

## Real Estate: A Sellers Guide

It is time to sell your home. Where do you start? One of the most helpful places to begin is knowing who is or can be involved in the transaction. At first glance, you might think it will just be the real estate agent and you, but it is much more than that. There are different types of real estate agents who provide varying levels of service and expertise.

A **Realtor**<sup>®</sup> is special type of licensed Real Estate Agent. They are a member of the National Association of REALTORS<sup>®</sup>, a real estate trade association as well as their state and local associations of REALTORS<sup>®</sup>.

A **Listing Agent** works to represent the seller by placing the home on the MLS (Multiple Listing Service) and actively works to complete the sale for the benefit of the seller.

A **Buyer's Agent** works solely with the buyer to locate the perfect home to meet the agreed upon criteria. This relationship is not limited to just locating the home, but also negotiating the price and providing expertise throughout the buying process.

An **Intermediary** relationship may happen when someone from the Listing Agent's office actually locates a buyer for your home. In this case, the same brokerage office will be representing the Seller and the Buyer. There are special rules that apply when this situation happens to help protect both the Seller and the Buyer.

Other important players in the home buying process are the Escrow Officer, Appraiser and MLS. The Escrow officer works for the title company and coordinates documents, assists with closing, and manages disbursements. The Appraiser is hired by the Lender or the Buyer to personally inspect your home and calculate a monetary value for the Lender. The appraisal can signal to the Lender if the home is under or over valued for the purchase price. MLS (Multiple Listing Service) is a database of properties for sale, under contract and recently sold in any given area.

Now that you know who the players are, you might think that you can represent yourself and do just as well as being represented by a Real Estate Agent. That is often not the case! You may not realize that a Real Estate Agent is a licensed professional who has taken classes (and continues to get continuing education) throughout their career as an agent. Agents are usually experts in the current market conditions in your area and can be a valuable resource. Additionally, your Agent is significantly less emotionally involved in the transaction and can handle any difficult situation with professionalism. Overall, your Agent should be there to oversee the transaction, make sure your interests are represented, and that the transaction moves along smoothly.

## A Guide to the Inspection Process and Disclosures

The inspection is a necessary process of selling a home. The Seller has an obligation to disclose the true condition of the home on a Seller's Disclosure form; if the statements provided by the Seller regarding the condition of the home are not truthful, and problems arise after the sale, then the Buyer may have the right to bring a lawsuit and recoup the monetary value of the deception. For these reasons, it is important to truthfully disclose the conditions of the home.

Once an inspector is selected by the Buyer (you should always require the Buyer to select the inspector so there is no chance that you will be responsible for a “bad” or “inferior” inspection. The Buyer should schedule a time for the inspection and the inspector should be given full access to every part of the home for as long as the inspector needs to complete the work required to provide a thorough inspection. Once the inspection is completed, the inspector will often provide a comprehensive report on the condition of the home.

### What constitutes a home inspection and when should it be ordered?

A home inspection is performed by a licensed professional and should encompass the major components of the home: roof, plumbing, electrical, heating/cooling, appliances, water heater, exterior and any other visible features. A full report should be provided, including pictures and any recommendations for maintenance or repair. The buyer usually pays for the inspection, but this is negotiable.

*A Structural Pest Control Inspection is a specialized type of inspection. This involves an examination for wood-destroying bugs such as termites. Most pest control reports will classify conditions as Section I (repairs) or Section II (preventative). Section I (repairs) are usually paid for by the seller; Section II are not necessarily completed but are items that may cause damage in the future, if not addressed by the Buyer.*

### Escrow Process

Escrow is where a third party, usually a title company, temporarily holds either money, property or both until a specified condition has been met or a specified time has elapsed. This process is to protect both the Buyer and Seller in a real estate transaction. Being “in escrow” implies that an offer has been accepted by the Seller for the purchase of property.

### Home Warranty

The home warranty is an insurance policy that kicks in AFTER closing should there be any mechanical, electrical or plumbing issues. Including the policy in the real estate contract can add value and security to the Buyer for unknown or unexpected post-closing repairs that may arise.

Home Warranty Plans usually range from \$250-500, offer varying coverages and are typically paid in advance at closing (as part of the closing costs). The policy is usually good for one year and does not auto-renew.

### Title Insurance

Title insurance is a type of policy that protects both the Lender and the home owner from issues/defects/clouds that may hinder ownership of the property. This type of policy protects a property owner from monetary loss and covers the cost of any defense in order to clear title. Unfortunately, even the most meticulous reviewer may not be able to find all title defects. There are two types of policies: an owner and lender policy. An owner policy covers the property owner for as long as that person owns the home. The lender policy insures the property over any claims that others may have. The Seller usually pays for the owner’s policy as it is the seller’s way of confirming that title is free and clear. If the purchase is financed, the buyer pays for the lender policy.

## Homestead Exemption: do I need one?

A homestead exemption removes a portion of your home's value from the taxable base. In other words, the exemption makes your home's value lower and that, in turn, makes your taxes that you owe each year lower. There are two qualifications to be eligible: 1) You must own your home on January 1<sup>st</sup> of the relevant tax year; and 2) it must be your principal residence. You can only have ONE homestead at any time. If you have a special exception (such as you are disabled or over 65), we will address that in a moment.

## So, what is a homestead?

A homestead is defined as a condominium, manufactured home, or a separate structure owned by an individual living in the structure. The key take-away is that you (as the owner) must be living in the structure to qualify for the exemption. A homestead can also include up to 20 acres of land provided you own the land and it is used as a yard or for some other residential home use.

## Are there types of homestead exemptions available?

Short answer: yes. Please note, in order to qualify for the exemption, your driver's license must reflect your principal address.

School Taxes: All residential homeowners can receive \$15,000 homestead exemption from the home's value for school taxes.

County Taxes: If a county collects a special tax for farm-to-market roads or flood control, the homeowner will qualify for a \$3,000 exemption.

Age 65+ and disabled exemptions: If you are aged 65 or older and/or disabled, you may qualify for an additional \$10,000 exemption for the school tax exemption (originally set at \$15,000). However, be aware that if you qualify for both the age 65 and older (\$10,000), as well as the disabled exemption (\$10,000), you must choose one or the other for school taxes. Unfortunately, you cannot receive both.

Optional Percentage exemptions: any taxing unit (city, county, school or special district) may offer an exemption up to 20 % but not less than \$5,000. Each taxing unit decides if they will provide this exemption and at what percentage. The deadline is July 1 of the tax year to offer this exemption.

Optional 65 or older or disabled exemption: Any taxing unit (defined above) may offer an additional exemption of at least \$3,000 for tax payers aged 65 or older and/or disabled.

## Closing Details

Your closing will be scheduled through the title company on a certain date and time. The title company will be responsible for coordinating the real estate brokers to pay their commissions from the proceeds of the sale. The title company will prepare and/or coordinate all the documents necessary to facilitate the transfer of the real property from you to the new Buyer. Once all the documents are signed, the

title company will fund the transaction by wire. After funding, the Buyer is given keys to the home as the new property owners, and your closing should be complete. (There may be a few outstanding items to take care of depending on your specific transaction.)