

New Year's Resolutions for Those Braving the Market's Cold Waters

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By the time the dust settles, one thing will be clear: 2008 was a year most home sellers, homeowners and lenders will want to forget.

Home prices have dipped for the past three years, including by double-digit amounts in many parts of the country in 2008, according to the [National Association of Realtors](#). If that wasn't bad enough, November existing-home sales plummeted 8.6 percent, to a annualized figure of about 4.5 million. At the peak of the housing market in 2005, about 8 million new and existing homes sold.

At the end of 2007, I projected that 2008 would be a real estate market (heavily favoring buyers) made for strong stomachs. A year ago, some economists were already saying we wouldn't work our way out of this until well into 2009, 2010 or even 2014, according to one gloomy forecast.

My crystal ball is somewhat cracked, so I don't know what 2014 is going to look like. But as we move into 2009, the news doesn't look too good: 53 percent of loans that were modified to reduce the principal, payments or interest rate are already delinquent. Foreclosures continue to rise. And unemployment has suddenly jumped.

Loss of jobs means more people will be struggling to make their mortgage payments. Foreclosures will probably go up this year. Sellers will have a tough time. The vast majority of home sales these days are distress sales: homes that have been foreclosed upon and sellers who are "short" and are selling to get out from under the threat of foreclosure. As industry observers note, until we get rid of the backlog of foreclosed homes, the market doesn't look too good for homeowners who want to move on.

Overall, I don't think 2009 will be a great year for sellers. If you can wait until 2010 or 2011 to sell, you'll probably be better off. That said, if you must or want to sell, tackling a few New Year's resolutions might help:

• *Overcome any possible objections a buyer might have.*

Sellers often don't understand that their primary job is not only to eliminate any potential objections that would stand in the way for buyers to make an offer, but also to exceed their expectations. If your home is competitively priced and its condition exceeds a buyer's expectations, you'll get an offer -- even if it isn't the offer you want.

• *Get my home into shape before I let anyone see it.*

Getting a home into selling shape is quite different from even having a clean, beautiful home. You also need to stage your home, which means you have to make it look exactly the way a buyer thinks it should.

For best results, stage the home before you invite any real estate agents or brokers in to assess how much it is worth. If they walk into your home and say "Wow! What a great place you have here," you know you've done it right.

Throw, give or pack away anything you haven't used in the last three to five years. You should also give your home a thorough cleaning and address any small fixer-upper projects you've been putting off.

Once your home is clean, assess what kind of other work needs to be done. Should you give your home's interior

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and exterior a fresh coat of white paint? Should the windows be washed? The wood floor polished? Does your landscaping require a visit or two by a professional landscaper? Whatever you decide to do, make sure it's completely finished before you invite anyone to see your home.

Finally, move out excess furniture, buy matching towel sets for the bathroom and make sure you have new bedcovers with matching pillows in the bedrooms. Your home should look put together, as if you were auditioning for the cover of a home decorating magazine.

· *Invite at least three agents to create a comparative marketing analysis.*

Often, sellers simply call the agent who sold them their home to list it. While you may end up with that person, you'll be doing yourself a favor if you invite a couple of other agents in from different firms.

Why? Because each agent will have a different marketing plan and idea about how much your home is worth. A comparative marketing analysis, or CMA, is a sales tool that analyzes homes similar to yours that have recently sold, presents a marketing plan and suggested list price. They may give you ideas that you can share with the agent you finally choose.

If you don't like any of the three agents you've invited to your home, get some referrals and invite additional agents to prepare a CMA. Ask the agents you invited who they think is the best agent in town (other than themselves, of course).

· *Know what my selling timetable is before I list my home.*

Do you want to sell or do you need to sell? If you need to be out in three months or less, you'll need an aggressive agent with a very competitive list price. If you've got six months or a year in which to sell, you may price your home a little higher or pick a different type of agent. Knowing when you have to move -- and sharing that crucial bit of information with your agent -- allows you to choose a correct pricing and marketing strategy.

· *Be realistic about the market.*

Find out what is selling and what the average number of days on the market is for those homes. Price your home realistically. Don't blame your broker if you don't get three offers over your list price within 24 hours of putting your home on the market. Sellers who set sky-high prices could wait months for an offer and may wind up with the same price -- or a lot less -- they would have had if they'd priced their home correctly the first time.

· *Know where I'm going.*

Once you've decided to sell, you ought to think about where you want to go. Start researching neighborhoods that offer the amenities you're interested in. Don't wait until you have a contract on your home. That's the time you should be seriously looking to put in an offer on your new home, not start the process of exploring neighborhoods.

Or, if you're not sure what you want to do, consider renting on a short-term or month-to-month lease. These days, landlords are hurting and they may be perfectly happy to accept a six-month lease.

· *Read all documents thoroughly before I sign them.*

Why would someone sign a legal document he or she hasn't read? I'm not sure, but home sellers do it every day. If you're going to sell or buy in the coming year, promise yourself that you'll take the time to read and understand the listing contract, offer to purchase and loan documents. If you're taking back a loan for the home buyer, have a lawyer prepare the documents so you are protected. Unless you've got cash to spare, a mistake in these documents and the warranties they contain could seriously affect your finances.

· *Set my minimum sales price.*

Everyone wants to get their list price. But unless you're in a strong seller's market, it's unlikely you'll get it. That

means you'll probably get an opening offer that's somewhat below your list price. To negotiate effectively, it helps to determine the minimum amount you'll be happy accepting for your home.

If you receive an offer with anything above this price, it's like gravy. If it's below the minimum price you've set, you can negotiate accordingly.

The psychological benefit of a minimum acceptable price is great: It puts you in control of an emotional situation by helping you to distance yourself emotionally from the negotiation process.

· *Avoid being driven by greed.*

One big mistake many sellers make is to get a little greedy, particularly if the first offer is above the minimum acceptable price you've set. Then, the negotiation becomes a game of how much you can get.

Remember, a successful sale means everyone walks away feeling happy. If you get so greedy that the buyer walks away, you've let the deal get the best of you. Resolve to be reasonable, and you'll end up shaking hands with the buyer at the closing.

Q I have a lien on my neighbor's home due to damages awarded to me from the courts. The home is now in foreclosure and I received the notice of sale. Is there any way I can protect the lien amount?

A There are ways to protect your lien, but they will not guarantee that you will get any money in return. When you sued your neighbor and received a judgment from the court, you placed a lien on your neighbor's home. That lien gave you the right to sell the home to satisfy the judgment.

At the same time, your neighbor's lender has a lien on the home, and that lender is trying to sell the home to satisfy the debt.

If you do nothing, the lien on your neighbor's home will be wiped out, but the judgment won't be. You could still go after other assets owned by your neighbor.

To protect your lien, you would have to follow the procedures dictated by your state's laws. In some states, you must join in the litigation. By doing so, you could receive money from the sale of the home once the other lender is paid in full. If your neighbor owes his other lender far more than what his home is worth, it could be unlikely that you would recover any money from the sale of the home.

If you decide to participate in the foreclosure proceedings, you might want to hire an attorney to work with you through the process.

I have a \$77,000 mortgage at 6.125 percent. I originally had a 30-year fixed-rate mortgage and am now considering refinancing at 5 percent for 20 years. I have 10 years to go until retirement and will probably consider selling and moving at that time. Would refinancing be a smart move. or should I just ride out this loan for 10 more years?

One key element that's missing is how long you have had your current loan. If you have had the loan for a while and have paid down a sizable chunk of the original balance, you may find that refinancing now even at 5 percent for 20 years will mean a lower monthly payment.

You'll save about \$1,000 per year on the difference between your current interest rate and the new interest rate on a loan balance of \$77,000. That would mean a savings of about \$10,000 over the next 10 years. If you can minimize your upfront costs, refinancing would seem to make a lot of sense.

While your monthly payment on either loan may be about the same, you'll pay down the loan balance on the new 20-year loan much faster than your old 30-year loan. If you're working with a mortgage lender or broker, have him or her walk you through the numbers. Compare the principal and interest on your current loan with the new loan.

If you get an amortization schedule, see where you will be on either loan in 10 years' time. At that point, you'll be able to tell whether you'll be better off with your new loan and how much you'll save.

My wife and I jointly bought a home at the end of 2007 and are now in divorce proceedings.

We have tentatively agreed that she can live in the house for about two years, until I can refinance the mortgage and buy out her part of the equity. At that point, I'd want to move back into the home.

Now she says I have to sign a quitclaim deed (according to her attorney) and that she will sign it back in two years. Can the courts force me to sign or revoke my security of the deed just because we are divorcing?

The trouble with getting information from her attorney without the benefit of using your own is that you might get wrong information. You do not have to quitclaim the house to her while you are still on the mortgage.

If in the divorce agreement she agrees to refinance the property on her own, then you can and should issue a quitclaim deed to her, preferably at the refinancing closing table.

But by giving her all the rights to the property while still being legally liable for the mortgage, you forgo any leverage you have in the situation.

You need to discuss this issue with your divorce or real estate attorney.

Real estate agents work for the seller, not the buyer. Home inspectors work for the real estate agent and themselves. Neither usually has a background in home maintenance.

My advice: Don't trust either the home inspector or real estate agent and get a second or third opinion before buying a home.

That's a pretty cynical view of the real estate industry, and I'm not sure I agree with it.

First, real estate agents know that if they don't provide value and help someone make a good purchase, that buyer won't come back when it comes time to sell the property and won't be a good source of referrals, which is key to the success of any real estate agent.

Professional home inspectors worth their salt will be honest about the physical condition of the property because they don't want the home buyer coming after them with a lawsuit if they glossed over something serious to get the deal closed. Also, home inspectors, like real estate agents, depend on referrals to plump up their business.

While there are real estate agents who make referrals to only inspectors who won't kill a deal, many others want what is best for their clients and will try to get them a good inspector at a reasonable price.

And many home inspectors would rather make sure the home buyer knows what he is buying and understands the problems than keep the real estate agent happy.

The best agents will hand a home buyer a list of top inspectors, lenders and attorneys to choose from.

But you're right about one thing: It is always a good idea to think through a home purchase carefully before you sign the paperwork.

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