

5 ways to keep your home sale on track

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By being proactive, sellers can help deals sail to the closing table

CHICAGO (MarketWatch) — Encouraging signs in the housing market may entice more homeowners to put their properties on the market in 2013.

Still, it isn't exactly a seller's market yet — and deals can fall through at the last minute, for a variety of reasons. Financing delays, low appraisals, title problems, home inspections and even buyer's remorse can interfere with a seller's ability to close.

How appraisals are derailing sales

In the past, appraisals rarely disrupted a home sale. But realtors and housing experts say new requirements and a difficult housing market are doing just that. AnnaMaria Andriotis has details.

The good news: Many of these problems are preventable if sellers are proactive and involved, said Lanny Baker, president and chief executive of ZipRealty Inc., a residential real-estate brokerage.

Here are some tips:

1. Learn about the buyer's financing

Seek out a buyer who has been preapproved for a mortgage, said Baker, who evaluated 250 failed or delayed deals over a recent 2½-month span and determined that financing problems were to blame 40% of the time. Typically, the buyer's agent will be eager to share this information with you.

However, preapproval doesn't preclude a lender from rejecting a buyer's mortgage application later on, so don't stop there. Check in regularly with the buyer's agent to ensure that the loan is on track to close on time.

Lenders are requiring more stringent documentation, and if buyers aren't organized, or if they procrastinate when additional paperwork is requested, the closing could be delayed. To keep things on track, make sure your contract contains specific deadlines for buyers. "One key term is a financing contingency, and if the buyer cannot [resolve] that contingency, the terms of the contract would normally release the seller to entertain other offers," Baker said.

If the buyer is seeking a Federal Housing Administration-insured loan, be aware that the home may have to meet certain safety and soundness requirements that typically don't come into play with conventional loans. To avoid delays, sellers can take care of things that might be flagged in an FHA appraisal before listing, such as chipping paint. An experienced real-estate agent should be able to help you identify such problems.

Sometimes buyers underestimate the amount of cash they will need at closing. If that happens, the agents involved in the transaction — who have a vested interest in the deal closing — may agree to give up part of their commissions to cover the shortfall, Baker said. A seller can pay some of those costs, as well.

2. Consider cash offers

A buyer who doesn't need financing is more of a sure bet than one who does, said Bob Kelly, an agent with Re/Max Main St. Realty in Moorestown, N.J. However, cash bids are typically lower, so sellers need to weigh their options carefully.

A buyer with a 3.5% down payment who is also asking for seller-assisted closing costs may bring in a larger return for the seller, but the deal could take longer to complete or be derailed by a low appraisal, Kelly said. A cash buyer won't need an appraisal, just verifiable funds, and may offer an earlier closing date — which in the seller's eyes could compensate for the lower offer.

3. Prepare for the appraisal

Real-estate agents will tell you that low appraisals have killed many transactions in recent years. Many agents say appraisers — who are hired by lenders to assess the value of the home — are overly conservative in their valuations these days, even as home prices are rising in many locations.

To avoid appraisal problems, price your home in line with comparable homes for sale in your area. Even then, however, problems may emerge.

John and Susan Moon priced their Bethesda, Md., home competitively and received multiple bids. Still, the appraised value was \$5,000 lower than the offer they accepted. In the end, they split the difference, dropping the price by \$2,500 while the buyers brought \$2,500 more to the closing table, John Moon said.

“In some cases, you're pioneering new values,” especially when receiving multiple bids that raise your home's price, said Stew Larsen, head of mortgage banking at Bank of the West. “As a seller, you need to think about what is Plan B” if the appraisal is low.

Sellers can challenge a low appraisal, he said, but they rarely win unless the appraiser made an obvious mistake. One option is to add a contingency to the contract, laying out how the sides will renegotiate if the home's appraised value is lower than the sale price, said Paul Reid, an agent with Redfin in Orange County, Calif.

4. Tackle title and inspection issues early on

Some listing agents include a preliminary title report as part of their package, but a good agent will be able to spot red flags when reading it for you, Baker said.

Perhaps a sewage assessment wasn't paid by the homeowner, the deed never got recorded, or an easement was granted that the owner is unaware of, he said. Addressing such issues early on will mean fewer surprises at the end.

Similarly, instead of waiting for the buyer's home inspection to turn up problems, sellers should get one themselves before listing, said Tony Geraci, a broker and owner of Century 21 HomeStar in the Cleveland market. That way, they can make needed repairs before the buyer requests them — or gets scared off, he said.

5. Commit to a tight timeline

As a seller, time isn't your friend.

Encourage buyers to move quickly on things like the home inspection. If a deal is going to collapse, it is better to know sooner rather than later so the home can go back on the market.

A longer process also gives a buyer more time to get cold feet. After winning a bidding war, buyers sometimes look at closing documents and paperwork and realize they're spending more than they should have on the home, triggering buyer's remorse, Reid said.

But if the buyer is looking for reasons to get out of a deal, it may be better to oblige than waste more time. "You never want to keep a buyer that doesn't want to buy your house. Let them out and find the next buyer," Geraci said.