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Spending Smart

**GREGORY
KARP**



Selling home yourself may not pay off

Do-it-yourself is a familiar concept to frugal consumers. If you're handy, doing home repairs yourself can save a bundle, for example.

But do-it-yourself doesn't always pay. One prime example is selling a home by yourself.

Selling a house without using a real estate agent is tempting because, if successful, you could save thousands of dollars in sales commissions. Saving that money might be even more appealing if you had to slash the asking price because of a sluggish real estate market, which is where most home sellers find themselves today. It also could be enticing if you had an exotic mortgage that added borrowing to your principal, and you owe more than your home is worth. You also may simply want complete control over the selling process.

But the disadvantages of for sale by owner (known as FSBO) efforts are potentially just as large as the savings.

That's especially true in a buyer's housing market, where drumming up interested sellers

is much more difficult than a few years ago.

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Cutting out the real estate agent could end up being a decision that's penny-wise but dollar-foolish.

The basic formula is this: Will a successful FSBO save you enough in real estate commissions to make up for the market knowledge, potentially higher selling price, marketing efforts, deal negotiations and paperwork preparation that a real estate agent offers?

Today, one in eight homes is sold by owner. And nearly half of successful FSBO sellers knew the buyer before the sale and didn't try to sell the home on the open market, according to data from the National Association of Realtors. Fewer than half of FSBO sellers said they would sell another house by themselves.

Clark Howard, an author and syndicated radio-show host, is a self-proclaimed cheapskate who loves a bargain. But on the subject of real estate commissions, he recommends that most people pony up for an agent.

"In most cases, people who do FSBOs basically just waste time until they hire an agent," said Howard, who's newest book is "Clark Smart Real Estate."

The topic of FSBO transactions is wide-ranging and controversial, but here are a few considerations:

Commission savings.

Some FSBO home sellers might be under the impression they can save the entire 5 percent or 6 percent commission for selling a house. That's not necessarily true. Unless your buyer doesn't have an agent,

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you'll have to pay 2.5 percent to 3 percent to the buyer's agent. So commission savings on a \$250,000 home sale would be \$6,250 to \$7,500.

That's a lot of money. But then you must deduct do-it-yourself marketing expenses. That might include advertising and hundreds of dollars to be on the Multiple Listing Ser-

vice, the primary database for home listings. You also might spend money hiring a lawyer to draw up a sales contract and incur myriad smaller costs.

You also must put a price tag on the time required to sell

a house yourself. If an FSBO transaction is slower than one with an agent, you might end up making an extra mortgage payment or two. For example, if you already bought a new home, a quicker sale on the old home means you carry two mortgages for less time. That all goes into the calculations when running the numbers on whether paying a commission is worthwhile.

Selling price. This is a hotly debated topic. Will an agent secure you a higher

selling price? The National Association of Realtors claims homes sold by its realty agents bring 16 percent higher prices on average.

On the other hand, a study released earlier this summer by economists from Northwestern University and the University of Wisconsin showed FSBO sellers in Madison, Wis., made out better than if they had hired an agent and paid a commission. But Madison has a more-robust-than-usual local FSBO Web site, and the researchers' calculations placed no value on services provided by an agent.

In the end, the tussle over a higher selling price might be

MORE COSTLY.