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Real Estate Advisor

Seller's Incentives for a Challenging Economy

In a down economy, sellers must compete not only with other homes in the market, but also with buyer's fears and concerns. Selling incentives have always been a way to create additional interest in your property. Today, incentives can help motivate reluctant buyers to make that next step in the face of the present environment.

Below are a few of the more frequently used incentives that can be used to draw attention to your home.

Paying Points

Lenders charge fees known as points, with each point equal to 1 percent of the total loan amount. The base fee charged (called origination points) typically ranges between 0 and 3 points, depending on the interest rate given and other terms of the loan. Points can add up to a significant up-front cost for the buyer, particularly for larger mortgages. Offering to pay some or all of the origination points on behalf the buyer can help generate offers from cash-conscious buyers.

Buying Down the Interest Rate



Many buyers don't understand that they can receive a lower interest rate from their lender by paying additional points at the outset. Buyers can

typically pay up to four "discount points" to bring down the interest rate. Offering to pay discount points can increase your home's affordability for many prospective buyers.

Providing a Home Warranty

A home warranty can help assure wary consumers that they won't be stuck with expensive repair costs shortly after buying a home. Home warranties usually cover the repair or replacement of core systems such as plumbing, heating and electrical, along with major appliances. Providing the first year (or two) of a home warranty can add to your home's appeal, especially if you are competing against newer homes on the market. The relatively low cost of home warranties (\$250 to \$600 annually) offers great value as an eye-catching incentive.

Paying for Closing Costs

Closing a real estate sale can result in a long list of charges, from inspection costs to attorney's fees. Closing costs for the buyer can easily total several thousand dollars - adding to the up-front cash required as a down payment. Sellers can offer to pay for the buyer's side of closing costs to help ease the burden. When doing so it is wise to either put a cap on the dollar amount you will contribute to closing costs, or specify exactly which individual costs you will be paying for.

Upgrade Allowances

Offering cash allowances for specific upgrades can sometimes be a creative way to appeal to buyers. Upgrade allowances are commonly offered by new home builders, and some homeowners are now employing the technique to help set their properties apart from the competition.

For example, if your home has older carpet you may offer to pay the price of new carpet and installation. By not replacing the carpet yourself ahead of the sale, you avoid the hassle of having the carpet installed and the pain of keeping the new carpet clean during showings. You also give the buyer the chance to select a carpet that matches their taste.

Other upgrades offered by sellers include allowances for kitchen facelifts, bathroom remodels and new landscaping.

New Appliances



Another flashy way for sellers to sweeten the deal is to provide buyers with their selection of brand new appliance packages. Updated appliances help your home compete with newly built properties. Allowing the consumer to choose their desired appliance gives them another opportunity to personalize the home to their liking. You can even lay out brochures of some example appliances to help buyers visualize your home improved with the newest gadgets.

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Basic House Hunting Tips

Allow Plenty of Time - While it may be tempting to try and visit as many properties as possible on a single day, "overbooking" won't give you enough time to linger and fully tour each individual home. If you find a house you truly like, you will probably spend more time reviewing each room in greater detail. Assume that each house you view will hold your interest enough for a lengthy exploration.

Dress Comfortably - House hunting isn't a job interview, so dress casually and comfortably for the season. Wear slip-on shoes and adequate socks - homes with new carpet or flooring will often include "please remove shoes" signs. You will be doing a lot of walking and taking trips up and down stairs, so supportive footwear is a must. Clothing should fit comfortably enough to accommodate reaching up or bending/crouching down to examine cupboards both high and low.

Carpool - Taking just one car is particularly convenient when viewing multiple properties on the same day. A one vehicle approach ensures that no one gets separated or lost. Also, by moving over to the passenger seat you're free to consider the merits of each last house and pay attention to the neighborhood near each property, rather than focus your energy on squinting at street signs.



Pay Attention to the

Surroundings - Speaking of the neighborhood; make sure you pay attention to the area close by each home on the way in. What kind of shopping opportunities and facilities are within a short distance? Are there appealing destinations within walking distance? What are the schools like nearby? How far will your commute be? Are many other homes for sale in the immediate area?

The idea is to have some feeling of whether or not the neighborhood is right for you before you ever set foot in the actual home. If you're lucky enough to fall in love with the house itself, knowing the lay of the land ahead of time can give you the confidence to make an immediate offer.

Use Your Nose - Generally speaking, a bad (or unidentifiable) smell inside or outside the home is not a good sign. Likewise, be somewhat suspicious if the home is overpowered by the smell of potpourri or intense candles in every room, as this can be an attempt by the seller to mask problematic odors. Mildew and mold smells indicate much larger problems - mold removal can cost thousands of dollars, and locating/fixing moisture leaks can be a difficult task. Pet smells or smoke smells can be minimized with cleaning, but will likely take time to fully dissipate. If you are interested in a home with a strong smell, hire a qualified and experienced home inspector who will unmask the cause of the odor.

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