

The Home Selling Process



12 steps to Selling Your Home in the Shortest Amount of Time at the Highest Possible Price

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Chapter 1 - Broker - No Broker

The first decision is whether or not to use a real estate broker. The number one objection to using a broker is the 6% to 7% commission that is usual and customary in the industry.

First let's talk about how the real estate industry works. A buyer begins to investigate the market by perusing Realtor, Zillow, Redfin, etc. On these sites he finds homes that are listed by a broker and those that are for sale by owner, FSBO. When he sees a few that he likes, he has to call a broker to gain access to the listed homes. It is usual in the industry that, before the broker begins work for the buyer, a contract is signed spelling out how the broker will be paid. The usual and customary rate for a buyer's broker is 3%. This applies to both the listed homes and FSBO homes.

When the broker calls the FSBO owner for a showing appointment, he will normally inquire as to the owner's willingness to pay the broker's commission. If the owner is not willing, then the buyer must adjust his offer to accommodate the buyer's broker expense. Although it may not be obvious, the owner is paying the buyer's broker one way or the other.

Let's get back to the 6% to 7% the listing broker charges. This cost includes the expense of the buyer's broker. While usual and customary, this commission rate is not set in stone. In most communities there will be a few independent, full service brokers who are well qualified but offer a lower rate, sometimes as low as 4%. As this rate also includes the buyer's broker expense, many sellers are willing to pay the extra 1% to avoid the hassle of showing management and to obtain the broker's expertise in negotiation and contracts.

There are also limited service brokers who offer to list the home in the MLS but require the owner to manage the showings. Depending on state regulations, they may or may not assist with negotiation and contracts.

The cost of limited marketing should also be considered. Realtor.com and Zillow are the big dogs in the industry and each accounts for about 50% of the online real estate traffic. In order to attract the largest number of buyers and the highest price, a home should be listed on both. The Zillow platform is available to both brokers and FSBO owners. Realtor.com is available only to real estate brokers.

Chapter 2 - Choosing a Broker

If you decided to list with a real estate broker the next challenge is to select the right one. Here are a few things to consider.

Experience: This isn't just the number of years a broker has been in business but also the number of transactions the broker handles each year. It is far better to hire a broker with 3 years experience doing 50 deals a year than one with 20 years experience but only 5 deals a year. Try to find a broker who is in the top 1 to 2% of the brokers in the local Realtor Association.

Credentials: Brokers usually acquire various designations as they progress in their careers. The top three are the CRS, GRI and ABR designations.

Certified Residential Specialist, CRS, is the most difficult designation to achieve from the National Association of Realtors. CRS agents must meet stringent educational and experience requirements. That's why only 3% of Realtors are Certified Residential Specialists.

A Graduate of the Realtor Institute, GRI, requires extensive (60 classroom hours) of comprehensive real estate education. Nationally, only 15% of Realtors hold the GRI designation.

Accredited Buyer's Representative, ABR, requires participation in a two day course that focuses on the skills needed to represent a real estate buyer.

Availability: Most real estate brokers are available seven days a week. However some are not. Find out from the brokers you interview what days and hours they will be available to answer your questions and deal with issues that come up in the real estate transaction. Also, if the broker is part of a team, will other team members be available during the same hours.

Scope of Marketing: Will the broker be putting the listing only in the MLS or will it also be syndicated to Zillow, Trulia, etc.

Chapter 3 – Marketing

If you decided to use a broker, they should provide all of the following services at no additional cost. If you decided to go the FSBO route, these are the steps to follow to attract the largest number of buyers and obtain the highest possible price.

Staging: Staging is more than just tidying up the home. It is a process where you emphasize the spaciousness and quality of the home so that it appeals to the greatest number of buyers.

There are two types of stagers.

One works primarily with builders who bring in furniture and decor and manually stage the home.

For owner occupants, only a staging consult is needed. The stager will spend time with you in your home explaining how everything should be arranged, what should be packed away and what should be left out on display.

Photography: Shooting the interior shots of the home is one of the more difficult assignments for a photographer. The problem is the high contrast between the light coming in the windows versus the dark corners or hallways. No matter how expensive the camera equipment, if the photographer is taking single exposure photos, the light coming through the windows will be overexposed and the darker areas of the room underexposed. To correct this, the photographer should use a multi-exposure camera system that will take multiple images at different exposures and then merge the photos so that every part of the photo is at the correct exposure. Top real estate photographers will also post-process the photos to eliminate any blemishes and make sure that each photo is "picture-perfect".

Pricing: The number one factor determining how quickly a home sells is the listed price. No matter the quality of the home, the picture-perfect staging and photos, an overpriced home will sit on the market

with few or no showings and no offers. Conversely, the worst, trashed out home will sell quickly if priced in or below market.

What is “the market”? We all know that price is established based on supply and demand. Low supply and high demand equals an accelerating market with high prices that are going even higher. High supply and low demand equals a decelerating market with low prices going lower.

The market for a home is established by the “pool” of buyers searching a given area in a specific price range. The larger the number of buyers in this pool, the higher the price. Conversely, if there are only a few buyers in the pool the lower the price. Ultimately the “best” buyer in the pool sets the purchase price of the home.

How does the seller go about determining the right list price? This is part art and part science. Start by reviewing the recent sales in the neighborhood. This works well in newer neighborhoods where the homes are similar. It becomes more difficult in the older more diversified neighborhoods. Also look at what is for sale to determine the competition with the home. An objective analysis should lead to a realistic price range for the home. In an accelerating market the seller can price in the high-end or even slightly above that range. In a decelerating market the seller should price in the low end or below the range.

Setting the list price too high is a greater risk than setting the list price too low. Setting the list price low generates higher interest, higher demand and a greater likelihood of multiple offers above the asking price. Setting the list price too high and the home will languish on the market and become stigmatized.

“Listen” to the market. If the home is receiving few or no showings, the price is significantly too high. If the home is receiving showings but no offers, the price is somewhat too high. The more quickly a seller appropriately responds to what the buyers are “saying”, the quicker the home will sell.

Chapter 4 – Publishing

Now it’s time to publish your listing to the Internet. For the FSBO owners, Zillow is your best platform but there is also ForSalebyOwner.com, FSBO.com, Fizzer.com, etc.

If using a broker, the listing will be entered into the MLS and should also be syndicated out to hundreds or even thousands of other real estate websites.

Chapter 5 – Showings

When a request comes in to show the property, the process is the same regardless of whether the owner, broker or showing service is involved.

For FSBO homes, the buyer or buyer’s broker calls the owner and negotiates a showing date & time.

For listed properties, the request will go to the seller’s broker or to a showing service that the broker may employ.

If the broker or broker's office is involved, they communicate the request to the seller and reply back to the buyer's broker. The issue here is the availability of the broker or staff to receive the request. They may be busy with multiple clients and in-process transactions. They do sleep from time to time and their office will be closed. If a showing request comes in at 8 pm for a 9 am showing the following day, will they be able to respond appropriately?

This issue is eliminated by the use of a showing service. Paid for by the broker, the showing service is available 27/7 via phone or internet. The showing service immediately communicates the request via text, email and voice call to the seller. The entire process is automated to insure the fastest possible service.

Chapter 6 – Negotiation

Once again, here is where experience counts. Most people, including brokers, do not like the negotiation process. They feel that there is too much gamesmanship involved and they're right. But if the game must be played, you'll need to know the rules.

If going the FSBO route, and you don't have a ton of experience in negotiation, you'll need to educate yourself on the process. Harvard University has a department of Negotiation and Conflict Resolution which publishes scholarly works on negotiation. A book that I found most helpful was "Never Split the Difference: Negotiating Like Your Life Depended on It" by Chris Voss.

If working with a Broker, hopefully you have chosen one that understands and is skilled in the process. Again, experience counts.

Chapter 7 – Contracts

For FSBO owners, most states have an "approved" form that is available to the public or an attorney can be hired to draft the paperwork.

If a Broker is involved, they should be familiar with the state forms and be able to complete the paperwork at no additional cost.

Chapter 8 – Inspections

Now the real work begins. Up to the point of signing the contract, the seller and buyer had equal control. With contract signing, control shifts to the buyer. Virtually all real estate contracts include provisions for the buyer to opt out of the contract at specific points in the process. Inspection is the first.

The buyer will have the right to bring in any number of inspectors to evaluate the condition of the home and write a report on their findings. This would include a general home inspection plus possibly radon, mold, meth or marijuana inspections. For rural properties, well and septic inspections are common.

If any red flags come up on the initial reports, contractors may be called in to evaluate or provide estimates for work that needs to be done.

Armed with all this new information, the buyer has a strong position from which to renegotiate. He can ask for work to be done prior to closing or that the price be reduced to accommodate the needed repairs. This is where your or your brokers negotiation skills will be put to the test.

Chapter 9 – Title

While inspections are ongoing, the title to the property will be examined to make sure that there are no potential ownership problems. Any issues that are found must be remedied prior to closing. At closing the title company will issue title insurance to guarantee title to the buyer.

Chapter 10 – Appraisal

The appraisal is the lender's inspection to determine the market value of the property and to determine if the home meets the criteria for the type of loan being applied for. Government backed loans like FHA and VA hold their appraisers to higher inspection standards than do conventional loans. Upon receiving the appraiser's report, the lender can also ask for repairs to be made prior to closing. If these requirements are not met the lender will not approve the loan. Again, this is the buyer's opportunity to renegotiate the deal.

Chapter 11 – Survey

The survey process determines whether or not there are any encroachments onto or from neighboring properties. Prior to closing any encroachments found must be corrected.

Chapter 12 – Closing

Finally, all the work is done and it's time to sell the home. Normally this involves meeting at the title company to sign all the necessary documents and receive the proceeds from the sale. If the seller or buyer cannot be present at closing, documents can be overnighted for signatures and returned in time for closing.

There you have it. Twelve simple (but not always easy) steps to selling your home in the shortest amount of time at the highest possible price.



About the Author

Chris Clark was raised on an Oklahoma ranch in a residential construction family. Founding his first construction company in 1972, he has been involved in the real estate industry ever since.

He began his current brokerage business in south Texas in 2006. He opened his Pikes Peak office in 2015.

He has been recognized as one of the 10 Best Real Estate Agents in Colorado by the *American Institute of Real Estate Professionals*.

He is consistently featured in *Real Producer Magazine* as being in the top 1% of all brokers in the Pikes Peak region.

He has been awarded the designation of Certified Residential Specialist. CRS agents must meet stringent education and experience requirements. That's why only 3% of REALTORS® are Certified Residential Specialists.

He is a graduate of the REALTOR® Institute and holds the GRI designation. Nationally only 15% of REALTORS® attain this designation.

As a REALTOR®, he belongs to the National Association of REALTORS® and is held to a higher ethical standard than licensed brokers and must adhere to a Code of Ethics.

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