



Home Selling Guide

Version 3

<http://www.VirtualFSBO.com>

We have designed this Home Selling Guide to be easy to read, use, and understand. By eliminating all of the technical jargon, we help you to get down to the business of selling your home and concentrating on those potential buyers. This handbook is the quickest route to becoming an effective seller and creating comfortable environment for the buyer. Time is money, and we have tried to make this the best "boot camp" there is for FSBO's. There are no long, drawn-out definitions or ambiguities. Just a quick, step-by-step guide to preparing your home and completing the sale.

The information provided in the Home Selling Guide is deemed reliable but is not guaranteed. All information provided has been verified or has been proven through actual market testing. The enclosed material has been extracted from the real estate, mortgage and title industries. Always consult a professional when addressing your specific real estate laws and issues.

"For Sale by Owner" Sign

49% of buyers found the house they bought because of the sign. They choose the neighborhood because of the school district, employment, shopping, etc. They will drive around that neighborhood and inquire about the houses they find for sale.

You should purchase a two-sided sign complete with a wire stand that includes your contact phone number on it. The sign could be attached to a post for a more professional look (similar to those realtors use) and placed in the ground at the most optimal visual point on the property.



The Rider:

A rider is a smaller sign that you can attach to the bottom of the "for sale" sign. Riders are used for displaying pertinent information regarding highlights about the home or creative financing options.

Examples of display riders:

POOL

SPA

SOLD

HOME WARRANTY (an excellent selling feature!)

1/2 ACRE

OWNER FINANCING AVAILABLE

SELLER CARRY

Plus many more...

Riders can be purchased at large "do-it-yourself" home improvement stores, sign shops or local "Association of Realtors" stores. You can also purchase a mailbox for displaying your flyers at any of these locations.

Sign Post and Mailbox

A professional display of the for sale sign is a must!! Curb appeal is one of the major attractions that will draw potential buyers to your home. We will discuss the importance of curb appeal later in the handbook.

The signpost is the foundation that holds your advertising assembly together. Unless you are a do-it-yourself person, you will want a post company to install the post into the ground. If a service exists in your area, you will probably find them by looking in the Real Estate section of the phone book. If you cannot locate one, call a local Realtor and ask them who they use. They will be happy to steer you in the right direction in the hopes of your future business!

Another way to locate a sign post installation company is to locate an already installed post. Inspect the post and see if you can find a name or phone number on it. It will be located in an inconspicuous spot.

Some post installation companies will provide a mailbox to hold your flyers. Before you purchase a mailbox, check with them. If you need help installing the "For Sale" sign and "Rider" onto the post, ask your post installation guy. They will usually install the entire sign assembly at the time the order is placed. Charges for these services run between \$15.00 and \$30.00 round trip. In other words, they will install it when the order is placed and remove it when you sell your home (you will need to call them at that time!). Regardless of the amount of time you use the post, you should only be charged a one-time fee.

Advertising Flyer

After you have successfully input your contact and property information into your house listing on www.virtualfsbo.com, you will need to take pictures of your home to be posted with your listing. Pictures can be sent by email to us at support@virtualfsbo.com.

The advertising flyer is your property's "brochure." The purpose of this flyer is to provide quick facts and help buyers remember your property, so it should be clear and brief. Provide all the pertinent facts (address, price, number of bedrooms and bathrooms), highlight special features, provide your contact information and include a picture, if possible. Put flyers in a tube on your For Sale Sign for people to pick up, and always provide them to anyone who views your house.

Comparative Market Analysis (CMA)

The CMA (or Property Profile) can help you determine a competitive price for your home. This document may be named something different depending on your geographical location. You can order one of these by calling your local Title or Escrow office customer service department. Let them know you are a "FSBO" and they will be happy to help you. (You can also get one online within minutes [here](#)).

Why? Title and Escrow companies would like you to use them to complete the Title or Escrow work on the sale of your home. They will take care of you and look after your best interests. They are actually a disinterested third party and their job is to look after both you and the buyer and to make sure the legal documentation is recorded properly.

The CMA contains the public record documentation that has been recorded on the property, information regarding important characteristics of your home and geographical information such as schools, government offices, and medical facilities. It also records recent sales that have occurred in your neighborhood.

All recorded documentation is a matter of public record and copies can be obtained at the County Recorders Office for a small fee. It even includes information regarding who you make your mortgage payment to. The interest rate, however, is not available as public record although it has been known to show up on other recorded documents.

The CMA will not only consist of the recorded information on your home, but also:

- the total square footage of the lot and your home.
- the number of bedrooms and bathrooms you have.
- a map of the utility easements specified by the city or county engineers.

Title companies package this information and provide it to their customers, usually at no charge. Imagine how long it would take you to acquire this information by researching it yourself!!

Determine a Sales Price

When reviewing your CMA, you should only be interested in properties that have sold in the last six months and within one mile from your home. These parameters are established because of appraisal guidelines. Try and locate 3 properties that have sold and closed escrow within that six-month period. If there aren't any, then find the most recent sales that have occurred. Compare all of the similar characteristics of your property and those that have sold. Here is a list of some characteristics that comparable sales will have:

- total number of rooms in the house
- number of bedrooms
- number of bathrooms
- Stories (levels)
- Quality of the home (condition)
- Roof material

- wall material
- number of patios
- square footage of patio
- square footage of pool
- number of garages
- square footage of garages
- number of units (how many dwellings or how many families can live apart from each other)
- year built
- square footage of lot or number of acres
- square footage of building
- square footage of living room/family room
- number of fireplaces
- A/C type
- Heating type
- Date sold
- Price per square foot
- Sales price or loan amount

Using a highlighter on your property, identify the year built, square feet of the lot and the house, the number of bedrooms, total number of rooms in house, number of garages and fireplaces, and any other item that is pertinent to your home. Now compare each characteristic of your home with others. You should find some properties that have sold which are exactly like your home, especially if you are in a housing tract. The selling price of one of those homes will be a good ballpark figure. You might want to start at the one that sold at the highest price, depending on the listed "condition" of both properties.

The necessary adjustments for upgrades should be considered when arriving at the sales price. This is not an "appraised" value, but an "estimated" value. If you have considerable upgrades that have been done to your property, then you should speak to a professional regarding the value of your home. The value of the upgrade will be determined by the geographical area the home is located in, not the cost of the upgrade itself.

WARNING! The actual cost of an upgrade does not raise the value of the property by the amount of the upgrade cost. For example: If you paid \$20,000 to add a pool, the value of the home might increase \$10,000. To get a more accurate "estimate", contract a local appraiser. Typically, a CMA will not provide you with the numbers to make those adjustments. The kind of pool and the property's geographical area (neighborhood aggregate value) will determine how much the adjustment will be.

If you do call an appraiser, **DO NOT ORDER AN APPRAISAL!** Explain to them that you are an "FSBO", and ask them to help you place a value on the upgrade that will be consistent with similar values in your neighborhood.

Advertising That Works!

- [Action Words Demographic Markets](#)

[Example Ads Advertising Budget Advertising Tracking Sheet](#) We have covered 49% of the sales percentages by introducing you to the statistics on the sign in front of your home. This section addresses the other 51%.

Advertising on the Internet

Did you know that as of 1990, there were 148.5 million English-speaking citizens using the Internet worldwide? (SOURCE 1990 U.S. Census) That number will show substantial increases after Census 2000.

Did you know that 70% of people who have internet access will shop the internet for a home before they step out their door to go driving around or even before they call a Realtor?

These are staggering numbers, and we are still in the infancy stage! You have definitely taken the right step by advertising your home on the World Wide Web. Your audience is much greater than that of the Multiple Listing Service (MLS) utilized by the Real Estate industry.

Other Advertising Sources

In this section we include other media you can utilize to advertise your home, as well as example ads with ideas for writing your own ads.

The following is a list of possible advertising sources, places to present your home to potential buyers.

- Your local major newspaper
- Local Real Estate newspaper and magazine
- Homes for Sale magazines
- The Home Trader
- Local minority newspapers
- Local Military Base newspaper
- Cable television Real Estate channel
- Major city newspapers

To find the phone number for the above sources, call information (1-area code-555-1212) and they will be able to help you. OR try the internet. Many newspapers now have internet access, and allow you to place your classified ad online!

Advertising in Local Newspaper and Magazine Media

The best ads are short and to the point. They are full of action words and start with a strong opening line. Ads written in this format will draw the curiosity of the reader and leave something for them to call about. You should consider putting your address in the ad in order to alleviate phone calls from people who just want to drive by and look (preferential consideration). The phone calls you will then receive are those people who want to see more than just the outside.

Utilizing action words in your ads will produce action from your audience. Believe it or not, when using words such as safety, status, money, health, etc., you are target marketing your audience. Take into consideration your wants, needs and desires when you purchased your home. Do you think a person who thinks the same way as you did would purchase it? Not necessarily. If you have owned your home for awhile, think about how your neighborhood has changed and grown in the last few years.

Unless you are transferring, you are probably moving because your desires have changed. No more kids, more kids! Less upkeep, too much upkeep! Need a bigger workshop! The bottom line is things change, people change, times change. Take a look at your new neighbors, those who recently purchased a home in your neighborhood. Ask them what it was that drew them to this particular neighborhood.

With the previous information, clear your mind and start from scratch. Determine which target market audience would be most easily drawn into your neighborhood. Refer to the page of action words and example ads to assist you in writing your ad.

How to Handle Phone Calls

- [Telephone Response Checklist](#)
- [Phone Call Tracking Sheet](#)

Due to your successful advertising campaign, you will start receiving phone calls. An important thing to remember is that people are just going through ads and calling any ad that grabs their interest. It is more important to remember that the first impression is everything, even over the phone! You do not want to lose a potential buyer because someone in your household knows nothing about the details of your home.

This section includes a [Telephone Response Checklist](#). It should be completely filled out and a copy placed by every phone in the house for easy reference. Explain to everyone in the family what it is for and its importance!

If you are unable to answer the phone at any time, provide an answering machine or voice mail with details about your home. For example:

Hello, you have reached 777-7777. If you are calling about the home for sale, here are a few details: Our home is 2599 square feet and sits on a large 500x600 square foot lot in an extremely quiet neighborhood. Two of the three bedrooms are upstairs overlooking the beautiful city lights. In addition, the upstairs features a loft and an adjoining full bathroom. The loft can be utilized as an office or a den with a few minor changes. Currently it is being used as a study area for our children. Downstairs features a formal dining room, large family room and living room, plus a very large country kitchen. The large master bedroom and bath are located on the east side of the home providing the utmost in privacy. A convenient laundry room is located at the far end of the three-car garage. All three garage doors have automatic door openers. This home is competitively priced at \$145,000. If you would like to

make an appointment, leave your name, number and the best time to call you back. Thank you!

It take about 45 seconds for potential buyers to listen to the message and the messages that you retrieve should be interested parties only! Realtors rarely leave messages. Using the term "competitively prices" places an emphasis on your motivation to sell.

Appraisals, Termite & Home Inspections, Home Warranties

Uniform Residential Appraisal Report (URAR)

The URAR is a written report by a licensed residential appraiser containing his/her opinion as to the value of a property and the reasons behind his/her opinion. This information is truly subjective and can differ from each inspector. This opinion is supported by the factual data, the comparable sales, appraisal formulas and the qualifications of the appraiser.

The appraiser determines if there is an issue with the physical or structural integrity of the property. The discrepancies will be documented and funding may be withheld until repairs are complete. The home must then be re-inspected and the Appraiser must sign off on the repairs. A re-inspection fee may be charged.

All lenders require an appraisal on the property to determine its value. Most lenders have an "Approved Appraisers List." Lenders will only use appraisers on their list, and they will only use the appraisal that they order for your home. If you (the seller) order an appraisal, it can only be used in helping you determine a sales price. The lender requires an unbiased evaluation thereby avoiding an inflated assessment of the value of the subject property. Any involvement of a third party (anyone other than the lender or appraiser) in the appraisal process would be considered prejudicial.

Appraisals start at around \$175.00 (for a drive-by appraisal), and go up in price depending on the size of the property. Most single-family resident or track home appraisal fees are between \$275.00 and \$475.00. Most appraisers also get paid cash on delivery! In the past, if the loan did not close after the appraisal was done, nobody would get paid, including the appraiser. Occasionally, the loan closed and funded, escrow closed on the sale of the property, and the money was to be dispersed to the appropriate recipients, but for some reason the appraisers were not getting paid. These issues have happened so many times, they now want their money up front and prior to the completion of the inspection, and who can blame them?

Termite Inspection

In almost every state of the union, lenders require a termite inspection as a condition for approval of the loan. Termite inspectors are required to be licensed. The buyer's lender will order the inspection if it is required. In most cases, if termites are found, the seller will have to fumigate and pay for repairs (if applicable) before the loan closes. Remember, possession is nine-tenths of the law. You still have possession of your property until the loan closes. Refer to your state legal guidelines to determine your position regarding termite inspection compliance. Also check local pest control companies, appraisers, lenders, or realtors.

Home Inspection

A home inspection is not required but is recommended, especially if the condition of the property is questionable. Certain disclosures about the home are required from the seller. Disclosure requirements vary from state to state. Ask a real estate attorney or a real estate governing authority in your area to help you determine your disclosure guidelines. A home inspector's main objective is to inspect the home for anomalies that can cause problems during the transaction and after the sale is final.

The seller or buyer can order the inspection. Inspectors charge between \$250 and \$400. Verify that your inspector is bonded and belongs to the American Society of Home Inspectors (ASHI). If the buyer does find something wrong with the home after the sale, you will then have the documentation needed to cover you if a claim is filed. At the very least, you have the home inspector and their report to help substantiate your position on the issue.

The ASHI set the standards for inspectors and is responsible for policing them. Not all states have licensed and bonded inspectors so you may have to do some research. Look in the phone book, or ask a local appraiser, realtor, mortgage company or pest control company. Also check with any major housing developers in your area.

Home Warranty

A home warranty is an excellent selling attraction to prospective buyers! A home warranty costs approximately \$275.00 to \$475.00 a year based on the amount of coverage. The deductible will be approximately \$35.00 to \$50.00. The coverage includes:

- plumbing
- electrical
- air conditioning
- heating
- appliances

...and more.

This insurance covers repairs and replacement of equipment or appliances as long as it is within the agreed contract coverage. You (the homeowner) should consider purchasing the first year for any potential buyer. Advertise it with your house and you will increase the sales potential of your property. By giving the buyer this added coverage, you are demonstrating your confidence in the integrity of your home, and instilling a sense of security.

How to Prepare Your Home to Show

- [Outside Checklist](#)
- [Inside Checklist](#)

Helpful Hints on Curb Appeal:

Only do repairs that are necessary to make your home look the best. Do not overspend on repairs like remodeling a room or replacing a vinyl floor. You will not get that money back from the sale of your property because they do not increase the value. It is more efficient to spend time making the problem areas look as good as

possible. If the issue is still questionable after your efforts, or the buyer has noticed and has a problem with it, then try to agree to a repair cost and make the appropriate adjustment to the sale price. The repairs may have to be done if they are a condition of the appraisal.

See [Appraisals](#) for more information.

Curb appeal is the most important factor when selling your home. You only have one chance to make good first impression. If it appears that the seller pays attention to detail, and the home is pleasing to the eye, chances are very high that the potential buyer will make an appointment to tour the inside.

First, walk around the house inside and out. Determine what needs to be thrown away and what you think someone might buy or want. Write it all down. Have a garage sale or call your local Goodwill or charity and donate what you do not need. You are moving, and you don't want to drag all that extra stuff with you!

Put new plants in the flowerbeds and add flowering plants in pots in areas like the entryways and walkways. Remove weeds from flowerbeds, trim the bushes and hedges, and repaint the front door and trim around the house. Make sure the address number of your home is clearly visible from the street. Touch up the number on the curb. Clean the house and street gutters out.

The little things that you do to the appearance of your home will draw the buyer's interest in your property. Attention to detail is what the buyer sees and why they will purchase your home instead of the one down the street. A freshly mowed green lawn looks adequately cared for, but an excellent looking lawn that has been weeded, mowed, edged and fertilized looks even better. A home exterior has an excellent appearance if the house and trim has been painted. The driveways and sidewalks need to be swept or hosed down and all oil and rust stains removed. (A pressure washer works great for this!) Replace your old doormats with new ones and increase the aesthetic appearance of your entryways. (You can always take them with you when you move!)

On the inside of your home, determine if it needs a touch up or a complete painting. Consider using white or a light neutral color, which enhances the appearance of the room size. Avoid violet or pink paint colors! In the entryways and exits to and from the house, remove all clutter, old mail, shoes, coats, etc. Mop and wax any vinyl floor until it is as shiny as possible. Vacuum all the carpets and have them cleaned if necessary. Have the drapes and blinds cleaned as well. Wash the fingerprints off of all light switches and wall sockets. Make everything that is white shine, shine, shine! Polish any wood furniture, floors, banister, fireplace mantles, etc. Dust, clean and touch up the heater and air condition vents and ducts, the ceiling fans, and any other fixture that can be seen at eye level and higher. Remove all cobwebs. Replace any burnt light bulbs, and replace any working light bulbs with even brighter ones. Bathroom and hallway light bulbs are notorious for being burnt out and overlooked.

The kitchen and bathrooms are sale makers or breakers for women! You know what I mean, guys, women really look at those areas! Polish all the fixtures and scrub the porcelain. Clean all mirrors, glass shower doors and windows. Make sure the countertops in the bathrooms and kitchen are free from clutter. Keep all small appliances stowed away. Polish the countertops and make them shine! Add new hand or body towels where appropriate and clean or replace the shower curtains in the bathrooms. Replace kitchen towels and placemats in the kitchen. Make sure all

smoke and other related detectors have been tested and, if necessary, replace batteries.

Attention to detail costs little in time and money but will drastically increase the visual appearance of your home and will help you to get top dollar for the sale of your property. Never have to apologize for the appearance of your home during this period. Keep it ready to show at all times!

In this FSBO Handbook, we have included a exterior and interior checklist for your home. Go over it carefully so as not to miss any important areas!

Secrets to a Successful Open House

A successful open house is one that gets the results you are looking for - you get a buyer and escrow closes! We have a unique way for you to host your open house that creates great exposure and attendance.

How It Works:

You will need to take charge of your neighborhood or geographical area. Contact all of the FSBO's in that area and find out who wants to participate in a "Open House" block party. Everyone will need to agree on a date to schedule open houses. Each homeowner pitches in and pays for a Bold Block Ad in the local newspaper(s). Each participant will pay for a block of space in the large ad (you will need to coordinate this effort and collect the appropriate amount from each person). Be sure to include the days, times, and the sales price, address, and phone number of each home. This will generate a kind of "group dynamics phenomenon". You get an unusually greater response of buyers than you would if you were on your own. Also, when more than one buyer shows up at the same time, it creates competition between buyers. It is a great attention getter and you will be happily surprised with the turnout that you receive.

How do you find and get FSBO's to participate with you? You have probably seen some in your neighborhood while driving around everyday. You can make up a flyer asking them to participate and give them a number to contact you. Just drop it on their doorstep and wait for them to call. You can look in the newspaper or on the Internet for other homes in your area. Call the phone numbers that have the same prefix as yours!

A warning regarding strangers in your home!

Caution should be exercised at all times when allowing strangers in your home. You need to always be in control. Your "For Sale by Owner" sign should say "By Appointment Only", and you should stick to that! If a potential buyer knocks on your door, make an appointment at a later time or date. Do not show your house at night! A buyer can see all aspects of the home much better during the day. Do not show your house close to sunset, either.

You should never show your home by yourself. When you are not home, be sure to instruct children to take down a phone number and an adult will contact them later. Have somebody with you when the prospective client arrives. You should also never show your home to only one of the partners. If a husband or wife or significant other cannot make the decision without the other, then wait until both of them can see the home together.

There are exceptions to every rule. These strong suggestions are just a way to make you aware of the possible dangers and scams out there. There have been incidences

that have occurred in the real estate industry because of lack of caution. Most realtors will have at least a name and a contact number of the person they are going to meet with to show the property. Some bring a partner or associate to the appointment. Use the [Open House Guest Book](#) provided in this handbook to document prospect names, numbers and the date/time of the meeting. Having that personal information is a good way to protect yourself against personal injury or worse.

Preparing for the Open House

Preparing for the open house consists of utilizing the [Inside Checklist](#) and the [Outside Checklist](#) provided in this handbook. It is possible we may have missed some important areas while compiling this checklist. If you see anything that we may have left out, please let us know. Send an email to info@virtualfsbo.com or call 888-310-3726.

When Your Prospects Arrive!

- Ask your guests to sign in on the [Open House Guest Book](#).
- Offer them writing utensils to take notes of points of interest.
- Show them around. Point out the reasons you loved the home and why you purchased it over others you looked at. Include highlights about your neighborhood and the geographical area.
- Listen to what they are saying. Complement them on their observations, and answer all questions truthfully. Do not volunteer any negative information.
- Know the distances to schools, grocery stores, shopping centers, hospitals and government offices.
- Talk to them about their furniture and how it will look. Discuss how the home will fit into their immediate future plans. Help them visualize and take possession of the home.
- After you have shown them around, allow them time to explore alone and discover why they like the home. Let them have a little space and do not crowd them.
- Prior to their departure, ask them if they have any questions regarding your home. During the final discussion, ask them to discuss aspects of the home that they liked. Of course, you couldn't agree with them more! You saw the exact same thing when you picked this very house. Smile!
- Provide and promote a home warranty. This is a plus, plus, plus!
- Check the guest book before they leave and make sure they wrote down their phone number so that you will be able to follow-up.

Additional Suggestions for the Open House

- Make a final inspection to make sure the house is ready to show. Go over the checklists again if you need to.
- Keep a peaceful atmosphere when possible. Children and pets should not be around. Send them to friends or family for the day!

- Make the bedrooms, living and family rooms appear larger by removing some of the furniture.
- Put away collectibles, toys and anything else that appears like clutter.
- Lock up all valuables in a safe place.
- Add a vase of fresh cut flowers or silk flowers in the kitchen, living room, family room, dining room, and bathrooms.
- Open drapes and blinds. Let the sun shine in!
- Turn on lights in dark areas.
- Turn on soft background music.
- Put cinnamon, vanilla, or potpourri on the stove.
- Utilize Glade plug-ins for sweet aroma.
- Bake cookies for that warm home-cooked atmosphere. You can also offer them to your potential buyers.
- Have cool water available for the visitors.
- If weather allows, open up windows and doors.
- Run the A/C at a comfortable temperature (if needed).
- In the winter, have a fire in the fireplace. Make it toasty and homey!
- Display advertising flyers, guest book and writing utensils at the nearest table or counter to the front door for convenience.

What Are Closing Costs?

Your lender usually prepares a "Good Faith Estimate" of closing costs. You are entitled to receive this estimate no later than three business days after you apply for a loan. Because it is an estimate of the costs you may incur, it may not contain all potential costs. The lender will not know what all of the costs are going to be. The "Good Faith Estimate" will be an estimate based on previous experience. Actual closing expenses usually exceed the estimate. To avoid problems, go prepared to pay more than the amount listed on your estimate.

If you are comparing two lenders, look only at the costs charged by the lender. Lenders can only make educated guesses about the charges made by others.

You will receive an itemization of costs you may have to pay when you buy your home. The costs are listed in the order that they should appear on a Good Faith Estimate you obtain from a mortgage lender.

There are two broad categories of closing costs. Non-recurring closing costs are items that are paid once and you never pay again such as loan origination fees, recording fees, survey fees, etc. Recurring closing costs are items you pay again over the course of home ownership, such as property taxes and homeowner's insurance.

What Makes Up Closing Costs?

Closing costs are usually made up of the following:

- Attorney's or escrow fees (yours and your lender's if applicable)
- Property taxes (to cover tax period to date)
- Interest (paid from date of closing to 30 days before first monthly payment)
- Loan origination fee (covers lender's administrative costs)
- Recording fees
- Survey fee
- First premium of mortgage insurance (if applicable)
- Title insurance (yours and your lender's)
- Loan discount points
- First payment to escrow account for future real estate taxes and insurance
- Paid receipt for homeowner's insurance policy (and fire and flood insurance if applicable)
- Any documentation preparation fees.

What Can I Expect to Happen on Closing Day?

You'll present your paid homeowner's insurance policy or a binder and receipt showing that the premium has been paid. The closing agent will then list the money you owe the seller (remainder of down payment, prepaid taxes, etc.) and then the money the seller owes you (unpaid taxes and prepaid rent, if applicable). The seller will provide proofs of any inspection, warranties, etc.

Once you're sure you understand all the documentation, you'll sign the mortgage, agreeing that if you don't make payments the lender is entitled to sell your property and apply the sale price against the amount you owe plus expenses. You'll also sign a mortgage note, promising to repay the loan. The seller will give you the title to the house in the form of a signed deed.

You'll pay the lender's agent all closing costs and, in turn, he or she will provide you with a settlement statement of all the items for which you have paid. The deed and mortgage will then be recorded in the state Registry of Deeds, and you will be a homeowner.

What Do I Get At Closing?

- Settlement Statement, HUD-1 Form (itemizes services provided and the fees charged; it is filled out by the closing agent and must be given to you at or before closing)
- Truth-in-Lending Statement
- Mortgage Note
- Mortgage or Deed of Trust
- Binding Sales Contract (prepared by the seller; your lawyer should review it)
- Keys to your new home.

Your Settlement Costs

This is just a guide. Costs will vary between lenders. This guide is included to educate you and prepare you for closing and to help minimize "surprises".

700. Sales/Broker's Commission: This is the total dollar amount of the real estate broker's sales commission, which is usually paid by the seller. This commission is typically a percentage of the selling price of the home.

700. TOTAL SALES/BROKER'S COMMISSION based on price \$ @ % =	PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
Division of Commission (line 700) as follows:		
701. \$ to		
702. \$ to		
703. Commission paid at Settlement		
704.		

800. Items Payable in Connection with Loan: These are the fees that lenders charge to process, approve and make the mortgage loan:

801. Loan Origination: This fee is usually known as a loan origination fee but sometimes is called a "point" or "points." It covers the lender's administrative costs in processing the loan. Often expressed as a percentage of the loan, the fee will vary among lenders. Generally, the buyer pays the fee, unless otherwise negotiated

802. Loan Discount: Also often called "points" or "discount points," a loan discount is a one-time charge imposed by the lender or broker to lower the rate at which the lender or broker would otherwise offer the loan to you. Each "point" is equal to one percent of the mortgage amount. For example, if a lender charges two points on a \$80,000 loan this amounts to a charge of \$1,600.

803. Appraisal Fee: This charge pays for an appraisal report made by an appraiser.

804. Credit Report Fee: This fee covers the cost of a credit report, which shows your credit history. The lender uses the information in a credit report to help decide whether or not to approve your loan and how much money to lend you.

805. Lender's Inspection Fee: This charge covers inspections, often of newly constructed housing, made by employees of your lender or by an outside inspector. (Pest or other inspections made by companies other than the lender are discussed in line 1302.)

806. Mortgage Insurance Application Fee: This fee covers the processing of an application for mortgage insurance.

807. Assumption Fee: This is a fee which is charged when a buyer "assumes" or takes over the duty to pay the seller's existing mortgage loan.

808. Mortgage Broker Fee: Fees paid to mortgage brokers would be listed here. A CLO fee would also be listed here.

800. ITEMS PAYABLE IN CONNECTION WITH LOAN		
801. Loan Origination Fee %		
802. Loan Discount %		
803. Appraisal Fee to		
804. Credit Report to		
805. Lender's Inspection Fee		
806. Mortgage Insurance Application Fee to		
807. Assumption Fee		
808. Mortgage Broker Fee		
809.		
810.		
811.		

900. Items Required by Lender to Be Paid in Advance: You may be required to prepay certain items at the time of settlement, such as accrued interest, mortgage insurance premiums and hazard insurance premiums.

901. Interest: Lenders usually require borrowers to pay the interest that accrues from the date of settlement to the first monthly payment.

902. Mortgage Insurance Premium: The lender may require you to pay your first year's mortgage insurance premium or a lump sum premium that covers the life of the loan, in advance, at the settlement.

903. Hazard Insurance Premium: Hazard insurance protects you and the lender against loss due to fire, windstorm, and natural hazards. Lenders often require the borrower to bring to the settlement a paid-up first year's policy or to pay for the first year's premium at settlement.

904. Flood Insurance: If the lender requires flood insurance, it is usually listed here.

900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE		
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901. Interest from to @\$ /day		
902. Mortgage Insurance Premium for months to		
903. Hazard Insurance Premium for years to		
904. years to		

1000 - 1008. Escrow Account Deposits: These lines identify the payment of taxes and/or insurance and other items that must be made at settlement to set up an escrow account. The lender is not allowed to collect more than a certain amount. The individual item deposits may overstate the amount that can be collected. The aggregate adjustment makes the correction in the amount on line 1008. It will be zero or a negative amount.

1000. RESERVES DEPOSITED WITH LENDER		
1001. Hazard Insurance months @ \$ per month		
1002. Mortgage insurance months @ \$ per month		
1003. City property taxes months @ \$ per month		
1004. County property taxes months @ \$ per month		
1005. Annual assessments months @ \$ per month		
1006. months @ \$ per month		
1007. months @ \$ per month		
1008. Aggregate Adjustment		

1100. Title Charges: Title charges may cover a variety of services performed by title companies and others. Your particular settlement may not include all of the items below or may include others not listed.

1101. Settlement or Closing Fee: This fee is paid to the settlement agent or escrow holder. Responsibility for payment of this fee should be negotiated between the seller and the buyer.

1102-1104. Abstract of Title Search, Title Examination, Title Insurance Binder: The charges on these lines cover the costs of the title search and examination.

1105. Document Preparation: This is a separate fee that some lenders or title companies charge to cover their costs of preparation of final legal papers, such as a mortgage, deed of trust, note or deed.

1106. Notary Fee: This fee is charged for the cost of having a person who is licensed as a notary public swear to the fact that the persons named in the documents did, in fact, sign them.

1107. Attorney's Fees: You may be required to pay for legal services provided to the lender, such as an examination of the title binder. Occasionally, the seller will agree in the agreement of sale to pay part of this fee. The cost of your attorney and/or the seller's attorney may also appear here. If an attorney's involvement is required by the lender, the fee will appear on this part of the form, or on lines 1111, 1112 or 1113.

1108. Title Insurance: The total cost of owner's and lender's title insurance is shown here.

1109. Lender's Title Insurance: The cost of the lender's policy is shown here.

1110. Owner's (Buyer's) Title Insurance: The cost of the owner's policy is shown here.

1100. TITLE CHARGES		
1101. Settlement or closing fee to		
1102. Abstract or title search to		
1103. Title examination to		
1104. Title insurance binder to		
1105. Document preparation to		
1106. Notary fees to		
1107. Attorney's fees to		
(includes above items numbers;)		
1108. Title Insurance to		
(includes above items numbers;)		
1109. Lender's coverage \$		
1110. Owner's coverage \$		
1111.		
1112.		
1113.		

1200. Government Recording and Transfer Charges: These fees may be paid by you or by the seller, depending upon your agreement of sale with the seller. The buyer usually pays the fees for legally recording the new deed and mortgage (line 1201). Transfer taxes, which in some localities are collected whenever property changes hands or a mortgage loan is made, can be quite large and are set by state and/or local governments. City, county and/or state tax stamps may have to be purchased as well (lines 1202 and 1203).

1200. GOVERNMENT RECORDING AND TRANSFER CHARGES		
1201. Recording fees: Deed \$; Mortgage \$; Releases \$		
1202. City/county tax/stamps: Deed \$; Mortgage \$		

1203. State tax/stamps: Deed \$; Mortgage \$		
1204.		
1205.		

1300. Additional Settlement Charges:

1301. Survey: The lender may require that a surveyor conduct a property survey. This is a protection to the buyer as well. Usually the buyer pays the surveyor's fee, but sometimes this may be paid by the seller.

1302. Pest and Other Inspections: This fee is to cover inspections for termites or other pest infestation of your home.

1303-1305. Lead-Based Paint Inspections: This fee is to cover inspections or evaluations for lead-based paint hazard risk assessments and may be on any blank line in the 1300 series.

1300. ADDITIONAL SETTLEMENT CHARGES		
1301. Survey to		
1302. Pest inspection to		
1303.		
1304.		
1305.		

1400. Total Settlement Charges: The sum of all fees in the borrower's column entitled "Paid from Borrower's Funds at Settlement" is placed here. This figure is then transferred to line 103 of Section J, "Settlement charges to borrower" in the Summary of Borrower's Transaction on page 1 of the HUD-1 Settlement Statement and added to the purchase price. The sum of all of the settlement fees paid by the seller are transferred to line 502 of Section K, Summary of Seller's Transaction on page 1 of the HUD-1 Settlement Statement.

What is Escrow?

The opening of escrow:

Escrow is the delivery of a Deed on the house by the grantor (current owner/seller) to a neutral third party (Escrow Officer) for subsequent delivery to the grantee (buyer) upon a happening of a contingent transaction (sale of the house). Currently, in some states, all instruments necessary to the sale (including funds) are delivered to a neutral third party (Escrow Officer) with instructions (the Offer to Purchase Real Estate contract) as to their use.

Escrow instructions are drawn up and both the buyer and seller must sign. This enables the Escrow Officer to carry out the procedures necessary to transfer real property.

Escrow is important because they are an impartial third party (intermediary) set up to ensure that the buyer and seller are protected during the transaction. In addition,

and equally important, they ensure all the legal documentation is correctly recorded, and to ensure the execution and proper distribution of all funds to the appropriate recipients at the close of escrow.

Title Insurance A title is evidence that one has the right to possession of the land. Title insurance is insurance against the loss resulting from defects of title to a specifically described parcel of real property. Defects may run to the fee (chain of title) or to encumbrances (a claim, lien, charge or liability attached to and binding real property). The chain of title is the chronological order of conveyance of a parcel of land from the original owner (usually the government) to the present owner.

IN PLAIN ENGLISH! After escrow is opened, a preliminary title report is ordered. This report shows the condition of the title before a sale or a refinance transaction occurs. If a claim, lien, charge, etc. is attached to and binding the property, it will need to be released prior to the title insurance policy being issued. The seller typically purchases the title insurance policy covering the new owner. It is understood that the seller is providing the buyer with a clear title to the property. The buyer will receive that owner's title policy at the close of escrow to insure their interest. The buyer is usually required to purchase additional title insurance to cover the lenders interest in the property for the amount of the loan. Typically, this procedure runs smoothly.

If a claim shows up after the transaction is complete, the title policy can reimburse all losses covered in the policy. It can also provide attorney services to defend the new ownership rights if necessary. It is recommended that new owners read the policy documents carefully to determine if they are adequately covered.

The closing of escrow:

After the title work is done and the appropriate title insurance purchased and in place, the next step is to sign the appropriate documents. When the buyer completes the entire "prior to doc." (loan documents) conditions outlined by the underwriter, the loan documents are ordered along with the lenders instructions and forwarded to the Escrow Officer. The Escrow Officer then prepares the final documents and arranges the appointments for signing. Both the buyer and seller sign their own documents (rarely at the same time). Once the loan docs are signed, they are sent back to the lender for the underwriter's final approval. When those are signed off, the loan is funded. The Escrow Officer is notified and a messenger is sent to the recorder's office. The legal documents are recorded, and the buyer gets the keys to their new home!

How to Complete the Sale

What to do when an offer is made on your home:

1) When an offer to purchase is made, the first thing that needs to be done is verification that the buyer has a mortgage loan in place. The buyer needs to present an approval certificate issued by the lender. If the lender does not issue approval certificates, the buyer will need to speak with their loan representative about getting a letter of approval from the Underwriter. Never take your house off of the market without documented proof that your buyer is approved and Escrow has been opened with the earnest money deposited into an Escrow account! Ask to speak to the buyer's loan representative to verify the approval. If you take it off of the market and then have to put it back on, you will have lost valuable time and potential buyers.

2) Put everything you agree upon in writing. Go down to your nearest office supply or legal forms store and purchase some "Offer to Purchase Real Estate" forms so you can document the agreement. These forms are self-explanatory, or come with instructions for completing them. In addition to the obvious required information, such as address, sales price, earnest money deposit amount, and loan amount, list every other agreement you have made (i.e. appliances that are staying, other items that will remain on the property, blinds, etc). The buyer and the seller should both sign and date the agreement.

3) Call a title office and make an appointment to open Escrow. You and the buyer should then meet with them and solidify the deal. Make sure the buyer brings the earnest money so it can be deposited into an Escrow account. Find out from the lender when the loan can be closed and set a closing date. Now you can take your home off of the market! When the loan is close to completion, an appointment will be made with you to meet with an appraiser. The appraisal is not ordered until the lender is assured that no surprises are going to pop up and kill the deal.

The earnest money deposit:

The earnest money deposit is "good faith money". Require the buyer to put up a sum of money in an effort to show you how serious they are about buying your home. You determine the amount of earnest money you want deposited. A minimum amount of \$500.00 is acceptable, but a typical amount is \$1,000 to \$2,000. Make sure it is enough money to make you feel confident that your buyer will not back out of the deal. Once the earnest money is in the Escrow account, the buyer will be credited the amount towards the down payment and closing costs when the sale closes. In the event that the deal falls through and does not happen (because of a legitimate reason such as being declined by the lender), both the seller and the buyer must sign a release in order for the buyer to get their money back. Simply changing their mind is not a legitimate reason for returning the money.

The following is a checklist of items that both the seller and buyer need to take with them when Escrow is opened.

Seller:

- Address of subject property
- Name/ mailing address, Drivers License or Social Security Number of Titleholder on subject property.
- The completed and signed Offer to Purchase Real Estate contract.
- Grant Deed and Title Policy of subject property
- Payment book and payment schedule
- Fire insurance policy
- Current tax bill/bond payment notice

Buyer:

- Name/address/Driver License or ID/Social Security Number of all whom will go on Title.
- Name/address/phone number of mortgage lender.

Resources and Links

Congratulations!

You have just learned how to successfully sell your home BY OWNER!! And you have saved yourself thousands in realtor fees! Although it takes time and energy, it is not as hard as it is made out to be. Until recent years, the MLS was the primary reason realtors were able to move properties. With a database of products available to every licensed realtor, it is not hard to figure out why. Now there is a database available to every buyer, seller, FSBO and realtor. It is the Internet! By utilizing this invaluable resource, selling your home is no more difficult than selling your car.

The following resources are available to provide you with additional information regarding buying and selling a home:

- Department of Housing and Urban Development
www.hud.gov
- Free legal information on buying and selling a home
www.freeadvice.com/law/581us.htm
- Free information on Real Estate Law
www.freeadvice.com/law/580us.htm
- U.S. Government Guide
<http://www.governmentguide.com>

Forms and Checklists

The following forms and checklists are provided throughout the FSBO Marketing Handbook. This page provides easy access to these forms through direct links.

- [Advertising Tracking Sheet](#)
- [Telephone Response Checklist](#)
- [Phone Call Tracking Sheet](#)
- [Outside Checklist](#)
- [Inside Checklist](#)
- [Open House Guest Book](#)

Disclaimer

By reading this handbook, you understand that Soper Enterprises, nor their representatives, agents, or associates will be selling your home.

The ONLY assistance the representatives, agents, or associates will be providing is information and possible pre-qualification services to the potential buyers of our home.

You also understand that neither Soper Enterprises, nor their representatives, agents or associates will act as real estate agents in any way. They will not show your home and will not negotiate the contract between you (the sellers) and the buyer. If you wish the services provided by a real estate agent or broker, you understand that you

need to list our property with a real estate agent or broker. You understand that neither Soper Enterprises nor their representatives, agents or associates provide the services of a real estate agent and are not compensated as a result of the sale of our home.