

The 4 Biggest Mistakes FSBO's Make (And How to Avoid Them)

From the desk of
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Your neighborhood REALTOR!

One of the biggest reasons people choose to forgo a realtor and sell their home themselves is to save money on real estate commissions.

The greatest downside is the demand on your time and the legal and financial risks. Mistakes may cost you the money you're trying to save. Don't become a statistic.

Facts reveal the median selling price of a home sold directly by an owner was almost 15% less than those who use a Realtor. Unrepresented sellers typically put less money in their pockets and are at more liability and risk to themselves.

However, that doesn't mean you can't do this yourself and still have success. It just takes some knowledge to help get you there.

When selling your home yourself, it is important to understand that you are now your own real estate agent. There are many important things that an agent does and knows, things that you may not be aware of. These things can end up costing you money, and lead to frustration.

That is why I put this report together, to help you avoid some of the common pitfalls and mistakes people selling their home by owner make.

If you have any questions, feel free to contact me, I will be happy to help.

MISTAKE # 1: Not Pricing Correctly

Get this wrong and you literally could cost yourself thousands of dollars. However, pricing a home too high can also cost you.

Over-pricing when you sell a home reduces buyer interest, makes competing homes look like better values, and can lead to mortgage rejections once the appraisal is in. Over-pricing when selling a home is the single biggest reason why many **"for sale by**

owner" home sellers don't sell their homes successfully. Remember: the home selling market dictates the price (not what you think it should be worth).

It is important to note that home buyer websites such as Zillow are not the best resources for determining what the fair market value of your house is. The information is usually not up to date, nor is it as accurate as it could be.

Looking at what homes in your neighborhood are listed at is also not a reliable resource—many homes are priced too high, and some could be distress sales. The best resource is looking at recent comps from the MLS, which is why I included a Neighborhood Value Report as part of this package.

TIP: Hire an appraiser to perform an appraisal. It is a small expense, but it is well worth it. You will know what your home is worth so that you do not lose out on money, nor will you suffer through a long time on the market because you are overpriced. Plus, you can use the appraisal in your marketing to justify your asking price.

BONUS TIP: Pricing your home slightly below market can draw lots of interest and lead to a bidding war, which will actually drive up the price.

MISTAKE # 2: Lack Of Exposure

Having a home on the MLS is a huge advantage as this is the most common method for getting a home sold. There is also the added bonus that MLS listings are the resource for home search websites such as realtor websites and Realtor.com.

The majority of home buyers are using the internet for their home search, so it is important to get your home as much exposure on the internet as possible, especially if it is not on the MLS. Craigslist is a great resource, as well as YouTube.

Look into For Sale By Owner sites. While most buyers are searching for “homes for sale” as opposed to “homes for sale by owner”, these sites can still be great resources for exposure.

Many offer packages that will upload your listing to your local MLS. (These sites will require you to offer a selling commission if you are listed on the MLS—see Mistake # 3)

MISTAKE # 3: Not Broker Protected

Deciding to sell on your own doesn't mean you should totally shut out real estate agents. After all, chances are an agent has your future buyer working with them. Agents can actually be a great resource of traffic, but one thing can keep that flow of traffic away...not offering a selling commission.

You should offer a commission to agents if they bring a buyer, and you should advertise that fact. Many agents are wary of dealing with For Sale By Owners because some FSBOs do not offer a commission.

Nobody works for free, and if there is no selling commission, agents will avoid your house like the plague. However, by offering and advertising that you are offering a commission, you greatly increase your chances of a sale.

TIP: Offering a slightly higher than normal commission or a commission plus a bonus is a great way to get real estate agents attention—this will motivate them to find a buyer for your home!

Keep in mind that real estate agents can be your ally...too many agents think of FSBOs as an enemy. However, I feel that it is possible to help each other out and that we can both benefit from this (as you have probably seen in my “Why Is An Agent Helping Me” video).

BONUS TIP: Print up fliers advertising your house, and make sure to include the commission offered, especially if it is a higher one and/or you are offering an agent bonus. Make sure to drop some fliers off at all of your local Real Estate offices.

MISTAKE # 4: Not Understanding The Process

Selling a home is second nature to a Real Estate Agent—it’s what we do. However, it can be a slippery slope for the novice. There are many mistakes that can be made that can lead to financial and/or legal messes.

Fortunately, the internet is a great resource to learn a little more about the process. However, if you decide to forego having an agent represent you, you should seriously consider hiring a real estate attorney.

The state of North Carolina recently updated and made changes to the standard Real Estate contract. Many agents are still getting accustomed to it, and even seasoned veterans have made mistakes.

A simple thing such as checking the wrong box or not properly wording a contingency can cost you thousands of dollars. Having an attorney look over a contract for you would be the best, safest policy. Plus, an attorney can provide you with all the necessary forms for a real estate transaction.

There are many other factors involved in the home selling process to consider, and I cover some of those in my Bonus Tips Section below.

BONUS TIPS

Here are some things you may not have considered in selling your home by owner:

~**Showing Availability:** the greater flexibility you have for allowing potential buyers to see your home, the better chance you have of getting it sold. If a buyer cannot get into to see your home, it is possible you may have lost a potential sale.

Typically, buyers will want to view homes in the late afternoon/evening after work or on weekends. Sure those aren't the most convenient times for you, but you want to try to be as flexible as possible.

~**Wasting Time With Unqualified Buyers:** If a potential buyer calls about your home and shows genuine interest, it is important to ask them if they have been pre-approved for a home mortgage. And it is important to know that they need to be pre-approved and not pre-qualified—there is a difference.

If anyone wants to make an offer, and they are not using an agent, you should require a pre-approval letter to accompany the offer.

~**Showing Cautions:** it is best when potential buyers are viewing your home that you are not present—buyers will not feel comfortable with the owner present, and even though you know your home better than anybody, it is best to let buyers explore your home on their own. This allows them to envision the home as their own.

However, some important things to remember when you allow strangers into your home....do not leave valuables such as jewelry laying out. It is also a good idea to hide prescription medications. Although rare, some people will steal items. Thieves may target you thinking that you are an easy target, so use caution.

It is also a good idea to get some basic information about prospective buyers, such as a copy of their driver's license. Have them fill out a guest book before showing asking for basic information. When showing your house, make sure to have someone there with you, even if you are leaving. Better to be safe than a statistic.

~**Following Up With Leads:** while it can be bothersome to have phone calls and emails pouring in, you have to realize that it is a very important part of the process to get your home sold. The faster you can respond to inquiries, the better. If a buyer does not hear back from you in a prompt manner, chances are they will move on to the next house

~**Repairs:** be prepared to make necessary repairs. Some loan programs, specifically FHA and VA loans, have certain standards for a home's condition. They will not fund a

loan if certain conditions exist, which means if repairs are not completed, the sale will fall through.

Buyers have the right to have a home inspection performed and to ask for repairs. While repairs are negotiable when they are not required by the lender, if a seller refuses to do asked repairs, then the deal can fall apart. If you know of an issue before selling your home, such as a leaky roof, it is best to make that repair ahead of time.

~**Seller's Disclosure:** The state of North Carolina requires all home sellers to complete a Seller's Disclosure. You have to disclose any known issues with your home that currently exist or you have experienced in the past. Some items include issues with a home's major systems (plumbing, electrical, structural, etc.), additions, and the existence of any easements or encroachments.

I hope this report will help you avoid some common mistakes FSBO's make, and allow you to successfully sell your home. If you have any questions, feel free to contact me.

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