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Higher appraisal rating, higher debt: When renovating goes wrong



JPAYE

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Before land or a building is sold, mortgaged, taxed, insured or developed, appraisers and assessors of real estate are hired to estimate the value. So let's just say that the homeowners want to sell their home but are told they need to make \$10,000 in repairs before the home is in the kind of condition needed to sell. The realtor has found a couple of potential buyers who both assure the realtor that with expansions on the bathrooms and attic repairs then they would buy it. The realtor figures even if one family backs out, at least the other one could pick up the pieces.



When the realtor tells the homeowners about

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Who should be held responsible for home renovations during the selling process? (Photo credit: istock)

When the realtor tells the homeowners about these requests, the family thinks on it and decides to move forward. If the repairs and tweaks are made, the realtor believes that the family would make a much bigger profit.

With the attic and bathroom renovations made, in addition to repairs, the appraiser approves a higher home value. Unfortunately after making the changes, both of the potential buyers back out. And now the realtor is shrugging his shoulders and saying he's unsure if there will be any more potential customers anytime soon. Now the family is not only stuck

with planning for their own move, but they still haven't sold the house. They're furious now and feel that the realtor should be held accountable for talking them into making the repairs. But legally who's at fault? The realtor, the family or the potential buyers?

The standard terms in a listing agreement are:

- Real estate agent commission: This is the amount that the homeowner will pay the real estate agent. It usually ranges between 5-6 percent of the purchase price of

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- Real estate agent commission: This is the amount that the homeowner will pay the real estate agent. It usually ranges between 5-6 percent of the purchase price of the home.
- Exclusive right to sell: This clause gives the realtor the exclusive right to sell your home.
- Duration: This clause states how long the agent has to sell your home (ex. three months or six months).

Who is responsible for covering renovation cost is not a standard term in listing agreements. Typically, the

homeowner is responsible for the cost of renovations needed to make a home market ready. As they say in real estate, “everything is negotiable.” The homeowner can negotiate in the listing agreement that the cost of renovations/repairs and/or staging be deducted from the real estate agent’s commission.

Alternatively, the listing agreement can provide an amount the listing agent will agree to spend on marketing costs for the home, which includes renovation and staging costs.



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on marketing costs for the home, which includes renovation and staging costs. Negotiation is about leverage. A real estate agent would be more likely to agree to deduct the renovation costs from his or her commission if the agent knows there will be a substantial commission when the house sells.

Have more real estate renovation and homeowner questions? Contact [J. Paye & Associates](#) today.

Shamontiel L. Vaughn contributed to this blog. Find out more about her at [Shamontiel.com](#).

The information contained here is intended to provide useful information on the topic covered but should not be construed as one-size-fits-all legal advice. Speak to an attorney specifically about your contractual agreement for specific terms and conditions.

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