

# For Sale by Owner



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# Introduction

In the real estate industry, a home or property that is “For Sale by Owner” is a property offered for sale without the assistance of a real estate agent or broker. The acronym for the term, FSBO, pronounced “fizbo,” is the term most commonly associated with For Sale by Owner properties.

Depending on where you live or the current condition of the market, real estate brokers typically earn a three to seven percent commission on the sales price of residential real estate. In most cases, the incentive for a seller to list a home FSBO is to pocket this additional money. That could mean profit from \$3,000 to \$7,000 for every \$100,000 of the sales price, and to some that can be a substantial incentive for trying to go it alone.

At Brabazon Title, we know first-hand the complexities of bringing even the simplest buy-sell transaction to a successful close. And, while we appreciate the incentive that additional profit can bring, our experience shows that the commission paid to a real estate professional is a valued investment — often worth much more than the cost of the commission itself.

Buying a home is often considered one of the most substantial investments people make and one of the most stressful circumstances we find ourselves in. Selling a home can be just as significant and stressful, and when selling a property yourself it pays to be prepared. If you’re considering selling your home as a FSBO, we encourage you to learn as much about the process as possible. Here are some of the basic steps involved in the residential real estate sales process:

## Basic Steps to Selling Your Home

1. Decide how to sell—with an agent or FSBO
2. Determine the right sales price
3. Prepare the property for sale
4. Market your home
5. Negotiate a contract
6. Prepare for closing
7. Closing

# Deciding How to Sell

## Enlisting the Services of an Agent

If you've decided to enlist the services of a real estate professional, we recommend interviewing several and selecting the representative that's right for you. In addition, ask relatives, friends or colleagues to recommend someone or provide an introduction for you. Look for real estate signs in your area to find out who is actively marketing your neighborhood. And when you have the opportunity, here are a few suggestions to consider when evaluating a listing agent:

- Research the agent's reputation and experience in your area or neighborhood
- Research the reputation of the agent's company
- Ask whether the agent is full-time or part-time
- Ask how many transactions the agent has completed in the last 12 months
- Determine how much time the agent has to focus on your listing
- Determine the compatibility of the agent's communication style with your own
- Request references and call them to make sure they are valid
- Compare marketing plans for selling your home
- Compare listing prices suggested and ask how they were calculated
- Compare commission rate of each agent and what level of service they provide
- Compare length of the required listing agreement periods

## For Sale by Owner

Even if you are confident in your FSBO approach, we recommend you ask yourself the following questions before you forego the use of a listing agent:

- How do I determine the right sales price for my home?
- How long do I want to keep my home on the market?
- What do I do if my home doesn't sell?
- What do I do if my home sells quickly?
- Am I capable of marketing my home to potential buyers?
- What is my availability to answer inquiries, conduct house tours, and receive phone calls or unannounced visits?
- Do I mind being alone in my home with a complete stranger?
- How do I identify "qualified buyers" from "browsers"?
- Can I negotiate realistically and impartially?
- Can I assist a buyer with information about finance options and contract terms?
- Am I familiar with the requirements of real estate disclosure law and the specific requirements in my state?
- Do I have access to and know how to complete all of the contracts and paperwork?
- Do I understand all aspects of the real estate transaction process including appraisal, title insurance, legal descriptions, property inspections, home warranty, taxes, easements, liens and deeds of trust?
- Am I prepared to handle any disputes before closing?
- Would I prefer to say "please call my agent"?

# Determining Your Sales Price

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Inaccurate pricing—setting the sales price too high or too low—can turn away potential buyers or leave you short-changed. The goal in setting the price correctly is to find the right price that works, and there are several factors to consider when pricing your home.

## **Know the Value of Your Home**

You have several options to help you determine the value of your home. You could spend a few hundred dollars on a real estate appraisal. You could call or email several local real estate agents and ask to purchase a Comparative Market Analysis (CMA). You could visit your county assessor's office or website to find the sales prices of homes in your area. You could browse the Internet and local newspapers to check current sales prices of homes in your area. Or you could do a combination of any of these.

If your home is priced significantly higher than ten others nearby—you might want to consider a lower price.

## **Know Your Environment**

Do you live in a "hot" neighborhood where practically every home that comes on the market is sold in a matter of days? A place where buyers have to outbid each other for a property? Or do homes in your neighborhood stay on the market for months on end? Knowledge of your environment not only

helps you properly set your expectation for how long it will take to sell your home, it is also an indicator of whether your market favors buyers or sellers. If your market favors sellers you'll be in a much better place for setting and negotiating the sales price of your home.

## **Understand the Influence of Timing**

In terms of pricing and negotiating, if you need to sell quickly you may have less capacity for setting terms that are more favorable to you. Taking too much time to sell is equally as limiting. If your home stays on the market for an extended period, buyers will notice and it's likely you'll begin getting lower offers.

## **Seasonal Considerations**

In most areas of the country the best times to sell residential real estate are spring and fall. Slow periods are most commonly found in midwinter and midsummer, at which point some experts estimate homes can sell for less than their actual market value.

## **Incentives**

In addition to setting the right sales price, there are a number of incentives that can help make your home more attractive to potential buyers, including offering a home warranty, a fast closing, a decorating allowance, help with closing costs or even seller financing options.

# Preparing the Property

One of the best ways to put potential buyers of a FSBO property at ease is to have certain necessary paperwork on the property in order and available for review. By representing the property accurately up front, you help establish trust with potential buyers, possibly eliminating problems that may come up between signing a contract and closing.

The types of necessary documents and the importance of them vary by state and sometimes even by county. Brabazon Title recommends that you contact a real estate attorney familiar with local traditions and rules, and heed their advice regarding which documents are most important or relevant in your area. Some of the ones most often recommended include:

## **Survey(s)**

If your buyer will be financing with a mortgage, in some states, lenders require a mortgage survey be completed. A mortgage survey is used to guarantee that a residential property is clear of any encroachments. This type of survey will show all of the improvements (e.g. house, garage, driveway, sidewalk, in-ground pool) that are on the property. Some states also require that a boundary survey be performed. A boundary survey is used primarily to identify property lines.

## **Title Insurance Policy**

Mortgage lenders typically require a lender's policy of title insurance. The purchase of an owner's policy of title insurance, while typi-

cally optional, is often highly recommended. States vary on the need for title insurance and in determining who is responsible for the purchase of the policies. A title commitment is a document issued by a title insurance underwriter specifying the terms under which they will issue a policy. Proof of an existing policy of title insurance also provides critical information and disclosures, and in some states may allow for a reduced title insurance premium.

## **Pre-Inspection Report**

A home inspection before selling your home gives you a physical evaluation of your property and the chance to either make improvements or provide disclosures prior to sale. A pre-inspection may also help you price your home appropriately or determine if you wish to sell your home "as is," indicating that you will not negotiate certain repairs as a part of the terms of sale. State laws vary regarding the terms and responsibilities for selling a property "as is."

## **Home Warranty**

These days, a home warranty policy provided by the seller is often seen as a helpful buying incentive. Basic home warranties are reasonably priced under \$500, and they typically insure against repair or replacement costs for plumbing, electrical and heating systems as well as major appliances for one year after closing. A home warranty premium is paid, in full, at closing; is usually valid for one year and is often renewable by the homeowner.

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**Disclosure Statements**

Many states require sellers to let buyers know of any significant problems or issues with the home. Examples of these types of disclosures include, but are not limited to, natural hazard areas such as earthquake or flood zones, lead paint, environmental hazards such as underground chemical storage tanks, and pest control. Ask your attorney about disclosure or disclaimer laws and requirements in your area.

In addition to getting your documents together, there are also a number of quick and easy improvements you can make to your home that will help prepare your property for sale.

**Improve Your “Curb Appeal”**

Keep the grass cut, keep shrubs trimmed and keep weeds out of the flower beds. Clear all sidewalks and consider adding some new flowers, especially near the main entry. Take care of minor repairs of siding, trim, doors and lighting hardware. Make sure all exterior light fixtures have working light bulbs. Wash the windows inside and outside to make sure they shine. Clean the gutters and clear any tree branches, leaves or moss from the roof.

**Consider a Quick Facelift**

Simple, inexpensive redecorating such as new paint and accessories can improve the first impression your home will make. Clean carpets or consider replacing them if they are heavily soiled, worn or faded. Check and repair caulking in showers and bathtubs. Repair small items such as leaky faucets, sticking windows or broken door knobs. Remove unneeded furniture, toys or accessories from living spaces and de-clutter, clean and organize your closets and storage areas like the garage, attic or basement.

**Pay Attention to Details**

Sentimental items such as an abundance of family photos, trophies and college diplomas on display can make a home seem too personally for a buyer to see themselves there. You want buyers to not only feel welcome in your home, you want them to feel like they can move right in. Along with storing the more personal decorating items in the house, make sure the interior of the house is clean and odor-free, particularly if you have pets.

# Marketing Your Home

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Because many FSBO sellers are trying to maximize profit on the sale of their home, the key to marketing effectively is doing so within a reasonable budget. Based on the real estate market conditions in your area, you may need to choose several means of marketing your home, including signs, newspaper ads, internet ads, listing services, information packages and showings. Here are a few considerations for each:

## Signs

An attractive “For Sale” sign in your own yard is a must, keeping in mind that this sign becomes a part of your curb appeal. This sign should also clearly feature your primary contact information such as phone number or email address and be readable from the street. Attach a brochure box or information tube to your sign to provide flyers, information sheets or other detailed information about your home, and remember to keep these materials stocked at all times. Use directional signs to lead prospective buyers to your home, taking into account neighborhood, community or local restrictions on signs.

## Newspaper Ads

Newspaper ads are often priced by the number of words or lines, so getting to the point must be balanced with providing enough detail. Most experts recommend that you include your street address and price; list specific features such as how many bedrooms, how many bathrooms and square footage; and highlight any special features such as a two-car garage or finished, dry basement. Be careful not to use too many abbreviations or those that may not be common in your area.

Sometimes a photo can be helpful but that will add a lot to the price of the ad.

Many newspapers will post your ad online in addition to running it in print, sometimes for no additional charge. Work with your newspaper to make sure your ad runs on the days when real estate ads are heaviest in your area — often on the weekends or in special sections. And finally, keep in mind that federal fair housing laws protect against discrimination in advertisements regarding race, color, national origin, religion, sex, handicaps and familial status, so be careful. For more details, visit the U.S. Department of Housing and Urban Development website at [www.hud.gov](http://www.hud.gov).

## Internet Ads and Listing Services

Advertising your home online typically allows more space for words and photographs than a traditional printed ad. Internet ads can be placed on newspaper or magazine websites, on fee-based websites that can be local, regional or national, or on flat-fee listing services that will post your home on the Multiple Listing Service (MLS) for a fee based on the selling price of your home. Programs that put your home on the MLS often provide additional services for additional fees, such as help with paperwork and disclaimers, pricing your home or exposure to multiple websites.

## Information Packages

Home buyers often look at numerous houses before finding the one that’s right for them. When it’s time for them to consider the different features and benefits of several properties at one time, you want to make sure your property stands out. The information

sheet is one of the most important aspects of selling your home—and you should make yours available in the information tube of your For Sale sign as well as at any showings or open houses. Your information sheet can be designed as a flyer, brochure or several page package, but to optimize cost, simple is best.

Be sure to include important features such as:

- Address
- Photograph(s) of home
- Your contact information
- Sales price
- Number of bedrooms, bathrooms, special features, etc.
- Details of recent improvements
- Square footage
- Lot size
- Neighborhood association and school information
- Convenient amenities

### **Showings**

When your signs and advertising result in calls for additional information, use this opportunity to help qualify whether you're speaking to a "browser" or a "buyer." Listen carefully to people's questions and needs and, when you feel comfortable doing so, suggest a showing. When you sell your home yourself, while you do have more control over when prospective buyers can come in, don't be surprised if they're already in the neighborhood and want to come by in five minutes — so always keep your home in show shape. If you're allowing buyer's agents to show your home, you might want to consider placing a "lock box" on your home so that real estate

agents can have discreet and secure access without you present. And finally, in addition to scheduled showings, you may also want to advertise an open house where you set up a scheduled time to have your home open to the public and make yourself present to answer any questions on-site.

### **Preparing for an Open House**

When you host an open house, you are inviting the public in for a few hours, typically on Saturday or Sunday between noon and 5 p.m. After successfully publicizing the date and time of your open house and carefully placing your signs, you're ready to give your guests a grand tour — much like you would for a neighbor or friend.

Here are a few other things to keep in mind to make your open house successful:

### **Sign-in Sheets**

Create sign-in sheets and have them available with pens near the main entry. When buyers enter your home, ask them to provide their name, number and how they found out about your house. Ask if they are working with a real estate agent and, if so, ask for the agent's name. Make your information package available at the sign-in. See above.

### **Sales Price Information**

Go online yourself or purchase a CMA, which shows the sales price of other homes in your area. A CMA will also include details about area homes currently listed, sold and pending, and could be a useful tool in justifying your sales price.



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**Get a Sitter**

If you have young children or pets, let them stay with friends or family outside the home while you hold an open house. Children may find the open house process upsetting and you really want all of the attention to be focused on the features of your home.

**Be Prepared**

Think about and be prepared to answer questions buyers might ask about the school district, nearby shopping centers, parks, services such as recycling or waste disposal, transportation, neighborhood covenants or zoning ordinances that may be considered “quality of life” issues. Keep other information handy such as utility costs, down payment estimates, closing cost estimates, monthly costs, taxes, insurance and sample financing.

A nice touch would be to provide the names and numbers of the utility providers in your area, as well as a referral to a mortgage lender, title company or attorney. And make sure you have a contract on hand or can provide the information for the resource that will be handling your contract.

**Follow Up**

After your open house, contact the visitors on the sign-in sheet, ask them their impressions of your home and if they’re interested or not. In addition to possibly energizing a potential buyer, the feedback you receive will help you adjust your approach and prepare for the next round.

In addition to the steps necessary to market your home, you may want to consider qualifying potential buyers. One of the biggest challenges home sellers face is finding a buyer with enough purchasing power. Brabazon Title recommends FSBO sellers refer potential buyers to a professional lender for qualification. Qualifying your buyer with a professional lender helps prepare you for concessions you may choose to make during contract negotiations and makes for a smoother transaction down the road.

## Negotiating a Contract

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An offer on your home can vary from a verbal offer to a contract written by the buyer's real estate agent. Because most verbal agreements don't hold up in court, Brabazon Title recommends you insist on a written contract. You can purchase standard real estate purchase agreements from office supply stores, legal bookstores or your local real estate association or bar association.

As a seller, you can accept, reject or counteroffer any offer you receive. And, if contracts make you at all uneasy, you can always make the sale of your home "contingent on the approval of my attorney" as long as you specify that on the contract. Some attorneys or title companies will prepare the offer and final contract for everyone involved.

Accepting or rejecting an initial offer is fairly straightforward. Most often, however, you

will not agree to all of the buyer's offer terms, at which point you will counteroffer— and that's where the art of negotiating comes in. Negotiating a contract is not just about price. You will negotiate with the buyer over price, closing costs, personal property such as light fixtures or curtains, closing dates, move-in dates, and contingencies.

During the negotiating phase, it's important to be as fair and reasonable as possible—to yourself as well as your buyer. Know your limits, your needs, your market, your timing—and always get everything in writing. Keep in mind that a buyer can withdraw an offer at any time before you accept it, and you can withdraw a counteroffer at anytime before it is accepted by the buyer.

# Preparing for Closing

You and the buyer reach an agreement, initial all changes, and date and sign final documents. Congratulations, you have a legally binding contract. Now it's time to move on to closing. Traditionally, closings are set up for 30, 45 or 60 days after the contract is complete. Closing involves a number of steps and, at times, complex processes. For this step you will need to select an escrow holder, attorney or title company as your closing agent.

There are three key areas important to keeping your deal on track for closing, including:

- Buyer needs to obtain financing
- Lender's conditions such as survey, appraisal, termite inspection and title insurance
- Inspections that cover the entire home and/or specialize, such as a roof inspection, chimney inspection and radon

The terms and conditions of your contract will determine a lot of the steps that will need to take place during the closing process. Your closing agent will keep track of this information and make sure everything stays on schedule. The following tasks show just some of the steps that may need to be completed prior to closing:

- Home inspection
- Property appraisal
- Required repairs as a result of inspection or appraisal
- Loan approval for buyer
- Termite inspection
- Specialized inspections such as water/sewer, roof, structure or mold
- Proration of interest, taxes, rent, etc.
- Survey
- Title search, title insurance

- Approval of repairs
- Homeowners insurance
- Negotiation of fees and other closing costs
- Final walk-through
- Certification of funds

## Escrow Holder

Some real estate contracts specify the need for escrow, which enables the transfer of ownership with the assistance of an impartial third party. Escrow helps minimize risk to buyers and sellers by placing the responsibility for handling the funds and documents with someone not affected by the outcome.

With an escrow closing, all parties involved have legal protection during the period of closing, which minimizes the possibility of fraud or violation of any terms of the agreement. In most cases, the escrow holder coordinates and manages all necessary steps in the closing process.

## Attorney

In many states, especially in the East, attorneys handle real estate closings. Attorneys perform the same function as the escrow holder. Even if you are in a state that uses title and escrow companies to facilitate closings, you may want to hire your own attorney to review your documents and attend the closing with you. Because a real estate transaction is based on a legally binding contract, many people find the guidance of an attorney very helpful.

## Title Company

Brabazon Title can provide you with title insurance, as well as provide closing and escrow services. Call us at (608) 362-0330 for more information.

# Closing

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Closing marks the transfer of ownership (or title) from you to your buyer. Depending on where you are in the country, closing may also be known as settlement. Closing is usually a meeting that lasts about an hour, where all the details are finalized, all the paperwork is signed and the agreements between you and the buyer are completed.

Closing customs vary across the country. Most of the time closing occurs at the office of your closing agent who will let you know where you need to be, when, and what you need to bring with you. It's always a good idea to keep in touch with your closing agent as the closing date draws near, just to make sure everything is still on track.

By the time your closing date occurs, you should already have clear expectations regarding the closing costs you will be responsible for. In many cases "who pays what" can be negotiated between you and the buyer.

The following list shows some of the most common costs sellers pay at closing:

- Attorney's fee or escrow fee
- Title insurance
- Home warranty
- Transfer tax
- Survey fee
- Real estate tax
- Mortgage payoff
- Recording fee
- FHA and VA fees
- Utility bills
- Association transfer fees or reserves
- Inspections
- Repairs
- Buyer's real estate agent commission
- Unpaid special assessments

# Moving Checklist

In many cases closing marks the point at which the buyer takes possession of the property. In addition to the hard work of selling your home yourself and getting through the closing process, you are also likely in the process of moving. We are pleased to present this quick checklist to assist you in the process of moving:

## At Your Present Address

- Give forwarding address to post office
- Change accounts: credit cards, subscriptions
- Notify friends, relatives and neighbors of your new contact information

## Banking and Insurance

- Transfer funds if changing banks, arrange for new checks
- Obtain cashier's check if needed for real estate closing Arrange credit references
- Notify credit card companies in writing about new address
- Notify life, health, fire and auto insurance companies in writing of new address

## Utilities

Arrange for connection/disconnection of:

- Gas/Oil
- Electricity
- Water
- Cable/Internet/Telephone
- Waste Disposal
- Other

## Medical, Dental and Prescriptions

- Ask current physicians for referrals
- Obtain all medical/dental records and histories
- Transfer prescriptions

## Education, Religious, Civic and Social Organizations

- Transfer records and registrations
- Transfer memberships
- Get letters of introduction

## Pets

- Inquire about regulations for licenses, vaccinations, tags, etc.
- Arrange for transport

## Don't Forget

- Empty refrigerator and defrost freezer
- Have appliances serviced for moving
- Clean and wrap rugs for moving
- Check with your moving company regarding insurance coverage

## On Moving Day

- Carry cash or travelers checks to cover expenses while you move
- Carry jewelry and important documents yourself or use registered mail
- Let a relative or friend know the route and schedule of travel
- Leave keys not transferred at closing with real estate agent, buyer or neighbor and inform buyer of this decision

## At Your Future Address

- Check that all utilities are operational
- Check pilot lights on stove, hot water heater, incinerator and furnace
- Have appliances checked
- Ask postal carrier for mail that may have been held for your arrival
- Have your new address recorded on your driver's license or apply for a new one
- Register to vote
- Register your vehicles