

Sellers can save on traditional commissions

By Doug Funke
staff writer

You neither have to pay a commission of about 6 percent to an agent for selling your house nor tend to all the details yourself to pocket the savings.

Some firms will find a buyer and shepherd the paperwork during the sale for a flat fee or a much smaller percentage.

There is one catch — sellers have to show their houses to prospects.

"The biggest advantage as opposed to the old-fashioned Realtor is sellers are paying much less and receiving as much or more services and expertise," said J.R. Paine, owner of Home Marketing Specialists.

Her company, with offices in Southfield, Rochester, Fraser and

Romulus, charges an up-front listing fee of \$299, then \$20.20 per \$1,000 of the sales price at closing.

That totals \$1,914 on a sale of \$80,000 or 2.4 percent.

"We can offer a full line of services to the seller and save them thousands of dollars. That's the bottom line," said Mario Ferrante, marketing manager for a Help-U-Sell franchise in Plymouth.

His firm charges a flat fee at closing based on the sales price of the house — \$2,250, for instance, on a sale of less than \$80,000 and \$2,950 on sales from \$80,000 to \$150,000.

A 6-PERCENT commission, fairly common in real estate transactions here, amounts to \$4,800, on an \$80,000 house.

Joel Schmidt had nothing but good things to say about the work of HMS.

He listed in Farmington for \$118,000 and sold for \$114,000. Schmidt thought he had sold the house on his own a year earlier, but the deal fell through when the prospective buyer failed to qualify for a mortgage.

"They (HMS) sold my house in a hurry, in about a three-week time frame. They were very professional," Schmidt said. "It was worth the money to have them handle all the phone calls and paperwork."

It took Help-U-Sell only 24 hours to sell his house listed at \$82,000 in Westland for \$80,000, said Dennis Beaver.

"I really did struggle with (a decision to hire) a 6-7 percent (agent) to sell the house," he said. "I thought there's no reason we can't do some of the work ourselves like showing it. We needed someone to do the paperwork."

Both Ferrante and Paine described their firms as full-service brokers.

"I GIVE market analysts, just like any other Realtor," Ferrante said. "I will list your property, supply signage. I do all the paperwork along the way through closing. I will guarantee classified advertising. They're guaranteed to be part of an exclusive marketing system."

"We find the buyers," Paine said. "We provide every service from listing to closing. We extensively advertise."

Paine and Ferrante disagreed with a popular belief that sellers, because they're too emotionally attached, shouldn't walk prospects through their houses.

"I hear every day from buyers how grateful they were to have the

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— J.R. Paine
Home Marketing Specialists

seller show the house," she said.

"We feel a seller knows more about his own particular home than a Realtor," he said.

Paine and Ferrante try to avoid the Multi-List Service, an advertising network, because its use results in higher sales commissions and expenses to the seller.

Both recognize that their pricing

practices aren't all that popular with agents who work within the traditional commission network.

"Our goal is to sell homes," Ferrante said. "I'm not against my peers."

"The idea is not to be critical of any system," Paine said. "We have a free enterprise system and an owner should have a choice."

Tax act provides relief for builders of low-income housing

I am a developer and understand that under the Tax Reform Act of 1986, Congress created new incentives to encourage the private sector to participate in the provision of affordable housing. Could your briefly give me some insight into that?

You are correct. In 1986 Congress created new incentives to encourage the private sector, especially corporations, to participate in developing affordable housing. The Low Income Housing Tax Credit was established as part of the tax reform act as a

credit against federal income taxes. Corporations (other than personal service and sub-chapter S corporations) can use unlimited amount of LIHTC to reduce federal tax liability from business income (subject to the general limitations on business tax credits). But LIHTC cannot be used to reduce the alternative minimum tax. LIHTC is granted over a 10-year period. Depending upon the type of mortgage utilized to finance the housing, the total credit over the 10-year period may approximate up to

40 percent or 90 percent of the original cost of the housing. Unlike the repealed investment tax credit, LIHTC does not reduce the tax basis of real estate assets.

Additionally, the LIHTC may be carried back to recover income taxes previously paid or carried forward to reduce future tax liabilities. Investment corporations may also use the passive tax losses generated by the housing. These losses, which are mainly due to tax deductions for interest and appreciation, may be



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used to offset regular business income as well as passive income and, for certain corporations, portfolio income. Obviously, this is a detailed and complex subject, and you are

best advised to consult with a tax adviser of your choosing to get the exact details of this credit and whether it is applicable to your situation.

Robert M. Meisner is a Birmingham attorney specializing in condominiums, real estate and

corporate law. You are invited to submit topics about condominiums that you would like to see discussed in this column by writing: Robert M. Meisner at 30200 Telegraph Road, Suite 467, Birmingham #9010. This column provides general information and should not be construed as legal opinion.

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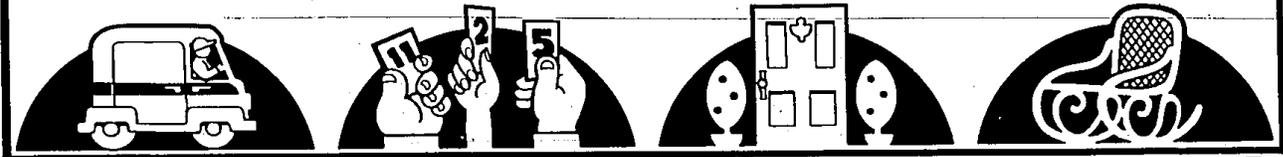
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