



## Hidden closing costs can be a **“SHOCKING”** experience:

In selling your home, there are selling costs to consider and understand! The following list is just a short over-view of closing costs that can affect your bottom line:

- **Taxes** – Capital gains, incorporation ownership, inheritance considerations?
- **Financing** – how will my bottom line be affected?
- **Home Inspection** – what repairs are necessary/can seller choose/who pays?
- **Appraisal** – how much, when, and who will establish/defend my price?
- **Title Insurance** – what is it, who pays, when and why?
- **Marketing fees** – commissions, exposure, who pays?
- **Lawsuits** – who’s on my side / are my assets protected?
- **Security** – is my family physically safe?
- **Reality** – do I really have the time, knowledge and patience?

Hidden costs abound and sellers need to arm themselves with some basic resource information. That being said, let’s explore taxes, financing, home inspections, appraisals and security:

### **TAXES:**

In the past we had to consider paying a capital gains tax on all real estate sales to include homes used as a primary residence. That was changed several years back and is no longer true. If you are selling rental property, there is a capital gains to consider and this is something you need to talk over with your tax accountant. If you owned a home as your primary residence and now you are renting that home, it is still possible this property could be treated as a primary residence and not have a capital gains tax. Again this is a conversation you should have with your accountant.

### **FINANCING:**

One of the least understood, most over looked expense in selling a home is buyer’s financing as it relates to your (seller) closing costs. One local bank is charging double for the appraisal (normally paid by seller) and is discovered at the closing table. Closing costs are dictated by the purchase contract. Additionally, each loan program used by the buyer differs as it allocates cost of doing business and determines who pays. In the final analysis, it is important to note that some closing costs are negotiable and some closing costs are not negotiable. Knowing this can substantially affect seller’s net return.

### HOME INSPECTIONS:

This is one of the biggest, least understood areas of seller costs. Let's start with – every buyer should get a home inspection! In some cases I will suggest to my selling clients that they have a home inspection done before we place the home on the market. In our local market it is customary for the buyer to order and pay for a home inspection, which on average, is around \$450. Buyer will choose a home inspector to conduct the home inspection. I wish it could be said that this is a consistent, fair process, but it's not! Some inspection services are better than others and some reports are not worth the paper they are written on. Let's understand the purpose of a home inspection. A home inspection is an exploration of the physical condition of the structure, noting any defects in the physical condition of the property. Cosmetic issues are one thing and are not a concern to the lender. Again the home inspection is for the purpose of exploring and discovering defects within the property which, if present, would most likely be classified as health, safety or code issues and therefore would become appraisal issues. Cosmetic issues can be negotiated between the buyer and the seller. On the other hand, any noted health, safety or code issues will have to be dwelt with or corrected by the seller before financing can be obtained. It's interesting to note that health, safety and or code issues can be noted by the home inspector, the appraiser and even the (underwriter) lender. The trick here is to know what are and are not health, safety or code issues. Just because the buyer wants all the repairs or issues noted in the home inspection report to be addressed by the seller - it is often true these issues are not health, safety, or code related issues and can negotiated between the buyer and the seller. The biggest exception to this is the AHFC first time buyer program. It is my experience that the AHFC underwriter will demand all the noted home inspection issues be addressed by the seller at seller's cost. At any rate, having a working knowledge of how all this works can save the seller hundreds and even thousands of dollars. Over the years I have seen example after example where people did not know how to fight this – even worse their Realtor did not know what I have just shared with you. As a result I, over the years I have seen sellers lose out big time because the home inspection made a big deal out of nothing.

### APPRAISAL:

The appraisal process is totally a subjective exercise and the final evaluation could reflect a wide range of values, all depending on the view of one so-called expert – the randomly chosen fee appraiser. What happens if the so-called expert is just lazy, or doesn't appreciate the property/price range, or is just having a bad day and misses an important comparable? Having a good understanding of current properties being offered, sales/pending activity, past/closed sales and market trends will go a long way in defending a seller's price/value. Value determined by fee appraiser can be challenged if one has a firm grasp of the facts. Not in possession of this knowledge and knowhow could mean leaving thousands of dollars on the table.

### SECURITY:

The question that needs to be asked at this point is, who is screening the strangers, posing as interested buyers, who want to come into your home? In this day and age, you are only kidding yourself if you think they are all legitimate buyers. Who has walked this potential buyer through the pre-qualifying process to insure this buyer is qualified? Who is on your side in case of legal action in which you stand to lose everything? A professional, experienced Realtor can stand in the gap and give you the reality of security that can and will protect your every move.

### Reality:

In truth, there many disciplines that come into play when a home is placed on the market. The whole selling process takes on a life of its own. There are three critical areas that need to be considered. The **first** area to be understood and managed is "Time". A great amount of time is invested in preparing the home. A huge amounts of time is invested in showing the home. Critical time is invested in the negotiation process. And lastly, large amounts of time are invested in the closing process. The **second** area to be understood is knowledge. The area of knowledge plays a major role in not only making sure the sellers receive all that is rightfully coming to them, but at the same time insures that the process follows the legal protocol governing such transactions. The **third** area to be appreciated is experience. It goes without saying, when facing a critical medical decision, and one has the option of speaking with a doctor who just got out of med school, or a doctor who has many years of experience, experience wins out every time!

Note: If this article generates additional questions or a need for additional information, the following link will allow you to ask your question(s), request additional information or make comments. It is not my intent to bug you with unwanted phone calls, emails, or text messages! It is my intent to allow you to benefit from my 35+ years real estate activity and to give you a buying experience beyond your expectations!

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