

8 reasons selling as a FSBO is a recipe for disaster!

Research conducted by the National Association of Realtor and other real estate research identities, conclude that FSBO listings sell for 3.2% to 4.8% less than comparable properties marketed and sold by areal estate professional. Buyers are aware that a FSBO seller is not paying a commission. Therefore, the buyer expects to be able to share in some of the so-called savings.

FSBO selling agencies in our area charge a flat, upfront fee of \$1,700 to \$2,500. In most cases, this allows the FSBO listing to be placed into the MLS system. A few signs are part of the deal, and a property evaluation is produced. Other than that, you are pretty much on your own. If your sale becomes a legal dispute, the FSBO is on his own! The FSBO seller receives no legal protection, no assistance in marketing or advertising, and no assistance in negotiations.

The FSBO seller is encouraged to consider a 2.5% to 3% fee to be paid to the selling office, in order to attract the attention of real estate professionals. Keep in mind, the real estate professional coming in with a buyer is representing the buyer only. Your equity and wellbeing are fair game!

It's not much of a stretch to conclude that the true selling cost to a FSBO is 2.75% to 4%. This does not include any consideration for advertising, legal fees, and unnecessary repair costs and money that is construed to be necessary expenditures, when in fact, they are not! This is a case where ignorance is costly. Seller ends up paying for items that seller need not pay. In reality, an experienced, real estate professional brings more to the table than may be realized. Consider the following realities and questions:

1. Knowledge

What you don't know can be very costly! An experienced real estate professional takes the pulse of the market daily, understands the trends, and can help you navigate the complex ins and outs of selling. The internet is a great source of information and assistance to anyone buying or selling, but lacks the critical, local info a buyer or seller needs. Our local MLS system does not post the selling / closed price. But a real estate professional can give you a fair understanding of selling prices. The real estate professional knows the financial elements of selling a home and can direct you to achieving the best results. Some bank(s) charge a substantial fee that only appears at closing. Do you know which bank? The issue of who pays what at closing is all part to selling a home. Keep in mind, these closing costs differ depending on the loan program used by the buyer. In the selling process, are you in compliance with all the changes that the government has implemented. If your home is on its own well and or septic system, are you aware of the Anchorage Borough and State standards you have to meet in the selling process? Unfortunately, this list is the short version. There are many more items to be realized and understood. News flash - Even real estate professionals misjudge and make mistakes. That is why the State of Alaska requires that this group of professionals be constantly exposed to ongoing, required training / education, must be licensed, bonded, and carry Errors and Omissions insurance. If the FSBO makes a mistake, who covers that mistake? The potential FSBO seller, taking on the role of a real estate professional, would be well advised to consider that this approach is full of pit-falls that can be extremely disastrous and full of tragic possibilities.

2. Time

Before entering into a FSBO contract, the consideration of time is extremely important. Do you truly have time to take the role of a real estate professional? How will you handle showings or offers when you're on vacation for two weeks or at the birthday party? Can you say - lost opportunity? Do you have the time to manage and schedule showings? What about feedback after a showing? What questions do I ask? What are the best ways to receive showing feedback from showing agents? Do you have the time to respond to agent and buyer questions, and concerns / objections in a manner that will help overcome the hesitation to move forward? Are you able to offer solutions to buyer objections? Can you furnish expert resources such as architects, contractors, engineers or other experts?

3. Presentation

Image is everything when it comes to selling your home. You never get a second chance to change a first impression. As a seller, do you know how to showcase and prepare your home for showings? Professional photography will assist you greatly, but keep in mind this in itself is a specialized field. Do you have in mind a professional that specializes in taking home pictures?

4. Marketing

How will you market your property? Do you know the buyer demographics for your home and/or neighborhood? Which real estate professionals are most likely to have buyers for your home? Even if you have access to the local MLS system, do you know how to promote your home to real estate professionals through the internet and other social media?

In buying and selling real estate, the world doesn't seem as vast as agent networks are strong. Real estate professionals communicate with each other all the time, presenting their clients' needs and wants. In promoting client needs and wants this way, their clients receive the benefit of receiving real estate knowledge and awareness that cannot be obtained by any other means. Taking this one step further, some companies offer their employees assistance in moving expenses. One of the main stipulations in receiving this assistance is that their employee work with a real estate professional that is licensed, bonded, and carries errors and omissions insurance: thus assuring the wellbeing of their employee.

5. Negotiation

So you received an offer. If the offer is not exactly what you were hoping for, what are your options? What should you look for in an offer? Are you prepared to take multiple offers and milk a bidding war to get the best deal? What terms and conditions could be disadvantageous to the sellers? What costs are traditionally carried by the seller / buyer in our local market place? What's your experience in negotiating with the buyer and keeping the buyer in the game versus your buyer walking away? How do you strike a delicate balance between protecting your interests as a seller and at the same time working with the buyer with the goal of putting an agreement together? Here again, what you don't know as a seller can hurt you the most!

6. Home Inspection

The home inspection process is one of the biggest, least understood areas of seller costs. In our local market it is customary for the buyer to order and pay for the home inspection. On average, the cost of this inspection is around \$500-\$550. Buyer chooses the home inspector. Some home inspection services are better than others! Do you know the ones to avoid? The purpose of a home inspection is to explore the physical condition of the structure, noting any major defects. Cosmetic issues can be negotiated between the buyer and seller. Health / safety, or code issues will have to be dwelt with and corrected by the seller before a buyer can obtain financing. Knowing the difference between the two can mean thousands of dollars in seller savings. 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 (no matter how big or how small) 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 or negotiate the results of a home inspection. As a result, I have seen sellers lose out big time because the home inspection made a big deal out of nothing and the seller and or the seller's representative did not know how to challenge this nonsense.

7. 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 being in possession of this knowledge could mean leaving thousands of dollars on the table. Are you equipped to challenge an appraisal that comes in lower than the agreed upon contract sales price? A real estate professional, more than likely, would be able to defend your selling price. It comes down to simply this - do you have the tools and ability to defend your value?

8. Transaction Management

So, you find a buyer and you come to agreement in a written contract. The first big issue here, is making sure the contract is a legal, binding contract with buyer putting down some earnest money. How much earnest money are we talking about and who will hold this money? What do you do next? Depending on the loan program being used by the buyer, what will your closing cost be and who will be in charge of managing and directing buyer and seller to a final closing? How will you handle challenges like the property not appraising for the contract sales price or the potentially derailing of the sale because of home inspection issues that may come up in the home inspections report? When do we order title report, home inspection to include electrical, heating and plumbing, and when do you expect to close? What happens if the lender, at the last minute (closing) adds substantial seller closing costs? Are you prepared to take the place of a real estate professional and spend hours in follow up activity, making sure your sale stays on track, will close on time, and close with no big, last minute surprises? Is there a way for you to know up front if the buyer's financing is shaky, allowing you to determine if you want to commit to this offer? Discovering two days before your expected closing that your buyer does not qualify is not pretty. You have put down substantial, non-refundable earnest money on your new home. You have moved out of your old home and are set to close on your new home the day after closing on the old home. You have negotiated with your movers to move you into your new home next week. On top of that, for the last two months, you have been bragging to all your friends how you saved a bunch in handling the sale of your home without a real estate professional.

Note:

Selling your home as a FSBO could offer you some savings but weighed against all the risks, is it really worth it? You have heard the sales pitch of FSBO establishments, proudly announcing how much their clients have saved by selling as a FSBO. What you have not heard are the many stories of people who have been burned by this approach and lost a great sum of money, time and peace of mind. Being taken to court by some slickster that prays on FSBO's is not a pretty picture, nor is it fun, especially when you lose or just give up and surrender money that is rightly yours. Losing just because of ignorance is a little hard to take. One of my doctor clients put it best - I know how to pull a tooth, fill a cavity, but all the legal things involved in selling or buying real estate is not my cup of tea. I'll hire you as my real estate representative to represent my real estate needs, knowing if you screw up, I'm covered by your liability and errors / omissions insurance. Besides, I have better things to do with my time.

I know, by the way the FSBO companies pitch selling your home, using the FSBO concept sounds great and all, but is it really worth it? Think of it this way, when you have a heart problem who do you go to? When you have a major electrical issue, who do you call? When you get on a plane to fly down to Seattle, who do you want to be in charge up front flying the airplane? Your home represents the biggest investment you most likely will ever make. Doesn't it make sense to call on a seasoned real estate professional to protect your interests?

Note: If this article generates additional questions or a need for additional information, the following button 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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