



What Every First Time Home Seller Should Know

The Savvy Seller

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If you're reading this you're likely starting a new chapter in your life. The process of selling and buying a home could very likely be the biggest personal transaction you make, not only financially but emotionally. The excitement and fear can be challenging so it's important to have a clear path to get through the transition. I've helped people through this life-changing process as a broker and as a Global Village in several countries the planet. Having someone help get through this process is important whether it's a 250sf home or a multimillion dollar dream home.

From the outset, the experience of selling your home is very different from buying it. I've written this guide from my years of experience in real estate to give sellers valuable information and a reliable sequence to help alleviate stress and give a clear path to help keep things in on track and help when things don't go as planned.



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Have a mission, have a team to support you, and have a plan.

I was told by a mentor once—if you aim for nothing you’ll hit it with amazing accuracy. So take some time here and actually write it down. What do you want in this process? What’s the end game? What’s non-negotiable? What’s unacceptable? What’s important about the timing? What’s important about the financial outcome? This is your moment to envision the next chapter and then take aim at making it happen while you’re in a clear state of mind.

The right team can help you build a plan to meet the mission. They can help you know the budget and the timing. I’d recommend writing it all down but even if you don’t you’ll want to look at a calendar and geek out with the numbers.

With these ideas in mind I’ve written this handbook as a scaffolding to guide you in this transition. Of course, I recommend that you interview and hire an agent to make sure you’ve got the best shot at a smooth transition. Take a minute now and answer the question: **What’s the mission?** Include timing, financial needs, personal needs, where you’ll live next. Keep it short and sweet. Also, it will likely change as you go through the process of selling your home and learning new information about the market and your needs while you make the jump to a new home. However, it’s important to have a “start here” point on the map. This will be something you can refer back to as needed.

What you should know as you go:

- A. **The Agent and The Agency.** What to know. Referrals to the trades, staging companies, cleaners, general inspectors, attorneys, and title and closing— and an agent in your new town
- B. The listing agreement, brokerage relationship, and supporting documents
- C. How much is the house worth? What does it cost to sell? How much equity (money in the bank) will you have after closing?
- D. How to make the most of the house. The priority fixup list, the purge, pre-listing inspection, staging, photography, preparations for marketing, and showing.
- E. List it—what to expect. The MLS and what’s happening behind the scenes. The timing (get your calendar). Open houses and showings (how many, how long). Mayhem mitigation. If needed, the reposition.
- F. Consider the offer. Buyer sizeup, inspection and due diligence. The “What if” list, including low appraisals, bad inspections, etc.
- G. The Contract and Negotiation. What’s up for grabs? Equity Protection
- H. The Closing
- I. Plansition—“Mind the Gap.” Sell, Buy, Move. Strategies for sanity (Rentback, Delayed possession, ibuyer programs, relocation companies) Equity Options. Plan what to do with it (New town? New house? New job? Pivot to multifamily?)

The Agent and The Agency

Deciding which agent to trust in this transition boils down to finding the agent who's going to see your mission and use their experience to help you meet it. This is also true with each of the technicians and service providers you hire along the way. An experienced agent who's serving you well will understand your needs and your vision and help you navigate the process to make it happen. They can also refer you to each of the right players in their network to help you get the job done. For the seller client this includes staging services, photographers, technical specialists like heating, plumbing, electrical, painting and so forth as you get ready to make the most of your home sale. It often includes a title and closing company as well.



As you consider which brokerage and agent to employ an obvious distinction is the size of the brokerage. However, there's more to the story. Even the bigger red and blue brands have some common practices that are not discussed with their clients. Most often, REALTORS operate as independent contractors. Meaning, they essentially run their own independent business under the affiliation or brand where they hang their license. Most agents spend a big portion of their time generating new connections and growing their business. The bigger brands offer some additional horsepower when it comes to marketing and mentoring but this

is often aimed at recruiting more licensees or touting their own volume in the marketplace. Though they sound great, these aren't necessarily value-adds for their clientele.

Typically, the first provider you'll consider is a real estate agent and there are a zillion choices. You'll want to have someone who understands your needs so it's important to reflect on the mission. They'll need to know what's important to you and you'll need to trust that they're protecting your interests. Seller representation means the agent will be helping you make plans, digging up critical information, referring and lining up services, negotiating contract terms on your behalf, and scheduling benchmarks throughout the transaction as you work through the process of selling your house. They'll be obligated ethically and legally to keep confidentiality about your motivation for selling, your bargaining position and the ultimate terms for which you'd sell the property including timing and price. That's a big job and they should be a skilled navigator and negotiator.

Some topics to discuss with any agent you're considering are their experience with house size, market area, their commission structure, marketing strategy and materials, and any other particular situational needs you may have. It's also a good idea to find out if they're a member of the local and national board of REALTORS. You'll also want them to explain agency in depth using the Brokerage Relationship Form. In the state of Maine there are certain distinctions in the agency relationship including buyer agent, seller agent, dual agent, and appointed agent. Know these up front in the event that the agency relationship needs to be adjusted during the agreement timeframe.

Pro-Tip

Don't be swayed by competitive rankings of an agent or the "humble brag" about their volume of business or market ranking. Find the one that's paying attention to their clients' needs and ask for examples.

A major factor to consider is how they'll do their marketing of your home. When it comes down to it, the main way people are finding houses online using Zillow.com, Realtor.com and a long list of other sites including other agencies with MLS enabled sites. Online marketing and representation is critical. However, don't be fooled by the glitzy branding or the competitive numbers. In fact, in the MLS data, all branded images and language must be removed from the listing so that the information can be made available to all MLS enabled websites, including local agencies. The modern distribution of data has leveled the field for service providers everywhere and it's important to know that these tools are available for whichever REALTOR you choose. Again, look for any hallmarks of personal service when making your choice.

So, ask the question "How will you market our home to generate the most excitement about it?". Typically, more excitement means more and higher quality offers. In today's world there's a big relationship with beautiful images of the home and intense activity within a short window of time as well as a marketing push to other agents and open house notifications for the early big splash on the market.

Using the "trust but verify" idea—make sure the information they provide can be verified with online reviews or references. It's wise to do a little

online sleuthing but take anything you find online as a reference point, not the defining factor.

Pro-Tip

The data in the MLS is almost always the source of information for the mega websites like Zillow.com, Realtor.com and most other real estate listing websites. A REALTOR's access to the MLS feeds these sites the same data regardless of the size of the brokerage.

Pro-Tip

The agent you select can do some background homework on agents in other areas. So, if you're moving to another town or state, have your agent refer you as you search for your new home.

The Listing Agreement

The official beginning of the client/brokerage relationship is the signing of the listing agreement. This document consummates the obligations of both seller and brokerage including and especially the confidentiality and care of the agent and brokerage. Along with the listing agreement you'll see several documents and disclosures. The most likely items in this list are: The Exclusive Seller Agreement, the Brokerage Relationship Disclosure, the Property Disclosure, the Maine Residential Transaction Booklet, The federal Protect Your Family From Lead pamphlet (houses older than 1978), as well as the Arsenic Wood and Arsenic Well Water disclosures. Yes, that's a lot.

You'll be spending some time on the Property Disclosure. In Maine this is a several page form with sections to complete about some, if not all of major aspects of the physical house. It includes information about the water source, the sewer, the roof, foundation, heat and more. Spend some time on this form and really reflect on what you know about the house. You're passing the baton to the buyers to care for the home and you'll want to avoid any surprises where possible.

Your agent will work with you to pull all these documents together and guide you through them. They'll also gather the deed, tax card, plat/plot map, zoning information, and do some research at the town hall to make sure any septic and building plans have been recorded and that you've got legal bathrooms and dwelling/occupancy permits.

All of this documentation will be put on file and the buyer-relevant documents will be added to the MLS and made available for any other

prospective buyer agents as they begin to show the house.

Having this set of documents and information on hand is the pre-work for a listing that helps avoid any surprises like an unpermitted bathroom, addition or out building, etc.

How much is the house worth?



The shortcut to find what a house could sell for is to find a couple of other comparable houses within the past 6 months that have come on the market, found a buyer, and sold. The “Sold” is an important factor because it changes a list price to a market

value. Analysing this data to produce a report using MLS data is called a CMA (Comparative Market Analysis). This deeper look is important, especially in a balanced market. For a CMA an agent will generally look for similar homes in the area that have sold recently, as well as homes that have expired, and homes that are currently for sale or pending, then evaluate your home in comparison to find a market price range. Your choice within market price range depends on your timing and motivation to sell. In general, the more motivated seller will want to price their house just below the least expensive comparable listing. A choice above their market competition is a choice to be listed a little longer in normal markets. There are some other factors here revolving around available inventory and the market's consumption of that inventory. Don't underestimate the value of some sound strategy here, and be sure to ask your agent about these market factors. There are some tried and true methods that may sound counterintuitive at first.

On a side note, appraisers use the same data when doing their work once the house is under contract and the bank is doing their work to get you to

the closing. They'll produce a much more extensive and regulated study on the market value of the property. However, their orientation is towards market history, where an agent's orientation is towards the future to serve their seller client.

Pro-Tip

A balanced market is usually defined as an average of 180 (6mo) days on market. A buyer's market is longer vs. seller's market, which is shorter.

Let's take the question one step further—How much will you have at the end of the sale as cash/equity? Here's a quick formula to find out:

Contract price _____

- Loan payoff _____

- Closing costs _____

- Commission _____

Equity/Cash after close = _____

Let's take a little deeper look at Closing Costs—These are fees for the services and expenses required to finalize a mortgage. These may include title insurance, escrow fees, lender charges, transfer taxes, recording fees, and the lender's origination fee for loan processing, underwriting and funding. Closing costs are typically about 2%–5% of the loan amount. Digging into these can be a great way to get a close look at your finances if you're on a tight budget. Your agent and/or lender can walk you through these and make a difference in the overall closing cost. A little known or advertised fact is that some loans are more expensive than others. In the Maine Association of REALTORS Purchase and Sale, you may be able to request some or all of these back as "Buyer Prepaid". This strategy works if you're not in a competitive offer situation but it should be one of the first things to go if a buyer is getting serious and facing competitive offers.

Pro-Tip

Maine State Transfer tax rate is \$2.20 per \$500 of the sale.
This tax is split at closing between the buyer and seller.

Another target to know about is the payoff amount to your lender. Just before closing, the title company will contact your lender, insurance company and municipality to find out the amount left to pay off your mortgage, insurance policy and taxes. These will all be prorated on the closing statement which you'll see a couple of days prior to the closing date. You may have some money in the escrow account that accrues for

property taxes and insurance. It rarely gets lost in the shuffle but it's not nothing if it gets misplaced. Make sure you use your calculator here and have the closing company clear up anything you don't understand.

Pro-Tip

Using the title and closing company that insured the title when you bought the home can be a benefit for the seller or buyer depending on who's paying. Let the buyer know who to contact at your past title company to ask for a possible discount.

Make the Most of the House

Take a look at the house from a buyer's perspective. What made you decide to purchase the house when you did. These are the same factors that are going through a buyer's mind when they're looking now. A few update list items to consider, with some extra data from zillow.com regarding how many people made the effort:



- Painting the home's interior is the most common update (36% of sellers do it)
- Landscaping the yard (29%)
- Replacing or repairing carpeting or flooring (26%)
- Bathroom improvements (26%)
- Also according to zillow.com, only 21% of sellers list their home as-is.

A freshly painted entry door is also a nice touch because it gives the home a sense of arrival and it's an easy task to knock out.

Staging the house is worth considering and it's become much more popular as the market has improved since 2011 and 12. Some

professionals estimate that there's a gain of 1–5% in offer price. Others say it's really a way to increase the speed of the offer. In a seller's market it often increases the energy and excitement at listing time and generates more of a buzz around the property which increases the likelihood of multiple offers. There are an infinite number levels and costs of staging ranging from a good scrubbing and a little paint to renting furniture, updating plantings and redoing bathrooms. Because each home is unique, it's a good idea to have a one on one conversation with your agent and weigh the cost and risk with hiring a staging company.

Some home sellers opt to get an inspection before listing their property. While this is more common in a buyer's market, finding any issues ahead of selling the house that you may not have known were present can help avoid any surprises. Being in control of the repairs here can mitigate any surprises, it can also be offered to any prospective buyers as part of the sale and can be a great hedge as you get through the contract due diligence. If you choose not to get a pre-listing home inspection it may be a good idea to walk through the home and consider it through a buyer's eyes and be on the lookout for unexpected repairs or items that could be identified in the inspection. A great starting point here is to look at the Property Disclosure given to you by your agent. Consider each item on the disclosure with fresh eyes. Again, the mission here is to avoid surprises.

Pro-Tip

You probably had a home inspection when you purchased the house. Dig it out or contact the inspector who did the work and look it over. Did you get all the things done that were identified in the first inspection?

Now that we've discussed the condition of the home let's focus on a few variables in the offer and contract and how to make sure you're optimizing the process. This isn't an exhaustive list but some of the common costs that show up in the Purchase and Sale are fuel prorations, property taxes and HOA prorations, and reimbursement of buyer pre-paid costs. This can be a challenge in a fast moving market but it's worth setting aside some quiet time to understand these variables. A skilled agent can help you by pointing out the different aspects of the P&S to identify any "holes in the boat". Time spent here can help keep a contract process on the rails.

Also, the contract price is important, but consider the cost of holding the house for longer than you thought you would. The costs associated with owning a home don't stop when you get under contract. You'll still have to maintain the insurance, mow or snow, interest on the mortgage, property taxes and so forth. And, what about that water filter or utility payment. Sometimes, holding a property for a long time during a contract period offsets a different, lower offer because it offers a quick closing.

If you've received multiple offers it's also a good idea to put them within a matrix with different offer terms side by side for consideration. A few of the high-level terms are price, due diligence period, type of loan, earnest

money deposit amount, time to close. Buyers in a heated market will often send along a letter to make their offer more emotionally appealing but more often than not it comes down to terms that are most favorable to you as you sell.

List it—What to Expect

Prior to listing on the MLS and marketing it to the public you'll likely have a list of things to do around the house. If you're not hiring a staging company you'll need to consider de-personalizing and decluttering. Some of the basics include taking down



personal pictures of family and friends. You'll also want to clear anything from bathroom and kitchen counters that can be removed. Think, lotions, soaps, brushes, toothbrushes in the bathroom and toasters, blender, coffee maker, etc. in the kitchen.

Make sure to clean up and get the house smelling great too. Anything that could be keeping pet odor indoors like a pet bed, litter box, bird cage, terrarium and the like should be pulled from the house and stored neatly. If you've been in the house for a long time you may have more than you realize. Is it time to consider a short-term storage unit rental?

Of course, if you're hiring a staging company they'll go much deeper into this list and may help set things up. You'll also have a list of things to do before each open house and showing. Fancy soaps and specially folded towels to give the bathroom a "spa feel" is one example.

The photo shoot! Most agents in today's market hire a professional photographer to come and get the great shots of the house and put it in its best light. This isn't a requirement but it can give a competitive edge when

the house shows up online. The quality available to most pedestrian photographers is good enough that an agent with a good eye and some experience can pull this off fairly well. It's certainly something to discuss in the overall picture. If you've got questions about the process with your specific agent have them show you some historical listings that they've had. When reviewing the agent's other listings ask: Was it staged? Did they hire a professional photographer? Are the toilet seats down? Are the lights on? Did they capture the smaller rooms well? Did they make the bed before taking the picture of the bedroom?

After the agent has collected all the information and photos they'll build the listing in the MLS and start to work on the marketing campaign. This will be a somewhat quiet time as the agent builds this effort. The newer "clear cooperation" rules for agents requires the agent who's marketing to enter the home into the MLS with a "coming soon" status as soon as any marketing is visible to the public. This means that if the agent posts any pictures to social media, puts a sign in the front yard, or sends postcards to the neighborhood they've got 24 hours to put the preliminary information into the MLS to notify other agents who may be working with prospective buyers. As soon as any marketing begins you'll see the slow-drivers and looky-loos going by the house.

Make sure to have a conversation with your agent also about narrowing the time that showings are allowed. One of the valuable tools available to all REALTORS in Maine allows them to set specific times when showings can be requested. Give yourself some days off from the mayhem to keep your sanity and limit how late/early showings are allowed. Don't underestimate your need for a break and to be home without risk of having to clear out for a showing on a moment's notice.

At this time, we're all facing the challenge of protecting ourselves and each other during showings and open houses in the time of COVID 19. This new factor in the real estate process has created some pluses and minuses. Here's a list of a few things that have changed with this new set of circumstances.

1. More buyers (5–7% more from out of state according to MAR), are considering a purchase with “site unseen” technology like 3D tours and possibly a driveby showing.
2. Sellers and their agents are requiring a pre-qualification letter prior to allowing anyone in the house. This narrows the field to serious buyers who are already working with agents and grants fewer people access to the house.
3. One-at-a-time open houses are popular now as well. This actually works well because it allows the seller agent to converse with the prospective buyers and tour them through the house. In this way, the agent can keep socially distanced, and ensure that low and no touch policies are kept.
4. Sanitiser and masks are critical to keep each other safe. So expect to use them and if you've forgotten one an agent should have a disposable one for you. Keep in mind also that the state has a set of requirements handed down to essential works from the Governor's office, and each town has its own set of ordinances that can be more strict than the state's. Regardless, it's the agent's responsibility to create a safe environment at each face to face encounter. And, it is possible to have an entire transaction which is socially distanced and contact free. In fact, the only obligation for a client to touch anything at all is the seller's notarized, wet ink signature on the deed at closing.

Pro-Tip

If you happen to have a conversation with an interested buyer, get their contact info and pass it to your agent. You won't want to give away too much information before an offer, and your agent may be able to negotiate an offer with them early.

The Contract and Negotiation

When you're receiving and reviewing offers it's important to consider more than just the contract price. In this market there's a very good chance you'll see multiple offers and you'll want to have a way to weigh each of the potential buyer's ability to successfully get through the process and to the closing table.

1. What type of loan are they getting, VA, FHA, Portfolio or Conventional, Cash? Are they prequalified? Are they asking for "Buyer Prepaids" or money back from the proceeds of the sale?
2. What's the timeframe that they're offering? Is it possible to get through the process with the bank as quickly as they're promising?
3. If they're offering over asking price, what will happen if the house doesn't appraise at a price high enough for the bank to lend? Can they make up the difference?
4. Considering a low ball offer. Best practice is ALWAYS to counter offer. Even if the offer is way lower than you'd consider. Counter at a full price.
5. Using time—Depending on what your timing is you can also leverage your position to help ease a transition time. Meaning, if you need to stay in the house a bit longer you can push the closing date out or possibly consider a rent-back scenario.

Pro-Tip

If a buyer has some concerns after the inspection it may be a cheap insurance policy to offer a home buyer warranty as part of the package.

Pro-Tip

If you've had a fair amount of interest in the property, an agent who's putting in the effort will call other agents who have shown the property to make sure anyone who's interested has a chance to push more offers forward. More offers, more excitement, better price.

One of the areas that can cause some tension during the contract process is a misunderstanding based on what's included with the house. When you're reviewing the offer make sure to be specific about what's included and what's not. Call out details like microwave ovens, big screen TVs, Washer and Dryer sets, plug-in heating units or dehumidifiers to name a few. Maine law says anything affixed to the house is included with the sale. This includes drapes, light fixtures, and some appliances etc. but it's a good idea to address it early, it should be spelled out in the P&S to make sure there's no mistake what's included and what's not.

Plansition—Mind the Gap

Assuming you're coming out of the transaction with some equity you'll want to consider a couple of options. This is a time when you'll have access to the equity or cash that you've been building the entire time you've owned the house. In typical markets you've gained some equity from market appreciation as well as paying down your mortgage over a number of years. So, you've certainly got the option, and it's a good one, to put all the money into your next home purchase and keep building equity the same way using a mortgage. However, there are some other options to consider. Please note: these options have some inherent risk and should be considered deeply in relation to your (and your partner's) tolerance for risk.

This happens to be an area I love so I get pretty enthusiastic.

The one/two split: One of the oldest tricks in the book that has gained in popularity over the past decade or so is the house hack. If you're able to purchase a property that has multiple rentable units you've got the possibility of creating some income and offsetting your housing expenses while living in one of the units and renting the other(s). Of course, you'll have to set your expectations in case you happen to rent to someone who's not a great neighbor. You'll also want to make sure you're familiar with the laws around being a landlord. The common sequence while using your equity is to purchase a multifamily property and live in that property as your primary residence. Then, using the income from the rental property, you move into a single family, or even another multi family home keeping the first property as an income generator and equity builder. There are some time requirements with taxes and lenders when making this choice

so make sure you have a conversation with your attorney, lender and CPA so you understand the financial and legal implications.

Pro-Tip

It's easier to make the jump from living in a multifamily you own to a single family than vice-versa. It's worth considering a property manager to place tenants and keep the property on track if this isn't your full time aspiration.

Title and Closing

The whole process of selling your property ends at the closing table. This is usually done at a title company or attorney's office. Their job is to pull together all the information from the buyer and seller in preparation for the closing. Both buyer and seller agents will be working with the



title and closing company and coordinating the closing. The title company is often chosen by the buyer as part of a “buyer controlled closing” and it’s often the case that a buyer’s lender has a relationship with a closing company. If you’ve got a preference here as the seller, make it known early in the process.

A few things to know as you consider the last leg of the process are title insurance policies for both the buyer and the buyer’s lender, deed type and preparation and the closing statement.

Unless you, as the seller, have agreed to pay for some of the buyer’s closing costs as part of the transaction the buyer will likely be purchasing a title insurance policy for the lender and a policy to protect themselves. This policy covers a list of things that can cause problems for the title holder including undischarged mortgages, workman’s liens, access to the property via rights of way or any unrecorded claims to the property. These issues, if not resolved, make the title incomplete which stops the sale until they’re resolved. They’re usually discovered as part of the title search

process and cleared up prior to the closing but when they get in the way it's a relief to have insurance to settle any encumbrances.

The most common types of deed are Warranty, Quit Claim, Trustee and Personal Representative. These are relevant in the process but typically don't change the way you can use the property after purchase. You may be familiar with the type of deed you have on your property and it's important to have the seller agent disclose this as they market your property. Again, avoid any surprises if possible.

Conclusion

The challenges we're seeing in the market today are the exact reverse of the challenges we were seeing in 2009. However, it's important to keep in mind that each market has its challenges. The concept of buying and selling homes is uniquely emotional and financially challenging. In addition to these factors, the volume of information and availability of reduced rate services make a compelling case for going it alone to save a few dollars. However, it's incredibly important to have a sage advisor in your corner to get things started in the right direction and to keep them on track throughout the process. Having some qualified professionals around you who can be the calm voice in the storm and keep you on track throughout the process is now more important than ever.