

# For Sale By Owner – Buyers Agent Or Attorney

There are two main reasons why a home seller chooses to skip the Real Estate Agent part of the home sale equation. The most obvious is the high costs, with Realtors and their firms receiving 4-6% of the transaction price. This full balance is most often paid in full by the seller, making it a good deal for the buyer. A second reason is that the seller has things to hide that a Realtor, when following disclosure laws, would require the seller to disclose.

In both cases, the seller receives an advantage by foregoing the Realtor process. Meanwhile, you as the buyer is left to hoping things were done right, if they choose to go it alone.

## 1. Saving the seller money at what cost?

We probably don't need to say this again, but buying a home is a big deal – most certainly one of the most expensive endeavors you will ever do. As a result, it is imperative that it is done right, that everything is done in accordance with the law, without anything missing and without anything done wrong. Wisconsin law and US housing regulations guide every step of the home purchase process. Real Estate professionals complete hundreds of hours of training to become experts at the Real Estate transaction process. In most cases, the Real Estate professional accepts liability in the event that the transaction is done wrong. It provides you safety and protection. And the best part is that it is free!!

That is, it is free when the seller lists with a Real Estate agent.

When the Real Estate agent part is skipped, the seller saves money and you lose these protections.

## 2. Disclosing what is needed?

State law requires seller disclosure of all known defects at the home. If the seller has lived at the home, this form needs to be filled out in good detail. This includes roof defects, plumbing and electrical issues, boundary disputes, repair work done by the seller without proper permitting, and more. **A sample Wisconsin disclosure report is attached.**

In addition, transactions may require additional disclosures related to Lead Hazards, Asbestos contamination, and more.

Your Real Estate agent would work to ensure that these disclosures provide the information you need to make an informed decision and are done so in accordance to law.

By skipping on the Real Estate agent part, the seller sits to save money while potentially removing your ability to work with an informed professional that can help with providing you the necessary information to make an informed decision.

## **Options to help ensure “things are done right.”**

When buying a home from a For Sale By Owner seller, the Winnebago County Homebuyer Program requires that you either work with an attorney or a Real Estate Buyer’s Agent. You can not obtain funds from our agency if the process is not completed lawfully and comprehensively, and the only ways to guarantee this is through an attorney or a Buyer’s Agent.

1. I like a “For Sale By Owner” home but **I HAVE NOT viewed the home yet.** This is the best option for you, as it permits you the opportunity to connect with a Real Estate agent prior to viewing. If the Real Estate agent coordinates your initial showing, then generally the seller will need to work with and pay for this realtor. You get your security, the program is happy, and the seller pays for the cost.
2. **I have already viewed the home.** You have two choices:
  - a. Contract with an attorney knowledgeable about Real Estate transaction in Wisconsin to complete the offer agreement. The attorney will typically draft all required documentation for the purchase of the property, including your offer and all addendums. The typical cost for an attorney is \$500 - \$1200 to complete this process, which at default would be your cost.

Prior to contracting with the attorney, discuss with the seller the prospect of them paying all of the costs for the attorney. This is reasonable, as had they listed the property with a Real Estate firm, their costs would have been 4-6% (for reference, 5% on an \$85,000 home sale is \$4250). If they refuse, you may consider discussing splitting the cost. If the seller won’t pay these costs up front, you should request a reduction in the sale price to offset 100% of these costs.

- b. Contract with a Buyer’s Agent. However, because you have already seen the home, you may be limited here. The seller would have to agree to sign the contract with the Buyer’s Agent to pay the cost, otherwise you’d be stuck with the cost. While it is only about half of the typical fee (usually 2.5-3.5% of sale cost), that is still a significant cost to take on.

Once you decide on which route to take, please provide notice to the Winnebago County Housing Authority.

## **The \$250 Rule**

The program views For Sale By Owner as a potential unnecessary expense the homebuyer may face. As a result, the program has limited the amount of funds you will receive “credit” for pertaining to such fees when calculating your minimum investment. If you have legal / Realtor fees, only the first \$250 will be considered towards your home purchase investment, leaving \$1250 - \$3250 left for you to invest, based upon the price of the home. Similarly, not more than \$250 of this expense can be added to your loan package. Any additional costs would need to be covered by you and/or the seller, which can include reduced selling cost to offset this expense.

*(Sample Condition Report included as pages 3 and 4)*