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## Real Estate on Your Mind, FAQ's

**Sell my house on my own or use a realtor?**

**Some realtors charge 4.5% vs. the traditional 6 or 7%. Why the difference?**

**How do realtors get paid?**

**Who pays the realtor's commission, the buyer or seller?**

**Should I go look at a house for sale without my realtor?**

**It seems like all realtors want to do is collect their commission. Who has my best interests at heart?**

**With interest rates starting to climb, does that mean a real estate is going to slow down?**

**Sell my house on my own or use a realtor?**

Like most things in life, the harder you work, the bigger the payoff. So it goes with bypassing a realtor and selling your own home—which accounts for about 10% of all homes sold with an average savings of \$9K. While selling your own home can be a long and tedious process, the money you save can be worth it. But only if you do everything right. Here's our take on the primary advantages and disadvantages of going solo:

Advantages:

- You pay no commission.
- You are in total control of the process.
- You can sell your home at your own leisure.
- You can pick and choose whom to show your home to.
- If you have low (or no) equity in your home, you may be able to sell without having to write a check.

### Disadvantages:

- A homeowner's survey conducted by the National Association of Realtors in 2002 cited that homes sold with realtors yielded 27% more in the sales price than for-sale-by-owners. So even after paying a commission, you may still be ahead.
- You must pay for all marketing and advertising costs (thereby cutting into your commission "savings").
- You must find your own prospective buyers and figure out the best ways to reach them.
- You may under-price or even worse, overprice your home in the absence of expert advice.
- Many prospective buyers are frightened to buy directly from the homeowner. They feel vulnerable and unprotected without recourse, since no one represents their best interests.
- You must negotiate skillfully to leverage the full value of your property.
- All paperwork, legal forms, disclosures, etc. are your responsibility and you assume the risk if something goes awry.
- The process takes up a significant amount of your time.
- Many people who attempt to sell on their own end up listing with a realtor later, potentially losing weeks or months of time

Bottom line? If you barely have time to read the daily paper and rest better knowing experts are managing the details, then hire an experienced realtor. If you'll need to scrap together every penny to pull off your next transaction, are willing to invest significant time, and assume risk, then go for it. You can always list your home later if it doesn't sell.

### **Some realtors charge only 4.5% vs. the traditional 6 or 7%. Why the difference?**

The simple answer is: you pay less, you get less. When selling your home for 6 - 7% with a traditional brokerage, you're paying for myriad services designed to sell your home for the best price — fast. These services include:

- Your MLS listing (Multiple Listing Service — a national database of homes for sale)- High quality interior/exterior photos, as well as numerous accurate statistics, on the award winning Ritter Real Estate website — the #1 way people shop for homes
- A video/virtual tour of your home posted online

- The Acclaimed referral network of Ritter Real Estate constantly comparing and collaborating to find and sell homes on their clients' behalf
- Our Prelisting Network and interoffice referral system, which means your home could sell even before it's listed.
- Printed, color feature sheets about your home and personal property websites
- Distinctive Ritter Real Estate signage & brochure boxes
- Targeted Social media and print advertising plus other local listings
- Exclusive Single property website with complete financing, photography and promotion
- ...and much more

With smaller discount brokerages, while you pay a lower sales commission, you may pay separate costs to market your home and with less services. And because you're marketing on your own, it can take far longer to make a sale. Furthermore, realtors from discount brokerages often work out of their homes, tapping only their personal contacts while large brokerages leverage their extensive networks to promote your home.

Bottom line?

A home is the biggest investment most people ever make and the difference in fees isn't always as much as it seems compared to the results. It pays to investigate and shop around.

## **How do realtors get paid?**

Take the selling price, and multiply that by 6 - 7% and that's how much my realtor gets paid, right? Wrong! When a house is listed, a sales commission is negotiated with the listing agent, typically at 6 - 7% (the percentage cannot be set in a marketplace and is negotiable by law). When the home is sold, the typical sales commission is split 55% and 45% between the listing brokerage and the selling brokerage. So, if you're selling your house for \$400K, that amounts to a \$24K total commission — your realtor's brokerage would get \$13,200, and the buyer's brokerage would get \$10,800.

But wait a minute. How much does the individual real estate agent actually make? Of that \$13,200 that Ritter Real Estate received for selling your home, your typical agent pockets about half of that, less another 10 - 15% skimmed off for marketing expenses. So, before taxes the individual agent made about \$5610 on the sale of that \$400K home. This may vary from agent to agent but is a good rule of thumb for most transactions.

## **Who pays the realtor's commission, the buyer or seller?**

The seller always bears the responsibility for the commission, not the buyer. So if you're a first - time home buyer, you're in luck — no commission! Yes, there are closing costs, title fees, etc. involved in purchasing a home, but the seller is the one responsible for paying the realtors' commission.

## **Should I go look at a house without my realtor?**

Yes, you can do that. But if you've been working with a realtor for any period of time, think carefully before calling, especially if you believe you've been well served. If you see a house, bypass your own realtor and call the listing agent directly, then that agent (who has no relationship with you) can technically claim part or all of the commission if you purchase that home. On the other hand, if you're unhappy with your service, communicate that and find another agent! Technically, you are then being represented by a an agent who is fiducially bound to represent the seller's best interests.

## **It seems like all realtors want to do is collect their commission. Who has my best interests at heart?**

Great Realtors build their reputations by serving clients' needs FIRST. Here are a handful of do's and don'ts when conducting business with your real estate agent:

- DO try to build a relationship with your agent.
- DO request detail about the marketing plan, so that you know what they are doing on your behalf.
- DO keep them informed of any changes to your circumstances.
- DO make sure that the agent can contact you easily.
- DO take the agent's advice about pricing your home.
- DO plan regular updates with them.
- DO always keep communicating. Never let communication breakdown to such an extent that neither party wants to phone the other. You have a mutual interest in selling your home.
- DON'T wander into your agent's office demanding an update. Make an appointment for a properly thought - out update vs. quickly made - up excuses.
- DON'T ring up every time you go out of the house just to let them know that you will be out. Successful agents have many clients — which is exactly what you want.

- DON'T blame the agent if a potential buyer fails to turn up.
- DON'T forget that your agent knows the market far better than you, especially when it comes to pricing.

## **With interest rates starting to climb, does that mean a real estate will start to slow down?**

With interest rates climbing and prices continuing to increase, it can have an effect on the buyers available to purchase. There may be less potential buyers looking in the future.

At the same time, a steady appreciation in property values is the norm, so if you're a seller you can expect to see expect to see a return on your initial investment.

The Key? Finding a good realtor who knows the marketplace well enough to reach and find buyers searching for the perfect home in a neighborhood that's on the upswing.



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