



Please note that this is the first two pages of a three page document. [Log in](#) to obtain access to the complete tutorial. If you don't have a username yet, [registration](#) is free. We do not spam our user community.

Step 3: Calculate Your Expected Net Proceeds

You should obtain a preliminary understanding of how much cash you expect to receive after the sale. It won't be perfect, but it will help you understand what you might have available to spend once the sale transaction is completed. This is particularly relevant if you intend to use your proceeds as a down payment on your next house.

First, estimate your selling price. You will obtain a better idea of selling price once you check out other homes in the area (see the [Price Your Home](#) section), but you might have a reasonable estimate you can use now.

Second, subtract potential expenses of your sale. Many of those expenses are described below. You might want to refer to the [hometoday.com seller cash proceeds worksheet](#) as you read the definitions:

Mortgage payoff: The mortgage balance as of the day of your expected sale. You will probably have to contact the bank to obtain this amount.

Mortgage prepayment penalty: Some mortgages impose a penalty for paying a loan early. If yours is one that does, ask your lender about the total prepayment penalty that could be assessed.

Mortgage assumption fee: If you have a loan that could be assumed by a buyer, meaning that the buyer takes over payment of your loan while you are released from obligation, the lender might impose a fee to do this. Either the seller or buyer would pay this fee depending upon how you negotiate with the buyer.

Seller paid points: A point is 1% of the buyer's mortgage and constitutes prepaid interest. Seller paid points may also be a percentage of the sales price. Sometimes sales occur where the seller pays one or more points on the buyer's mortgage as an incentive to complete the sale. It's tough to estimate without knowing how much your buyer might borrow, however, you might still want to account for the possibility of paying some points. Seller paid points may be credited to the buyer at closing time. This allows the buyer to maximize the loan and still receive some cash back at the closing.

Agent Commission: If you decide to list your property with an agent (see the [Choose Your Representative](#) section), you will be paying your agent a percentage of the property sale price. The percentage depends on the locale, the market, your property, and your agent. The percentage is generally 5-7% of the sale price.

Pro-rated expenses: These are expenses which you prepay six months to one year in advance. As an example, many people pay their property taxes once a year when they receive a bill. This payment covers the entire year until the next payment is due in the future. If you move during the payment period, you have prepaid taxes for a period during which you don't





live in the house. Instead, the buyer lives in the house. For that privilege, the buyer should "refund" your prepayment.

If, on the other hand, the buyer will receive a tax bill for a period in which you lived in the house, you should be paying the buyer the taxes for that period of time.

Pro-rations depend on who lived in the house and when they lived there. They typically apply to taxes, assessments, and association fees, but there may be others depending upon your situation.

Home Warranty: Sometimes a seller will offer to insure that the home, appliances, or fixtures will not break down for a certain period after the buyer takes ownership. It is more typical in cases of new construction, but it can be negotiated and included in the contract.

Appraisal Fee: If you decide to have your house appraised as a method of determining value, this is a cash expense which must be realized.

Home Inspections: You may wish to inspect your own house before placing it on the market. This helps you determine what repairs are necessary and whether or not you have to worry about structural damage, insects, radon, lead paint, or asbestos. If any of these situations exist in your house, you are **required** to disclose them to potential buyers. A home inspection advises you what to prepare for and what might need fixing. An inspection also indicates to a buyer that you made a good faith effort to recognize and address any problems that might exist.

As a seller, you are not required to complete an inspection; the buyer will most likely order one and require a satisfactory outcome as a condition of any purchase s/he makes. If the buyer's inspector finds something wrong, you might be caught by surprise if you have not already inspected the property.

Repair Allowance: You or your buyer might discover that repairs are required. You have two options:

- repair the defect yourself or hire someone to repair the defect
- credit the buyer with an agreed-upon amount

The advantage of the former is that the work is done before closing, and you don't have to reduce your sale proceeds for repair costs. The disadvantage is that if you have the work done and the buyer doesn't like the result, you must perform rework or risk cancellation of the sale.

FHA loans may require certain repairs to be made before allowing the sale to take place. If the house is in extremely bad shape, even a conventional mortgage lender may still require repairs to be made before approving a loan. Lenders want to ensure that the loan they provide can be substantiated by a property of approximately equal value. A home in disrepair may not meet that requirement, therefore, you may have to make necessary repairs before a closing can take place. A repair credit might be unacceptable to a lender as there is still no guarantee that the repairs will be made.

Information in this document is deemed reliable but is not guaranteed.

This document copyright 1999-2002 by hometoday.com and may not be reproduced or retransmitted for commercial purposes without the express written permission of the authors.

