

Cut Commissions With "For Sale By Owner" Sales

By [Barry Nielsen](#)

Traditionally, home sellers have two options: conduct a "for-sale-by-owner" sale, or sign a contract with a [listing agent](#) to market and sell a home. Because most home buyers work with buyers' real estate agents, who have no incentive to show their clients for-sale-by-owner properties, going it alone is tough. On the other hand, using a listing agent who works with and markets homes to a buyer's agent is expensive, costing typically 5-6% of the sales price of the home. This article will discuss a "hybrid" approach as an alternative to the traditional for-sale-by-owner sales method, which allows the seller to pay only a 2-3% commission to the buyer's agent and removes the seller's agent from the picture. This approach gives the buyer's agent incentive to show a home, but saves the home seller expensive listing agent [commissions](#).

Reduce Commissions

Selling a home yourself requires some time and effort, but it's well worth it. Saving 3% in sales commissions on a \$300,000 home is worth \$9,000, on a \$500,000 home, \$15,000, and on a \$700,000 home, \$21,000. What follows are step-by-step details on how to pay a flat fee to list a home on the [Multiple Listing Service](#) (MLS), how to determine a sales price, how to market a home and how to deal with paperwork and contracts.

Step 1: Determine the Right Asking Price

After you have made your home attractive to potential buyers, you need to determine the right asking price. You can be sure that in addition to relying on the market expertise of a real estate agent, buyers will be searching the internet and driving through neighborhoods scouting and researching homes. As a seller, you should do the same. If you know that you'll be selling your home in the future, keep track of what homes in your neighborhood sell for over time, and find out the asking price of any homes currently for sale. Search internet real estate sites for homes for sale in your area, and drive by those homes to get a better understanding of their location and appeal.

In short, do a little market research. Determine a target price for the sale of your home, and mark your price up a small amount (around 1%) to leave room for some negotiation. (For related reading, see [Five Things Every Real Estate Investor Should Know](#).)

Step 2: Put Up a "For Sale" Sign

Your "for sale" sign is an important part of your marketing strategy. Home buyers typically direct their real estate agents toward the homes they want to see. Regardless of whether there are other homes for sale in your neighborhood, potential buyers will be driving through, so it's important to let them know your home is for sale.

Putting your asking price on your sign draws the attention of interested and qualified borrowers. Don't be shy about letting your neighbors know what your asking price is. They'll probably go online to find out anyway, and advertising your asking price will help prevent your neighbors from taking all your flyers. Put the words "buyers' agents welcome" or "will work with buyers' agents" on your sign to let both agents and buyers know that you're willing to pay a commission to the buyer's agent. Put your phone number on the sign. You can also use your sign to direct potential buyers to a website where they can learn more about your home.

Step 3: Make a Flyer About Your House

Flyers are important. As mentioned earlier, many buyers direct an agent to the homes they want to see. Make them want to see your home by putting lots of pictures on your flyer. Put your phone number on the flyer, and like the sign, put the words "buyers' agents welcome" or "will work with buyers' agents" on the flyer.

Step 4: Put Your Home on Real Estate Websites

Several popular websites let borrowers search for homes. You can put your home on many of them, including [Zillow.com](#), [Craig's List](#) and [Trulia.com](#), for free. Put up lots of pictures of your home, and keep them current. If you've taken pictures of your home throughout the year, show the most attractive seasonal pictures.

Step 5: List Your Home on the MLS

The MLS is the database that real estate agents use to find and research homes. Several online vendors will essentially act as your listing agent by putting your home on the MLS for a flat fee of around \$300. A quick internet search will turn up several listing agents that are licensed in your area. They'll have several listing options with different levels of exposure and service and different prices. Make sure you chose an option that gives your home adequate exposure and includes at least one picture.

One piece of information included on the MLS is the commission you're willing to pay the buyer's agent. You can be sure that buyers' agents will take notice of it. A buyer's agent commission of 2% will generate traffic and is enough of an incentive to get those agents to show your home.

Step 6: Navigate Contracts and Negotiations

Once you've found someone who wants to buy your home, you can be sure that their real estate agent will work hard to close the transaction because they want to be paid. When the buyer and agent present an offer, it will most likely be in the form a standardized contract that has them fill in the blanks and choose between a few different options. This should provide some reassurance that there is nothing questionable going on. Spend some time reading through and understanding the contract. Make sure the buyer has written a check for the appropriate amount of money and provides you with a pre-approval letter from a lender. (For more, read [Pre-Qualified Vs. Pre-Approved - What's The Difference?](#))

If you've marked up your price about 1% as suggested from your target sales price, you have some room to negotiate. Most buyers are afraid to "low ball" you too much, but will try to get you to move lower than they're ultimately willing and ready to pay. If you've been thorough, calculating and unemotional in your market research, stick to your target price but be aware of what market conditions dictate. (For more insight, read [Selling Your Home In A Down Market.](#))

Miscellaneous Items

Keep your house in showing condition and be ready for spur-of-the-moment requests by real estate agents to show your home. Frequently, those requests come from potential buyers who are in the neighborhood with a real estate agent looking at other homes. For security reasons, and to solicit feedback, require that real estate agents give you a business card when they show your home.

Don't spend too much time talking to prospective buyers as they come to look at your home. They will feel more comfortable looking at your house if you're nowhere to be seen and the experience is as impersonal as possible. You can even buy or rent a lock-box that gives real estate agents access to your home so you don't have to be there.

If you choose to be there to open the door, have an informational flyer ready to hand to prospective buyers as they walk in. It should be different from the flyer you put on your sign and have fewer pictures and more words, including information about the neighborhood and details about features. After a brief greeting, leave the house. Make the potential buyers feel as though they're looking at a home that is not currently occupied, and never has been.

Conclusion

Remember, don't be intimidated by the process of listing your home on the MLS, marketing and staging it, and negotiating with potential buyers. While selling a home yourself will require some time and effort, the payoff will be thousands of dollars in sales commissions that stay in your pocket.