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THINGS TO CONSIDER WHEN **SELLING YOUR HOUSE**



FALL 2015
EDITION

TABLE OF CONTENTS

- 1** | 5 REASONS TO [SELL THIS FALL](#)
- 3** | THE [IMPORTANCE OF USING AN AGENT](#) WHEN SELLING YOUR HOME
- 4** | SELLING YOUR HOUSE? [PRICE IT RIGHT FROM THE BEGINNING](#)
- 6** | THE IMPACT OF [RISING PRICES](#) ON [HOME APPRAISALS](#)
- 7** | [5 DEMANDS](#) TO MAKE ON YOUR [REAL ESTATE AGENT](#)
- 9** | [HOME PRICES](#) OVER LAST YEAR
- 10** | HOME PRICES: [A 5 YEAR OUTLOOK](#)
- 11** | 5 REASONS [YOU SHOULDN'T FOR SALE BY OWNER](#) (FSBO)
- 13** | WHERE ARE [MORTGAGE INTEREST RATES](#) HEADED?
- 14** | HOW WILL [MORTGAGE RATE HIKES](#) IMPACT [HOME SALES](#)?
- 15** | [DON'T WAIT! MOVE UP](#) TO THE HOUSE YOU ALWAYS WANTED
- 16** | [TWO THINGS YOU DON'T NEED](#) TO HEAR FROM YOUR LISTING AGENT
- 17** | [FSBO's MUST](#) BE READY TO [NEGOTIATE](#)
- 18** | FANNIE MAE AGREES: [HIRE A PRO TO SELL](#)



5 REASONS TO **SELL THIS FALL**

Here are five reasons listing your home for sale this fall makes sense.

1. Demand is Strong

Foot traffic refers to the number of people out actually physically looking at homes right now. The latest foot traffic numbers show that there are significantly more prospective purchasers currently looking at homes than last year! These buyers are ready, willing and able to purchase... and are in the market right now!

Take advantage of the buyer activity currently in the market.

2. There Is Less Competition Now

Housing supply is still under the 6 months' supply that is needed for a normal housing market. This means, in most areas, there are not enough homes for sale to satisfy the number of buyers in that market. This is good news for home prices. However, additional inventory is about to come to market.

There is a pent-up desire for many homeowners to move as they were unable to sell over the last few years because of a negative equity situation. Homeowners are now seeing a return to positive equity as real estate values have increased over the last two years. Many of these homes will be coming to the market in the near future.

Also, new construction of single-family homes is projected to continue to increase over the next two years and reach historic levels by 2017, as builders regain confidence in the market. New construction sales have outpaced last years totals every month this year. One major reason being the lack of inventory of existing homes for sale in many markets.

3. The Process Will Be Quicker

One of the biggest challenges of the housing market in recent times has been the length of time it takes from contract to closing. Banks are requiring more and more paperwork before approving a mortgage. There are new mortgage regulations that will become effective later this year that may cause closing times to lengthen.

4. There Will Never Be a Better Time to Move-Up

If you are moving up to a larger, more expensive home, consider doing it now. Prices are projected to appreciate by over 18.1% from now to 2019. If you are moving to a higher priced home, it will wind-up costing you more in raw dollars (both in down payment and mortgage payment) if you wait. You can also lock-in your 30 year housing expense with an interest rate near 4% right now. Rates are projected to increase by almost a full percentage point in the next 12 months.

5. It's Time to Move On with Your Life

Look at the reason you decided to sell in the first place and determine whether it is worth waiting. Is money more important than being with family? Is money more important than your health? Is money more important than having the freedom to go on with your life the way you think you should?

Only you know the answers to the questions above. You have the power to take back control of the situation by putting your home on the market. Perhaps, the time has come for you and your family to move on and start living the life you desire.

That is what is truly important.





THE IMPORTANCE OF USING AN AGENT WHEN SELLING YOUR HOME

When a homeowner decides to sell their house, they obviously want the best possible price with the least amount of hassles. However, for the vast majority of sellers, the most important result is to actually get the home sold.

In order to accomplish all three goals, a seller should realize the importance of using a real estate professional. We realize that technology has changed the purchaser's behavior during the home buying process. For the past two years, 92% of all buyers have used the internet in their home search according to the National Association of Realtors' latest Profile of Home Buyers & Sellers.

However, the report also revealed that for the second year in a row **96% percent of buyers that used the internet when searching for a home purchased their home through either a real estate agent/broker or from a builder or builder's agent.** Only 2% purchased their home directly from a seller whom the buyer didn't know.

Buyers search for a home online but then depend on an agent to find the actual home they will buy (53%) or negotiate the terms of the sale & price (31%) or understand the process (63%).

The plethora of information now available has resulted in an increase in the percentage of buyers that reach out to real estate professionals to "*connect the dots*". This is obvious as the percentage of overall buyers who used an agent to buy their home has steadily increased from 69% in 2001.

Bottom Line

If you are thinking of selling your home, don't underestimate the role a real estate professional can play in the process.



SELLING YOUR HOUSE? PRICE IT RIGHT FROM THE BEGINNING

In today's market, where demand is outpacing supply in many regions of the country, pricing a house is one of the biggest challenges real estate professionals face.

Sellers often want to price their home higher than recommended, and many agents go along with the idea to keep their clients happy. However, the best agents realize that telling the homeowner the truth is more important than getting the seller to like them.

There is no "later."

Sellers sometimes think, *"If the home doesn't sell for this price, I can always lower it later."* However, research proves that homes that experience a listing price reduction sit on the market longer, ultimately selling for less than similar homes.

John Knight, recipient of the University Distinguished Faculty Award from the *Eberhardt School of Business* at the *University of the Pacific*, actually did research on the cost (in both time and money) to a seller who priced high at the beginning and then lowered the their price. In his article, *"Listing Price, Time on Market and Ultimate Selling Price"* published in *Real Estate Economics* revealed:

"Homes that underwent a price revision sold for less, and the greater the revision, the lower the selling price. Also, the longer the home remains on the market, the lower its ultimate selling price."

Additionally, the *"I'll lower the price later"* approach can paint a negative image in buyers' minds. Each time a price reduction occurs, buyers can naturally think, *"Something must be wrong with that house."* Then when a buyer does make an offer, they low-ball the price because they see the seller as *"highly motivated."* Pricing it right from the start eliminates these challenges.

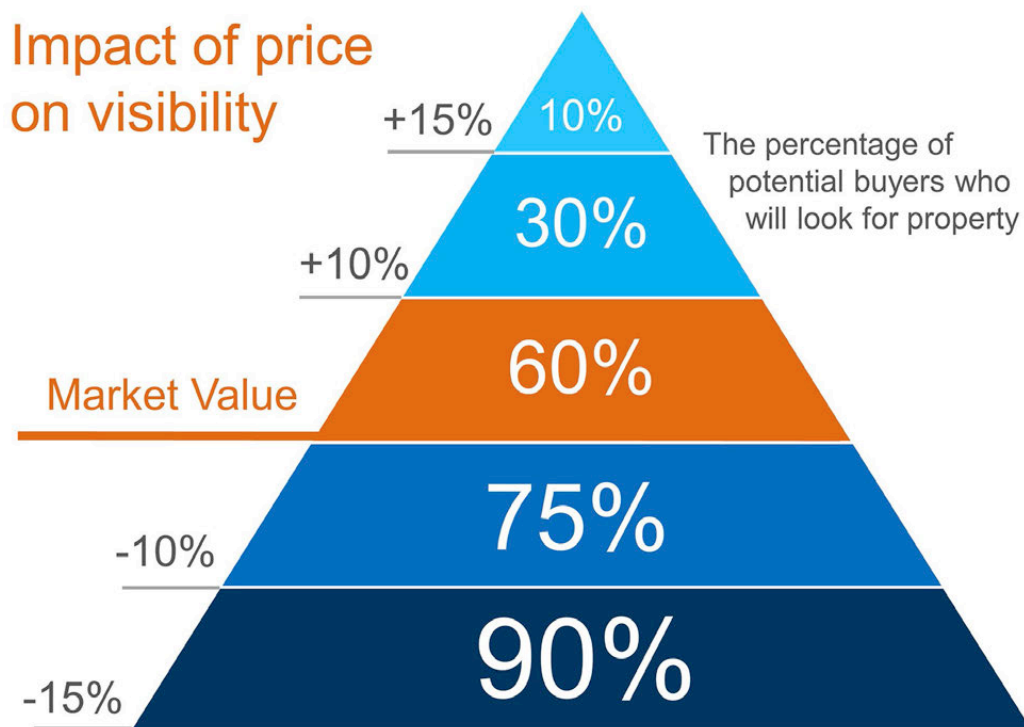
Don't build "negotiation room" into the price.

Many sellers say that they want to price their home high in order to have "negotiation room." But, what this actually does is lower the number of potential buyers that see the house. And we know that limiting demand like this will negatively impact the sales price of the house.

Not sure about this? Think of it this way: when a buyer is looking for a home online (as they are doing more and more often), they put in their desired price range. If your seller is looking to sell their house for \$400,000, but lists it at \$425,000 to build in "negotiation room," any potential buyers that search in the \$350k-\$400k range won't even know your listing is available, let alone come see it!

A better strategy would be to price it properly from the beginning and bring in multiple offers. This forces these buyers to compete against each other for the "right" to purchase your house.

One great way to see this is with the chart below. The higher you price your home over its market value, the less potential buyers will actually see your home when searching.



Look at it this way: if you only receive one offer, you are set up in an adversarial position against the prospective buyer. If, however, you have multiple offers, you have two or more buyers fighting to please you. Which will result in a better selling situation?

The Price is Right

Great pricing comes down to truly understanding the real estate dynamics in your neighborhood. Look for an agent that will take the time to simply and effectively explain what is happening in the housing market and how it applies to your home. You need an agent that will tell you what you need to know rather than what you want to hear.

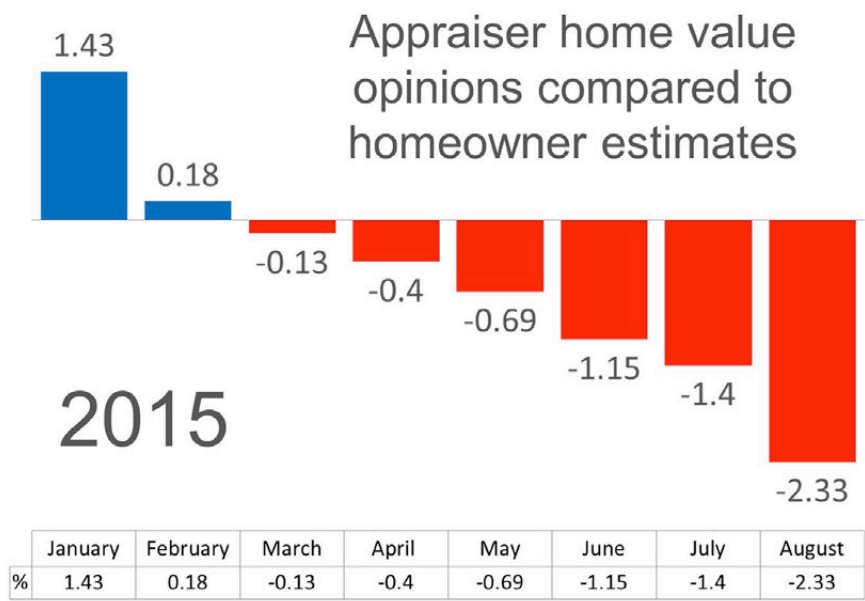
This will put you in the best possible position.



THE IMPACT OF RISING PRICES ON HOME APPRAISALS

The fact that residential home prices are increasing substantially in most regions of the country is music to the ears of homeowners. However, if you are in the process of selling your home, make sure you realize the major challenge a hot real estate market creates.

Each house must be sold twice; once to a buyer and a second time to an appraiser who represents the bank that will grant the purchaser a mortgage to buy the home (unless it is an “all cash” purchase). In a real estate market with escalating prices, the second sale may be the more difficult one. The *Quicken Loans* Home Price Perception Index reveals that the gap between what a homeowner believes is the value of their home compared to an appraiser is widening.



This could lead to an increase in the percentage of real estate transactions being challenged by a ‘short’ appraisal (where the appraiser value is less than the contracted price of the home).

Bottom Line

If you are planning on selling your home, you must be prepared for this possibility as it may result in a renegotiation of the price of the home.



5 DEMANDS TO MAKE ON YOUR REAL ESTATE AGENT

Are you thinking of selling your house? Are you dreading having to deal with strangers walking through the house? Are you concerned about getting the paperwork correct? Hiring a professional real estate agent can take away most of the challenges of selling. A great agent is always worth more than the fee they charge just like a great doctor or great accountant.

You want to deal with one of the best agents in your marketplace. To do this, you must be able to distinguish the average agent from the great one.

Here are the top 5 demands to make of your Real Estate Agent when selling your house:

1. Tell The Truth About The Price

Too many agents just take the listing at any price and then try to the 'work the seller' for a price correction later. Demand that the agent prove to you that they have a belief in the price they are suggesting. Make them show you their plan to sell the house at that price – TWICE! Every house in today's market must be sold two times – first to a buyer and then to the bank.

The second sale may be more difficult than the first. The residential appraisal process has gotten tougher. A survey showed that there was a challenge with the appraisal on 24% of all residential real estate transactions. It has become more difficult to get the banks to agree on the contract price. A red flag should be raised if your agent is not discussing this with you at the time of the listing.

2. Understand The Timetable With Which Your Family Is Dealing

You will be moving your family to a new home. Whether the move revolves around the start of a new school year or the start of a new job, you will be trying to put the move to a plan.

This can be very emotionally draining. Demand from your agent an appreciation for the timetables you are setting. Your agent cannot pick the exact date of your move, but they should exert any influence they can, to make it work.

3. Remove As Many Of The Challenges As Possible

It is imperative that your agent knows how to handle the challenges that will arise. An agent's ability to negotiate is critical in this market.

Remember: If you have an agent who was weak negotiating with you on the parts of the listing contract that were most important to them and their family (commission, length of listing, etc.), don't expect them to turn into a *super hero* when they are negotiating for you and your family with the buyer.

4. Help With Relocation

If you haven't yet picked your new home, make sure the agent is capable and willing to help you. The coordination of the move is crucial. You don't want to be without a roof over your head the night of the closing. Likewise, you don't want to end up paying two housing expenses (whether it is rent or mortgage). You should, in most cases, be able to close on your current home and immediately move into your new residence.

5. Get The House SOLD!

There is a reason you are putting yourself and your family through the process of moving.

You are moving on with your life in some way. The reason is important or you wouldn't be dealing with the headaches and challenges that come along with selling. Do not allow your agent to forget these motivations. Constantly remind them that selling the house is why you hired them. Make sure that they don't worry about your feelings more than they worry about your family. If they discover something needs to be done to attain your goal (i.e. price correction, repair, removing clutter), insist they have the courage to inform you.

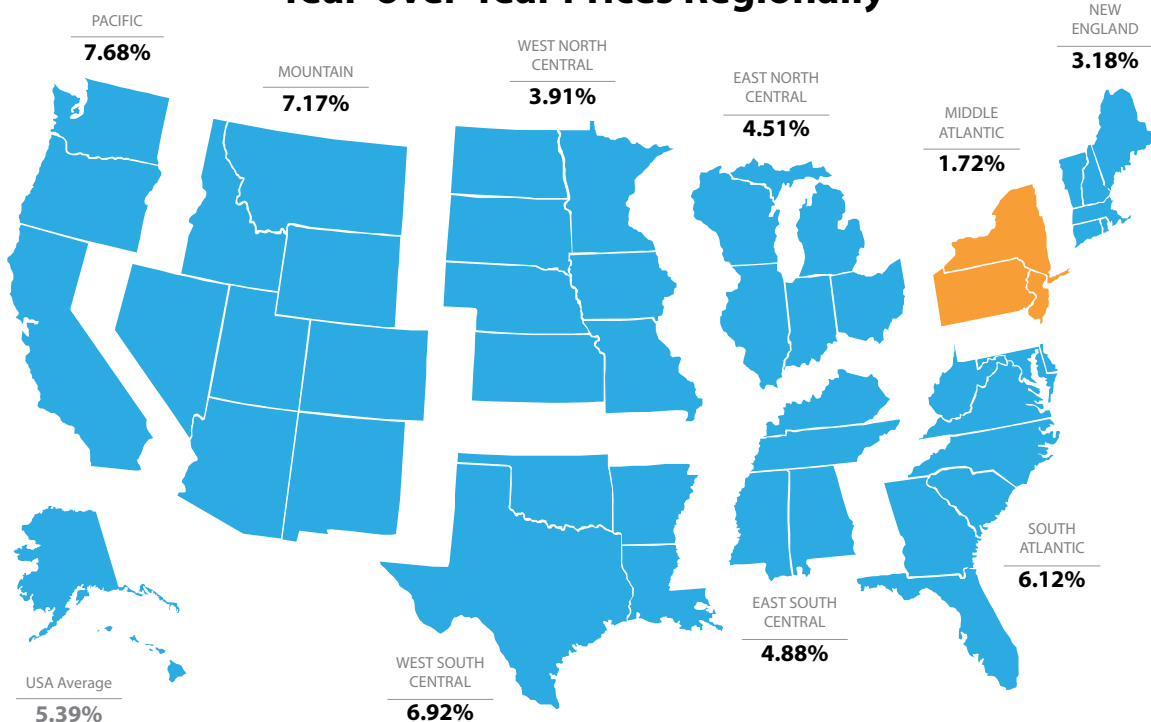
Good agents know how to deliver good news. Great agents know how to deliver tough news. In any market, YOU NEED A GREAT AGENT!



HOME PRICES OVER THE LAST YEAR

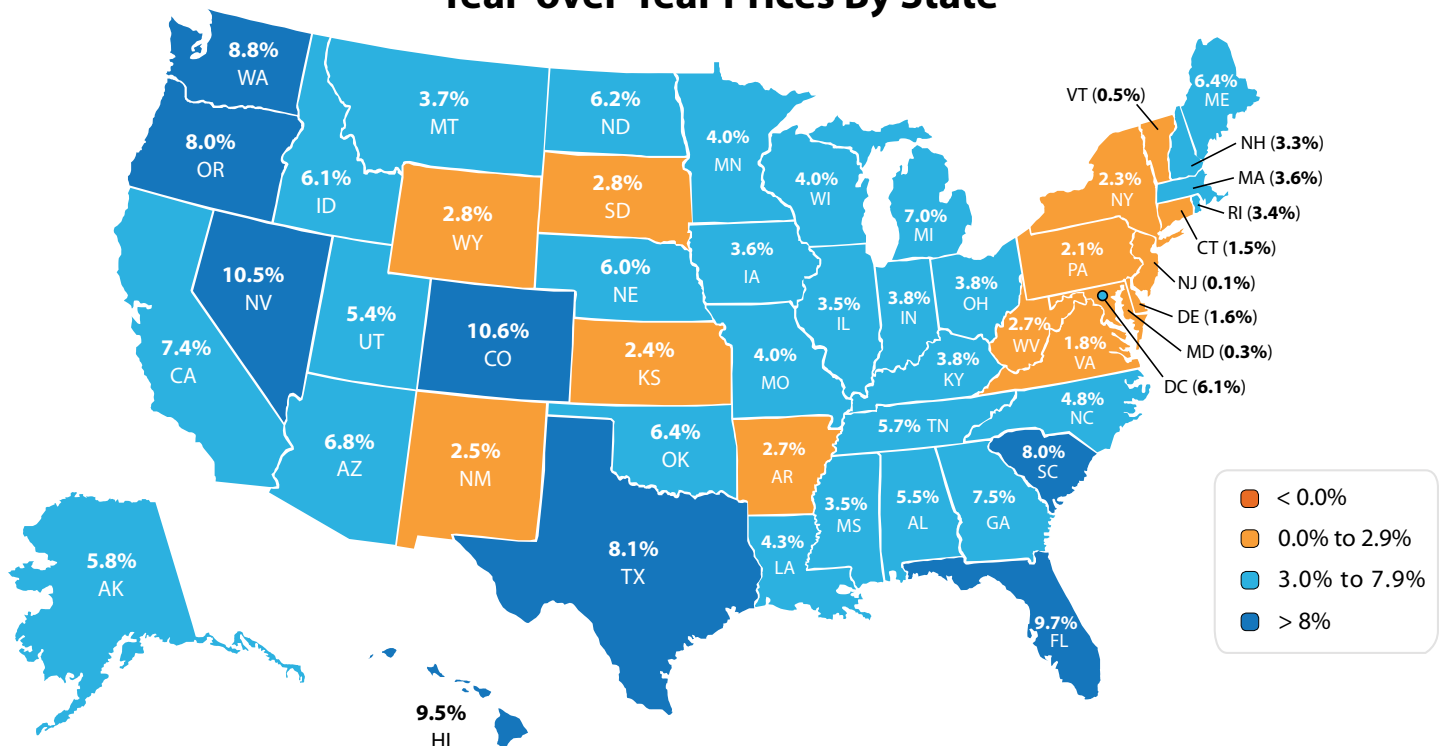
Every quarter, the Federal Housing Finance Agency (FHFA) reports on the Year-over-Year changes in home prices. Below you will see that prices are up, year-over-year in every region.

Year-over-Year Prices Regionally



Looking at the breakdown by state, you can see that each state is appreciating at different rates. This is important to know if you are planning on relocating to a different area of the country. Waiting to move may end up costing you more!

Year-over-Year Prices By State



HOME PRICES: A 5 YEAR OUTLOOK

Today, many real estate conversations center on housing prices and where they may be headed. That is why there is tremendous value in the **Home Price Expectation Survey**. Every quarter, *Pulsenomics* surveys a nationwide panel of more than 100 economists, real estate experts and investment & market strategists about where prices are headed over the next five years. They then average the projections of all 100+ experts into a single number.

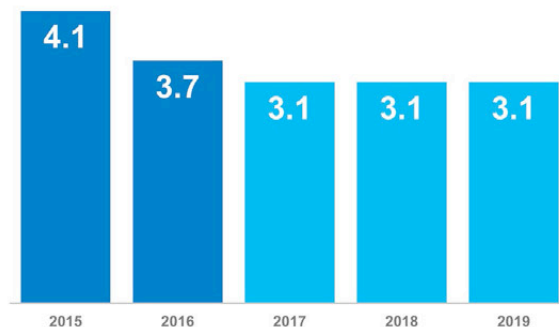
The results of their latest survey:

- Values will appreciate by **4.1%** in 2015
- Cumulative appreciation will be **18.1%** by 2019
- That means the average annual appreciation will be **3.4%** over the next 5 years.
- Even the experts making up the most bearish quartile of the survey still are projecting a cumulative appreciation of almost **10.5%** by 2019

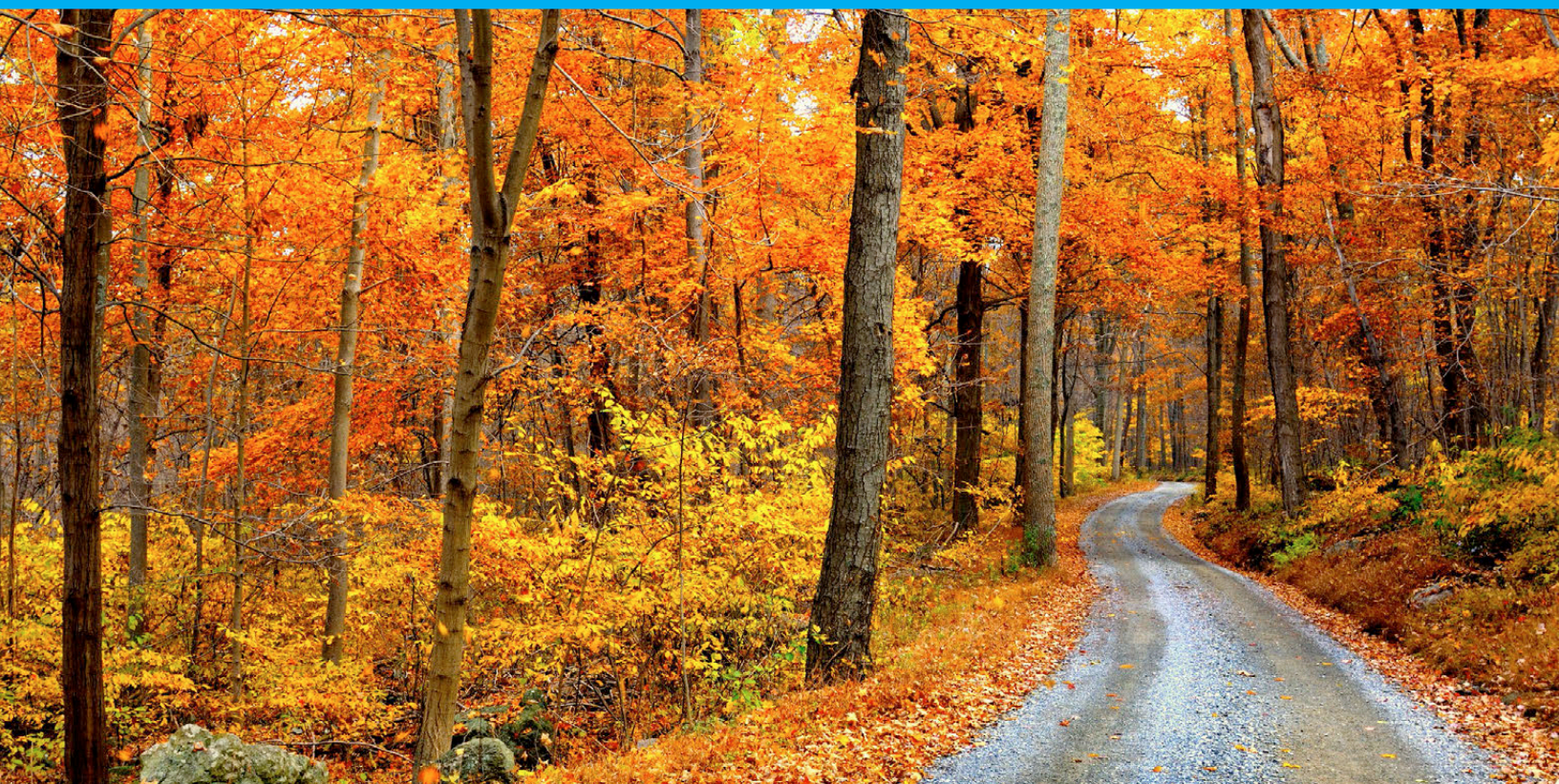
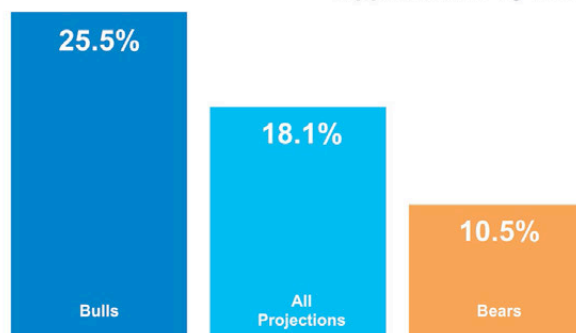
Individual opinions make headlines. This survey is a fair depiction of future values.

PROJECTED

Mean Percentage Appreciation



Cumulative House Appreciation by 2019





5 REASONS **YOU SHOULDN'T FOR SALE BY OWNER (FSBO)**

In today's market, with home prices rising and a lack of inventory, some homeowners may consider trying to sell their home on their own, known in the industry as a For Sale by Owner (FSBO). There are several reasons this might not be a good idea for the vast majority of sellers.

Here are five reasons:

1. There Are Too Many People to Negotiate With

Here is a list of some of the people with whom you must be prepared to negotiate if you decide to For Sale By Owner:

- The buyer who wants the best deal possible
- The buyer's agent who solely represents the best interest of the buyer
- The buyer's attorney (in some parts of the country)
- The home inspection companies which work for the buyer and will almost always find some problems with the house.
- The appraiser if there is a question of value

2. Exposure to Prospective Purchasers

Recent studies have shown that 88% of buyers search online for a home. That is in comparison to only 21% looking at print newspaper ads. Most real estate agents have an internet strategy to promote the sale of your home. Do you?

3. Results Come from the Internet

Where do buyers find the home they actually purchased?

- 43% on the internet
- 9% from a yard sign
- 1% from newspapers

The days of selling your house by just putting up a sign and putting it in the paper are long gone. Having a strong internet strategy is crucial.

4. FSBOing has Become More and More Difficult

The paperwork involved in selling and buying a home has increased dramatically as industry disclosures and regulations have become mandatory. This is one of the reasons that the percentage of people FSBOing has dropped from 19% to 9% over the last 20+ years.

5. You Net More Money when Using an Agent

Many homeowners believe that they will save the real estate commission by selling on their own. Realize that the main reason buyers look at FSBOs is because they also believe they can save the real estate agent's commission. The seller and buyer can't both save the commission.

Studies have shown that the typical house sold by the homeowner sells for \$208,000 while the typical house sold by an agent sells for \$235,000. This doesn't mean that an agent can get \$27,000 more for your home as studies have shown that people are more likely to FSBO in markets with lower price points. However, it does show that selling on your own might not make sense.

Bottom Line

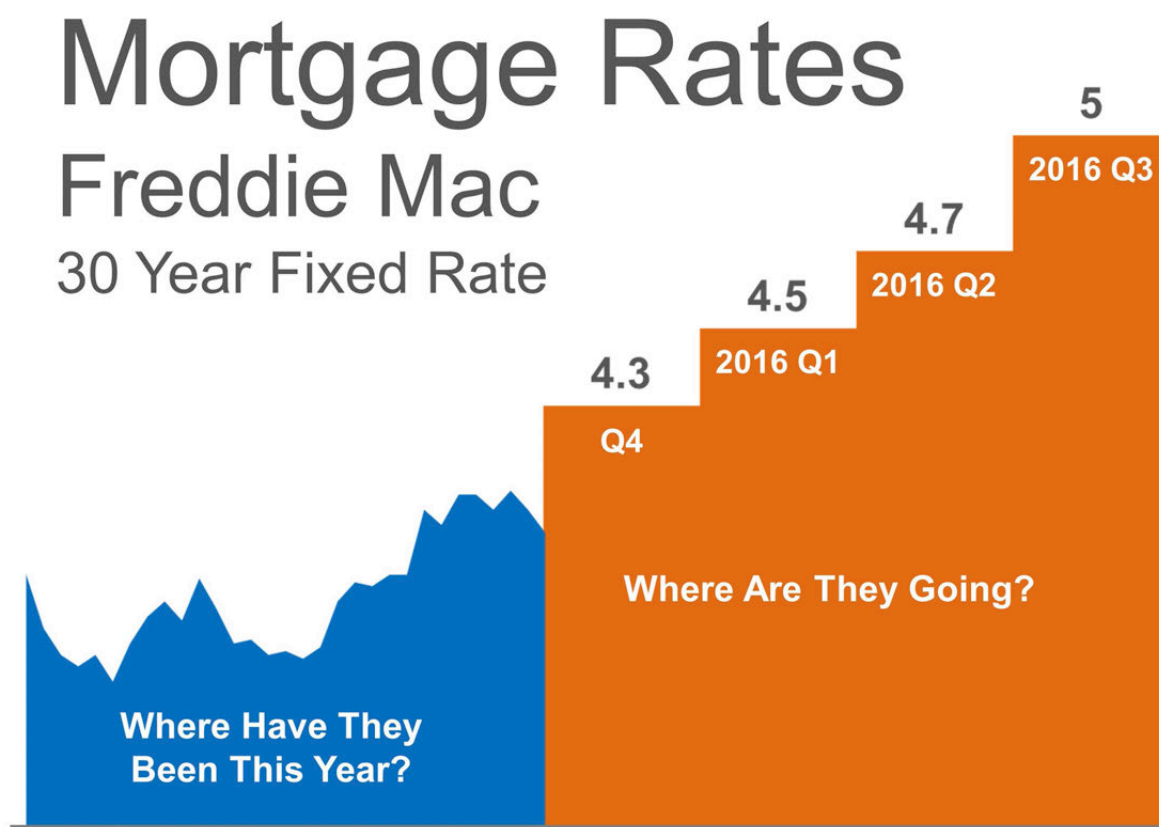
Before you decide to take on the challenges of selling your house on your own, sit with a real estate professional in your marketplace and see what they have to offer.



WHERE ARE MORTGAGE INTEREST RATES HEADED?

The interest rate you pay on your home mortgage has a direct impact on your monthly payment. The higher the rate the greater the payment will be. That is why it is important to look at where rates are headed when deciding to buy now or wait until next year.

Below is a chart created using *Freddie Mac's 2015 U.S. Economic & Housing Marketing Outlook*.



As you can see interest rates are projected to increase steadily over the course of the next year.

How Will This Impact Your Mortgage Payment?

Depending on the amount of the loan that you secure, a half of a percent (.5%) increase in interest rate can increase your monthly mortgage payment significantly.

Waiting to secure the home of your dreams may mean having to tighten the budget, or sacrificing on luxuries that may be taken for granted today.

The experts predict that home prices will appreciate by 4.5% over the next twelve months. If both predictions become reality, families would wind up paying considerably more for their home.

Bottom Line

Even a small increase in interest rate can impact your family's wealth. Meet with a local real estate professional to evaluate your ability to purchase your dream home.

HOW WILL MORTGAGE RATE HIKES IMPACT HOME SALES?

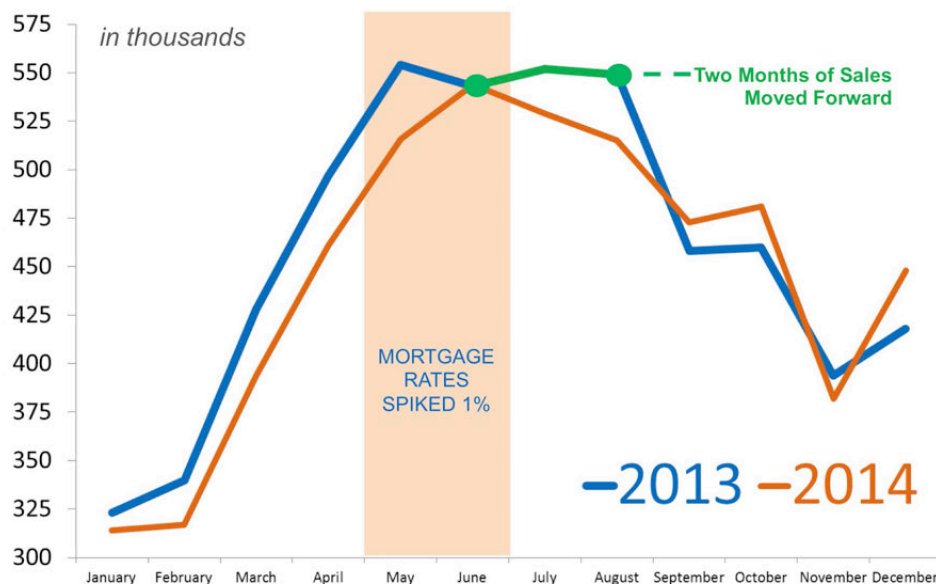
When mortgage interest rates begin to climb, experts immediately begin to discuss home affordability indexes. They calculate how an increase in rates will slow home purchases as more and more potential buyers are priced out of the market. Today, with home prices also increasing, many believe that home sales may slow down rather dramatically.

This may prove to be true in the long term. However, in the short term, increasing mortgage rates may have the opposite effect. Many buyers who have been sitting on the fence may realize that delaying their purchase no longer makes sense.

In a recent *CNBC* article, Matt Weaver of Florida-based *PMAC Lending* explained the impact an increase in rates will have: *"These increases really help the home-buying market. It really gets buyers to really understand that 'wait a minute, rates are at an all-time low, let's react now, let's react before they go higher'"*

As an example, we can look to 2013 when interest rates spiked up by a full percentage point over a two month period. The result is that many buyers rushed to the market on the fear that rates would continue to climb. It didn't necessarily increase the number of sales that year dramatically. However, it did seem to move some sales up in the year as evidenced by the chart below:

Total Home Sales – Impact of Mortgage Rate Spike



We can see that the sales cycle did not follow a more normal cycle (2014) with more sales being pushed into July and August and slightly less sales in September and August.

Bottom Line

If you are waiting to put your house on the market, think twice. Now may be the perfect time to sell as buyer competition will continue to heat up as more purchasers jump into the market. You may also save a pretty penny on the monthly mortgage payment on your next home by selling now before rates shoot up.



DON'T WAIT! MOVE UP TO THE HOUSE YOU ALWAYS WANTED

Now that the housing market has stabilized, more and more homeowners are considering moving up to the home they have always dreamed of. Prices are still below those of a few years ago and interest rates are still near 4%.

Sellers should realize that waiting to make the move while mortgage rates are increasing probably doesn't make sense. As rates increase, the price of the house you can afford will decrease if you plan to stay within a certain budget for your monthly housing costs.

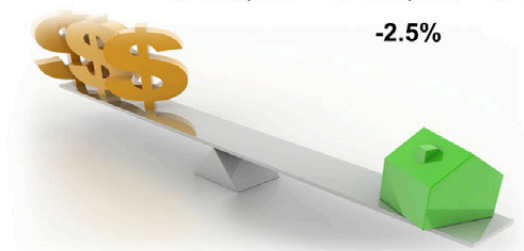
The chart on the right details this point.

With each quarter percent increase in interest rate, the value of the home you can afford decreases by 2.5%, (in this example, \$10,000). Experts predict that mortgage rates will be closer to 5% by this time next year.

Act now to get the most house for your hard earned money.

Buyer's Purchasing Power

RATE	5.25	\$ 2,208	\$ 2,154	\$ 2,098	\$ 2,044	\$ 1,988
	5.00	\$ 2,148	\$ 2,094	\$ 2,040	\$ 1,986	\$ 1,932
	4.75	\$ 2,086	\$ 2,034	\$ 1,982	\$ 1,930	\$ 1,878
	4.50	\$ 2,026	\$ 1,976	\$ 1,926	\$ 1,874	\$ 1,824
	4.25	\$ 1,968	\$ 1,919	\$ 1,869	\$ 1,820	\$ 1,771
	4.00	\$ 1,910	\$ 1,862	\$ 1,814	\$ 1,766	\$ 1,719
	3.75	\$ 1,852	\$ 1,806	\$ 1,760	\$ 1,714	\$ 1,667
		\$ 400,000	\$ 390,000	\$ 380,000	\$ 370,000	\$ 360,000
			-2.5%	-5%	-7.5%	-10%



Principal and Interest Payments rounded to the nearest dollar amount.



TWO THINGS YOU DON'T NEED TO HEAR FROM YOUR LISTING AGENT

You've decided to sell your house. You begin to interview potential real estate agents to help you through the process. You need someone you trust enough to:

- **Set the market value on possibly the largest asset your family owns (your home)**
- **Set the time schedule for the successful liquidation of that asset**
- **Set the fee for the services required to liquidate that asset**

An agent must be concerned first and foremost about you and your family in order to garner that degree of trust. Make sure this is the case.

Be careful if the agent you are interviewing begins the interview by:

- **Bragging about their success**
- **Bragging about their company's success**

An agent's success and the success of their company can be important considerations when deciding on the right real estate professional to represent you in the sale of the house. However, you first need to know they care about what you need and what you expect from the sale. If the agent is not interested in first establishing your needs, how successful they may seem is much less important.

Look for someone with the **'heart of a teacher'** who comes in prepared well enough to explain the current real estate market and patient enough to take the time to show how it may impact the sale of your home.

Not someone only interested in trying to sell you on how great they are.

You have many agents from which to choose. Pick someone who truly cares.



FSBO's MUST BE READY TO **NEGOTIATE**

In a recovering market, some sellers might be tempted to try and sell their home on their own (FSBO) without using the services of a real estate professional. Real estate agents are trained and experienced negotiators. In most cases, the seller is not. The seller must realize their ability to negotiate will determine whether they get the best deal for themselves and their family.

Here is a list of some of the people with whom the seller must be prepared to negotiate if they decide to FSBO:

- The buyer who wants the best deal possible
- The buyer's agent who solely represents the best interest of the buyer
- The buyer's attorney (in some parts of the country)
- The home inspection companies which work for the buyer and will almost always find some problems with the house.
- The termite company if there are challenges
- The buyer's lender if the structure of the mortgage requires the sellers' participation
- The appraiser if there is a question of value
- The title company if there are challenges with certificates of occupancy (CO) or other permits
- The town or municipality if you need to get the COs permits mentioned above
- The buyer's buyer in case there are challenges on the house your buyer is selling.
- Your bank in the case of a short sale



FANNIE MAE AGREES: HIRE A PRO TO SELL YOUR HOUSE

Do you really need an agent to sell your house in today's market? Here's what Fannie Mae suggests to sellers on the Know Your Options section of their website:

"Select how you'll market and list the home (e.g., with a real estate agent or for sale by owner). There are pros and cons to each, but unless you are experienced at selling homes, it usually makes financial sense to get professional help—homes sold by agents typically sell at a higher price and spend less time on the market. An agent will also help you determine the best pricing for the house, they'll market the home, and they'll be your advocate throughout the process."

Let's go over the points they made:

- Homes sold by agents typically sell at a higher price
- Homes sold by agents typically spend less time on the market
- An agent will help you determine the best pricing for the house
- An agent will market the home
- An agent will be your advocate throughout the process

If Fannie Mae says using an agent probably makes sense, perhaps you should interview an agent before putting your house up for sale.