

# **FOR SALE BY OWNER - YOU MIGHT BE A FSBO**

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## **WARNING:**

**Selling your own home can be a lot like  
removing your own appendix:**

**VERY PAINFUL!**

**“If you think that you will be saving the money you would have spent on a real estate commission – you might be a FSBO!”**

Seriously? Put yourself in the buyers' shoes. They are probably also going to try to purchase their next home without a real estate agent. Why? Because, if they are interested in buying your house they know that you are not using an agent and paying a real estate commission, so they want to share in or benefit from all of that cost savings. It is almost guaranteed that they are going to offer you eighty to ninety percent of what you are asking. Why? Because first of all they assume that you have inflated your price in anticipation of having to negotiate down and secondly, because you are not going to be paying an agent a commission.

And, let's suppose that the buyer is working with a REALTOR® - somebody is going to have to pay their fee. If the buyer has signed a buyer-broker agreement, they may have agreed in advance to pay the REALTOR® a fee at settlement. But you can count on the fact that they will be subtracting that amount from whatever they are going to offer you.

**“If you think all REALTORS® are the same – you might be a FSBO!”**

Understood, REALTORS® suffer from a poor perception by many people. Surveys routinely rank REALTORS® near the bottom of the list with attorneys and used car salespeople. It's unfortunate – there are plenty of very good REALTORS® who are highly educated, skilled and a pleasure to work with. And they are often worth every penny they make – if not more. That is certainly not the case with all of them though – and those that aren't reputable and capable, ruin the reputation of the rest.

REALTORS® are members of the largest trade group in the country with approximately 1.2 million members at present. Despite the public's perception of all REALTORS® making way too much money, most new agents cannot make a living in the business and there is a very high turn-over. Most experienced agents are lucky to make a decent living – with much uncertainty.

We don't need more agents, we need better agents – agreed! But that shouldn't prevent you from doing your homework and digging around a little bit to find one of the good ones. Select an agent that is affiliated with a reputable brokerage, has several years of experience, has earned at least a few meaningful professional designations like: Accredited Buyers Representative (ABR), Certified Residential Specialist (CRS), and Graduate of REALTOR® Institute (GRI), and enjoys good recommendations from past clients.

**“If you think that you are not exposing yourself to an incredible amount of risk and liability by dealing with strangers and representing yourself in a high-stakes financial transaction – you might be a FSBO!”**

Not all, but at least some, of the buyers that are going to pursue FSBO properties are doing so because they are opportunists. They know that untrained, ill-informed homeowners are more likely to sell their homes for less than they are worth. They also know that unskilled homeowners are likely to make mistakes that can later be turned into successful litigation.

**“If you think you will be able to screen and pre-qualify potential buyers as well as a REALTOR® can – you might be a FSBO!”**

So, an interested party calls you or shows up at your door – what next? Just invite them in? A good REALTOR® knows how to pre-screen people and pre-qualify them financially before scheduling a showing. How much is that service alone worth? Some folks are aware of this issue and purposely seek out FSBO properties to avoid the screening process.

**“If you think there is no disadvantage to showing your home yourself – you might be a FSBO!”**

“Hello...yes, I’m calling about the house you have for sale.” “Yeah, I’d like to come see it.” “Well, how about right now?” “What about nights and weekends and holidays?” Buyers are only interested in their convenience – not yours.

Are you really going to be available to show the home when the prospect wants to see it? If you can’t negotiate a showing time with a prospective buyer in short order, they will probably move on. Remember, you don’t have an agent to take care of this task for you when you have other things you need to do (like work) – or want to do (like golf). It can be a major disruption for weeks and months. If you have a listing agent, you don’t need to worry about it – it’s all taken care of.

Another huge disadvantage is inherent in showing your own home. In the real estate business there is an “insider” slur about home sellers that isn’t necessarily very nice – but there can be a lot of truth to it (that’s why it has become a popular “saying” – all over the country): “Sellers are Tellers”. One of the most important pieces of advice a REALTOR® will offer to seller clients is to be certain to not be present during showings - ever. Aside from the fact that the presence of the sellers during a showing often makes many buyers extremely uncomfortable, is the problem of sellers running their mouths about inappropriate things. Sellers will often shoot themselves in the foot by saying something that turns the buyers off or gives them ammunition to use later in negotiations. Oh, you want a good example? :

“Wow, you folks have a lovely home here, I really like all the upgraded amenities and I especially love the view from the back deck. Why would you all want to leave such a beautiful spot?”

Geez, you'd think this guy was a professional. He just set you up with a nice compliment and immediately and smoothly followed up with a seemingly harmless question – just making small talk – and they might not even realize what they are doing. But if you answer that question the wrong way, you may be giving away a huge bargaining chip when it comes time to negotiate price. If your answer reveals any sense of urgency or desperate need to move – you lose. A properly trained REALTOR® will recognize this scenario and simply respond on your behalf with a polite answer that does not reveal your motive. Perhaps: “You know, I'm not really certain – but that really isn't material to the sale anyway, is it? This place really is beautiful isn't it? Oh by the way, why are you folks looking for a new home?” That's a little bit hard ball – but there are lots of possible answers that are not going to weaken your position or offend the prospects. The fact that you've already put a deposit down on a beachfront condo in Florida and need to sell quickly is none of their business. And, giving that information to them will certainly reduce your sale price.

This kind of thing happens more often than you would think – again, that's why there is a “saying” about it: “Sellers are Tellers” – unfortunately, it is true.

**“If you think that prospective buyers are not uncomfortable dealing with you instead of an agent – you might be a FSBO!”**

When pre-approved, motivated and capable prospective buyers are shown properties by a REALTOR®, they are prepared and in a mindset to get the job done. They are anxious to walk through carefully selected homes and be free to verbalize their impressions and opinions about every aspect of the home – with their partners and with their REALTOR® at their own pace and without interruption from the homeowner. This exchange is a valuable exercise in the decision making process of selecting the right home.

They do not, and should not, be hindered by the presence of the current homeowner – whose feelings may be hurt, or may become verbally defensive or even combative upon hearing some of the comments that are made. Or, at the very least be a distraction by simply engaging in polite conversation. Buyer comments during showing range anywhere from: “Wow, what a fantastic home – this one goes on the good list”, to: “Holy cow, how can anyone live in such a mess – I’ve seen enough, get me out of here!”

Some people have a hard time envisioning themselves and their family in a home where the current owner and his family is running around. And obviously, if you are a FSBO, you need to be there during all showings. Big mistake!

**“If you think that prospective buyers that have retained a REALTOR® are as likely to see your house as anyone else – you might be a FSBO!”**

Real estate practices evolve over time. That is certainly true in Maryland where recent revisions to the laws and associated forms / paperwork change how real estate agents must interact with prospective buyers.

In the past, all REALTORS® were automatically agents or subagents of sellers – there was no such thing as buyer agency. Hence the term: “Caveat Emptor” – Latin for “Buyer Beware”.

Today’s law provides for Buyer Agency just as it provides for Seller Agency. Seller agency is created by completion of an ***Exclusive Right to Sell Residential Brokerage Agreement*** – a so-called listing agreement. Buyer agency is created and protected by completion of an ***Exclusive Buyer Tenant Representation Agreement*** – a so-called buyer-broker or employment agreement. Both contracts identify all the respective terms and conditions for representation and compensation. All parties are protected. Most represented buyers today are computer savvy and are doing their own online research and tell their agents what houses they are interested in seeing. How many of these buyers are searching for or finding FSBOs? It’s hard to say, but probably not very many.

**“If you think REALTORS® don’t pay attention to what you are doing – you might be a FSBO!”**

For Sale by Owner (FSBO) Statistics as reported in the **2016 National Association of REALTORS® Profile of Home Buyers and Sellers:**

*FSBOs accounted for 8% of home sales in 2015. The typical FSBO home sold for \$185,000 compared to \$240,000 for agent-assisted home sales.*

*FSBO methods used to market home:*

- *Yard sign: 33%*
- *Friends, relatives, or neighbors: 21%*
- *Online classified advertisements: 10%*
- *Open house: 21%*
- *For-sale-by-owner websites: 7%*
- *Social networking websites (e.g. Facebook, Twitter, etc.): 9%*
- *Multiple Listing Service (MLS) website: 13%*
- *Print newspaper advertisement: 3%*
- *Direct mail (flyers, postcards, etc.): 2%*
- *Video: 1%*
- *None: Did not actively market home: 41%*

*Most difficult tasks for FSBO sellers:*

- *Getting the right price: 18%*
- *Preparing/fixing up home for sale: 13%*
- *Understanding and performing paperwork: 12%*
- *Selling within the planned length of time: 3%*
- *Having enough time to devote to all aspects of the sale: 3%*

**“If you think that you will be able to price your home correctly to ensure obtaining the highest price possible in the shortest amount of time – you might be a FSBO!”**

Houses sell for current fair market value. Current fair market value is determined by three factors: Location, Condition and Price. And, yes current market conditions influence price – so make it four factors if you insist.

Unless you are trying to sell a mobile home and you plan on moving it to a better location, you are stuck with whatever location you are in – nothing to be done about that.

Condition you may be able to do a lot about. Guess who the best person would be to help in deciding what would best to improve the condition of a home to ready it for sale – you’re right, a REALTOR® - because they do this for a living.

Price will be a function of location and condition but most importantly will be determined by a comparable sales analysis of similar homes in the same area (preferably a two mile radius) within a recent time period (preferably 6 months). When REALTORS® perform this analysis it is called a comparable market analysis or CMA. There is no charge for this service. When appraisers perform their service, obviously called an appraisal, they do a much more thorough detailed analysis enabled by years of intense training and experience. They often arrive at the same valuation as the REALTOR®. Appraisers aren’t free.

Most buyers are going to need to obtain a loan to purchase your home. Their lender is going to require them to pay for an appraisal performed by an appraiser of the lender’s choosing. If the appraisal doesn’t come in at or very near the agreed upon sale price, the buyer cannot obtain the needed loan. If the appraisal comes in higher than the agreed upon price, you will never know it.

These facts are inescapable. If your FSBO is not priced correctly, you are wasting your time.

## **“If you think holding Open House is a good idea – you might be a FSBO!”**

Bring me your unqualified buyers, your “lookie-lou’s”, your nosey neighbors, your Sunday drivers, your burglars, your opioid addicts – let’s just let anybody walk through our home and look at everything in it. It will be fun – we’ll bake some cookies and make some hot chocolate for them.

Open houses are a waste of time – not to mention DANGEROUS!

Unfortunately, some REALTORS® have been trained to hold open houses as a method of prospecting for new buyer clients. And even though they sometimes are able to hook up with worthwhile prospective buyers – most of their time and expense (signs, newspaper and social media ads) is completely wasted. It certainly is not worth the risk to themselves or their seller clients.

Picture the nice looking middle-aged couple showing up at your front door for your open house. They have their two teenage children with them. You welcome everyone in and begin to show them around. All five of you won’t fit into the same space, so some spread out a little and start to survey where your valuable possessions are located. One or both of the teenagers is going to ask if it’s OK for them to use your bathroom – guaranteed.

Does all of that sound innocent enough so far? Maybe it is – but maybe they are “casing the joint” and quietly unlock a well located window for a later break-in and robbery – or maybe just surfing through your medicine cabinet for goodies during their bathroom break. It happens all the time. Maybe it will be just a little more direct. Suppose the mother or father pulls out a pistol and demands all of your money and jewelry? They were welcomed into your home by you – there aren’t even going to be any fingerprints. Please just say no to open house.

Please take a look at a few of these links for information about crimes committed at open houses:

<https://conyersrealtor.wordpress.com/category/safety/>

<http://atlantalifestyle.com/blog/page/3>

<http://www.caare.org/OpenHouse>

<http://americanmadisonrealestate.com/Real-Stories-of-Real-Estate-Risks-amp-Dangers.html>

<http://www.oxygen.com/blogs/man-obsessed-with-raping-real-estate-agents-i-truly-enjoy-the-hunt-and-cannot-wait-for-my>

<http://activerain.com/blogsviw/1405481/it-s-time-for-realtors-to-stand-firm-on-not-doing-open-houses>

<http://raincityguide.com/2008/02/21/safety-cant-be-stressed-enough-for-agents-and-sellers-of-property/>

**“If you are crazy enough to advertise your home for sale on Craigslist – you might be a FSBO!”**

You have heard all your friends talking about how great Craigslist is - it's free and lots of people look at it. And they sold their bicycle in two days for their asking price. But maybe what you haven't heard is there are many scam artists, fake ads, criminals and other dangerous people that use Craigslist as their playground and workplace. Just ask the police.

**“If you think your friends, co-workers, and relatives are going to find a buyer for you – you might be a FSBO!”**

What are the odds? How many friends, co-workers, relatives do you have that you think are going to try to help you sell your house? How many people do you think they know who are currently in the market to buy a home in your location, condition and price?

**“If you think that you are going to be able to deal with all the necessary paperwork and tasks associated with selling a home – you might be a FSBO!”**

A typical residential real estate sale will consume, on average, a full ream of paper. Contracts, disclosures, pictures, drawings, surveys, tax records, maps, disclosures, disclaimers, offers, counteroffers, contracts, addenda, amendments, state forms, federal forms, financial records, title documents, insurance documents, home inspection reports, roof inspection report, water testing results, septic system pumping, inspection reports, radon test reports, termite inspection reports, loan documents, settlement documents, and more.

Do you have all the necessary forms and information?

Do you know how to complete all the documents correctly?

Do you know what the risk is of making a mistake?

**“If you want to deal with the headaches and stress and miss prospective buyers, probably sell for less than you could have, and take much longer doing it – you might be a FSBO!”**

This one doesn't need any further comment or explanation.

**“If it does, you might be a FSBO!”**

Most people can't fly their own plane, maintain their own vehicles, perform their own surgeries, or sell their own homes. Licensed experts are available for all of these professions – please consider using them.

#### **DISCLAIMER**

**John P. Hale is a licensed real estate agent in Maryland and Pennsylvania. He is affiliated with Coldwell Banker Residential Brokerage in Westminster, Maryland. John has been licensed since 2000 and also practiced in Tucson, Arizona for many years. Mr. Hale holds the following designations and certifications awarded by the National Association of REALTORS® (NAR) and other authorized institutions: ABR-Accredited Buyers Representative, AHWD-At Home With Diversity, CNE-Certified Negotiation Expert, CRMS-Certified Risk Management Specialist, CRS-Certified Residential Specialist, CTA-Certified Tourism Ambassador, e-PRO-Online Real Estate Practice, GRI-Graduate of Realtor Institute, MRE-Master of Real Estate, MREP-Mortgage Real Estate Professional, and MRP-Military Relocation Professional.**

**Please note that this article was written by John to provide objective information and to also reflect his opinion of good practice at the time of its' writing for the general benefit of those considering sale or purchase of real estate. It is not intended as definitive legal advice and you should not act upon it as such without seeking independent legal and financial counsel. Frequent changes in the law and standards of practice may cause this information to become outdated and no longer applicable or incorrect.**