



Home-Buying Process

Buying Direct From Owner

Home-Buying Process: Buying Direct From Owner

Ivan Hernandez, David P. O'Brien, Ph.D., & Constance Kratzer, Ph.D.

How to Locate Available Houses

A homebuyer has the option to buy a house directly from the owner. A house for sale by the owner is usually called a FSBO (For Sale By Owner). Buyers are not required to use the services of a real estate brokerage firm when purchasing a FSBO house. If you are looking at houses with a real estate professional and notice a FSBO house you can make arrangements to look at the property on your own.

Some FSBO houses may be overpriced. The owner of the house may view the property as more valuable than it is. Some techniques you can use to determine the fair value of the house are:

- Looking online or calling the local assessors office for the tax value of the property
- Finding the listing prices of other houses for sale in the neighborhood
- Looking online for real estate listings of houses with the same specifications and comparing prices

Benefits and Drawbacks of Buying FSBO Homes

When working with a real estate professional, he or she can help determine the fair value of a home and evaluate the condition of the property. A professional's expertise can be helpful, especially if you have limited experience in the real estate market. The seller, however, may prefer to work

with a buyer who is not represented by a real estate professional to avoid sales commissions. If you decide to purchase a FSBO home, you may use a professional for the appraisals, inspections, title reports and other legal requirements of the sale. You could ask the seller to help pay for these costs or reduce your offer and pay the professional a flat fee.

References:

- American Homeowner Education & Counseling Institute. (2000). *Core curriculum: National standards for homeowner educators and housing counselors*. Author.
- Fannie Mae Foundation. (1998). *How to buy your own home*. Washington DC: Author.
- McCarty, J. (Ed.) (1998). *Homebuyers' guide: Financing and evaluating prospective homes*. Ithaca, NY: NRAES Cooperative Extension.
- McQueen, K., Schneider, D., Thresher, A., Maggiano, L. (1998). *Realizing the American dream*. Washington DC: Neighborhood Reinvestment Corporation.
- Tyson, E. & Brown, R. (2001). *Homebuying for dummies. 2nd Edition*. New York, NY: Wiley Publishing Inc.

This resource is one in a series on the Home-Buying Process which include:

Financial Readiness

What Creditors Look For
Finding Mortgage Money
Types of Financial Institutions
Mortgage Options
Down Payment and Closing Costs
Pre-Qualification or Pre-Approval

Factors to Consider in Housing Selection

Personal Needs and Wants
Location
Type and Style of House
Type of Construction
Interior and Exterior Space
Special Needs
Building as an Option

Locating a House

Finding the House
Using Real Estate Professionals
Buying Direct From Owner

The Sales Contract

Components
Acceptance

Home Inspections

Reasons for Home Inspections
Locating an Inspector
What Inspections Include
Limits of Liability

The Mortgage Process

Loan Application Process
Approval or Rejection
The Mortgage Payment

Purchasing Homeowners Insurance

Before You Start Looking for a Home
Stability of the Insurance Company
Costs and Coverage
Customer Service

Warranties

The Closing

Preparation for Closing
Final Walk Through
Closing Day Procedures

Sponsored by New Mexico State University and the City of Las Cruces. Supported by U.S. Department of Housing and Urban Development. New Mexico State University is an equal opportunity/affirmative action employer and educator. NMSU and the U.S. Department of Agriculture cooperating. © 2005 NMSU Board of Regents. All rights reserved.



Home Buying Process: Buying Direct from Owner
