

## Seller FAQ's

### What are the first steps to selling my home?

The first step is to make the house look appealing. If it needs new carpet or painting and you can afford the work, DO IT. If there are repairs that need to be made, get them done. Curb appeal is very important. Make sure the lawn and yard is well manicured. Flowers and potted plants always help. Oil stains and weeds in the driveway should be removed. When buyers drive through your neighborhood, you want to make sure they notice your house. If they like what they see on the outside, they will ask to see the inside.

Next have a Realtor® come and take a look at your house. Ask them to do a comparable market analysis. Realtors® will do this as a free service. They will research houses like yours that have sold in your neighborhood. What you want to see is what has sold in the past year and no longer if possible. Market conditions change rapidly.

If you are ready to put your house on the market, interview several Realtors® until you find one that you are comfortable working with. They will explain the selling process to you and work up a listing contract for you to sign. At this point your house will be put on the MLS and a "for sale" sign put in the front yard.

### Is it a buyers market or a sellers market?

When there are more buyers than sellers, it is a sellers market. Sellers can demand higher prices, negotiate more and get it and create the burden for the buyer.

When there are more sellers than buyers, it is a buyers market. Buyers can demand lower prices, negotiate more and get it and create the burden for the sellers.

In the Metropolitan Indianapolis Area, it is now a buyers market. Typically in our existing market, 50 percent of the houses that are listed don't sell.

### What does my agent do for their commission?

One thing you must remember is that the agent does not get paid unless they sell the house. They are out of pocket with all their time and expenses until closing. If they don't sell the house then all the expenses they have uncured are absorbed by them.

Do a Comparable Market Analysis of the house.

Explain to the seller how to get the most money for the house.  
Do a listing presentation for the seller.  
Fill out the Listing Agreement and all related forms.  
Fill out the MLS form and take measurements of the rooms.  
Complete all the forms and get house on the MLS.  
Get pre-liminary title work done on property.  
Create website, flyer and marketing material for house.  
Answer all sign calls, answer questions and possibly show the house.  
Do Open Houses on a regular basis.  
Report activity to seller and answer all questions on a regular basis.  
Accept and review offers on the property.  
Advise seller on received offer.  
Help seller negotiate offer.  
Coordinate offer with buyer's agent.  
Make sure all time lines on offer are met.  
Make sure all contingencies are met.  
Coordinate and be at closing.

How does the buyer's agent get paid?

The seller pays the buyer's agent commission. When the listing contract is executed it spells out the commissions. Even though the commission is paid by the seller, the buyer's agent works only for the buyer.

What are the advantages and disadvantages of "For Sale by Owner"?

The advantage is the seller has complete control and does not have to pay real estate agent commissions. The disadvantage is that they have to spend all their time doing all the work and don't get their house listed on the MLS. Most "For Sale by Owners" eventually list their property with an agent.

Are there advantages to buying a home warranty during the sale of the home?

Yes! It use to be that home warranties were for the buyer. The warranty started the day of closing and lasted a year. Now there are home warranty companies that start when the house is listed and protect the seller from any unexpected expenses while selling their house. Then when the house sells it transfers automatically to the buyer and continues for one year.

Buyers love home warranties. When they buy a house, they don't want to be concerned about repairs the first year. They generally just want to move in and live. Home warranties cost about \$400 a year with a small deductible on each service call.

What about lead based paint in my home?

If your home was built before 1978 the federal government requires that a lead based disclosure form be filled out. It asks if the seller is aware of any lead based paint in the home. If they are, they must disclose it.

What is my home worth?

The Realtor® can do a comparable market analysis on your home and determine its fair market value. Another way is to have an appraisal done. For about \$300 an appraiser can determine market value. Remember, appraising is an art form and not a science.

Who sets the list price of my home?

The seller always sets the price. If the Realtor® feels that the seller's expectations are too high, they can always walk away from the listing. It is not in the Realtors® best interests to take a listing that is priced too high. If the Realtor® takes the listing and it does not sell in six months because of price, the Realtor® looks bad.

Can I price my house higher than market value?

Yes you can but you probably won't sell it. Buyers see a red flag when they see a house priced over fair market value. Chances are that it will get less showings also.

Buyers generally have a price range when they start to look. Every house in the neighborhood might be shown to a buyer except yours because of the price. Buyers that are looking in your price range will compare your home to all the others they have seen in that price range. If yours is priced above market for no apparent reason, savvy buyers will know they can get more house for the money and look elsewhere.

It is best to price your house at market value.

Why should I fix my house up when I am not going to be living there?

Why does a used car dealer make their cars all clean and shiny? They want to make their cars look appealing to the buyer. They will sell more and make more money faster.

If there were two houses that were identical in price, floor plan, age and lot, but one needed some repairs, new carpet and paint and the other one did not, which would you buy? The one that needed the work might get offers but they will probably be low ones. Buyers do not want to buy a

home and have to do a lot of work on the home before they move in. Today's buyer wants to move in and live.

Do buyers like furnished houses better than empty houses?

It depends on the house. Buyers like to walk into a house and picture their furniture in the house. The less distractions the better. If your house is filled with furniture, tons of personal pictures on the walls and very little free space, this could be a problem for a buyer. Houses with minimal furniture and no personal effects distract buyers the least.

Is it better to fix things, have new carpet/paint or just give allowances to buyers?

If you can afford to have things fixed up before putting your house on the market you are ahead of the game. Otherwise giving an allowance to the buyer is fine. Chances are that the house will take longer to sell without being fixed up first.

The buyer has made an offer...now what?

It is up to your agent to present you the offer and give you recommendations. A seller can do one of three things. They can accept the offer as is or put together a counter offer or do nothing and let the offer die at expiration. (Offers have expiration dates and times. If the seller does nothing until after the expiration, the purchase agreement is null and void.)

Your agent will recommend to you what is in your best interests to get the deal done.

What is earnest money?

Earnest money is sort of like a deposit on the sell of the property. In the eyes of Realtors® and sellers, the more earnest money you give, the more serious the offer. In a case where the seller gets multiple offers, the earnest money amount may be taken into consideration as to which offer to accept.

What happens during negotiations?

A seller who gets an offer has the option of writing a counter offer. Basically a counter offer is an acceptance of an offer except for the items listed on the counter. These items can be price, allowances, repairs, closing dates, closing costs, earnest money etc. The buyer then has the option of countering the counter. This can go back and forth many times

until a deal is agreed to or until either the buyer or seller quits the process because they could not come to terms.

What is involved in the Home Inspection?

When a buyer and seller agree to a deal, it may be based on a home inspection not turning up any major defects. A home inspection company will go through all the components in the house making sure everything is in working order. Electrical outlets, water faucets, windows, doors, heating and AC, water heater, stove, refrigerator, dishwasher, roof are just a few of the components. Some inspection companies bring in a laptop and a printer and furnish you with the report at the end of the inspection. Others send it to you a few days later.

On average the inspection lasts about two hours and the buyer is encouraged to attend. Inspections can be another point where negotiations are made.

What are the general time lines between an accepted offer and closing?

In general closings are usually 30-45 days after contract acceptance. Some deals can close as soon as 10 days and some deals take 2 months. Each deal is different. All dates for the timeline are spelled out in the purchase agreement. Most items are from the date of accepted purchase agreement. The following in the purchase agreement determine the timeline:

Time for obtaining financing (number of days from acceptance)  
Closing (date)  
Buyer's insurance commitment (number of days from acceptance)  
Inspection and response period (number of days from acceptance)  
Homeowner association documents (number of days from acceptance)

If the buyer and seller agree to in writing, days and dates can be pushed back.

The Realtor did a Comparable Market Analysis. Why is my home being appraised?

The mortgage company requires an appraisal from a licensed certified appraiser. Realtor® can only do comparative market analysis unless they are licensed appraisers also. An appraisal is much more than a comparative market analysis. This protects the mortgage company from giving a loan on a house that appraises lower than the agreed to price.

What is a pre-closing walk-through?

If there were negotiations during the inspection process and repairs were made, the pre-closing walk-through gives the buyer the chance to inspect the repairs and make sure they were done before closing.

What happens at closing?

Closings generally take place at title companies. The seller traditionally chooses the title company. From the time the deal was signed to the closing date, both Realtors® are in contact with the title company sending them needed information for the closing. By the closing day the title company should have all the information needed to close the deal.

At closing both buyers and sellers sit at a table along with their Realtors® (State law requires that Realtor® attend the closing) and the title company closer. The title company closer is in charge. They usually have a stack of documents that have to be reviewed and signed by both buyers and sellers. Most of the documents are mortgage documents that the buyers will sign. The sellers have it pretty easy. Realtors® usually are making sure their documents are in order and sometimes are getting last minute signatures on disclosure statements.

Once everything is done and signed, the closer leaves the room for about 20 minutes to send documents to the mortgage company so that they will release the mortgage funds. The closer will also make copies of documents for everyone. The closer will then give a check to the seller and give the Realtors® their commission checks. The seller hands the house keys to the buyer and the deal is done.

What are typical closing costs and can you explain them?

Realtors® Commission

Title Insurance – This protects the seller in the future of title problems.

Deed and Affidavit – Title company charges

Property taxes – Usually about one year's worth.

Document Prep Fee – Title company fee

Messenger Fee – Title company fee

Recording Fee – Title company fee

These are typical fees paid by the seller. Each transaction can vary.

What about capital gains on my sale?

Since 1997 you don't have to pay any capital gains taxes on the sell of your home. Any gains up to \$500,000 for married couples and up to \$250,000 for singles are tax free, as long as you're selling a principal residence, you've lived in the house 2 of the last 5 years and you haven't sold your previous house within 24 months.

## Buyer FAQ's

I want to buy a home...How should I get started?

You could just start driving around the areas you like looking for houses for sale, calling the listing agent, ask questions and have them show it to you. There is a much better way. Talk to a Realtor® first and tell them your needs. They will help you determine the price range you can afford, give you listing sheets and show you houses within you parameters. This can save you lots of time.

What does loan per-qualified/pre-approval involve?

Usually a phone call to a bank or mortgage company giving them permission to check your credit. Depending on your credit and income, they will be able to tell you how much of a mortgage you can afford. When offers are made on houses, the seller wants to know if the buyer can get a loan. By getting pre-qualified or pre-approved first you get a document that can be given to the seller at the time of the offer that says you can get a loan.

What are the most important things in searching for a new home?

LOCATION, LOCATION, LOCATION! After that comes price and amenities. You generally have an idea as to what area you want to live. A Realtor® can tell you if the house you are looking at is priced right, what will affect property values in a community, can determine historically if a neighborhood is stable and homes retain value, should be able to tell you the zoning of the empty field behind the house you are looking and how it could affect the house value. They can also tell you what features of a house will help in the future resale.

What is a daily automatic MLS search and how will it help me?

A Realtor® can set up a daily automatic search for you so that anything new on the MLS that meets your parameters is sent to you by way of email. This will keep you on top of all new listings and give you the edge in seeing it first.

What should I expect of a buyers agent?

A buyer's agent represents you as a client. They should be able to help you through the whole buying process, finding houses for you to see, helping you find satisfactory mortgage companies, inspection companies and anything else that you might need in the home buying process. A

buyer's agent represents the interest of the buyer as a buyer's agent when showing other agents listings. A buyer's agent owes duties of trust, loyalty, confidentiality, accounting and disclosure to the buyer. However a buyer's agent must deal honestly with a seller.

Who pays the commission for the buyer's agent?

Usually the seller pays all commissions. If the buyer has signed an exclusive buyer's agency agreement then they could be responsible for some or all the commission. This is not customary in Indiana but still happens occasionally.

Will the buyer's agent show me "For Sale by Owner" homes?

Realtors® don't generally work for free. If the FSBO owner is willing to compensate the Realtor® if you were going to buy it then the buyer's agent could show you the home. If the buyer were willing to compensate the Realtor® on the sale of the FSBO then it could be shown.

How do I know which neighborhoods I want to live in?

First find out through your Realtor® which neighborhoods you can afford to live in. Then drive through them looking for things you like. Are yards and gardens kept up? Do driveways have 6 cars parked in them? Are there basketball goals setups at the curbs? Are there a reasonable amount of houses for sale in the community? Do you want lots of kids in the neighborhood? Are the common areas kept up? Sometimes it is wise to drive through the neighborhood at different times during the day. You can see what traffic is like on the main roads. The real answer is "What is important to you?" Ask your Realtor® to help you.

What are the most important factors in picking a house?

Location, price and amenities. You want to find a house that is in the right location in the neighborhood, priced right and has the amenities that you want. Amenities can be a club house, community swimming pool, community tennis courts, playgrounds etc. Also when buying a house, consider the resale value. If you plan to live there 10 years it is not as important. If you plan to sell within 5 years it can become very important.

Are school districts important?

It depends on the buyer. It can be important then again some buyers don't consider it. There are many websites where you can go to check out school systems. One of the websites is [www.greatschools.net](http://www.greatschools.net)

I have narrowed my search down to three homes. How do I pick one?

Flip a coin?...Just kidding! It really depends of your motivations. How long do you plan on living there? Is resale important? Is the neighborhood stable? Which house fits my lifestyle the best? Are all the houses in move in condition or do they need work and can you afford the time and expense of having work done before you move in? Ask your Realtor® to help you with this. They may be able to find things about each house that you are not aware of.

I have found the home of my dreams but I want the curtains and appliances. How do I get them with the offer?

Ask for them!!! Sometimes sellers are willing to give them up just to sell the house. Sometimes they can be negotiated by house price. Sometimes the seller won't give them up under any circumstances. You would be surprised what can be negotiated in the sell of a home when the seller is motivated.

I am ready to make an offer. Should I ask List Price?

First off, ask your Realtor® what the list price to sale price ratio is in the neighborhood. This is the percent off list price that past sellers in the neighborhood have taken on the sell of their homes. This can range from 0% to 10 percent depending on the neighborhood. If you are not asking for anything else then getting the ratio percent is usually acceptable. If the Realtor® finds out there are possible multiple offers because of the property, it is wise to offer list price or as close to list as possible. If you really want the house, it is not unusual to offer over list. The big consideration here is, will the property appraise for that amount. If you are asking for closing costs and repair allowances then it is wise to ask close to list price or even list price. There are many things to consider and a Realtor® can help you with this.

What happens if there are multiple offers? (Two or more offers at the same time)

The seller usually chooses the one that gives them the most money or the best deal. Sometimes the seller will tell the buyers agents that they have multiple offers and they are not going to accept any of them. They then ask for the buyer's agents to again get with their buyers and write up their best deal for the house and submit it. The seller then decides. This forces the buyers to give their best deal for the house or walk away from it.

How can I make my offer look good from the start?

If the house is priced right, a full price offer would not be out of the question. Offer as much earnest money as you can. This shows that you are serious with your offer. Don't ask for any closing costs or allowances. Traditionally the buyer pays for the closing cost fee, survey and the buyer's mortgage insurance policy. The cleaner the offer (not asking anything from the seller) the better the offer will look to the seller.

What happens during negotiations?

Your buyer's agent has given the offer to the seller's agent who in turn gives it to the seller. The seller likes the offer except for a few items. The seller's agent then writes a counter offer that the seller likes and gives it to the buyer's agent who in turn gives it to the buyer. The buyer can accept it or have their agent write another counter offer that the buyer likes. This can go on 5 or 6 times or if the parties are not coming close to a deal they walk away without an agreement. Every negotiation is different.

What are the general time lines between an accepted offer and closing?

Traditionally in the MIBOR area it is 30 – 45 days. It can be done in as little as 10 days and as much as 4 months. This depends of what the buyer and seller agree to.

What is a pre-closing walk-through?

Typically one of the contingencies in a house sale is an inspection done by a licensed inspector that shows no major defects. Usually during the inspection other things turn up that need to be repaired. If the seller agrees to have them repaired, the buyer has the right to do a pre-closing walk-through to make sure the repairs have been done.

Once a closing date has been set, can it be changed?

Usually anything can be changed as long as the seller and buyer agree to it in writing and signed by each.

What can I expect at closing?

In Indiana closings take place at Title Companies. They are usually held in small conference rooms with the seller, their agent, the buyer, their agent and the closer from the Title Company. It is not unusual for the buyer's mortgage company representative to be present. Indiana state law

requires the seller's and buyer's real estate agents to be present. The closer is in charge and goes through a stack of documents that need to be signed by both parties. The buyer should be prepared to sign about 30-45 documents. Once all documents are signed, the closer leaves the room to get copies made and checks for the different parties. The seller then gives the house keys to the buyer. The closing is done.

What are typical closing costs and can you explain them?

Closing costs can vary depending on Mortgage Company and Title Company. Here is a general breakdown;

- Mortgage Company
  - Loan origination fees
  - Loan discount fee
  - Appraisal fee
  - Credit report fee
  - Underwriting fee
  - Tax service fee
  - Application fee
  - Prepaid items
    - Interest
    - Hazard insurance
    - County property taxes
- Title Company
  - Closing fee
  - Survey fee
  - Document prep fee
  - Title insurance fee
  - Courier fee
  - Recording fee

These fees can vary greatly but generally in total are in the \$1500 to \$3500 range for a house priced at \$100,000 with good credit. The higher the loan amount, the higher the mortgage company fees will be. Loans fees can also be based on credit scores. The lower the score, the higher the fees.

Many times the deal can be made where the seller pays closing costs or a good portion of them and the buyer needs very little money to close the deal.

How do I find a good mortgage company?

Ask your Realtor® for names of companies that they have used in the past. Realtors® usually have good recommendations because their business depends on good mortgage companies. Visit them and find one that you are comfortable working with.

What kind of mortgage loan do I want?

One that you are comfortable with. Mortgage companies today have many different products. Discuss your needs with the mortgage officer and see what they can offer.

How much can I afford?

A good rule of thumb is 2.5 times your yearly income. This can vary depending on your credit score and type of loan.

Do I have to have a down payment?

Not always. Again depending on the loan type. Sometimes you can get the seller to make your down payment for you.

Suppose my credit is not very good?

A mortgage company can check your credit and tell you how to improve your credit score over 6 months to a year.

The house I want needs a lot of repairs. Can I borrow money for the house and the repairs?

There are certain types of loans that will allow you to do this. Talk to a mortgage company and see what they have to offer for this type of house.

Will I need mortgage insurance?

If there is a mortgage, the mortgage company will require a mortgage insurance policy. Usually the cost is between \$125 and \$200.

What is the debt-to-income ratio lenders use to qualify borrowers for loans?

Your debt-to-income ratio should be less than or equal to 36 percent. This means that your bill payments should not be more than 36 percent of your income.

Will I be able to see the results of the appraisal?

The mortgage company will require an appraisal of the property to make sure it is worth the money they are lending. The buyer usually pays for it and it is their property. You will be given the appraisal at closing or it will be mailed to you by the mortgage company.

Suppose I don't have any existing credit?

Today there are lenders that will give you a mortgage if you don't have any existing credit but have a credit score and pay for public utilities. Ask your Realtor® for their names.

If the appraisal comes in lower than the price we offered, and we want to back out of the deal, can we get our earnest money back?

Generally yes. The purchase agreement states that the deal is contingent on the buyer getting financing. If the buyer can't get financing because the property won't appraise, then you should be able to get your earnest money back.

If I make an offer on a house and it turns out that I can't get a mortgage, can I cancel the deal and get my earnest money back?

Generally yes. It is the same answer as above question.

Is a survey necessary?

It used to be yes. Now, not so much anymore. If it was necessary, it would be a mortgage company requirement. Today most mortgage companies don't require surveys if the property is in a plotted community. They most likely would require a survey if the house was on many acres of land or it was on unimproved land.

What does a loan application look like?

Since most loans are eventually sold to Freddie Mac and Fannie Mae, they require a uniform residential loan application. This has become the industry standard. See the form here [www.TimLordRealtor.com/buyers/1033.pdf](http://www.TimLordRealtor.com/buyers/1033.pdf)