

## **Selling A Home**

This was the first home that Steven Magee had sold in the USA and this is his experience:

April 2016: After months of slowly moving across to the new home and preparation of the old home for sale, it was finally ready for market. Home was placed with the closest local real estate agent. This agent had shown his parents numerous homes in the area in the past and he felt an obligation to use them. The agent advised a starting sale price of \$199,000. He advised the agent that the most recent home had sold for about \$219,000. The agent pointed out that this particular home had a swimming pool, which his home did not. A final agreement of \$218,500 starting listing price was agreed on. This agent charged a \$199 listing fee in addition to their 3% commission. The agent refused to do an inventory of the included fixtures within the home, stating that the home would be easier to sell as empty. The agent opted to have Steven Magee pay the Home Owners Association (HOA) transfer fee of \$400. No explanation was given as to why the buyer option for the fees was not selected on the form. One viewing and no offers were received.

May 2016: Five viewings and no offers received.

June 2016: Price lowered to \$213,500. Four viewings and no offers received.

July 2016: Price lowered to \$208,500. Five viewings and two offers received. First offer was \$195,000 with a 3% concession to buyer and was rejected. The realtors wanted a counter offer with this buyer that he refused to do, due to the complicated contract that had been presented. Steven Magee requested that a cleaner new contract be presented by the buyer with a better purchase offer, but this seemed to upset all realtors involved. The agent invited him down to the office where they tried to present an expired contract to the buyer with an addendum renewing the expiration date and a counter offer. Steven Magee has a very high altitude and a high powered electromagnetic field exposure brain injury that causes confusion and complicated contracts are difficult for him to understand, as such he had to leave the office as he had become so confused around the funky contract. Realtors using an addendum to extend an expired contract appears to be unique to real estate and he had never seen it before. He was wary about engaging in the practice until he understood it to be a legitimate activity, which it is.

### **Negotiating the Offer**

The second offer came in a few days later at \$198,000 with a much cleaner contract. A counter offer was made at \$204,900 and the buyer countered at \$202,000. The realtor was informed to reject the buyer counter offer and to inform the buyer that the \$204,900 price was still acceptable. There appeared to be some confusion about communications to the buyer that was rectified the next day. The buyer verbally accepted the \$204,900 price that day. At this time the Zillow Zestimate was \$209,071. The house went into escrow and inspections were arranged the following week.

### Inspections

The inspections yielded some basic repairs to be done and the buyer was requesting them to be done by expensive licensed contractors. An offer of a \$1,000 reduction in price was made to the buyers in lieu of the basic repairs and this was rejected. The buyers responded by requesting a \$3,000 reduction! As such, the response was to fix the majority of the repairs with the exception of the windows which were functional, but some seals had moved with the heat causing them to look a little strange around the edges and a small window had a hairline crack in it. The buyer was informed that the house would be sold with the windows "As-Is". No mention of licensed contractors was made in the response to leave the repair route open to home owner repair or basic handyman repair. The realtor put pressure on to do the basic repairs using licensed contractors at a cost estimate of \$2,350 or to offer a \$2,500 price reduction, stating that the buyers may cancel the contract. No explanation was given as to why the realtor wanted to counter with a larger price reduction instead of doing the slightly cheaper estimated licensed contractor repairs. The realtor was implying that the repairs were more complicated and more expensive than they actually were. The realtor was overruled and the repair counter offer was accepted by the buyers. The very basic home handyman repairs were slowly worked through over two weeks with a parts cost of less than \$50. It also emerged that the full home inspection report not been supplied by the realtor. What had been given was an 8 page report summary that had no pictures and the full report was far larger at 35 pages and contained numerous photographs. The photographs in the full report showed that the requested repairs were very minor. We disagreed about the roof repair that was done. The buyer wanted new roof tiles installing where there was minor chipped corner damage or a \$500 reduction. The minor corner damage had been repaired with roofing patch. The buyer was informed that the roof repairs were completed and no other work was to be done, such as replacing minor damage on roof tiles with new roof tiles. There would be no \$500 price reduction.

### Escrow

Escrow paperwork arrived in the mail from two different title companies. After checking in with the realtor that it was correct to have two different escrow companies involved, the paperwork was filled out and mailed back.

### Appraisal

I found out about the appraisal after the event. I happened to email the realtor after the home inspection was done asking when it was going to occur. I was informed that it had already been done and they were waiting on the report. I was quite annoyed, as I would have attended to the garden and tidied the garage prior to the home being appraised. The realtor informed me that a copy of the appraisal was not available, but the home had appraised at the agreed sale price.

## Home Contents

I had informed the realtor that I wanted to sell the home with the fixtures included, but they advised me to sell the home as empty without a complete fixture inventory. I contacted the realtor to inform them to offer the fixtures that were not included with the sale to the buyer and was informed that the buyer had already been informed that it was included with the home! Note that an incomplete fixture inventory was on the paperwork that I filled in with the realtor. This was a classic case of the realtor doing their own thing with the buyer without consulting with me. So the realtor had effectively given the buyer an enhanced home without my approval. This became a problem during the final inspection, as the buyer complained that I had removed three items from the home that they thought were included with the sale. As I pointed out to the realtor, without a complete fixture listing of items that were included with the sale, there was no discussion to be had regarding the removed personal items, which were engineering tools. I had met my agreed contractual obligations. Whenever the seller has items in the home that are being stored there, there should always be a complete fixture listing of included items in the sale to prevent any last minute discussions that could affect the closing of the home sale. Both the buyer and seller realtors messed up on this.

## Closing

The week before closing the buyers requested an earlier closing through an addendum which was agreed to. The buyers attended their closing meeting at the title company on Monday and did a final inspection of the home that night. The seller closing meeting was on Wednesday at the title company where the paperwork was reviewed, corrected and signed during a half an hour session. The first thing that I was presented with was addendum 2, which I had never seen. I was informed that it was a minor change and to sign it. Due to my brain injury, I cannot remember what it was that I signed and I was not given a copy of the document by the realtor. After the meeting the water, gas and electricity meter readings were photographed and the utility companies called to send the final bills. I requested that the realtor also take final utility meter readings in order to prevent any disagreements later. The realtor refused to do this.

This is what the closing fees looked like:

\$21.00	Seller credit for recording fee.
\$1,515.38	County taxes through 8/24/16.
\$150.00	Process service fee to title company.
\$312.00	Closing fee to title company.
\$87.50	Simultaneous settlement tie-in fee to title company.
\$671.00	Owners title insurance to title company.
\$6,346.00	Listing agent real estate commission.
\$6,147.00	Selling agent real estate commission.
\$17.50	Fax mortgage statement fee.
\$17.50	Fax mortgage statement processing fee.
\$400.00	HOA transfer fee.

\$425.00 Home warranty insurance plan.

Total closing sale fees were: \$16,109.88.

The house closed in the late afternoon of 24<sup>th</sup> August 2016.

### Price History of the Home

- \$207,810: Built & sold in 2004.
- \$287,000: Steven Magee moves from Hawaii to Tucson in 2006 and purchases the home during the USA housing price boom.
- \$219,000: Steven Magee takes a new job in 2009 and relocates to Florida. He is unexpectedly terminated without notice after reporting extensive technical, health and safety issues to the relevant departments and to upper management. He returns to the home in Tucson three months later and withdraws it from sale.
- \$148,000: Estimated home price crashes in 2011 to its lowest value.
- \$204,900: Home sold in August 2016. Total price loss on home = \$82,100.
- \$188,790.12: Adjusted price after all sales fees deducted.
- Total adjusted loss on home = \$98,209.88 excluding mortgage payments & bills.
- In this case, renting for a decade would have been a far better financial outcome.

### Mistakes Made

- Not interviewing multiple realtors and getting references.
- Paying a \$199 selling agent listing fee in addition to the 3% realtor commission.
- Accepting to pay the \$400 HOA transfer fee during the home listing.
- Not insisting on a full fixture item inventory to be included with the home listing.

In total the mistakes made caused an estimated \$599 increase in sales costs and added dialog with the seller.

### Conclusions

- The more expensive the home that you buy is, the bigger the risks for losses become.
- Make sure that you are aware of the recent home sale prices in the area.
- Interview multiple realtors, get references and estimated sales costs. Do not sign for more than three months with any realtor, just in case they do not meet their end of the deal. Most realtors will want a six month or longer contract and you do not want to be tied into working with someone for a long time that you have developed a dislike or distrust for.
- Do not assume that a large realty company will provide an excellent service.

- If the realtor is charging fees in addition to their 3% commission, then you should look for another realtor. Most realtors do not charge listing fees.
- If the realtor is putting fees onto you which can be paid by the buyer, they are probably doing so in order to increase their chances of selling the home in order to increase the possibility of receiving their commission. Put all fees onto the seller during the listing and the seller can negotiate later if they do not like it.
- If you feel that the realtor is setting the price too low for a fast sale, override them with your own sale price.
- Overriding the realtor produced an estimated \$10,000 increased sale price.
- The home took less than three months to find a buyer.
- Make sure that your realtor is forwarding you all communications with the buyer. Do not assume that your communications regarding rejecting or revising offers are being passed onto the buyers. Your communications through your realtor may be responded to with your own realtor's biased opinions which you may confuse for seller responses.
- Emails may get lost by the realtor sending them to the wrong email address. If you have not heard from your realtor, check in with them from time to time. If you are being told frequently that missing emails have being sent to the wrong address, you should be querying the competency of your realtor.
- Your realtor may try and override your decisions, so not to “lose a buyer” or have the “contact canceled”. Refuse to accept this undesirable behavior, as there are many more home buyers out there.
- Make sure your realtor does not try to sweeten the deal for the buyer by informing them that things are included that you had planned to remove from the home at sale closing. Remember, if it is not in the contract that you signed and your realtor has verbally included it in the sale, then the loss is on the realtor.
- In this case, the correct initial sale listing price was \$208,500 to attract offers from buyers.
- There are no laws requiring you to use licensed contractors for basic home repairs that have shown up on the home inspection report. You are within your rights to offer a discount in lieu of repairs, use a handyman, perform the very basic repairs yourself, or to simply refuse to do any repairs and sell the home “As-Is”. Your realtor may want you to offer a huge discount or to use expensive licensed contractors that they can recommend. They may tell you that the jobs are more expensive or more complicated than what they actually are to get you to offer a big discount in price. Remember that all requested repairs are negotiable.
- There is little difference in price regarding location for comparable homes within a housing subdivision. Large lots, small lots, view lots, high voltage power line homes, and cell phone tower homes all seem to obtain comparable sale prices.
- A swimming pool can add about \$15,000 to the sales price.
- Times have changed and renting is probably a better option for those who may move to follow better paid jobs around the world.
- It may take decades after a housing price collapse to see an increase in the sales price of your home. You may die before this occurs.

- Remember that selling a home using a realtor may cost about 10% of the sales price. As such, to break even on a home sale requires the home to appreciate at least 10%. That typically takes between five and twenty years, depending on market conditions.

### Interesting Quotes and Internet Links

- “8 Common Seller Problems (and How to Resolve Them)” <http://realtomag.realtor.org/sales-and-marketing/sales-coach/article/2011/07/8-common-seller-problems-and-how-resolve-them>
- Are you paying too much for HOA Transfer fees? <http://keystoaz.com/homeowners-association-transfer-fees/>
- “Buyers, Sellers: Watch For Negotiation Dirty Tricks” [http://articles.orlandosentinel.com/1998-01-11/business/9801090738\\_1\\_negotiation-guy-bad-guy-higher-authority](http://articles.orlandosentinel.com/1998-01-11/business/9801090738_1_negotiation-guy-bad-guy-higher-authority)
- “How to Avoid the 10 Biggest Mistakes Home Sellers Make” <http://www.howcast.com/videos/29934-how-to-avoid-the-10-biggest-mistakes-home-sellers-make/>
- “How to see through real estate broker tricks” <http://www.howcast.com/videos/928-How-to-See-through-Real-Estate-Broker-Tricks/>
- “Real estate agents' dirty tricks revealed” <http://www.news.com.au/finance/money/real-estate-agents-dirty-tricks-revealed/story-e6frfmci-1226160079065>
- “Real estate agents: The good, the bad & the ugly” <http://www.agentharvest.com/blog/real-estate-agents-the-good-the-bad-the-ugly/>
- “The Five Sneakiest Real Estate Broker Tricks” [http://www.huffingtonpost.com/james-randel/the-five-sneakiest-real-e\\_b\\_212648.html](http://www.huffingtonpost.com/james-randel/the-five-sneakiest-real-e_b_212648.html)
- The 18 Worst Mistakes made by Homesellers <http://www.bruceharryrealestate.com.au/the-18-worst-mistakes-made-by-homesellers>
- “Tricks realtors use to sell homes” <http://www.moneysense.ca/spend/real-estate/tricks-realtors-use-to-sell-homes/>
- “What is HOA transfer fee” <http://www.zillow.com/advice-thread/What-is-HOA-transfer-fee/378584/>
- “Zillow” <http://www.zillow.com/>

***“Purchasing a large and expensive home during a real estate boom turned into the biggest financial mistake that I ever made.”***

**Steven Magee CENG MIET BEng Hons – Author of Health Forensics**