

How To Sell Your Home Without A Realtor

REAL ESTATE, HOUSING, HOME SALES, RECESSION
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With prices falling so far so fast in the residential real estate market, homeowners these days are looking to eke out as much profit as they can from the sale of their home.

Yet, with the record inventory of available properties, they can't just raise their price.

Enter: For sale by owner (FSBO)

By cutting out the middle man and selling your home yourself, you could walk away with tens of thousands of dollars more in your pocket. It just takes a little marketing know-how and a lot of entrepreneurial spirit.

"A lot of people who are selling right now are doing so because they're changing jobs or changing lifestyles and they're selling by owner because they know it's going to immediately save them 5-6 percent on commission costs," says Eric Mangan, a spokesman for ForSaleByOwner.com, a sell-by-owner listing service. "In today's market, where prices have dropped by double digits in some cases, the cost of using a realtor is that much more expensive."

Indeed, without a real estate agent you could lower your asking price by up to 6 percent to comparable listings in your community and help sell your house faster.

Better yet, leave your price on par and pocket the commission that would normally go to the realtor. (On a \$350,000 house, a 6-percent commission is \$21,000.)

Who's Doing It

Despite the financial incentive and growing access to online listing services, the FSBO (pronounced "fizzbo") market has been trending down from a high of 19 percent of the market in 1997 to roughly 13 percent today, according to the National Association of Realtors (NAR).

* Some 81 percent of home sellers still use full-service realtors, 9 percent rely on limited service providers, including discount brokerages and the remaining sellers, and roughly 9 percent use minimal service (including FSBOs and those who pay only for the use of an MLS).

* It's worth noting, too, that some 40 percent of sales in that "minimal service" market are completed as a closed transaction, meaning the buyer already knew the homeowner as a friend or family member. (underlining added)

According to NAR's Walter Molony, the majority of homeowners still rely on agents because their home is often their largest asset and they want an experienced professional on hand to protect their interests.

Indeed, some homeowners still require the help of realtors to sell their home. Among them: those who can't be physically on site to show their property and those not comfortable selling or promoting their houses.

While the real estate recession has some homeowners wary of selling solo, however, Mangan maintains the sell-by-owner strategy is actually easier than most homeowners imagine—and makes more sense today than during the boom.

"It takes education about your local real estate marketing, including recent sales activity and some knowledge of what's currently on the market," he says. "Other little things are more important today, too, like being more flexible with a buyer's closing time frame."

If your buyer needs to close within 30 days and you're not ready to move, find an apartment and store your furniture. Be prepared to do whatever it takes.

The housing slump, of course, also makes it more important to market your home effectively.

Above all, that means listing your house for a fair price.

It's easy enough to find out what your home is worth. Sites like realtor.com, zillow.com and homegain.com can help you review comparable real estate listings available in your neighborhood.

You should also ask a realtor or two to stop by for a comparative market analysis. They don't charge for the service, you can be honest about your intent to sell-by-owner (they'll be waiting if it doesn't work out) and they might even give you some good ideas on quick fixes to help you sell faster.

• [Slideshow: Million Dollar Homes](#)

Once you've arrived at a fair market price, you can either list for that amount or, considering the growing inventory of available homes, discount your price just enough to position your property as a bargain.

For example, if your home would normally list for \$450,000 with a realtor, consider lowering your asking price by 3 percent to \$436,500. If you're really eager to sell, you could reduce by 4 percent and sell for \$432,000, while still coming out ahead.

What You May Need

Even a well priced home, however, isn't going to move if buyers don't know it exists.

Ads in the local newspaper, which cost as little as \$25 per month, can be surprisingly effective, considering a large percentage of buyers across the country upgrade into homes within their existing community.

But you'll have better luck if you pony up for a listing service, which publishes the specifics of available homes to realtors and potential buyers.

Calculators and Advice from Bankrate.com:

- [Compare Mortgage Rates Nationwide](#)
- [Struggling to Save Your Home? Get Help Here](#)

Packages priced at \$229 and up also include a yard sign kit, access to a consultation line and automatic syndication of the listing to the real estate sections of partner websites like Google, Yahoo and USA Today. Higher-priced packages, which run as high as \$809, also include a listing on Realtor.com and on the MLS."

ByOwner.com, meanwhile, charges from \$300 to \$400 for its listings, which will remain on the site until sold.

Both companies provide yard signs, printable flyers and instructional material to help you prepare, price and negotiate the sale of your home.

Screen, screen, screen

With banks continuing to tighten their lending restrictions, it's more important than ever to get your buyers prequalified or preapproved.

As the seller, you should demand a pre-approved mortgage letter with any written offer potential buyers make.

And, as with any real estate transaction, don't forget to work with a lawyer or title company during the closing, to ensure both you and the buyer have a legal representative who understands the process and is looking out for your best interests.

The Downside

Before you set out to save a buck, of course, there are some potential disadvantages to consider.

For starters, there's the added time commitment of showing your own home. (If you're at work, you may miss a sale.)

You may also feel uncomfortable opening your home to just anyone—whereas a realtor is bringing only bona fide potential buyers to your door.

Realtors also, of course, handle all the paperwork, provide legally binding contracts that account for local disclosure ordinances and know which lender to direct your low credit score-buyers to when their financing goes sour.

Finally, because they are exposed to a wider audience of potential buyers, some would argue agents may be able to obtain a higher sales price for your home, which can offset some or all of their commission.

A 2008 survey by NAR found the median price for sellers who used an agent was \$211,000, while homes sold directly by the owners fetched closer to \$153,000.

(Molony notes, however, the significant price spread in the most recent survey was partly due to the fact that FSBO properties were more likely to be in rural areas, and more likely to be manufactured or mobile homes. That suggests the homes might be worth less to begin with, he said.)

A smaller survey by Northwestern University of all homes sold in Madison, Wisc. between 1998 and 2004 found those who joined a for-sale-by-owner Website got as least as much for their homes as sellers who either used an agent or the MLS.

The study shows that FSBO sellers ended up with a "significantly enhanced net sale price because they didn't have to pay the brokerage commission that real estate agents charge sellers, generally 6 percent of a house's sale price," the summary report said.

It did find, however, that homes sold through the MLS were more likely to sell faster—20 days faster on average. (And that was during the real estate boom.) It also found that over 20 percent of FSBO listings did not sell by owner, and ultimately had to list anew on the MLS.

The increased time to sell can be tough to swallow for homeowners who are carrying two mortgages at once.

If your home sits too many extra months on the market, of course, it would have been cheaper to simply hire an agent and cough up the commission.

Yet, despite the potential drawbacks, the cost benefit of selling your home on your own makes it worth considering if you can afford to wait for a buyer, are prepared to market your home effectively and aren't afraid to do the legwork yourself.

- [Slideshow: Million Dollar Homes](#)

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QUESTION: If you were a Buyer and walked into a "For Sale By Owner," would you want the Seller to keep the extra 6% they aren't paying, or, would you want them to pass that savings along to you? So, as a Seller, what do you think your Buyer is going to want to do? You may wind up earning a commission, but not getting to keep it. Wouldn't it be better to let a pro handle the job?--Bill Groover