

Home Selling Guide



An Informational Handbook

Provided as a courtesy of:



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Guide to Selling Your Home




Introduction

This guide is created for our Sellers as a courtesy of ABetterWay.com, Inc. We feel that this information presents a comprehensive list of guidelines you will need to sell your property. In addition to this guide, you will have access to a professional real estate agent to answer any questions that you might have. We encourage you to thoroughly question the various professionals that you will encounter in the home sale/purchase process, including (but not limited to) the loan officer, home inspector, and escrow agent. These persons will provide in-depth explanations of subjects that can only be generally discussed here. These professionals are valuable sources of information and guidance in their areas of expertise.

Tips for making your home attractive

Simple aesthetic improvements will improve the likelihood of finding a potential buyer who is ready to make you an offer. Home Buyers are attracted to clean, spacious and neatly decorated homes. Below are some areas you may want consider without a lot of cost:

-  Front Lawn- Present a well-manicured lawn, neatly trimmed shrubs and trees.
-  Driveways and Sidewalks- Should be free of all toys, mud and clutter.
-  Painting – If your woodwork is scuffed or the paint is fading, consider some minor “touch-ups”.
-  Fix squeaking steps, broken tiles, leaky faucets, discolored sinks, and doors that will not close properly.
-  Shampoo rugs, dust, and clean
-  Replace burned out light bulbs
-  Replace caulking in the tubs and showers

-  Allow as much light in your home as possible by pulling back curtains and drapes during the day and turning on lights for evening viewings.
-  Additional flowers or potted plants may be beneficial
-  Repair, clean or replace any loose, bent, dirty or detached shutters, screens or gutters

Setting a Sales Price Neighborhood Comparisons

When considering what price to ask for your home, it is important to know what similar houses are selling for in your neighborhood. Real Estate Agents are good sources of information on local housing market prices. Take advantage of the free agent assistance from our affiliated agents. They will be able to give you a Comparative Market Analysis (CMA). A CMA is a report listing recent sales prices for homes in your area. The Internet is a hit-or-miss option for obtaining the same information. Some sites claim to be able to show you the sale prices for homes in your neighborhood, but many of these sites have only limited coverage or may not contain updated information.

Once you have determined what similar homes in your area are selling for, you should drive by these houses and get a feel for how big the yard is, what condition the property is in, and any other elements you feel would make the home more or less valuable. If your home has a larger yard and is in better shape, chances are you are safe in setting your asking price higher.

Pre-appraisal, Pre-inspection?

To receive a professional assessment of your home's value, a home appraisal specialist will perform this background pricing work for you, and give you an accurate assessment of the value of your home. A professional appraisal can also be helpful in justifying your asking price to potential buyers, and will let you know if the price you had in mind is reasonable in the region's market.

If your house is old or in questionable condition, you may want to have a home inspector examine the house for you prior to putting your home on the market in order to point out problems that might be of great concern to potential buyers. You can then fix these problems and will

probably end up paying less to do so than if a potential buyer's inspector identifies the same problems.

Home pre-appraisals and Home Inspections are normally offered in the region for only a few hundred dollars.

Market Conditions

Homes sell more quickly in a market where the demand for housing exceeds the number of homes available to buyers. This is commonly known as a "Seller's Market". A "Seller's Market" is always better for the seller as there are many more buyers than houses available. In a "Buyers Market", the situation is reversed. Another market variable to consider is time of year a home is put on the market. Families with children aren't as likely to take their kids out of school to move during the school year. This causes a higher demand during the spring and summer when the kids are out of school. Having a "Sellers Market" or timing the sale during the highest demand months will usually bring a higher price. Many real estate websites are available to offer updated information on the current real estate market conditions.

Appliances and Fixtures

If any "non-typical" appliances are to be included in the sale, the sales price should reflect this addition. Anything connected to a gas line or built-in is ordinarily included in the sale. The stove is typically included, regardless if it is electric or gas, as is the dishwasher. The refrigerator and clothes washer/dryer are typically not included in the sale. A "fixture" – anything attached to the property by being built-in or screwed in, is included in the sale unless specifically excluded in the contract or disclosure. Ceiling fans are generally considered fixtures.

The Temptation to Overprice

There are definite disadvantages to overpricing your home. If your home is not priced appropriately, your home may take longer to sell. A large proportion of potential buyers view a home during the first month in which it is listed for sale. If possible, you should keep track of these people and notify them of any subsequent price reduction (e-mail is perfect for this). After a month or two, people may begin to wonder why your house has been on the market so long, and may question whether this is an indication of something being wrong with your home.

Only if you can afford a delay in selling your house, or if you are just testing the market, should you consider overpricing your house. If you get a Buyer that agrees to a price that is higher than the home appraiser for, you may not be able to force the Buyer to complete the purchase. Many contracts include wording requiring the home appraisal to meet or exceed the sales price or the Buyer may rescind the offer. This type of contract provision is beneficial to the buyer in that it protects him/her from unwittingly agreeing to pay “more than the house is worth.” Lenders may require an appraisal from prospective buyers and might not loan more money than the appraised value of the house. If you wish to require the Buyer to pay the contract price without regard to the appraisal, it should be written into the contract. This is slightly more common in very aggressive market areas.

Renovations/Remodeling

Spending money to renovate or remodel an already pristine, updated house will not increase the value by much-- probably by less than the amount you spend. But if your house is in poor condition, improvements can result in a big jump in marketability and asking price, especially improvements to the kitchen and bathrooms. Your house only gets one chance to make a first impression on potential buyers. Make sure they see it with its best foot forward by following the tips previously presented. These items will stand out to potential buyers as indicative of the general condition of the property and level of care provided by the current owners.

Home Warranty Insurance

You may want to enlist the services of a home warranty company to provide insurance on the existing items included in your property. A home warranty insurance policy, provided by the seller, is becoming commonplace in home sales nationwide. Such a policy is desirable for buyers because it typically covers any breakdowns in appliances and the heating/cooling system for a year after the sale. The Home Warranty policy covers appliances and items not covered by the standard homeowner's insurance policy. If you choose to provide a home warranty policy, you should advertise that fact, as it will make the home more attractive to potential purchasers and you may be able to raise the asking price slightly for your home.

Advertising and Showing

Advertising with ABetterWay.com

In order to get your house sold, you have to get the word out to potential buyers that your home is on the market. It is imperative that you advertise. We are constantly marketing the homes listed on our site to new Buyers directly and through Real estate Agents who may have a potential Buyer. We include additional methods such as yard signs, newspaper ads and provide guidance with an Open House. While we strive to offer the best in local advertising to bring Buyers and Sellers directly together, we also recognize the benefits of Real Estate Agents. Our program is “agent friendly”. It is our primary goal to help you sell your home. At some point, it may be to your advantage to list it with a Real Estate Agency. They will be able to give you the additional exposure needed in the event that your home does not sell through our network in your desired timeframe. Agents have access to a database known as the “multiple listing service” (MLS) to get the word out to all other Agents that your home is for sale. As mentioned before however, the problem with using an agent is the big commission you pay when your house sells (typically 6-7% of the total sale price – resulting in thousands of dollars of your hard-earned equity!). As a member of ABetterWay.com, you will have access to a professional real estate agent to answer your questions and provide information at no charge. Our affiliated agency also offers a number of additional discounted traditional real estate services from Contract/Closing Assistance for as little as 1% to full service listings on the MLS at a substantial discount. Depending upon the speed in which you need to sell your home, these options could be money well spent in your effort to advertise your home.

Newspaper Ads

An excellent marketing resource is to advertise in newspapers. Occasionally, we will run ads in the newspaper to increase visibility to all of our Sellers. You can also place an ad for yourself. You will have to write a brief advertisement blurb to send to the newspaper. The best models for you to look at will be in existing advertisements. Include your asking price, number of rooms and any special features (whirlpool, pool, game room, gourmet kitchen, etc.) that make your home attractive. If your home is near nice schools, or has been recently built, include that information. Include the address of your home and a number at which you can be reached. Invite readers to call or set up a visit.

Yard Signs and Flyers

In addition to marketing your home on the ABetterWay.com website, we provide you with a printable flyer and marketing tips when you login to ABetterWay.com. Sturdy, attractive yard signs are also made available to you to display on your property. Your sign will also provide a clear container in which to place your property flyers. Place a sufficient number of copies in the info-tube attached to the yard sign. Check to see that there is a sufficient amount of flyers remaining each day, and refill as needed. If your house is on an out-of-the-way street, you may need to put up some directional signs pointing the way through the neighborhood to your house. These signs are also available from ABetterWay.com

Hold an Open House

You may find it useful to hold an “Open House.” Advertise the open house in the real estate section of your local paper, and put an “Open House” sign in your front yard and at a nearby intersection showing the date and time of the open house. Make sure your signs are up ahead of time. Your main goal in holding the open house is to broadcast the fact that the house is for sale. The people who attend the open house will spread the word to others. Make sure plenty of flyers are available and try to hand them out to people as they leave. Weekends are obviously the best time to hold an open house. You might get lucky and find a buyer, but the main objective of your open house is to inform your neighbors and enlist them in your sales campaign.

Showing the House

A special effort should be made to ensure the house is clean when you know a potential buyer is coming for a look. If you have pets, make sure they are on a very short leash and kept in a storage area or outside in their pen-- pets, especially dogs, should not have the run of the house (or yard) while you are showing the house. Answer questions about the home truthfully (“I don’t know” is always acceptable if you really don’t know an answer). Always get the name, number and e-mail address of the person to whom you showed the house, in order to inform them if you decide to lower your asking price in the future.

Pre-Qualification and Pre-Approval

As a Seller, it is important for you to know and understand what the difference is between a Buyer who has a Pre-Approved status and one who is Pre-Qualified. If you are concerned with home security and do not want to put forth the effort to show your home to Buyers who may not qualify to purchase your home, indicate this in your advertisement in the contact information. Pre-qualification consists of the Buyer answering a short series of questions regarding their income, assets and debts, and the lender giving them a ballpark figure of what loan amount they would qualify for. This is not a commitment from the lender, but it is a good starting point for Buyers to know “how much house” they can afford. Pre-approval is the lender’s conditional commitment for a loan of a certain amount at a certain rate. This commitment has a time limit and usually a few conditions such as an acceptable appraisal and final underwriting to ensure there are no changes or hidden problems.

Real Estate Agents

As stated earlier, Real Estate Agents can help in finding and selling a home, but real estate agents have to be paid. Agents have access to computer databases containing information on all regional property sales and can accurately ascertain the value of property in any area. In transactions where there is a Real Estate Agent representing the Seller, the Seller normally pays the agents out of the sale proceeds (though this may vary by region). However, if the Seller is selling the home without an agent, then the Seller may not be willing to pay the Buyer’s agent. The Buyer may have to pay the agent himself. When a Buyer is considering obtaining an agent, the Buyer should question the agent on how the agent’s fees will be paid in the even that the home purchased is “For Sale by Owner.”

Seller’s Agent

A Seller’s agent represents only the seller, and has no duty to potential buyers other than those prescribed by law, such as (in most states) to reveal any home defects the agent is aware of to the Buyer. The Seller’s agent is typically paid by the Seller from the proceeds of the sale of the property. An agent can be very helpful to the Seller in setting an accurate price for the property due to the agent’s knowledge of the local real estate market.

The Seller's agent, while helpful, must be paid a commission from the proceeds of the sale. The fee is negotiable, but through typical Real Estate firms is 6% of the sale price of the property. When working with a traditional real estate agent, if your home sells for \$200,000, \$12,000 will be paid in commissions at closing! This is money that you would be keeping for yourself if you sold your home without an agent or used the discounted services of our affiliated agency. Selling without an agent requires being home more often during the day to show the house, meet inspectors, etc. (difficult if you and your spouse work), and requires you to take on the other procedural responsibilities such as scheduling termite inspections, providing counter-offers, etc. that would typically be handled by your agent. Your assigned agent could be a valuable resource for you in setting the price on your house and advising you about the local housing market (whether it is busy, slow, etc.), and how this should affect your mindset in regards to price. **An agent is nice, but so is keeping that 6% of your money!** Your decision on whether or not to use an agent will depend on your circumstances and priorities. **The benefit to being an ABetterWay.com member is you can choose the level of support you wish to receive (if any) from a professional real estate agent depending upon your personal circumstances.**

Buyer's Agent




A Buyer's agent represents only the Buyer, and has no duty to the Seller. In a traditional listing, the Buyer's agent is paid by the Seller from the proceeds of the sale of the property (part of the 6% paid by the Seller to the listing agent is paid to the Buyer's agent). A Buyer's agent can be very helpful to the Buyer in determining whether a fair price is being asked by the Seller, due to the agent's knowledge of the local real estate market. If the Buyer's agent is going to be paid by the Seller (clarify this at the outset), there is no real downside for a buyer using an agent and a lot of potential benefit.

“Dual” Agent

A dual agent is a real estate agent who represents both buyer and seller. The dual nature of the agency relationship is typically disclosed in a disclosure statement given to each party, which must be agreed to and signed by each party. The agent facilitates the sale, working for both parties, but does not have a higher duty to one party than the other.

Real Estate Attorney/Title Company




Though it is possible to sell a home without hiring an attorney, it is often useful to do so for one or more of the following functions:

-  Providing legal advice on real estate matters.
-  Reviewing documents.
-  Representing you at the “closing,” or handling/hosting the closing.

Discuss the fees your lawyer or title company will charge for tasks including review of documents you have prepared, preparation of additional documents if necessary, representation at closing, and/or actually handling/performing the closing. If the price seems high, shop around. A reasonable range is \$250 - \$750 to handle a closing, depending on the region in which you live. Lesser services should be much less. Your assigned agent can provide you guidance and make recommendations on selecting the lawyer or title company who can meet your needs. If it is an attorney, make sure the attorney handles real-estate transactions on a regular basis.

Accepting/Counter-Offering a Purchase Offer/Contingencies

Whether or not to accept an offer may depend upon several things contingent upon your own personal needs and the current real estate market. In a “Seller’s Market”, you may have several offers for purchase and you may have the luxury of choosing which contract to accept. Offers may include a “Cash Offer” which may be more acceptable to one in which contingencies are included. A contingency in an offer is when the Buyer says the purchase is “subject to” something happening (or not happening). For example, a common contingency is that the purchase is subject to the Buyer being able to obtain financing. If the Buyer doesn’t qualify for the mortgage, the deal is null and void. Common contingencies are:

-  Financing contingency (Buyer must obtain needed financing for the property)
-  Professional home inspection contingency (Buyer must approve a home inspection report)
-  Termite clearance (Seller must provide a termite clearance).



Disclosure contingency (Buyer must approve seller's disclosure),



Other contingencies specific to this deal such as the Buyer being able to sell his or her current home.

It is important to review each offer carefully and you may want an attorney or a licensed real estate agent to review the offer prior to accepting. The more contingencies in the offer, normally the weaker it is. If you are “fully-listed” with a traditional real estate agent, it is common that this agreement may trigger a requirement that you pay the agent a commission even if you do not accept a full price offer. Be aware of the requirements of the listing agreement should you use the services of an agent when rejecting purchase offers.

Whether or not to provide a counter-offer is also dependent upon your personal needs to sell. If you are willing to risk losing a Buyer who has made an unacceptable first offer, then it may be appropriate for you to counter-offer or reject the offer.

Contract for the sale and purchase of Real Estate




The Sales Contract is the central legal document through which Buyer and Seller (“the Parties”) agree upon the terms and conditions of the property sale. Because real estate sales are relatively complex and important transactions, state law normally requires a written, signed contract for such transactions to be enforceable. This legal requirement is rooted in practical reality: with so many details involved in the typical home sale, the Parties could easily become confused and fall into disagreement over their various rights and responsibilities related to the sale. The Sales Contract provides an organized framework within which the Parties can proceed with the sale process from beginning to end without unnecessary disputes, omissions or misunderstandings.

Seller's Disclosure/Disclaimer

A “Seller's Disclosure of Property Condition” statement, or similarly named document, is not required in some states. A **disclaimer is normally used** to present known defects or defaults of the property. In order to make a home sale less likely to end in an unfavorable lawsuit, a Seller should be honest and thorough in all disclosures made in the Disclaimer document.

Buyer's Inspections

Property Condition options of your contract may include one or more of the following:

-  Buyer accepts property “as-is”;
-  Buyer will conduct desired inspections; or
-  Buyer accepts “as is” if Seller will make certain repairs.

Most Buyers will want the house inspected, and will (and should) have second thoughts if a Seller attempts to sell the house while forbidding any inspections, unless there are special circumstances. Most lending institutions also require inspections before they will make a loan to the prospective Buyer. Option two will therefore most likely be used in all home sales. Typical inspections include pest (termite) inspection, moisture inspection and contractor inspection with a home inspection company (includes electrical, plumbing, heating systems, roof inspection, swimming pool inspection, and foundation inspection).

If the Buyer's inspections reveal various defects, the parties are free to re-negotiate the Contract, for example lowering the sale price in order to allow for future fixes that will be necessary, or having the Seller agree to fix defects prior to the sale.

The “Home Inspection”

Buyers and lenders will normally insist on various “home inspections,” including but not limited to, soil, foundation, electrical, structural, heating/cooling, appliance, plumbing, roof, pest/termite and swimming pool inspections. Most of these inspections will be taken care of all at once by a “home inspector” service. The inspector will come to the house, and spend time looking at everything in order to make a detailed report, which will be submitted to the Buyer (a copy should be furnished to Seller). Defects may be revealed that were unknown to the Seller and/or not included in a “Seller's Disclaimer Statement.” At this point, the Buyer and Seller will be armed with sufficient knowledge to make final negotiations on the sale price or repairs required on the house, or Buyer may decide that too many problems have been revealed and decide to get out of the deal, recovering any deposited earnest money.

“As-Is” Sale

“As-is,” relates to the condition of property. If something is sold “as-is,” it means that it is being sold with all defects, whether apparent or hidden, and the Buyer cannot claim afterwards that defects were concealed from the Buyer. When purchasing something “as-is,” the Buyer is taking the risk that there may be something seriously wrong with the item or property, but is buying it anyway-- usually because it is such a good deal, or the buyer is unwilling to pay the price for a professional inspection.

Earnest Money and Escrow

Earnest money is money deposited by the Buyer (usually one percent of the sale price, \$1,000.00, or whatever regional custom dictates- the amount is negotiable) at the time of the initial signing of the contract. Earnest money may be deposited with the seller, real estate agent, escrow agent (such as title agent) or attorney.

An Escrow Agent is a neutral third party who holds the various monies involved in an escrow account, pays parties, and ensures that the money changes hands at the same time as the deed is recorded and ownership transferred. The Seller should already have an Escrow Agent on standby or one can be referred by an affiliate agent.

If the Buyer backs out of the contract for any reason that is not allowed in the contract, they have “defaulted” and thereby forfeit the earnest money to the Seller as liquidated damages. Seller might also pursue “specific performance” (forcing Buyer to go through with the purchase), but this would require a court case and could be potentially costly in time and money.

Title Insurance

A title insurance Owner’s Policy is typically purchased by or for the Buyer in order to safeguard against any title problem that may arise after the sale -- for example, a dispute involving someone else claiming partial ownership of the property. With an Owner’s Policy, the new owner will be able to rely on the title insurance company to address any expensive legal problems that may arise, and to pay for any actual damages suffered by the Buyer.

Assuming the Buyer is borrowing money from a lending institution in order to make the purchase, the Lender’s Policy will be required to

insure the mortgage lender that there are no encumbrances against the property. If it turns out that a prior valid lien exists when the house is later sold, the Lender's Policy will reimburse the lender the full amount of what is owed.

The Escrow/Closing Agent will typically handle it or be able to recommend a reliable company. Who pays for the various policies of title insurance vary depending on regional custom, and is ultimately negotiable. The cost of title insurance is part of closing costs and responsibility to pay or divide these costs should be agreed to in the Contract.










Proration

Pro-rationing relates to any cost associated with home-ownership that must be divided due to the ownership of the home changing in mid-year. The best example is property tax, which is assessed on a yearly basis. For example, assume the property tax on the property is \$1,200.00, and the tax year runs from Jan. 1, to Dec. 31. If the sale closes (and ownership transfers) on July 1 (mid year), and the property tax bill will be assessed against the new owner at year's end, then \$600 should be credited by Seller to Buyer to represent that Buyer and Seller each lived in the house for one-half of the year, and are therefore paying proportionate, or "prorated" taxes. Any other items that lend themselves to prorationing should be handled in like manner. The Escrow Agent will calculate and/or check prorated figures.

The Closing

The "closing" is the final meeting that typically occurs at the escrow agent's office. In most states, an attorney or a title company agent normally will conduct closings. All contingencies will have been satisfied by the time this final stage is reached. Buyer and Seller both attend the meeting, along with loan agents, any real estate agents, and any other parties with a financial interest. Buyer presents a paid homeowner's insurance policy or a binder and receipt showing that the premium has been paid (the closing agent will most often obtain the verification for you). Numerous documents are signed, including loan documents. You should take time to check over these papers to make sure everything is correct prior to signing. The escrow agent will explain each document and answer any questions you may have. A list of all monies to be exchanged is distributed, the money is exchanged, and ownership of the property is transferred. The Seller will give the Buyer the keys to the

property. “Closing costs” are paid at closing or financed into your mortgage. For the Seller, they normally consist of at least the following:

-  Any pro-rated real estate taxes to be paid for the time seller owned the property.
-  Any pro-rated storm drain dues (usually nominal fee)
-  Any pro-rated Home Owner’s Association fees for the time the seller owned the property.
-  Attorney fees (usually between \$100—\$400)
-  Recording costs for the Title (usually between \$50—\$100)
-  Payoff fee for existing mortgages (usually between \$100—\$150 per mortgage).
-  Deed recording fee (usually \$50)
-  Grantor’s tax (0.1% of the sales price)
-  Termite and moisture home inspection (usually between \$45—\$65)

The “settlement statement” is a document that will be provided by the escrow agent/closing attorney. The settlement statement is a listing of every amount and every item paid by the Buyer and Seller, the distributions of those funds, and the remaining cash that should go to the Seller. The settlement statement often refers to the Buyer as the “Borrower” because the Buyer is the one taking out a real estate mortgage. The escrow agent/closing attorney will explain the settlement statement in detail, and you can request a copy prior to closing in order to familiarize yourself with the document.

Conclusion

We hope this Guide has answered most of your basic questions, and provided you a helpful framework in which to understand the process of buying and selling real estate. It is recommended that you contact the licensed real estate agent assigned to you to answer any questions you may have about the process.

