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SELLING ONE HOME, BUYING ANOTHER: A HOMEOWNER'S GUIDE



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Welcome

Selling your home and moving into your next one is an exciting milestone—but without the right plan, it can feel overwhelming.

The best place to start is understanding your home's value, evaluating your financial position, determining a buying strategy, and how to maximize your sale profit.

This guide walks you through each of these steps, providing clarity and options as you begin to navigate this important transition.

—Alex Lannen + Gita Kovalova

Step 1: Estimating Your Home's Value + Sale Proceeds

UNDERSTANDING YOUR HOME'S VALUE

Understanding your home's value is a key step in determining whether you can afford to move.

The market has favored sellers for several years, which means you may have more equity in your home than you realize. Since the COVID-19 pandemic, home values in metro Detroit have appreciated rapidly, with some cities seeing an increase of around 40% since 2020!



HOME VALUATION BASICS

The value of your home depends on many variables at a given time, including:

- Location
- Square footage (finished and unfinished)
- Number of bedrooms & bathrooms
- Basement vs. no basement, finished vs. unfinished
- Condition:
 - Aesthetic condition (age + quality of finishes)
 - Structural/mechanical condition (roof, windows, furnace, air conditioner, hot water heater)
- Unique features
- Active competition (other similar homes on the market)
- Recent closed sales of similar homes
- Overall market conditions

Involving an experienced realtor is critical when determining your home's value. We will assess all relevant factors to provide an accurate and realistic valuation.

Real estate websites like Zillow and Redfin are often unreliable when it comes to home valuations, because the algorithms don't account for improvements you've made to your property.

Step 1: Estimating Your Home's Value + Sale Proceeds

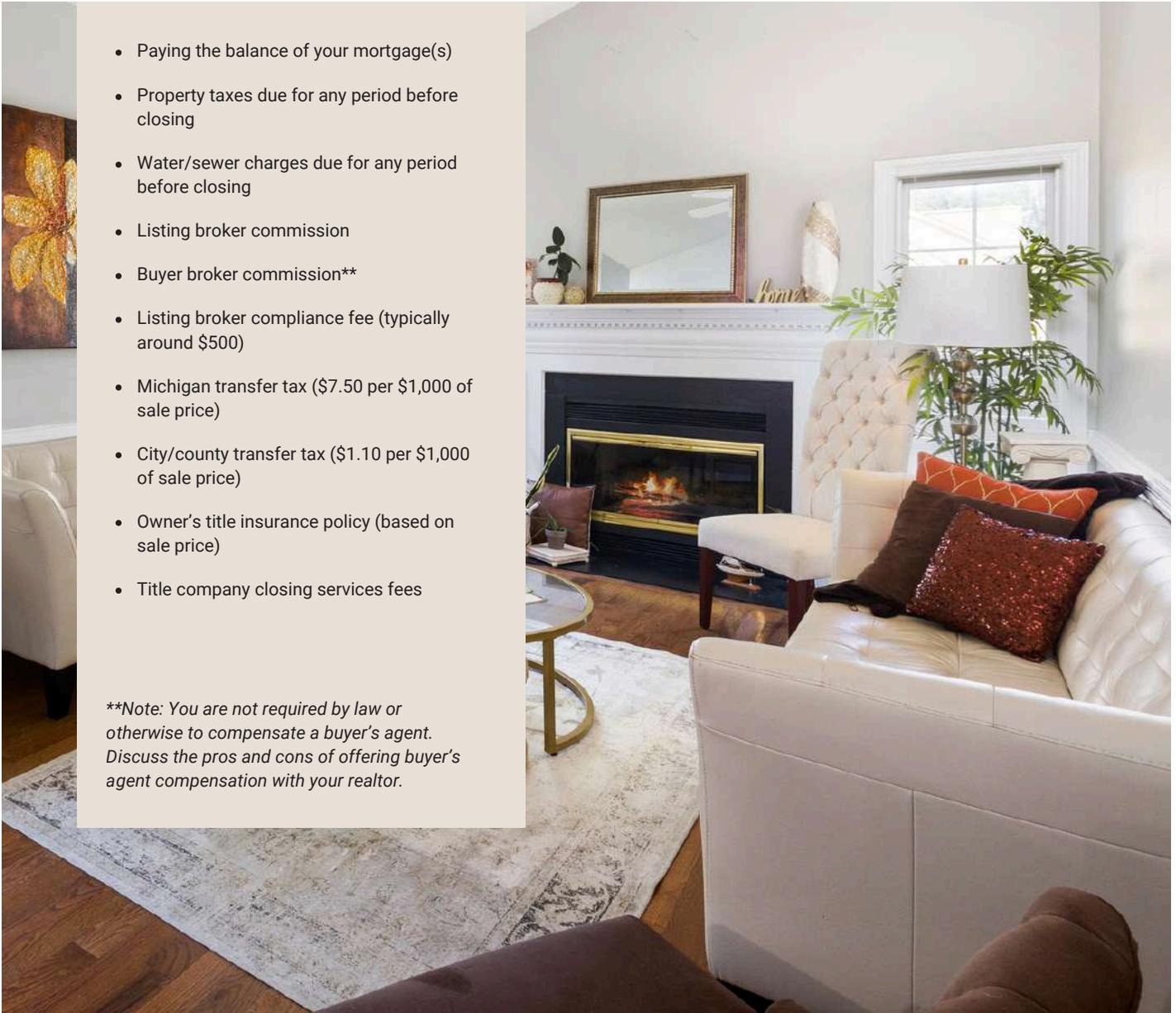
ESTIMATING YOUR NET SALE PROCEEDS

Once you have an estimated value for your home, we will estimate your net sale proceeds—the cash you'll receive after covering the costs of selling.

As a seller, you are typically responsible for the following costs in a sale:

- Paying the balance of your mortgage(s)
- Property taxes due for any period before closing
- Water/sewer charges due for any period before closing
- Listing broker commission
- Buyer broker commission**
- Listing broker compliance fee (typically around \$500)
- Michigan transfer tax (\$7.50 per \$1,000 of sale price)
- City/county transfer tax (\$1.10 per \$1,000 of sale price)
- Owner's title insurance policy (based on sale price)
- Title company closing services fees

****Note:** You are not required by law or otherwise to compensate a buyer's agent. Discuss the pros and cons of offering buyer's agent compensation with your realtor.





Step 2: Understanding Your Financial Position

UNDERSTANDING YOUR FINANCIAL POSITION

Another key step in determining whether you can afford to move is understanding your financial position. Knowing your budget, purchasing power, and financing options will help you make confident decisions.

GET PRE-APPROVED EARLY

Let's have a planning consultation early in the process to explore:

- Your purchasing power
- How much you can afford monthly
- Source of funds for closing
- The financing options that suit your circumstances
- The impact of current interest rates on a new mortgage payment

REVIEW YOUR DOWN PAYMENT + CLOSING COST OPTIONS

Consider where the funds for purchasing a new home will come from:

- Proceeds from the sale of your current home
- Leveraging the equity in your current home
- Savings
- Gift funds
- Other assets

**DON'T LET
CURRENT INTEREST
RATES SCARE YOU**

Even in a higher interest rate environment, strategic planning—such as leveraging equity and paying off high-interest debt—can minimize the financial impact of a move. It's not just about interest rates; it's about the bigger financial picture.

Step 2: Understanding Your Financial Position

REAL LIFE EXAMPLE

In 2019, clients purchased a home in Royal Oak for \$240,000 with 10% down. Their monthly housing expenses were:

COST TYPE	AMOUNT
Principal & Interest (3.5% interest rate)	\$ 945
Private Mortgage Insurance	\$ 60
Property Taxes	\$458
Homeowners Insurance	\$150
TOTAL HOUSING EXPENSES:	\$ 1,613

In addition, they had other monthly debt payments:

COST TYPE	AMOUNT
Car Loan (Balance: \$30,000)	\$ 550
Credit Cards (Balance: \$16,000)	\$ 350
Personal Loan (Balance: \$10,000)	\$ 525
TOTAL DEPT PAYMENTS:	\$ 1,425

COMBINED TOTAL MONTHLY PAYMENTS: \$3,038

FAST FORWARD TO AUGUST 2024

They sold their Royal Oak home for \$345,000 and walked away with net sale proceeds of \$128,000. Here's what they did with their sale proceeds:

- Paid off all \$56,000 in debt (car loan, credit cards, and personal loan)
- Used the remaining proceeds as a down payment on their next home, a \$434,000 property in Troy (10% down)

New Monthly Housing Expenses:

COST TYPE	AMOUNT
Principal & Interest (6.5% interest rate)	\$2,465
Private Mortgage Insurance	\$ 80
Property Taxes	\$625
Homeowners Insurance	\$180
NEW TOTAL:	\$3,350

RESULT:

- They eliminated \$1,425 in monthly debt payments that were accruing interest at higher rates than their new mortgage.
- Their total monthly payments increased by just \$312, despite higher interest rates on their new loan, allowing them to buy a larger home in their desired school district.

Step 3: Determining Your Buying Strategy

DETERMINING YOUR BUYING STRATEGY

Your financial position and current market conditions will play a significant role in determining your buying strategy. There are several ways to approach buying your next home while selling your current one:



BUY BEFORE SELLING

This approach works if you qualify for a new mortgage without selling your current home and do not need immediate access to sale proceeds.

CONSIDER THIS IF:

- You can qualify with payments on both properties, including taxes and insurance.
- You have access to your current home's equity through a HELOC or bridge loan.
- You plan to make a smaller down payment using savings and "recast" your loan after selling your current home – i.e. make a lump sum principal payment to lower the monthly payment on your new home.
- You can purchase with cash and utilize delayed financing to secure a mortgage later.

BUY CONTINGENT ON THE SALE OF YOUR CURRENT HOME

If you need to sell your current home to qualify for your next mortgage or to access funds for a down payment and closing costs, a contingent offer may be the best option.

KEEP IN MIND:

- Timing is key – the sale of your current home must close before the purchase of your next home, sometimes even on the same day.
- You will qualify for the new mortgage based on your post-sale financial position.
- Your sale proceeds will be used to fund the down payment and closing costs for your new home.

Step 3: Determining Your Buying Strategy



SELL BEFORE YOU BUY

In some cases, it may make the most sense to sell your current home first before buying your next one. This eliminates the need for a home sale contingency and may make your offer more attractive to sellers.

This strategy may involve a double move or temporary housing, such as a short-term rental or staying with family, if you can't find your next home right away. However, there are strategies that provide time to find your next home:

LONGER PERIOD BETWEEN CONTRACT AND CLOSING:

Negotiating an extended pre-closing period allows you additional time to identify and secure your next property.

POST-CLOSING OCCUPANCY IN YOUR CURRENT HOME:

You may be able to lease back your sold home for a short time (typically up to 60 days) from the new owners, giving you flexibility to finalize your next purchase. We may be able to negotiate the lease-back for low to no cost.



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*Step 4: Preparing Your
Home to Maximize Profit*

PREPARING YOUR HOME FOR SALE

Preparing your home for sale is the most effective way to secure the highest return on your investment. While the process can seem daunting, starting early and tackling tasks gradually minimizes stress.

Begin by inviting us to tour your home well ahead of your planned sale. We can offer personalized guidance on which improvements will have the biggest impact and help you avoid wasting time and money on changes that won't resonate with buyers.

With thoughtful preparation, you can create a clean, inviting environment that appeals to a wide range of potential buyers and maximizes your home's value. Below is a general checklist to help you get started...

Step 4: Preparing Your Home to Maximize Profit

TOP SALE PREPARATION TIPS

ORGANIZE

- Clean and organize kitchen cabinets, stacking kitchen wares neatly inside
 - Clean and organize closets, making sure closets are not over-filled, contents are neatly folded/stacked/hung, and all items are removed from floors
 - Pack up items not in use, such as off-season clothes
-

DE-CLUTTER

- Pack up knick knacks
 - Remove as many items as possible from countertops
 - Remove half of books from bookcases
 - Place any daily use items neatly in a box in a closet for your access
-

TOUCH IT UP

- Freshen up rooms with a new coat of paint
 - Neutralize any loud paint colors
 - Repair any holes or damage to walls
 - Re-caulk or repair any damaged trim or woodwork
 - Paint the front door with a new coat of paint
-

FIX IT

- Fix doors that don't close properly
 - Fix loose door or cabinet knobs/pulls
 - Fix any minor plumbing or electrical issues
-

DE-PERSONALIZE

- Use personal photos in moderation
- Remove exotic artwork or decor
- Remove magnets, art work and photos from refrigerator
- Remove personal items from bathroom countertops and showers

LET THERE BE LIGHT!

- Wash your windows inside and out
 - Replace any burned out light bulbs
 - Add floor and table lamps to brighten dark rooms
-

MAKE IT SPARKLE

- Clean every surface, including trim work, ceiling fans, + air vents
 - Wipe away fingerprints from doors, light switches + cabinetry
 - Polish chrome faucets, mirrors and stainless steel appliances
 - Clean grout, particularly in bathrooms
 - Have carpets professionally cleaned
 - Consider hiring a professional to deep clean your home!
-

HIDE EVIDENCE OF PETS

- Hide litter boxes and pet toys
 - Remove pet odors
 - Repair any pet-related damage to your home
 - Remove animals for each showing and open house
-

MAKE IT FLOW

- Remove over-sized or unused furniture to make rooms feel larger
 - Rearrange furniture to demonstrate a room's functionality
 - Place furniture in a way that dictates logical traffic flow
 - Store unnecessary furniture, lamps and decor
-

MAXIMIZE CURB APPEAL

- Pressure wash your front porch and walkway
- Keep your porch and walkways clear of snow, ice, and debris
- Keep your lawn and beds neat and free of debris, and add fresh mulch to beds
- Add a new welcome mat and potted plants at the front entrance

WHO WE ARE



Gita Kovalova

Mortgage Consultant, Mortgage Resource Plus

With over 20 years of experience as a mortgage broker, I have had the joy of helping many clients achieve their dream of homeownership. I work for you, not the banks, and bring a lot of local market know-how and options to the table.

Buying a house is an important milestone, and I'm truly honored to be part of this exciting journey with my clients. I see getting a mortgage as more than just a transaction. I take a holistic approach, really getting to know each client's unique life circumstances to help them reach their goals and dreams. My fantastic team and I are here to serve you with sincerity and passion.

Alexandra Lannen

Associate Broker, DOBI Real Estate

I transitioned into real estate sales in late 2017 after a successful career as an attorney specializing in commercial transactions, including real estate, finance, and mergers and acquisitions.

For me, real estate is about more than just closing deals—it's about people, their stories, and helping them find a home that fits their lifestyle and goals. I take the time to understand my clients' needs and concerns, working hard to minimize stress and make the process as smooth as possible. My sales experience, paired with my legal background, has made me highly skilled in pricing, marketing, negotiation, contract preparation and interpretation, and transaction management. This expertise allows me to deliver a transparent and predictable sales process, ensuring my clients feel informed and confident as they move into the next chapter of their lives.



CONTACT US



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