

Philosophy for Sellers 101

By Laura E. Days, Esq.

Successfully selling real estate in a Buyer's market requires patience, perseverance, and good pricing. But the most important part is maintaining a positive attitude. A good real estate attorney and real estate broker can help keep things in perspective and help a Seller navigate the market with positive results while still maintaining one's sanity.

Pricing

The market dictates pricing, and the best way to test the market is to see what kind of Offers (if any) come in. The value of a good real estate broker shows itself best when it comes to smart pricing. The most successful sellers follow their brokers' recommendations with regard to pricing.

Brokers usually base their pricing recommendations on comparable properties within the area, and good Buyers' Brokers will suggest that their Buyers make Offers in line with the local comps. A big pitfall for Sellers can be insisting on a minimum price and not being flexible. Although you may have your heart set on a minimum price, if the comps in the neighborhood do not support it, you probably will not get any Offers around your asking price. Or, if a Buyer does Offer your asking price, they might not be able to get financing because the lender's appraisal will also be based on the neighborhood comps. In some cases, you may end up having to reduce the price at that point just to save the sale.

The sign of good pricing is receiving multiple Offers. A good real estate broker may suggest going a little lower on the asking price in order to induce multiple Offers. When in doubt about a broker's pricing, I usually recommend that a Seller order a full market appraisal of the property in order to price it right. And remember, if the property has been on the market for some time with no or low Offers, it's a sure sign that the property has not been priced right.

Understanding Mortgage Contingencies

In the current market, virtually everyone who needs to finance a property in order to buy it will include a mortgage contingency with their Offer. Mortgage contingencies are incredibly common, and it is likely that the Offer you accept will contain one.

Unfortunately in the current market, most lenders are completely overwhelmed, and are taking extra time to process a mortgage application. Lending guidelines have become more stringent, so underwriters not only have more work to do on each loan, but with the recent drop in interest rates, they also have more loan applications to review.

Do not be surprised if it takes your Buyers up to five weeks to secure their mortgage commitments. This is almost always beyond the control of your Buyers, and they are probably just as frustrated about it as you.

Keep the overall timeline in mind as well. If you are considering refusing an extension, keep in mind that you will have to go through the same process with another Buyer, who will also need a month plus to get their financing in order.

Also, pay attention to the type of remaining conditions outstanding if they ask for an extension request. Issues with financing that come up with regard to the appraisal or status of the Condominium will affect all prospective Buyers regardless of their credit-worthiness, and will probably be a problem with the next person who makes an Offer if this one is terminated because of the appraisal or the status of the condominium. Condominium lending regulations have tightened recently, so your condominium may not have enough insurance or reserves for Buyers to get a mortgage, or might otherwise keep your Buyer from getting a mortgage unless your Condo Association takes affirmative steps to come into Fannie Mae/Freddie Mac compliance.

Handling Inspection Issues

A smart Buyer will have a home inspection, and will recognize the difference between structural, and safety issues, and cosmetic issues. Expect that most Buyers will ask you to fix safety items (like repairing water leaks around an electrical junction box or repairing broken handrails on porches or stairs) and structural problems. Problems like these detract from the value of the home (and could affect the Buyer's appraisal) and therefore should be considered when adjusting pricing/repairs/credits after the home inspection results are in.

It may be best to do an inspection yourself prior to putting your home on the market, and disclosing what you find in the inspection, so that fixing these things will be taking into account by the Buyer when the original Offer is made. Most Buyers are not angling to bankrupt the Seller; they just want to make sure that they are getting value for their dollar.

Trust Your Experts

These are only a few concerns a Seller may have to face in today's market. A smart Seller will rely on a good real estate broker and real estate attorney to pinpoint issues and propose solutions. Trust your experts: you hired them for a reason.