheet near the entrance.
- **Develop a follow-up sheet.** Getting feedback on your home from prospects who attended your open house will give you a better understanding of how to make your home more appealing to buyers.

For FSBOs: 17 Service Providers You'll Need When You Sell

1. Real estate attorney
2. Appraiser
3. Home inspector
4. Mortgage loan officer
5. Environmental specialist
6. Lead paint inspector
7. Radon inspector
8. Tax adviser
9. Sanitary systems expert
10. Occupancy permit inspector
11. Zoning inspector
12. Survey company
13. Flood plain inspector
14. Termite inspector
15. Title company
16. Insurance consultant
17. Moving company

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For FSBOs: 6 Forms You'll Need to Sell Your Home

1. **Property Disclosure Form.** This form requires you to reveal all known defects to your property. Check with your state government to see if there is a special form required in your state.
2. **Purchasers Access to Premises Agreement.** This agreement sets conditions for permitting the buyer to enter your home for activities such as measuring for draperies before you move.
3. **Sales Contract.** The agreement between you and the seller on terms and conditions of sale. Again, check with your state real estate department to see if there is a required form.
4. **Sales Contract Contingency Clauses.** In addition to the contract, you may need to add one or more attachments to the contract to address special contingencies—such as the buyer's need to sell a home before purchasing yours.
5. **Pre- and Post-Occupancy Agreements.** Unless you're planning on moving out and the buyer moving in on the day of closing, you'll need an agreement on the terms and costs of occupancy once the sale closes.
6. **Lead-Based Paint Disclosure Pamphlet.** If your home was built before 1978, you must provide the pamphlet to all sellers. You also must have buyers sign a statement indicating they received the pamphlet. This is available at www.hud.gov.

For FSBOs: Is Your Buyer Qualified?

Unless the buyer who makes an offer on your home has the resources to qualify for a mortgage, you may not really have a sale. If possible, try to determine a buyer's financial status before signing the contract.

1. Has the buyer been prequalified or preapproved (better) for a mortgage. Such buyers will be in a much better position to obtain a mortgage promptly.
2. Does the buyer have enough money to make a downpayment and cover closing costs? Ideally, a buyer should have 20 percent of the home's price as a downpayment and between 2 percent and 7 percent of the price to cover closing costs.
3. Is the buyer's income sufficient to afford your home? Ideally, buyers should spend no more than 28 percent of total income to cover PITI (principal, interest, taxes, and insurance).
4. Does your buyer have good credit? Ask if he or she has reviewed and corrected a credit report.
5. Does the buyer have too much debt? If a buyer owes a great deal on car payments, credit cards, etc., he or she may not qualify for a mortgage.

Web Site Resources for Consumers

Credit Union Consumer Facts,

http://www.cuna.org/data/consumer/advice/retire_home/hometoc.html

Energyguide.com

Provides an easy way to assess energy use and get quick tips on saving energy.

Environmental Protection Agency, www.epa.gov

A one-stop shop for advice on testing for and mitigating pollutants, from lead paint to radon to mold.

Equifax, www.equifax.com

A source of credit reports.

Experian (formerly TRW), www.experian.com

A source of credit reports.

Federal Citizen Information Center,

<http://www.pueblo.gsa.gov/results.tpl?id1=17&startat=1&--woSECTIONSdatarq=17&--SECTIONSword=ww>

Offers a list of consumer articles about home sales, financing, and maintenance.

Ginnie Mae, <http://www.ginniemae.gov>

Provides advice to buyers on affordability and homeownership, including calculators.

U.S. Department of Housing and Urban Affairs, <http://www.hud.gov/buying/index.cfm>

Offers advice to buyers on finance, fair housing, and more.

ImproveNet, www.improvenet.com

Provides links to contractors and architects for remodeling projects for buyers and repair services for sellers. For a small charge, buyers can use the site's Estimators to determine how much renovating a property they're considering would cost.

Moving.com

Helps buyers and sellers with packing tips and timetables, online mover links, and places to store belongings so that homes look less cluttered.

REALTOR.com

Offers consumer information for buyers and sellers as well as home listings and links to service providers.

Real Estate Buyer's Agent Council (REBAC), <http://www.rebac.net/hbk.html>

Offers a homebuyer's kit with useful information and checklists.

Trans Union Corporation, www.transunion.com

A source of credit reports.