

Want to sell your house by yourself? Read this first

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Despite more online tools, fewer Americans are actually going the 'For Sale By Owner' route

For 46-year-old Lorna Basse, a makeup artist in Alexandria, Va., deciding to sell her house on her own — without using a real estate agent — worked out well. But she said that's only because she was lucky.

"Honestly, we didn't have a clue as to what we were doing, but for us, the stars aligned," she said. She and her now-husband sold his townhome in 2000 in Alexandria for \$125,000 because they wanted to buy a single-family home. Basse said that because they knew the buyer, selling the home was easy, but she admits that had she used a Realtor, she might have gone a different direction. "Given what I know now, we could have held on to the property as a rental and then sold it later for twice as much," she said.

While online tools promise to make selling your home by yourself — or as it's called in the industry, For Sale By Owner (FSBO) or "Fizz-Bo" — a lot easier, fewer Americans seem to be going that route.

According to the National Association of Realtors (NAR), which has a vested interest in having home sales handled by professional Realtors, the number of FSBOs in the U.S. has fallen to an all-time low since the real estate trade group began surveying the breakdown of agent-led sales and FSBOs in 1981. In 2015, the number of FSBOs fell to just 8% of the 5.25 million real estate sales last year, the NAR reported, down from 9% the past three years and the lowest since it began the survey.

Not surprisingly, the NAR likes the trend, and chalks it up to a more challenging real estate environment post-crash, as well as more federal laws requiring more disclosure as well as HUD's already tough scrutiny to ward off housing discrimination.

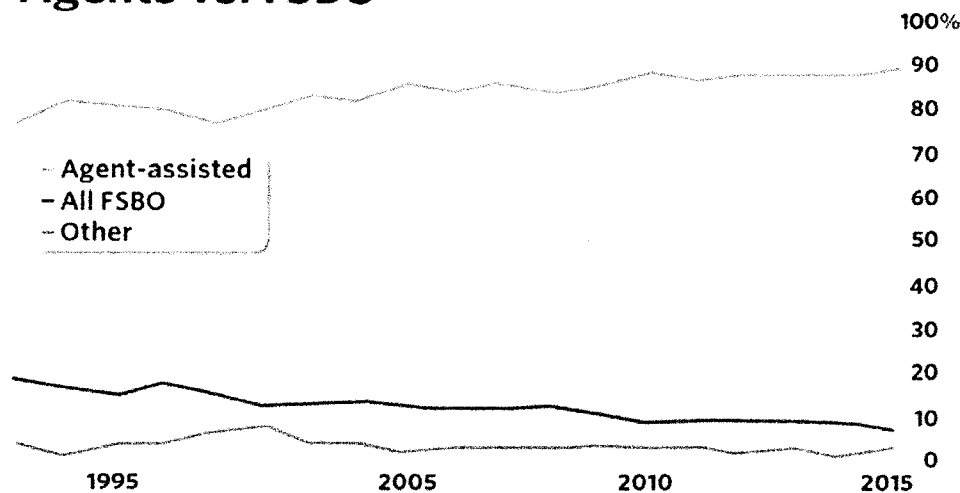
"Selling a home requires more disclosures and legal requirements than ever before," said Adam DeSanctis, a spokesman for the Washington, D.C.-based NAR. "Managing the appraisal process, inspections and buyer qualifications has become more complicated in a tougher credit market, adding to the already intricate transaction process," he said.

Still, there's plenty of information out there for FSBOs and if you're simply selling between friends or to a trusted party, and you've sold a home before, a FSBO might be the best way to go to save the 6% or potentially thousands of dollars you might pay in commission to a Realtor. A little more than a third of FSBO sales occurred between buyers and sellers who knew each other, according to the National Association of Realtors' November 2015 survey. And if you're planning to list your home on the open market, there are plenty of websites that will do it for free, or for a nominal fee.

"Where sellers usually fail is the marketing, where they don't cast a wide enough net or price their property correctly," said

Colby Sambrotto, president and chief executive of New York-based USRealty.com, an online do-it-yourself agency for self-sellers which lists FSBO properties on multiple listing services and online classified services.

Percentage of home sales using real estate Agents vs. FSBO



Source: National Association of Realtors

Sambrotto said his customers range from first-time sellers who are comfortable with web-only transactions and older sellers who've been through the process and are comfortable with the details already. "We see a lot of people who have been in the real-estate game before and know what to expect," he said.

Sambrotto says that his site also helps sellers navigate the complexities of the real estate transaction, such as what to do if lead-based paint is present and how to avoid accusations of housing discrimination. "We take responsibility for keeping our listings HUD compliant so we filter everything that comes in from our sellers. So if a seller includes off-limit words in their remarks, we remove them before posting," he said.

For Steve Hamatto, a 42-year-old emergency medical dispatcher in Tampa, Fla., buying his first condo more than ten years ago from a seller who represented himself worked out in his favor, mainly because the seller didn't do his homework on setting a competitive price. "Even though the price we agreed on rose from \$79,000 to \$92,000, it was still under the amount that other condos in the same building were going for," he said.

Hamatto said he and the seller only paid a \$500 flat fee for a real estate attorney to draw up a contract and prepare the closing documents. But Hamatto used a Realtor a few years later when he sold the condo for more than twice what he paid. He also used a Realtor when he bought his next home, in Bradenton, Fla. in 2015 "If you're selling to somebody you trust, then [just] go with a real estate attorney. Otherwise, I'd want an agent to be my go-between," he said.

So if you do want to go the FSBO route, here's some advice from the pros.

Know what you're getting into:

Selling a house isn't like selling a piece of personal property. A home is likely the most expensive purchase anyone will ever make, and it's a complex legal transaction, said US Realty's Sambrotto. For example, in some states the seller pays the transfer tax, but in some states it's the buyer. Furthermore, it's illegal to describe the racial or religious makeup of the neighborhood or the condo building verbally or in a listing.

Even if you don't pay an agent commission, you'll be on the hook for a real estate attorney or a title company to draw up the closing documents, as well as a surveyor to prepare a plot of the property. It's also a good idea to pay for your own appraisal so you set the right price when selling. It also makes sense to pay for a home inspector so you can fix items early before a buyer's agent uses them as leverage come contract time.

Know your price:

Listing your home for the correct price is probably the hardest element of a FSBO, as you are likely unaware of the market conditions and comparable listings. Just tallying your costs of home improvements (if any) and listing the home in the same range as similar properties isn't sufficient. Talk to other sellers in your neighborhood, check prices carefully and know how much you can sell for, as well as potential contingencies that buyers and buyers agents will learn (either through a home inspection or from knowing market conditions) that could lower the price of offers you get for your home.

Pre-qualify your prospective buyers:

The most common issue that sinks a real estate deal is a buyer who can't afford the home after the contract is submitted, and this can happen even after Realtors try to establish that the buyers are well-qualified.

You can do some vetting yourself by asking the potential buyers if they've been prequalified and for how much. Do they have a letter from a bank or lender stating how much they're approved for? Know the difference between a pre-qualification, a preapproval and a commitment. The former is simply based on what could be afforded assuming everything on the credit check and income documentation and loan application checks out. A preapproval means that a loan application has been filled out, income has been verified, but a credit check hasn't been run. A commitment means a loan application has been filed and credit checks and income verification have been completed.

Also, when a contract is approved, ensure that a sufficient amount of earnest money (typically 1% of the deal) is deposited with a neutral party, such as the real estate attorney or the title company. That way, there's less incentive to walk away from the deal and you'll know who the best qualified buyers are.

Real estate agents will be calling you, but not for the reason you want:

Realtors love FSBOs. Not because they want to do business with you, but because eventually you'll probably want to do business with them. That's because it's harder for FSBOs to find qualified buyers as well as have the flexibility to show the house at all hours, so most Realtors count on FSBOs to give up after a couple months and call a Realtor to sell their home instead.

Protect your personal safety and your property:

If you're selling your primary residence, and presuming you live there while the house is for sale, letting strangers in your house might seem a normal part of the sales process. But some of those "buyers" might just be casing your house to rip you off. Make sure you get a prospective buyer's full information and ask for a photo ID before they enter your home. Beware of them taking photos of your house on their smartphone as they may be simply tallying up the valuables in your home and assessing any security features your home might have.

Also, it's a good idea to tell someone you trust like a neighbor or family member you're showing your home at a certain hour and to have them check in during and after the showing, if possible. Also, don't tell a prospective buyer you can't meet them at a certain time because you won't be home, as you're potentially inviting a break-in at that time.

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