

Your REALTOR:



Dennis Kutny

# June 2021

# REAL ESTATE Update



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## Expert Tips to Sell A Home with Pets



Your pets are a member of your family, and you love them as such, but when it's time

to sell your home, they can create a bit of a challenge in a few key ways. With that in mind, the following are some things to make sure you do before you try to sell a home where pets live.

### Deep Clean

It's important when your house is on the market that you keep it incredibly clean, and especially if you have pets. You want to make sure you get to the root cause of any odors as well. For example, if you have rugs or carpets, you might need to have them professionally cleaned or even replaced to eliminate pet odors. You have to be conscious of not just odors and cleanliness when you have pets, but there may be people who come into your home with pet allergies. You really want to focus on getting into every corner when you clean to erase any and all evidence of your animals.

### Repair Damage

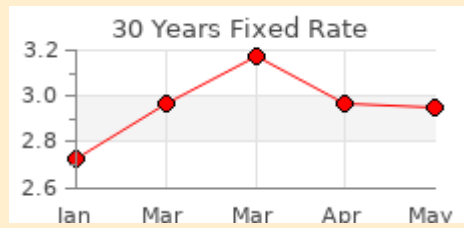
Go through your home with fresh eyes and look for any pet damage that needs to be repaired, like scratched or torn furniture or flooring, chew marks on baseboard or window sills, or ripped curtains. You need to do the same outside of your house too. Clean up pet waste, and cover any signs of digging in your lawn. Repair damaged fences and window screens too.

### Put Away Signs of a Pet

Just like it's a good idea to de-clutter and de-personalize your entire house when you're preparing to sell it, you similarly want to de-pet your home. This means that you take out any cages, kennels, or play items. You should pack them up when your home is going to be shown. Put toys away, as well as food and water bowls.

Mortgage Rates  
U.S. averages as of June 2021:

30 yr. fixed: 2.95%  
15 yr. fixed: 2.27%  
5/1 yr. adj: 2.59%



## FHA, VA or USDA: Which One Is Better?



The FHA loan is a program from the Federal Housing Administration.

It's highly popular with first time buyers because the loan only asks for a down payment of just 3.5% of the sales price, however the program can be used by anyone. Low down payment conventional loans will require private mortgage insurance.

The VA loan program is reserved for veterans of the armed forces, active duty personnel, those with at least six years of service within the National Guard or Armed Forces Reserves and unmarried surviving spouses of those who have died while serving or as a result of a service-related injury. While the FHA loan asks for a 3.5% down payment, the VA program requires no down payment whatsoever.

The USDA loan is one managed by the United States Department of Agriculture and designed to finance homes that are located in rural or semi-rural areas. These areas are designated every 10 years after the latest Census Bureau counts are reviewed. USDA loans also require no down payment. The attraction of this loan is its ability to finance properties located in sparsely populated areas.

## How to Get Ready for an Open House



As a seller, you want your home to look beautiful and appealing to possible buyers. So

what can you do to make your home stand out?

### Talk to Your Real Estate Agent

Your best source of information as far as what you need to do to make your home picture-perfect will come from your real estate agent. Have them go through and suggest things you can do in the weeks leading up to your first open house. They might have some low-cost tips that can make a big impact. Your real estate agent can also work with you on staging.

### De-Clutter Everything

Clutter is distracting and overwhelming. It makes your home feel too personal to you, so buyers can't envision themselves there, and it covers up the features of the home that might be attractive to buyers. Don't just shove things in closets because these are places people are going to look. Instead, you should throw away, sell or donate items you don't need anymore. The upside of this, in addition to making your home look better, is that it'll be easier on you when you move.

### Don't Forget the Exterior

Outside of your home, take many of the steps you did inside. De-clutter, organize, and clean. Make sure that your shrubs are well-trimmed and your lawn looks tidy. Wash your porch and add a new welcome mat, along with some greenery. If it needs it, give your front door a fresh coat of paint. You want buyers to feel like your home is the place for them and move-in ready as soon as they arrive at your open house.



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Dennis Kutny, REALTOR  
E-mail: [dennis@denniskutny.net](mailto:dennis@denniskutny.net)  
Website: <http://Sarasota-ManateeHomes.com>  
Cell: (941) 626-1093

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## What to Know About Selling a Home to a Family Member By Ashley Sutphin

It's not uncommon to want to sell a home to a family member, but it can become a tricky situation. You have to be mindful of not only the personal elements that can come with doing this type of transaction with a relative, but the IRS may also scrutinize the transaction if you don't avoid certain red flags.

It's perfectly legal to sell a home to a family member as long as you're not just doing it to avoid taxes. If you're selling the home at a very discounted rate, you might have to pay an estate and gift tax, but beyond that, it's just like any other real estate transaction.

### Owner-Financed

One option if you're selling your home to your child, for example, is to do an owner-financed sale. Then, your family member would make payments to you instead of a bank. However, you need to legally arrange it so that if your relative defaults, the home goes back to you automatically and you can then sell it.

### Transferring a Property Title

There are different ways you can end up transferring the title to a property to your relative. For example, you can do a quitclaim deed. That transfers your interest in the property to your relative, but they aren't protected from legal claims. A general warranty deed transfer gives all the property rights go to your family member, and it also protects from future actions against said property.

A special warranty deed transfer protects the family member from any issues that you might have dealt with when you owned the home. Regardless of the option you choose, it's really important to talk with a lawyer first to protect everyone involved. There are different tax implications for each type of transfer.

### Gifting a House to a Family Member

If you want to give someone a house, you can, but you're going to pay taxes if you do so. You can gift up to a certain amount each year to as many people as you choose without being hit with a gift tax, but you can't go over your federal gift and estate tax exemption in your lifetime. You can gift as much as you want to your spouse without paying taxes on it.

Some people will gift a certain amount of their home each year to their family member so that it's tax-free. However, if you gift a home to a family member unless they live there and it's their primary residence for two years, when they sell it, the original price paid is the tax basis for the person you gave the home to.

### Follow Fair Market Value If You Aren't Gifting the Home

If you're not going to work it out so that you're gifting your home to a loved one, you need to stay relatively close to the fair market value. Yes, you might sell it for under its value, which happens all the time in real estate, but if you go too low, the IRS might get involved.

There's a term here called a non-arm's length transaction. If you give too good a deal on your home, the IRS might take notice. That doesn't mean you can't give a good deal, as long as it's not too good to be true. Aim to sell the house for around 75% of its fair market value and no lower.

The big takeaway is that yes, you can absolutely sell your home to a loved one or potentially gift it, but there are tax implications in doing so.

Before you do anything, talk to an attorney who can walk you through your options and help you figure out which is best for you.



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## How is a Home's Fair Market Value Determined?

*By Ashley Sutphin*

There's a term in real estate that's relevant to buyers and sellers alike, which is fair market value. Fair market value lets you know how much a home would theoretically sell for in an ideal world where logic was the determining factor. Basically, the fair market value would be what a seller would get if they were in no hurry and waited for the perfect offer.

We all know there are a number of variables that actually interfere with transactions, and both buyers and sellers negotiate until they can come to a price they agree on.

While negotiation is a big part of buying a home, understanding fair market value is also relevant.

There are a few things fair market value isn't. It isn't solely what either party thinks the value of the home is, nor is it just the appraised price. It's also not the tax value. These factors can be part of the fair market value, though.

### Calculating Fair Market Value

There isn't a specific fair market value formula, and homes are assets that are subject to the ups and downs of the market. Primarily, supply and demand play a role in the value of a home. Some of the elements that can be considered when calculating fair market value are:

- Current market trends
- A comparative market analysis of other properties that are similar and in the same area
- Having an appraiser assigning a value
- Calculating the fair market value based on a price per square foot

Any one of these things can be used in conjunction with one another to start to come to a fair market value. Figuring out the fair market value is something real estate agents are experts at, which is one of the reasons people opt to hire them rather than trying to sell their homes independently. It's important to have knowledge of the facts of the property itself but also what's happening in the local real estate market and even what's happening on a larger level in the economy.

### How Is Fair Market Value Used?

Typically, once the fair market value is calculated, then that's used to determine the home's selling price, but with caveats. For example, if the home's fair market value is \$250,000 based on market trends, but it's in a very popular neighborhood, the asking price might go up to \$300,000.

There are other ways outside of real estate that fair market value might be used, and also other applications related to real estate.

For example, the property tax that you owe to your municipality is probably based on the fair market value of your home. Your FMV tends to go up the longer you've owned your home, so your property taxes go up as well.

The value of your home might also affect tax credits, your gift tax, and your estate tax. If you were to gift your home or make it part of an inheritance, then the person you're giving it to may have to pay taxes based on the fair market value.

If that person then sells the home and they get more for it than the value it was assessed at when they inherited it, they have to pay capital gains tax on the difference between what they sold it for and the fair market value.

Fair market value is a term used in insurance as well. If your property is damaged, the amount you receive to pay to repair it can be based on fair market value.

If your home is affected by a natural disaster and it's evaluated below FMV, you might not get as much compensation.

There are a lot of ways fair market value can be used, but again, it's not an exact formula. It's often based on several key metrics simultaneously to figure out how much a home might be worth at any given time if it were to go on the market.



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## The Role of Scent in Selling a Home By Ashley Sutphin

When you're trying to sell your home, there are a lot of psychological factors that matter, but you might overlook their importance. Scent is a big one. If your home doesn't smell good, and especially if it has some sort of detectable odor, you're going to have a much harder time selling it.

There are short and long-term scents that may be affecting would-be buyers when they walk into your home. A short-term odor might be a lingering cooking smell. A long-term odor might come from carpets that have pet urine, for example. The following are things to know about the role of scent when you're trying to sell a house.

### Why Scent Matters

There are quite a few reasons scent matters. We don't even necessarily realize how much scent influences us psychologically every day. Even a slight bad odor can make buyers associate your home with being old or dirty. Scent is a powerful way to evoke emotions, both good and bad.

### How Do You Know If Your Home Stinks?

It's important to realize that you might not necessarily know your own home smells bad. You could be so used to whatever the smell is that you don't notice it. It could be a transient smell or one that's always underlying when people walk into your house.

Before you put your house on the market and also before you have any showings, try to have someone do a smell test. If there's no one to help you, walk outside for a few minutes and then come back in.

### Find the Source

If you can, find the source of what might be making your home smell bad. For example, it could be mold or wetness inside your walls or in your basement. In this case, you need to root out what the source is and fix it rather than trying to mask it. You might need an expert to help you, but sometimes it's a quick fix, like unclogging a drain.

### General Odor Elimination

If your home doesn't have any particular odor issue, but you want to make sure it smells good for potential buyers, there are a lot of things you can do. Focus most of your attention on your kitchen and areas where your pets spend time.

Using vinegar as a cleaning product helps neutralize odors, and you can also leave a bowl of it out on the counter to absorb bad smells.

If you have pets, you may need to do a deep clean of any areas they spend a lot of time, and you should vacuum up any pet hair and dander daily when your house is on the market. Empty litter boxes often, and bathe and groom your pets regularly.

### What About Cigarette Smoke?

If anyone has smoked in your house, it can reduce your resale value by as much as 30%. Smoke absorbs into your walls and other fibers, so the odor can stick around even if no one has smoked in the house in years.

The best thing you can do is take everything out of your home and do a deep clean, in addition to having your HVAC system thoroughly cleaned. You will probably also need to operate a HEPA filter with a charcoal pre-filter. Replace any carpets if there was ever a smoker in your home, and use a primer like Kilz on the walls that neutralizes odors.

### Create a Positive Impression

Once your home is clean and you have a neutral odor backdrop, there are certain smells you can introduce that will make possible buyers view it more favorably. The classic is freshly baked cookies, but instead of that, you might go for something simpler, like just a bit of citrus. That keeps the focus on the home itself, but it's also pleasant.

Don't use essential oils, candles, air fresheners, or anything like that because some people are very sensitive to these smells and it may put them off. Just try to keep things smelling clean and fresh without overdoing it if you want to appeal to the broadest base of possible buyers and make a good impression.



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## Saving for a Down Payment When You Live Paycheck-to-Paycheck By Ashley Sutphin

A down payment is an important component of taking a step toward homeownership. Saving for a down payment is also the biggest obstacle that you probably face when you want to buy a home. A down payment is the cash you pay upfront when you're going to make a large purchase. If you were going to buy a \$350,000 home with a 10% down payment, you'd need to have \$35,000 in cash.

Then, your mortgage lender provides the rest of the money to buy the home, and you pay your lender back over time. There are a few exceptions to lenders requiring a down payment, such as VA loans, but generally, it is required. It's recommended that you put at least 20% down if you're going to buy a house, but that can be a lot of money.

How do you save if you're living paycheck-to-paycheck? It is possible, but you also might have to make some changes.

### Take the First Step

Even though you might feel overwhelmed about the prospect of saving money when you're barely making ends meet, just take one first step toward your goal. That step may be small or almost symbolic, but it's the best way to get started.

One good first step is to open a savings account where you'll deposit money that's specifically meant to go toward your down payment. You might want a savings account that pays a bit of interest as well.

### Create a Budget

You may be in a cycle of living paycheck-to-paycheck that you don't necessarily have to be in. If you can drill down into what's going out versus what's coming in, you might find that there are some ways you can save money even on your current income.

Really taking an honest look at your income versus your spending can be challenging and overwhelming because you may not realize how much you're spending on things that you don't need to be. Doing it is rewarding and valuable, though.

When you create a budget, include in it money that you're going to set aside every week or month that will go toward your down payment. Even small contributions do add up over time if you're consistent and patient.

If you're not sure where to start with your budget, a lot of financial professionals recommend following what's called the 50/30/20 rule. This means that 50% of your income goes toward your essentials, such as your rent. Thirty percent goes toward lifestyle-related expenses, like eating at restaurants. The other 20% should either go toward savings or paying off debt.

### Cut Out Subscriptions

One of the best things you can do for your finances is to regularly evaluate what subscription fees you're paying and cut them out. It sounds simple, but the reality is if you're like the average American, you might be spending \$237 a month on subscriptions. That's a lot of money that could go elsewhere.

### Go Over Every Bill Carefully

When you're working with a relatively small amount of income compared to your expenses, you should go over every single bill and transaction carefully. There are a few reasons for this.

First, you want to make sure there aren't mistakes you're paying for. You might also find ways to pay less. For example, you could ask for a lower rate on your credit cards if you have a history of on-time payments, or you might be able to talk to your car insurance company about good driver discounts.

There are a lot of opportunities to save money on your bills, if you know where to look at you're willing to ask.

### Add Income

Finally, once your budget is in order, it's a good idea to add extra income to your life. There are so many ways to do this. When you're not working your full-time job, maybe you deliver groceries or work for a rideshare service.

It doesn't matter what it is, but when you add another stream of income, it puts you that much closer to your down payment. Everything you earn from your secondary income source should go directly into your down payment savings account, so you aren't tempted to use it on anything else.



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