

How to Sell your Home

in 30-Days A step-by-step approach
plus a little short cut



By Dimitri Larno

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(A step-by-step approach - plus a little short cut)

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Chapter 1: Hiring a Real Estate Agent

1.1: What to look for

The first thing you have to determine is whether you are going to use the services of a licensed real estate agent or whether you are going to sell your home yourself and offer it as FSBO – For Sale by Owner.

Although selling your property makes for an interesting adventure with many challenges, if you don't have experience selling real estate, hiring a professional (or at least having one on stand-by) will tend to make for a smoother sale.

Real estate agents only get paid when a successful sale has occurred and they are, generally speaking, worth every penny. Besides advertising the property and writing and negotiating offers and contracts, they also help with the many issues that inevitably arise during the process.

A good real estate agent will have a comprehensive marketing plan in place and will take care of much if not all of the necessary details. One major advantage of working with a real estate agent is access to the Multiple Listing Service or MLS.

What is the Multiple Listing Service (MLS)?

For those who are not familiar with the MLS, it is a database where listing agents list their client's properties for sale and buyer's agents can locate suitable properties for their buyers. It is similar to a superstore where properties, which are for sale with a broker, are available to other brokers. The service is only accessible to licensed agents that pay for it. It is the largest database of residential properties available.

The MLS provides buyers with the opportunity of finding the home they want and sellers with the opportunity of attracting the buyer they need. While the actual numbers vary a little depending on when and whom you ask, it's generally agreed that about 75% of all residential real estate sold, is sold through the MLS system. This means that if you are a For Sale By Owner (FSBO) you are effectively marketing to only twenty-five percent of potential buyers and have no access to the other 75% of the buyer pool - something to think about.

Selling your home can be an emotional and time-consuming experience. There is much to consider, and unexpected issues will have to be overcome. If you do choose to sell your home yourself, be prepared to commit the necessary time and energy to the process.

1.2: Arizona Real Estate Listing Agreements

If you do choose to sell with an agent, one of the items you need to be conversant with is the listing agreement. This is the agreement that details the terms of the "contract" between you and your agent.

There are three types of listing agreements used in Arizona:

1. “Open” Listing

An open listing lets owners sell their home by themselves. It’s a non-exclusive agreement so the owners may execute open listings with more than one real estate broker and only pay a fee to the broker who delivers a ready, willing and able buyer whose offer the owners accept.

As they are representing themselves, the owners don’t need to pay a broker for selling their house, they only need to pay the broker representing the buyer.

In the event the owners find a buyer themselves, the owners will not owe anybody a commission. Open listings are not commonly used by full-service real estate brokers.

2, “Exclusive Agency” Listing

An exclusive agency listing is similar to an open listing with the difference that the listing broker will represent the owners. The listing broker is free to cooperate with another brokerage, meaning the second brokerage could bring a ready, willing and able buyer whose offer the owners accept.

In this case, the seller’s broker is paid a listing commission which they in turn share with the buyer's broker. However, the owners still reserve the right to sell the property themselves and not pay a commission to the listing brokerage.

3. “Exclusive Right to Sell” Listing

An exclusive right-to-sell listing is the most commonly used agreement. It gives the listing broker the exclusive right to earn a commission by representing the owners and bringing a buyer, either through another brokerage or directly. The owners pay a commission to the listing broker regardless of who finds the buyer. If another broker provides a buyer, the listing broker will share the commission with them. However, if the owners find a buyer themselves, they will still pay the listing broker the full, agreed commission.

Other Terms & Conditions of a Listing Agreement

Length of the Listing Agreement: The duration of the listing agreement is negotiable. The most common timeframe is six months but any timeframe can be negotiated.

Selling Commission: As the seller, you will have a commission agreement with your listing broker who in turn pays the buyer's broker. Commissions are typically six percent but are negotiable. Generally they are split equally between both brokers.

Cancellation of Contract: Will the broker/agent let you cancel the listing agreement? Some brokers do - some don't. If the broker will agree to let you cancel at any time, that broker in essence is giving you a guarantee. In that instance, the duration of the contract doesn't much matter.

Expiration of Contract: If the contract should expire, or be canceled with mutual agreement of the parties, the listing broker might supply the owners with a list of the prospective buyers he or she produced. If any of those buyers approach the owners within a specified time period, agreed upon in the listing agreement, and successfully purchase the property, the owner will still owe the listing broker a commission.

In Conclusion

Listing agreements are typically 3 pages long and, although some brokers might attach a few addendums to it, they are, for the most part, pretty straight forward. I would advise you to discuss the cancellation options with any broker you are considering working with - you don't want to get stuck with someone you're not happy with. Usually brokers won't have an issue with this because it goes both ways. Also, when you negotiate the commissions, don't be cheap... usually what you pay will reflect the level of service and experience you get.

Chapter 2: Valuing Your Home

2.1: What is Value?

In Economics, “value” is defined as “the maximum price that a decision-maker is willing to pay to obtain a good.” In other words, something is worth what someone is willing to pay for it. However, before you give someone the opportunity to place an offer on your property, you want to establish a guideline.

You have to come up with a number that feels right and at the same time establishes a realistic starting point. Establishing that initial price tag or “value” requires careful research combined with educated guesswork.

One of the worst mistakes sellers make is pricing their homes too high. Buyers are generally well educated and will not entertain an overpriced listing. After the property sits stagnant on the market, the seller will slowly wake up to reality and lower the asking price to a more realistic figure. The downside of this scenario is that, in the meantime, one has lost valuable marketing time.

The longer a listing sits on the market, the less attention it gets. The lesson here is - price your home accurately from the start! To help you determine that value, you can use one of three commonly used valuation methods: a Comparative Market Analysis or “CMA,” a Broker Price Opinion or “BPO,” also called a Broker Opinion of Value, and a Formal Appraisal, performed by a licensed and certified real estate appraiser.

Before we get into the details of each one of the valuation methods, let's talk a little about the different types of values that relate to house prices.

Market Value

The Uniform Standard of Professional Appraisal Practice (USPAP) defines market value as the most probable price that a property should sell for in a competitive and open market. This assumes all conditions for a fair sale are present and that the buyer and seller are of sound mind.

As-Is Value

Generally, the as-is value is defined as the value of the subject property as it presently exists without repairs or improvements. The as-is value should reflect the subject property's current condition.

As-Repaired Value

Usually, the as-repaired value is defined as the price the subject property would sell for if the subject property were in move-in-ready condition, but not overly improved for the neighborhood.