

Home Seller's Guide



Selling Your Home

Your home is more than an architectural structure. Through the years, it has become an extension of who you are, representing your personality, style, and values. That's why selling it can be both an emotional and intimidating experience. But it can also be an exciting, rewarding time as you look forward to new experiences.

This booklet is designed to help you transition from the emotional decision to the objective planning phase by arming you with key information about the home selling process. The four major steps in selling a house are addressed in this booklet: (I) Planning the Sale; (II) Understanding the Market; (III) Getting Your Home Ready to Show; and (IV) Closing the Deal.

Make note of your questions as you read. Our CENTURY 21® real estate sales associates are familiar with every aspect of the real estate transaction and can answer any questions or concerns you may have.



PLANNING THE SALE



Although selling is generally less complicated than buying a home, you'll still need to do some homework and planning to ensure you get top dollar on the sale. Here's a checklist to get you started:

- Select a real estate associate right for you.
- Sign the listing agreement.
- With the help of your associate, review the latest real estate market trends and determine the right selling price.
- Estimate the amount of profit you'll make from the sale.
- Review financing options available to potential buyers.
- Arrange for inspections.
- Make any necessary repairs.
- Get the house in showing condition.
- Review the offers your sales associate presents to you.
- Close the deal.



SELLING WITH A PROFESSIONAL AT YOUR SIDE



Now that you've decided to sell, you will immediately be faced with the decision to hire a real estate professional or try to sell the house yourself. Given the complex personal and financial decisions involved, enlisting the help of an experienced and objective real estate professional can save you time, frustration and potentially thousands of dollars.

If you still are considering selling the house on your own, ask yourself the following questions first: Are you prepared to buy advertising space? If not, can you afford the time it will take to sell your house with only a sign in the yard? Are you willing to stay close to home for days, weeks, and maybe months to show your house? Do you possess the necessary legal and financial knowledge to answer buyers' questions, negotiate a contract or close a sale?

If you answered "No" to any of these questions, perhaps enlisting a real estate associate to help would be the most efficient and profitable way to sell your house.

A real estate professional will provide the following services:

- Access to the Multiple Listing Service (MLS), which exposes your house to all cooperating member brokers.
- Assist with pricing the house properly based on a Comparative Market Analysis (CMA)
- Provide a detailed marketing plan.
- Screen potential buyers for financial qualifications.
- Provide suggestions for making your property more attractive to potential buyers.
- Show your home, with your permission.
- Answer buyers' questions.
- Present all offers.
- Negotiate for top dollar on your behalf.
- Facilitate the closing process.

Selecting a Sales Associate

Since you'll be working closely with your real estate associate for several weeks or even months, it's critical that you not only select someone who has a great selling record, but also someone whom you feel comfortable with and trust. A good sales associate not only has a solid track record, but also has a professional manner and takes the time to listen to your needs and goals.

Ask friends and neighbors who have recently sold homes for recommendations. Then check the selling history and credentials of any prospective sales associates. Interview



them about the techniques they would use to price and market your home. Find out how accessible they are. Do they have voicemail, e-mail, a pager? And most importantly, make sure you “click” with the associate’s personality.

After choosing a real estate associate/company, supply all the information you can about your home. The sales associate will be asked questions by potential buyers about taxes, utility bills, age and condition of appliances, insulation, room sizes, and a variety of other subjects. Don’t hide anything, especially any defects in the condition of your property. Failure to do so could leave you legally liable.

The Listing Agreement

A listing agreement is a personal service contract between you and a licensed real estate broker describing the property to be sold and the terms under which it is to be sold. You are appointing a broker to market the property for a specified length of time and agree to pay them a commission for bringing an acceptable offer from a buyer.

Pricing Your Home to Sell

Properly pricing your home is perhaps the most crucial factor in making a sale. If you set your price too low, you could lose thousands of dollars. If it's too high, you may discourage potentially qualified buyers and risk having your home sit on the market. And studies show, the longer it sits, the lower the price at which it is finally sold.

The "right" price is a balance between the maximum amount the current housing market will allow, your "competition," and your own time limits in selling. Although the greatest amount of buyer activity typically occurs during the first three to four weeks, a reasonable time frame for selling a house may be between 30 and 90 days. If a house is on the market too long, potential buyers may avoid the house, wondering if something is wrong with it.

So how do you determine the right price? Start by asking an experienced real estate associate to prepare a written Comparative Market Analysis (CMA) for you, which is discussed in the next section.





Although you and your agent set the price, buyers determine the value. They'll compare your home and your asking price to similar homes on the marketplace. And if your price doesn't stack up, they'll quickly reject it and move on to the next listing. That's why your first step in determining the right price for your home is to have an experienced real estate professional prepare a Comparative Market Analysis report for your home. The report provides details on recent sales of homes similar to yours, as well as the asking price of homes currently on the market.

Once you've done your homework on the marketplace, you'll also want to consider the factors listed below that may add to or detract from the value of your home. With these factors in mind, you and your sales associate should be able to determine a fair price for your home:

Location

What are the tradeoffs and advantages of your property? Does the house back up to a busy street or is it on a cul-de-sac? Look at both the area in which the house is located as well as the neighborhood.

Features

Does your house have specific features that set it apart from other houses in the area, such as a spectacular view, a three-season porch, vaulted ceilings, etc.?

Condition of the House

Has the house been adequately maintained during your stay? Are there minor or major repairs that could make a difference in the immediate sale of your house?

Age of the House

Potential buyers will want to know the age of the plumbing, furnace, roof, appliances, etc. If anything has been replaced, this could add to the value of your property and the sales price.

The Current Market

Is today's market a buyer's market or a seller's market? A "buyer's market" means there are several similar houses for a buyer to choose from. Usually, interest rates are attractive, and prices are steady. A "seller's market" is the opposite. While interest rates may be low or high, housing prices are on the rise, and there are few houses to be sold.

Your Time Frame

How long do you have to sell the house? What was the average time on the market for a comparable home? Can you wait while a buyer arranges financing? Does your purchase of another home depend on this deal closing quickly?



Estimating Your Bottom Line Pricing

Before you sell your home, it's important to estimate the various expenses for which you'll be responsible that will affect your bottom line profit. In addition to the mortgage pay-off amount, any early pay-off penalty and the expense of home repairs you'll need to make before listing your home on the market, you'll be responsible for various closing costs including real estate commissions, repairs, transfer taxes and pro-rated property taxes. Closing costs vary from area to area. Your real estate associate can provide an estimate of your settlement costs.

You may owe capital gains tax on the profit you make. Fortunately, you can now legally avoid paying this tax if you meet the IRS guidelines explained in the following section on taxes. You can also add to your net profit by documenting any improvements you've made to your home that permanently increase its value - the IRS allows you to add those expenses to the original cost of your home, which will, in turn, decrease your capital gain tax requirement.

Review Buyer Financing Options

When the time comes to negotiate a sale, it is best to be aware of current financing available to the buyer. With the help of your real estate professional, review the mortgage climate. Are loans in abundance or hard to obtain? If the buyer isn't able to qualify for enough money, you may want to offer a second mortgage out of your profits (if this is allowed by the first lender). Does your property qualify for the Federal Housing Administration (FHA) or Veterans Administration (VA) loans? Is your current loan assumable?

Does the buyer expect you to pay any of the discount points connected with the cost of this loan? Determine your time frame in waiting for financing to be secured by the buyer, including the alternatives.

Pre-Listing Inspections

To protect yourself from any potential liability, it is crucial that you obtain a professional pre-listing inspection report to accurately disclose any health and safety concerns or adverse conditions regarding your home.

To find a good inspector, ask friends and business associates for referrals or get recommendations from your real estate associate. Your sales associate also can provide information on inspection laws.



TAX FACTS



Since the Taxpayer Relief Act of 1997, if you've owned your home and have lived in it for two of the previous five years before selling it, then you can make a profit of up to \$250,000 if you're single or \$500,000 if you're married, with no federal tax bill. You may, however, owe state taxes. This new provision replaces the prior rollover provision on home sales and the \$125,000 exclusion of gain for those 55 and over. This new \$500,000 (\$250,000 for singles) exclusion will not benefit those whose profit exceeds the 20% capital gains tax rate limit. Compare these two cases:

~ John and Sue are in the 31% tax bracket. They sold their primary residence for a profit of \$200,000. Since the profit was less than \$500,000 they pay no tax on the home sale.

~ Greg and Lisa are in the 31% tax bracket, too. They sold their primary residence for a profit of \$550,000. They owe \$10,000 in capital gains tax ($\$550,000 - \$500,000$ exclusion $\times 20\%$). If you fail to meet the two-year requirement because of an unexpected move related to job or health you are still entitled to a prorated amount of the exclusion based on how much time of the two-year requirement you were able to meet. Also, if your move is job-related and the moving expenses are not reimbursed by the employer, you may qualify for a deduction of those costs.

For further tax information, consult a tax accountant specializing in real estate matters in advance.



GETTING YOUR HOME READY TO SHOW



To get top dollar and sell quickly, you must prepare your home so that it's in top-notch, move-in condition. Look at your house as if you were seeing it for the first time. You may not notice crowded closets and untidy flower beds, but potential buyers will.

Outside

First impressions are hard to break, and the way your home looks from the street ("curb appeal") can make or break the sale. Does it look a little dingy or dull? Give it a face-lift with a good old-fashioned paint job or power wash. Keep the grass mowed and the weeds pulled. Trim trees and bushes. Plant flowers to add a touch of color.

Remove grease or oil spots in your driveway. Make sure your doorbell works. Repair torn screens. Clean outdoor light fixtures. Repair loose roof shingles and fill cracks in the walk and driveway. And now that you've got the potential buyer out of the car, continue the allure with a friendly front door. Restore its luster with a few coats of varnish or spiff it up with a rich, new accent color. In other words, make your house a showpiece from the curb to the front door.

Inside

They're ready to open the door. Is your home in order? Start by getting rid of the clutter (don't forget the garage), leaving a blank canvas for buyers to fill in with their own ideas.

Clear out closets and cupboards. Remove knickknacks from tables, countertops and bookshelves. Remove all unnecessary furniture to make your rooms seem more spacious. Brighten rooms with a fresh coat of paint. Choose neutral shades of white, off-white, beige or light pastels that will coordinate with most decors. Give your home an open, airy feel by opening the curtains and pulling up the blinds. Turn on as many lights as possible.

Kitchens should be absolutely spotless. Pack up all excess kitchen appliances. Clean the oven inside and out. Run a lemon through the garbage disposal for a fresh smell. Make sure all appliances are working. Remove magnets from the refrigerator door.

Bathrooms are just as important. Remove stains from bathroom fixtures, repair dripping faucets and polish mirrors. Add sanitizers to toilet bowls and keep lids down. Wash and fluff bathroom rugs, hang fresh towels. Potpourri and scented soaps add a nice fragrance to the air. And as a final touch, appeal to the home buyer's senses by playing soft background music while people tour your home, and baking cookies or bread just before they arrive.

Ask your real estate associate for additional tips on getting your home ready to sell. Also, let your associate show the house. They know the business and will present your property to its best advantage. Plus, potential buyers usually feel more comfortable when the owners are not present.



CLOSING THE DEAL



Your homework and patience has paid off. The offers are now rolling in. When someone prepares an offer, they advise your real estate sales associate who then makes an appointment to present it to you (all offers for your property must be presented to you).

Your sales associate will counsel and advise you, but the final decision will be yours. Review every offer, comparing the financial qualifications and readiness of each buyer. You may accept an offer as is, reject it, or make changes and sign it back to the purchaser to see if they are willing to accept your changes. In turn, the buyer then may accept your changes, reject it, or come back with a counteroffer. This process continues until a deal is agreed upon or negotiations are terminated.

Rest assured that your sales associate will be armed with information to negotiate the best deal for you. And for your protection, a deposit will be collected from the buyer prior to any acceptance of the purchase offer. A written agreement stating all conditions of the sale will be signed by both parties.

Now comes the time to sit back and be patient. The buyer is busy arranging mortgage financing. The real estate company and the title company are beginning to accumulate data and prepare documents. Your sales associate is tracking the progress of the sale. It's a good time for you to take a breather and start thinking about the next big step – moving into your new home.

Final closing day will be scheduled when all the steps are completed. Closing is when you and the buyer sign all the paperwork and pay your share of the settlement fees, and the documents are recorded. Once you present an executed deed to the buyer and receive the check in the amount agreed upon, your house is successfully sold.

Selecting the Right Real Estate Office

When it comes to selling your home, making informed decisions is essential. That's why it's so important to work with a top-caliber real estate company with a strong track record and an experienced professional who will listen to your needs and walk with you every step of the way.

As the world's largest real estate sales organization with approximately 6,600 independently owned and operated franchised broker offices in more than 28 countries and territories worldwide, the CENTURY 21® System a subsidiary of Cendant Corporation, has the track record, marketing expertise, and top-notch sales associates you're looking for. We'll not only guide you and advise you through the process, we'll help you get top dollar and ensure your deal closes smoothly. We look forward to working with you!

