Five Expensive Mistakes Home Sellers Make

1. **The *binding acceptance date* is NOT your *response time***. Unless you're willing to take the offer, there is no deadline for you to send a reply. Rushing to send a counteroffer closes the door on opportunities moments away.
    a. **You need to know:** *Buyer agents use short deadlines to force uninformed sellers to commit before considering their options. Time is on your side.*
    b. **Solution:** Know that you have a deadline to accept the offer in front of you, but you do not have a deadline to send a counteroffer. Our clients don't get trapped in situations they regret. It's a *seller's market* until you concede your advantage. Make no unintentional concessions.
2. **Accepting offers with contingencies.** Every contingency is an opportunity for the buyer to renegotiate or walk away. In addition to a great price, you should be able to negotiate an offer free of high-risk contingencies in this seller's market.
    a. **You need to know:** Contingencies favor the buyer. Lawyers and real estate agents suggest including contingencies they believe will protect buyers; the protection is either an ability to renegotiate or walk away. Unless you're unique and have no options, carrying risk for the buyer is unnecessary today.

b. **Solution:** If a buyer needs contingencies to protect themselves from having to close on the agreed-upon terms, they might not be your best buyer. Or, maybe the contingency is in the offer because the agent didn't know it wasn't necessary or desired by their client. Before you accept an offer because the price is attractive, make sure you and your lawyer or agent review ALL of the contingencies. Be sure you understand the consequences. Every word, every sentence of a contingency is there to give somebody an advantage; that's not you most often. Know your options to get rid of unfavorable contingencies.

3. **There is no such thing as a Financing Contingency in the Wisconsin offer.** The contingency real estate agents call a *financing contingency* is only a contingency for the buyer to be able to get a **commitment letter**, not that they get the **money** from the lender.
   a. **You need to know:** *Nothing in the offer assures you that the buyer will have the money at closing. The lender's commitment has conditions that are satisfied only when all loan documents are signed. Money is released after the title company has the lender's approval to release the funds.*
   b. **Solution:** An escrow funded by the buyer could provide the seller with enough money to soften a loss caused by the buyer's failure to close on time. Unheard of in a buyer's market, this strategy is effective in this seller's market. An attorney is the best person to prepare such an escrow agreement.

4. **They promise to pay a higher commission rate than necessary.** Real estate brokers belong to a multiple listing service (MLS) (Consider the MLS as a private club), where they share listings and offer to share the commission. Some people argue that the rules of membership cause home sellers to pay brokerage commissions at a higher rate than they could negotiate if the MLS rules did not exist.
    a. **You need to know**: *Ask any broker in the United States to quote their commission rate; the answer is likely six percent of the purchase price. Home sellers are bound to pay the six percent commission once they sign the listing contract. What's wrong with that? We're still in a seller's market. Promising to pay a top-of-the-market six percent commission when you sign a listing contract and before you see the terms of any offer eliminates your once-in-a-lifetime opportunity to negotiate safer terms, higher prices, and lower closing costs.*
    b. **Solution:** When you accept an offer, you are essentially buying the terms and price of the buyer's offer. In what other transaction would you promise to pay top-of-the-market prices without knowing what you're getting for your money? Owners who sign listing agreements at lower rates (assume three or four percent instead of six percent) have a chance of saving thousands of dollars and an option to use the savings to negotiate better terms, such as a guaranteed sale. We give our clients the opportunity and guidance to choose to promise to pay commissions at rates that suit their situation. A client selling a $400,000 house with us can have at least $8,000 of savings to keep or use to negotiate better terms of the sale.

5. **They believe they get what they pay for without knowing what they pay to get.** Real estate brokers can list a hundred tasks they could perform for the commission they charge. Very few of those chores require a real estate license. Almost none are essential to the outcome of your sale. Overhead (office space, advertising, brand awareness marketing, salaries) is a cost of doing business. Income pays the bills.
    a. **You need to know:** *Let's say you sell your home for $500,000. The six percent commission is $30,000. If you believe you get what you pay for, you should get something special for $30,000. What do you get? First, the buyer's agent gets paid by you to work against you for the buyer's benefit and to your detriment. (That's like losing in court and paying the other side's legal fees.)*
    b. **Solution:** Know where your money is spent and decide if those services are valuable to the outcome. We run our company on a small budget, free of costly overhead. We bring transparency to the transaction. We show you what you get for your money and then guide you through negotiating better terms, profits, and less risk. We don't charge for non-consequential chores, and we don't require you over-compensate the buyer's agent to work against you.

A bonus idea to inspire you to talk with us before signing a listing contract: Real estate commissions are calculated on the Purchase Price but paid from Home Equity. An owner of a $400,000 house, paying a six percent commission, has a $24,000 bill to pay at closing. A typical owner does not have $400,000 of equity. A hundred thousand dollars equity is more likely. If you're the home seller with $100,000 equity in this scenario, you will pay 24% of your equity for real estate brokerage service. Is there any other service cost you can imagine that might consume 24% of your savings in one fell swoop? Maybe a catastrophic medical expense where you have no other choice.

Fortunately, Essential Real Estate exists to give you a better choice. We're in business to help our clients increase their profit, eliminate their worries, and do this at a price that makes sense in this seller's market.

For more insight into why we created Essential Real Estate to be the business model of choice for today's consumers, see these links:

The United States Department of Justice Competition in the brokerage industry

Why the six percent commission model has endured

The commission is way more than six percent