

The Insider's Guide to Selling St. Augustine Propertyⁱ





PREFACE

St. Johns Law Group and its attorneys and staff have contributed to this *Inside* look at St. Augustine real estate.

With 7 attorneys dedicated to serving the needs of the real estate market in the St. Augustine, St. Augustine Beach, Nocatee and Ponte Vedra, area, we pride ourselves on delivering dedicated and responsive service. Going out of our way to assist sellers, buyers and real estate professionals close the deal (and document it efficiently) has been the foundation of our law firm's success. We wrote this ebook to continue that tradition.

Remember, we can assist in all aspects of your real estate needs, whether closing, title, agreement drafting, document review, contract disputes, boundary and survey issues, construction liens and defects, and all other related personal and business matters.

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INTRODUCTION

We have put together *The Insider's Guide to Selling St. Augustine Property* to assist you in achieving one of your most important goals, selling your St. Augustine Real Estate. In this ebook you will discover some of the *secrets* to selling real estate that the average person does not know. Better yet, we explore selling technics that have proven effective in the St. Augustine market, one of the hottest real estate markets in the Nation. Understanding these secrets – or tricks – or inside scoop – *whatever* you want to call them, will help give you an edge and help your formulate a winning strategy.

You see, real estate is one activity where curiosity does NOT kill the cat. The more you are curious about the business of selling and buying property, the better will be your grasp of the technics that others have unravelled through their diligence and hard work. Most would not share these tips with you...because they're worried that you might cut into their slice of the profit pie. However, we want to earn your business and increase your chances for success.

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Untold fortunes have been made in real estate. While our tips may not make you an overnight millionaire, our focus is on enhancing your ability to maximize your chances for success and giving you a practical resource to draw upon.

The world of real estate has changed; people are less likely to consider going into it as one of the sure fire ways to a golden future. Although St. Johns County is one of the Nation's strongest markets.

For a few, it's *sheer luck*, given the recent real estate decline and, now, upward tick. For most others, however, it's that they have *legal inside knowledge* – the kind that *outsiders* are not privy to. Success coaches and motivators will tell you that to be successful in any endeavour – real estate included – you must get the **TOTAL** picture, not just half of it. You must get to know the **TWO SIDES OF THE COIN**, and discover a hidden third side, if there's one.

This *Insider's Guide to Selling St. Augustine Property* ebook provides guiding principles that you can tap to your advantage.

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You'll get the whole piece of pie, not just a half-baked tart (no pun intended), the two to three sides of the coin, or both ends of the spectrum, if you will.

So draw on our experiences and knowledge of the minds of not only sellers but also buyers and real estate professionals . . . people we interact with and observe on a daily basis. We'll also throw in some facts on the financing options in real estate.

This ebook is organized into five Chapters:

- **Chapter 1: Know your Buyers**

- **Chapter 2: From Agent/Broker to Real Estate Professional**

- **Chapter 3: On the Prowl for the Hot Shots (valuable properties)**

- **Chapter 4: Mistakes Sellers Often Commit**

- **Chapter 5: Financing**

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You can, if you wish, read this ebook from cover to cover; and for some readers, this will be the most valuable approach.

However, if you're already a little real estate *savvy*, you can easily jump to a particular category and glean the wisdom that you want to strengthen. Furthermore, long after you've finished reading this ebook (or reading Chapters that are relevant to your needs), this ebook will serve you as an *invaluable* reference tool.

Our focus is on the guiding principles that drive success in real estate selling, especially in the St. Augustine area.

Remember, please: markets boom and wane; certain types of properties (such as condos) can be hot one year, while rental properties can be hot in another. From a distance, real estate is one of the most dynamic and changing fields there is. In St. Augustine and St. Johns County, single family residential properties have proven to be the long-term investment with the overall most reward.

Yet, inside that change is a core *wisdom* that remains constant. Successful real estate sellers, from the millionaire

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in the car next to you as you drive, to Donald Trump, know these principles.

And by the time you've finished reading this ebook, you'll know them too. And while, yes, the markets will always change, you'll be confident, calm, focused, and it is our hope and expectation: financially successful!

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CHAPTER 1: KNOW YOUR BUYERS!

As you know, aside from food and clothing, shelter is a fundamental need. People need a roof over their heads, a place they can call home. It also can be intensely personal.

Now, this may seem like obvious information and not important for us to think about, but really, it's a *very* important thing to be aware of as you sell your real estate. Why?

Because this awareness points to one essential fact that should give you an ENORMOUS amount of confidence; especially if this is going to be your very first (of many!) real estate sales transactions: there will always be people looking for houses, regardless of whether we live in good times or bad. **Knowing the types of buyers in the market will help your position as a seller!**

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The Buyer Pool

So who are these buyers that are poised to do business with you? They are people in your *buyer pool*. The phrase “buyer pool” refers to those people who are interested in buying a certain piece of property in a certain location at a certain price. This is the group that you, as a seller, should focus on. The buyer pool is different from the bunch of mere onlookers or “tire kickers” who like to spend Sunday afternoons looking into the homes of other people.

As you gain experience in this field, you’ll almost instantly be able to tell the genuine buyers from the speculators (or the people who are just bored and like looking at real estate or want to get decorating ideas for their home...and yes, there are some of them out there).

Bill Effros, in his book *How to Sell Your Home in 5 Days*, says the profile of a buyer pool will **change** constantly. Some buyers may decide eventually to purchase a home elsewhere, some get frustrated and leave the pool; still

others decide they want to buy and therefore stay in the pool.¹

The buyer pool is made up of different types of buyers – bear in mind that some buyers are looking for homes NOT to live in, but to invest in and this is more prevalent in tourist areas and areas with significant growth, like St. Augustine and St. Johns County. Here, there are also buyers who purchase property for their college age child to attend Flagler College or for their elderly parents with long-term rental or investment in mind. You will typically encounter a mix of the following types of buyers:

- **End buyers:** buyers who will live in the home.
- **Professional buyers** – these include real estate brokers, builders who want to develop real estate in your location, speculators (quick cash wheelers and dealers) and developers looking to buy strictly for the land value. Effros says not to be afraid of professional buyers. If circumstances warrant, they could offer the best price for your house, given their cash reserves.

¹ Bill Effros. How to Sell Your Home in 5 Days. Workman Publishing, New York, 1998.

- **Cash buyers** – this is the group to whom you can consider giving a discount because you do away with the lending and mortgage nitty gritty that could take weeks, even months. Cash is king, so flexibility in negotiating price is not a bad idea.

- **Mortgage buyers** – since majority of people can't buy homes for cash, they borrow the funds to acquire possession of a piece of property. They fall into three groups:
 1. The hopefuls that have not yet applied for financing.
 2. The pre-qualified ones (those who have started the process and have discussed preliminary details with the bank);
 3. The pre-approved mortgage buyers (the bank has made a commitment to lend them a specific amount of money under certain terms and conditions).



The Buyer's Perspective

Selling your house quickly and successfully requires that you see a piece of property through a "buyer's eyes". How do you do this? Well, put yourself in the buyer's shoes. What does he/she see about your house that you haven't noticed yourself?

One real estate broker said that a trick she's learned in getting sellers to think "out of the box" is to take them across the street from their house, and then asks them to give their house a long hard look, and spot things they've never noticed before.

When this exercise is done, she then takes them on a detailed tour of their house: front yard, back yard, side alleys, garage, bathrooms, the whole look-see. This way, they come up with a list of repair jobs that need to be done before they can even think of putting their house on the market.

Ask your realtor to give you an honest assessment of your property. Communicate that it is in both of your interests for your realtor to be honest and tell you candidly what their

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impression is about your property. For a realtor, this may be the hardest part of the job because all too often it involves a balancing act between landing the listing and not offending the realtor's new customer.

What Buyer's Look For

What do buyers look for in terms of the house itself? Many agree that location is a decisive factor, but so are tangibles like the price and condition of the property (is the price worth the additional huge sums of money to put this house back into mint condition? How much time will I need to renovate the dilapidated portions of this house?). Buyers will be on the alert for the following:

Start with the **outside** of the house and ask yourself the following questions – because these are the questions that your potential buyer will be asking!:

- ⇒ Do these garbage cans, discarded wood scraps and building materials strewn about carelessly an indication of the seller's negligence?

- ⇒ Are the gutters and roof in place? When was the last time the seller changed the roof?
- ⇒ Apart from the human occupants of the house, are there termites and other insects that live here also?
- ⇒ These overgrown bushes and trees are distracting. What is it that the sellers don't want us to see?
- ⇒ Is the lawn is looking unhealthy? Is the rest of the house like that?
- ⇒ Have the patios and decks been converted into storage areas? Why can't we see what they actually look like?
- ⇒ The paint is peeling off; is that why the house looks so drab and uninviting?
- ⇒ Why are there no lights outside the house? Is this the owner's way of saving on utility bills? Is this a safe neighbourhood?

The above questions are just a few of the many questions buyers are likely to ask with respect to the outside of the



house. A house's exterior constitutes the buyer's first impression. And we all know what they say about first impressions – they are powerful and outweigh other considerations!²

Remember, everyone wants to look nice when we leave for the day and put on our public face. This is no different than your buyer viewing the buyer's potential new home . . . your buyer is evaluating the impression the property is going to make on everyone they know. As an analogy, consider the last time you purchased a new shirt at a department store. You probably reflected on how you would look in the shirt, how people would view you in the shirt and you flipped through the pile to avoid the shirt that had a blemish on it. The moral of the story is that you do not want your for sale property to be the one with the blemish.

Now let's look at the **inside** the house: what are buyers looking at?

Barb Schwarz advises sellers to be guided by the 3 C's in real estate:

² Barb Schwarz. How to List Residential Estate Successfully. Prentice Hall, New Jersey. 1991.

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1. cleanliness
2. clutter
3. color

These three are self-explanatory, yet many sellers overlook the fact that buyers have fixed ideas about what makes a house clean, bright and uncluttered. Don't take clutter for granted. **Clutter is a huge turnoff.** Too many objects lying around the house collect dust, and when you have an open house and the sun is streaking in through those large windows, the dust becomes very conspicuous.

Schwarz explains: "Clutter makes it difficult for a purchaser to mentally move into a home". This means that purchasers have a hard time imagining where their sofas and entertainment centers will be placed because the clutter is hampering visualization.

This is what Schwarz tells her clients: "the way you live in a home and the way you sell a home are two different things." This is just her way of saying that some clutter does give a home a lived-in feeling, but too much is too much and makes buyers very, very nervous.



As a general rule of thumb, unless you are a single professional with no children, your home has too much clutter and you should go ahead and pack a few dozen items in anticipation of the sale (for some, this may be a few dozen items per room).

The Right Kind of Clutter

If your St. Augustine home does not have any beach related items in it, you should consider making some effort at staging the property for sale by prominently displaying a painting, vase, or other item that captures the charm of the St. Augustine and Ponte Vedra area beaches, the lighthouse or boating. You should do this regardless of the location of your home within St. Johns County. A simple cue may appeal to your buyer's conscience and, remember, the chances are great that your buyer is coming to the area for the St. Augustine beaches, the historic charm or the vast opportunities for boating.

Want to appeal to the potential Jacksonville commuter during a showing of your property? Leave a map showing the location and route to the closest schools from your

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property on the kitchen counter. In fact, make copies and leave a note that says to please take one.

Respect Your Buyers' Intelligence!

Never underestimate the intelligence of buyers even if they strike you as inexperienced, first time buyers. Since governments have stepped into the domain of real estate, they are now warning home buyers about potential environmental dangers lurking inside houses. So what aspects of home buying are governed by regulations? Ilyce Glink warns that most professional house inspectors are not qualified to do special tests for toxic substances, although more and more individuals are specializing in these types of home testing.³

- **Radon** – the US government reported in 1989 that radon was the cause of 22,000 deaths per year and that it is the second leading cause of lung cancer in the US after cigarette smoking. Radon is an odourless,

³ Ilyce R. Glink. 100 Questions Every Home Seller Should Ask. Times Books (Random House). USA. 1995.

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natural gas that comes from the earth and seeps through cracks in the house or its foundation.

- **Asbestos** – Glink says that if your home was built after 1980, there is no need to worry about asbestos. This is a microscopic fiber that escapes to the air and is ingested by humans through their noses and mouths. Buyers who have lingering fears about asbestos may demand a written report stating that the house is asbestos-free.
- **Lead** – Paints and water can contain high levels of lead that are harmful, particularly to children. Their physical and mental development is affected when they are exposed to this substance. Lead paint and lead in water are usually found in older homes (pre 70's). Pipes in older homes for example that were soldered together with lead can transmit lead particles into the water system.
- **Anticipate Buyers will have an Inspection** – You should anticipate that your buyer will order a home inspection and, in St. Augustine, St. Augustine Beach, Ponte Vedra and St. Johns, Florida, such an inspection



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will likely focus on wood destroying organisms, such as termites, structural, and moisture related issues. In fact, many St. Johns County area home inspectors are now utilizing **thermal imagine or infrared cameras** to detect moisture in walls, ceilings and other hidden locations without having to do destructive testing.

- **Why you should consider an Inspection** – If you suspect there may be a problem with your home, hire an inspection yourself and get the answers you need. This will either dispel any thought that you may have a problem and provide a written report that can be used to sell your property or it will confirm that you have a problem and save you time and the embarrassment of having your potential buyer finding it. Better to find the problem, have it professionally corrected and not suffer the delay of a buyer finding it and delaying closing until the repair is made or walking from the deal. Nothing raises suspicions of hiding conditions than when a buyer discovers a problem during the buyer's home inspection. Avoid this problem. Besides, the Florida Supreme Court decision of *Johnson v. Davis* (1995) prohibits a seller from hiding or not disclosing known defects.

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CHAPTER 2: WHETHER JUST A SELLER OR A REAL ESTATE AGENT BE PROFESSIONAL

If your goal is to sell your house at the price you are asking for and for the whole transaction to be hassle-free from A to Z, then you should start *thinking and acting* like a real estate professional.

During times when the real market was rollicking to new, unimaginable heights, and you heard of St. Johns County sellers pocketing enormous profits overnight, life was easy and the wealth builders of yesterday were making everyone envious. Now, those same people are far more conservative and have weathered a tough storm (even though more tough for the rest of the Nation than in the St. Augustine area). During this regrouping time, industry professionals focused more on perfecting their professionalism to increase market share. Today's real estate professional is more knowledgeable, hungrier, and often more committed to get the deal closed. While this has its benefits, there are also some detractors, as will be discussed later in this article.

And here you are – all you really want is to learn the tricks to sell your house **successfully**.

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What makes the pros stand out and the mediocre drop out in the game? Part of the answer comes from getting inside the mind of the real estate professional and thinking like one.

Tom Hopkins talks about the true professionals:

“Professionals are highly goal-oriented. They strive for a certain number of homes listed and sold each month, a certain income, a trophy, or an award. They know exactly what they’re looking for and when they’ll achieve it...you see, the successful ones, the true professionals, begin where the failures stop. They do what the failures are afraid or too lazy to do.”⁴

Attitude is Everything!

A positive attitude tops the list of characteristics that top performing real estate professionals live by. When the world comes crumbling down, as in a depressed real estate cycle,

⁴ Tom Hopkins, *Mastering the Art of Selling Real Estate*. Penguin Group. USA. 2004.

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they look at downturns as an opportunity and maximise on that opportunity. In St. Johns County, they also have the confidence to know from experience that real estate in the St. Augustine and Ponte Vedra area is some of the best in the Nation and downturns start later and end sooner than in other parts of the Nation.

Image is Important!

Professionals make every effort to let their image speak for their success: The trappings of success must convey your competence in the field. Do your car, briefcase, desk and office communicate a successful business career? Think organization, cleanliness and conforming to expectations, rather than cost.

Your selling image communicates to your potential buyer who you really are. If you arrive at a showing with a dirty car and messy attire, it signals to the buyer that something is off. Communicating a message that the house is not clear or your paperwork might be sloppy is not the message you can risk sending the buyer.

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Professionals have an organised and efficient follow-up system. Their success at closing deals depends on returning calls, prioritizing appointments, punctuality and integrity.⁵ This is the only way people will entrust the sale of their homes to them. The client's comfort level is important to a professional - an element he or she never takes for granted.

Effort Can Make the Difference!

If you are "just a seller," don't use it as a crutch to rely on others. Be professional yourself and follow through with all parties involved to make sure of the following:

1. Have a written and signed listing agreement.
2. A for sale sign is posted on your property.
3. Your property is listed in the Multiple Listing Service (MLS)
4. All showings are coordinated with everyone.
5. All offers are timely reviewed and responded to.
6. The buyer's offer is reviewed by St. Johns Law Group.
7. The contract and all addendum are fully signed.

⁵ At St. Johns Law Group, our focus mirrors that of the successful real estate agents, making the parties to the deal our priority and focusing on getting the closing successfully accomplished.

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8. The title company (St. Johns Law Group) has all of the contract documents and is working on the closing documents
9. Any surveys are ordered timely.
10. Any buyer financing is timely applied for.
11. The closing date is coordinated with everyone.
12. You have current identification, such as your driver's licence, with you at the closing.

Stay Informed and Inform!

A real estate professional stays in tune . . . reading the classified ads religiously, checking the MLS and internet sources and making it their business to know what's going on. They have networking skills that are above average, attend the latest seminars, nurtures close relationships with people who are directly or indirectly connected to the real estate industry:

- Contractors
 - Builders
 - Developers
 - Bankers
- Insurance Companies

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Reach out and meet, see and interact with industry people. Hopkins says: "There are literally thousands of people in your area who need and deserve professional assistance with their real estate needs. If you don't take it to them, they might be short-changed by someone less professional. The more people you can meet, the more you can serve."⁶

Again, this also works for the people who are "just a seller" because, as a seller, you too can help yourself or your real estate agent market and make the public aware of your property. You simply never know what person you meet and talk to may become interested in your house or have someone who is interested. This is particularly true in the St. Augustine, St. Augustine Beach, Nocatee, Ponte Vedra and St. Johns areas where so many have relocated to the area and now want their friends and family to follow suit.

⁶ Tom Hopkins.

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The Steps to Being a Professional

Successful real estate selling is based on being well-informed about the hidden strategies of the trade.

Apart from taking the usual course and getting licensed (as “just a seller” you may not have time or any reason to actually take such a course) you should take the following steps:

- ✓ Have a professional photograph taken. Clients like to put a face to the name, especially the person they picked to sell their house.
- ✓ Get a cell phone with voice mail. This is indispensable, if you want to return calls promptly.
- ✓ Make sure you have a good computer with current software, especially Word and basic Adobe file capability.
- ✓ Get email. Who doesn't need an email address these days? Surveys show that less than 6% of real estate

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agents with email check their mail twice a day. Be ahead of the pack.

- ✓ Get Internet – be familiar with thousands of resources dedicated to the real estate industry: industry news, training opportunities, public records, lead generation, etc.
- ✓ Be sure you have Google Maps or other similar program. You can get an aerial view of properties and figuring out how to get to a particular address.
- ✓ Have a digital camera handy. You'll want to produce quality photographs of the properties you're selling. If you are the seller, a quick photograph to answer a follow-up question from a potential buyer can be extremely effective and getting that photo promptly transmitted can help close the deal.
- ✓ And don't forget to have business cards printed. This can be especially important if you are "just a seller" and don't have business cards from your work or are retired because, again, you want to communicate to your listing agent that you are professional and will be

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pleasurable to deal with throughout the process . . . it says you are going to help them do their job and make their job easier . . . it says your house will be clean and organized when it is show. Again, image.

About Doubts...

Some individuals have doubts about a real estate professional's competence when they're just starting out. Experience is, after all, the old reliable – in any profession, not just in real estate.

But the true, beginning professionals don't let this long-held belief discourage them. They are usually able to demonstrate, quite skilfully, that they are the hungriest and the most willing to do whatever it takes to sell a house.

Enthusiasm and zeal go a long way – two traits that older professionals sometimes take for granted because they've been in the business long enough to develop a subtle smugness. However, the older agents can also have more time to work your listing because real estate is their 1st profession, they are retired and only have a few listings or

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they are already aware of how they may be perceived and, again, being focused on image, they work to prove any sceptics wrong, as they have been since getting into the business.

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CHAPTER 3: A BUYER'S VIEW AND LOOKING FOR HOT PROPERTIES!

"Hot shots" is the name given to jackpot properties that every person who dabbles in real estate part time or full time watches out for. They keep their eyes and ears open to potential deals and jump at the first opportunity as soon as they know that the jackpot property is in the market. Their gut instincts tell them that this property will generate handsome dividends if the deal is handled properly. In strong markets, like St. Augustine and Ponte Vedra, those opportunities come more infrequently because most all properties are considered desirable.

Separating the Good from the Bad

Being able to discern the difference between a good and bad piece of property usually comes with insider knowledge and long years of active duty in the real estate battlefield. One writer calls real estate an emotional business. One manifestation of this is that buyers are easily swayed by the appearance of the building or its fantastic location.



But Tyler Hicks says that “buying the wrong real estate...can be a mistake. You really won’t be penalized for life. But you may have a few years of tight money. That’s why it’s important that *every* piece of real estate you buy be a good ‘fit’ for you.”⁷

Finding Hot Properties

Be on the lookout for re-negotiated real estate deals, what Tyler calls the “**real estate workouts**”. These are deals where lenders, so as not to foreclose on a property, extend the term of the mortgage loan so that monthly payments and terms are easier for individuals. This is how the real estate pros lay their hands on properties about to be foreclosed because the property is being sold below market price.

Want to have fun and get educated at the same time? Attend local **property auctions**. This is more for networking purposes and to get potential leads from others who make it a business to attend these auctions religiously.

⁷ Tyler G. Hicks. How to Make Big Money in Real Estate in the Tighter, Tougher 90’s Market. Prentice Hall. USA. 1992.

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If one leading broker likes you, he/she may steer you to the right deals.

Keep a roving eye on **government assistance programs**, specifically those geared towards affordable housing programs for seniors and low income families. As governments become more sensitive to the needs of aging populations, they establish housing priorities for those in most need.

Remember that populations everywhere are aging! Seniors will be in a better position to demand more services, and housing is a top priority. Real estate professionals turn these opportunities into a gold mine because of easier financing terms.

Another technique for zeroing in on jackpot properties is to explore **tax deed certificates**. This is a good way of making money from good properties without actually owning the real estate. These certificates can be bought from local tax authorities for properties on which owners have not paid property taxes.

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Hicks points out, "Once you own one of these low-cost certificates, you have the right to wheel and deal to sell the property to others, take it over, or otherwise make money from it. It's another way to move in on jackpot properties with small cash outlays that can make you rich – soon!"⁸

Leasing instead of Selling...

Lease with option to buy: a lease option has a longer term than a straight option, usually running for as long as one year or longer. Some will even stretch to three years, depending on the whim of the seller. While your lease is ongoing, you can rent out the property and be in a positive cash flow. The second advantage is, the property is appreciating in value. If you have a long lease option, you can then sell the property for the highest price you can obtain.

One last strategy for hot picks: be on the alert for long leases. Long leases will ensure that a property will be rented or leased for long periods of time, not just a year. Some commercial leases for example go for as long as 5 or

⁸ Tyler Hicks.

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10 years. One example is the government. Take post offices as the best illustration. The government will usually rent space for post offices on a long term basis.

LOCATION!

You've heard about the three principal parameters in real estate? One - location, two - location, and three - location. Take that with a capital "L". One trick in looking for that pot of gold at the end of the rainbow is to buy the worst property in the best neighborhood, NOT the best property in the worst neighbourhood.

This is a cardinal rule that sophisticated investors try never to break. Robert Allen gets the message across:

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“If you buy the worst property in the best neighbourhood, at least you have the chance to upgrade the property to match the standards of the neighbourhood, and your property value will increase. In a bad area, your property will only decline in value along with the rest of the neighborhood. Remember, you’re buying a neighborhood, not just a property.”⁹

A Model of Selling Success

Robert Allen’s concentric circle theory makes for intelligent hunting for hot properties. The circle has a small circle in the middle called the “center.”

The circles around it are identified as A, B, C, and D – A being closest to the center. The theory works this way: compare real estate to student housing. The nearer the student apartment is to campus, the higher the rent is and

⁹ Robert G. Allen. *Nothing Down for the 90’s*. Simon & Schuster. New York. 1990.

the lower the turnover is. That student apartment therefore – being in circle A is a good investment. The same applies to houses. Which neighborhoods are nearer to centers of employment, education, shopping and conveniences? Try to hunt for properties in the A circle, and avoid those in the D area unless there is something unique about the property or uniquely served by the property, such as equestrian uses.

Introducing the Don't Wanters

Don't-wanters are people who will give anything to sell their property, to be rid of it completely, and who cross their fingers every minute hoping a seller will buy their property. Because of this, they can be flexible as you want them to be. How many of them are don't-wanters? "Even in extremely tight sellers' markets, there are still plenty of don't-wanters. Perhaps 5% of all sellers are willing to be flexible enough to be called don't-wanters. Some new investors get discouraged early because they haven't learned that 95% of the sellers are not flexible. They need to be dealing with the 5% who are don't-wanters."¹⁰

¹⁰ Robert G. Allen.



CHAPTER 4: COMMON SELLING MISTAKES

Here's some very useful advice:

Don't treat your real estate agent as Mr. or Ms. Know it All. They are not infallible. And, they perform better with your support when you do your part as outlined in Chapter 2.

Believe it or not, they don't know everything there is to know about real estate. They make mistakes, just like everyone. With your support and with you acting with a professional mind, you can backup your agent and increase your chances of getting the sale accomplished without glitch.

And, since ***St. Johns Law Group charges the same as title companies for real estate transactions***, you can get added diligence and competence by having your closing performed by attorneys.

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Investigate Credentials

Once you've signed a contract with an agent that the house is exclusively hers to sell, you could be stuck with an inefficient agent for a long time. Before you sign on the dotted line, investigate your agent's credentials.

Ask for the names of other sellers she's worked for, and where possible, speak to these past clients and ask them whether or not they were satisfied with her service. Check out qualifications and use the internet as a tool to measure listings and check competences. Some sellers make the mistake of engaging the services of an agent in a hurry because they're eager to sell.

As Gregory Lerch has stressed, hire a real estate agent like you would an attorney or accountant. Try to distinguish the full time professionals from the part-timers – those who occasionally dabble in real estate, who get into the business of selling homes only when they need quick cash.¹¹ Those committed to the profession as a long-term career are not

¹¹ Gregory Lerch. How to Sell Your Home When Homes Aren't Selling. Betterway Publications, Inc. Virginia, USA. 1991.

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just concerned about your sale but also on how your sale impacts their continued good-will and reputation.

Have Reports In-Hand

Another mistake sellers make is not having written inspection reports to show to prospective buyers. The regulations about asbestos, radon and lead are fairly stringent and must follow governmental guidelines. Ensure that professional house inspectors have the capability – and certification – to do these tests. Pull your old closing documents and survey from when you purchased the property and any documents related to construction repairs or improvements and additions you may have paid for during your ownership. All of these items may enhance your value and chances of a faster sale.

Know the Rules...

Sellers often decide to go solo without enlisting the help of an agent for the sole purpose of being able to save thousands and thousands in agent's commissions. Or, so they think. While this may be a legitimate reason, if you are

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not committed to spending the significant investment needed to advertise your property like a real estate agent, you could be costing yourself numerous lost opportunities and have a protracted time before a buyer discovers your property. Since time is money, there is a reason the vast majority of sellers look to realtors to sell their property.

If you do decide to sell your house on your own, make sure you know the rules of the game like the back of your hand. Have it down pat.

The second, even bigger mistake, is that some sellers don't have the ability and understanding to know when to quit as independent sellers!

If your house is still in the market for a year, even if other homes are selling like hotcakes in the neighbourhood, then it's time to take a step back and see what you're doing wrong. A real estate agent may be your alternative.

According to Lerch, "market studies have shown that you can actually lose money when your home sits on the market for an extended period. Knowing that, your goal should be either to learn how to extend your optimum selling period or



market your home so it sells within the time limits the market has dictated".¹²

Be Conscious of Zoning

If you don't have your own planners and engineers and you don't keep up with how the City of St. Augustine or St. Johns County have zoned your property or designated its future use on the Comprehensive Plan, you could be selling your property without knowing its highest and best use. Zoning changes or adjustments could considerably increase the value of your property, especially with raw land.

At St. Johns Law Group, our land use and zoning attorneys represent many land developers and can guide and advise you on the potential of your property.

Pricing Too High? Too Low?

High and low pricing: sellers who like to make a killing price their property way too high, making it out of reach to buyers who are looking at similar properties in the same location.

¹² Gregory Lerch.

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Don't be priced out. Going to the other end of the spectrum, you'll know that you priced your house too low when it's bought the same or next day after you or your agent advertised it. It was "snatched" by someone else because it was way below market price.

Obviously, you as seller will try to get the highest price you can get for your property so you start with a high price.

The buyer, on the other hand, will offer the lowest possible price he can negotiate. So you start high and he starts low. This creates plenty of room to negotiate – the gray area that lies between the highest and lowest prices.

This is where sellers can make the mistake of not demonstrating sufficient flexibility to the buyer!

This is the reason there are high and low prices in real estate – what Albert Lowry calls practicing the give-and-take principle. "Such give-and-take is part of the bargaining process...It gives you both room to negotiate...As you and the buyer make proposals and counterproposals, you are inching closer to agreement...Then at some point one of you

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will yield no further.”¹³ Develop the extra sense to know when to stop negotiating. Again, an experience realtor can prove invaluable in help you reach the right decision and negotiating price and terms.

Some More Common Selling Mistakes

Here are a few more mistakes sellers often make:

- **Undefined motivation** – are you selling your house because you want to or have to? Honesty in answering this question will affect your negotiation abilities. You might be sending the wrong messages to your agent or buyer. If you and your spouse have mixed feelings, be sure you iron out your differences and reasons for selling before putting your house in the market.
- **Hanging around during open houses.** If you have an agent, let them do their work. Don't make buyers uncomfortable by your presence. They may want to ask the agent certain questions that they don't necessarily want you to hear. Besides, most sellers

¹³ Albert J. Lowry. How You Can Become Financially Independent by Investing in Real Estate. Simon & Schuster. New York. 1982.



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who are present during showings make the *mistake of focusing on the Clutter* and telling stories about items that are really *Clutter*.

- **Pets and Odors** – some buyers may not exactly be animal lovers; other buyers are turned off by cooking smells. Keep the pets invisible, and the smells at bay with air freshener.
- **Letting the house go stale** – if your house has been on the ads too long, know when to pull it out. Don't give buyers the chance to "suspect" something is wrong with your house. Take out the for sale sign and come back another time.
- **Timing:** when sellers sell their house in hopes to buy another, they fail to recognize proper timing as an essential component of the real estate process. When their offer on the new house is accepted but there are no firm buyers for their old house, they are forced to apply for a bridge loan which can make them out of pocket for a few years. Wait until your house is sold, or at least wait before a firm offer is in your hands.

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- **Mortgage payments:** just because your house is sold does not mean you can skip mortgage payments. Make sure your mortgage payments are up to date until closing. When closing documents are drawn up, the lender will take any unpaid amounts and deduct them from any monies due to you. Check with your contact at St. Johns Law Group to confirm your cash at closing. You can also use the tools and calculators found at www.staugustinetitle.com.
- **Deposit money:** there is no fixed standard practice regarding deposit money – sometimes called “earnest” money. Requiring a deposit from the buyer is simply the seller’s need for assurance that the buyer will buy the property and has the financing required to buy the property. When time and money are spent in the showing, negotiation and contract preparation procedures, the seller has to be compensated for lost opportunities to sell to someone else if the original committed buyer suddenly backs out of the deal. Don’t omit discussing this with your agent or settlement agent. It’s added protection for you as seller.

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CHAPTER 5: FINANCING

When it comes to borrowing money, banking institutions will have set criteria for mortgages and profiles of individuals that they will lend the money to. Many full-service banks will provide complete financing, but they don't necessarily tell you everything. So you may have to do some of the homework yourself instead of relying 100% on these lending institutions. They will structure a loan that is most lucrative to them.

Construction/permanent loans

This is one way of financing a real estate purchase. A construction loan is a loan package consisting of two loans in one. The first one is to enable borrowers to purchase all the materials needed to build the house. When the house is finished, the loan is converted into a typical permanent loan. A closing takes place before any monies are released by the bank. So you and the bank will have to agree to a fixed amount prior to any closing or any withdrawals.

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EXAMPLE: Say you need \$250,000. After closing, you need to withdraw an amount to pay for the land. The bank releases the funds. Then you'll need to funds to buy the construction materials and pay for the contractor's time. How many withdrawals you can make and at what intervals vary from one institution to another. When the house nears completion, you take one final amount to pay for the rest of the bills. The final amount you pay, say \$200,000.00 out of the \$250,000.00 you originally borrowed, can be converted into a permanent loan.

Since construction loans are interest only loans, remember that the principal is not paid monthly along with the interest!

You will receive a monthly bill for the interest on the outstanding balance. Chris Condon recommends two techniques you can use:¹⁴

1. Do not overestimate the loan amount. Borrowers pay "points" on the loan. In the previous example, you used only \$200K out of the \$250K. This can represent a waste of money because you could be paying points on money you'd never use.

¹⁴ Chris Condon. Building Real Estate Riches. McGraw Hill. USA. 2004.

2. Do draw the right amount. Bank inspectors will usually make inspections of the house to verify whether the amounts you have drawn are justified. Most construction loans allow a certain number of free inspections before they start charging for the inspection. The trick is to decide which is more expensive to you: the interest fee or the inspection fee. Chris Condon advises exploring the possibility of taking smaller but more frequent draws.

Permanent Mortgage Loan

Many types of permanent mortgage loans exist. Not all options are available with a construction/permanent loan so ask the right questions. Monthly payments include principal and interest. Types of permanent loans are:

Conventional Loans

Conventional loans – any permanent, long-term financing that does not fall under VA or FHA.



VA Loans

These provides veterans with access to loans not requiring a down payment. It's the VA that acts as guarantor.

FHA Loans

To eliminate the lender's risk, Federal Housing Administration provides lenders with an insurance policy. This helps to offset any fees tied to any of the usual lender's risks.

Fixed and Adjustable Mortgages and Loans

Fixed rate mortgage – loans are amortized over a period of 10, 15, 25 or 30 years. Interest rate is constant for the term of the loan.

Adjustable rate mortgage – also knows as the variable rate loan; interest rate is calculated on the basis of prime rate set by the Federal Reserve. If prime rate goes down, your monthly payments go

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down, if they go up, so do your principal/interest payments.

Home equity loan – when you’ve built enough equity on your house; i.e. it is 75% paid for, you can borrow funds against this equity to pay for renovations in the hopes of an eventual sale. Banks’ terms and conditions on home equity loans vary, so speak to your lender about the ramifications of the home equity loan.

Reverse mortgage – some banks will actually try to convince you to do a reverse mortgage. Details are too cumbersome to discuss here, but speak to your bankers. It is not for everyone.

Seller Financing?

Another type of financing is suggested by Ilyce Glink called *seller financing*. It means that you, the seller, lend the money to the buyer to buy your home, thus becoming the buyer’s bank. If seller and buyer agree to the logistics of seller financing, it can be a wonderful arrangement for both parties.



The advantages to the buyer include:

- ✓ quick and easy loan approval
- ✓ competitive interest rate
- ✓ lower fees than banks and other institutions usually charge
- ✓ less paperwork

The advantages to the seller include:

- ✓ equity in your home turns into an investment from which you can earn a stable rate of return
- ✓ the loan is secured by an asset – your own house

IMPORTANT: One disadvantage, however:

If the buyer defaults on the payments, you will need to bring legal action to get either your money or house back. St. Johns Law Group can document your seller financed transaction to give you the best protection but there will still be risks of seller financing.

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More about Seller Financing

If you decide to go with seller financing, you should be able to spot the good candidates, just like banks do with people who apply for a loan. Borrowers should provide the following data:

- name, address, Social Security number, three previous addresses, employer's name/address/phone number
- how long they have worked for their present employer and the names and numbers of their last 3 employers
- a copy of their latest federal and state tax returns,
- year-to-date statement showing income, assets and liabilities,
- copies of their most recent pay stub (if you believe this is necessary),
- they must sign an agreement for you to obtain a credit report on them.

Tips for Real Estate Loan Applications

If you're applying for a real estate loan, here are some tips that come in handy:

- ☑ Never submit a handwritten application. Professionalism will make lenders more comfortable.
- ☑ Ensure that the loan amount you seek is appropriate to the lender. Ask you loan officer their opinion.
- ☑ Find out from the loan officer what the debt ratio is so you know how much cash you must have.
- ☑ Prepare a good real estate business plan for the property you want to buy (this applies to commercial properties). Attach this business plan with your loan application. This gives the lender the impression that you've done your homework.
- ☑ Think of your loan application as a written exam in college that you want to get an "A." Put your best foot forward an impress the loan officer and underwriter.

Bankers usually turn detective when commercial loans are on the table. Be aware that interest rates on loans for buildings that are not owner-occupied are much higher and down payments are sometimes higher than 25%.

When applying for commercial loans, be prepared to answer the following questions:

- what is your total monthly income
- do you have copies of your income tax returns for the last 3 years?
- can you verify your down payment requirement, and
- have you borrowed any of your down payment?
- Do you have balance sheets and income statements from your business?
- Do you have a proforma or business plan for the new property being acquired?



CONCLUSION

As we noted earlier in this ebook, real estate is a very dynamic field; and that's one of the reasons why some people are hesitant to explore it, and to *exploit* its profit potential. That's where St. Johns Law Group and its attorneys and staff can step in and help.

You now know the following keys:

- ✓ **Knowing your Buyers**
- ✓ **Going from Seller to *Professional***
- ✓ **Finding Properties**
- ✓ **Avoiding Mistakes**
- ✓ **Financing Success**

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*While this ebook may not make you an insider, we hope that we have given you some of the **insider tools and tips** that you can utilize to help in your St. Augustine or Ponte Vedra area real estate endeavors.*

From all of us at St. Johns Law Group, St. Augustine's Real Estate Law Firm, we look forward to working with you in the future.

DISCLOSURE: THIS eBOOK IS INTENDED TO BE INFORMATIONAL ONLY AND DOES NOT CONSTITUTE LEGAL ADVICE AND NO ATTORNEY/CLIENT RELATIONSHIP HAS BEEN CREATED. FOR ANSWERS TO LEGAL QUESTIONS OR TO HIRE ST. JOHNS LAW GROUP, YOU MUST RETAIN AN ATTORNEY UNDER WRITTEN AGREEMENT WITH OUR LAW FIRM.

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