

EDINA REALTY



REAL ESTATE

BUYER GUIDE

BUY CONFIDENTLY WITH NO REGRETS



JESSE STEED

Introduction

Dear Customer,

Welcome to real estate in Minnesota! This is my play book to guide you from house hunting to the housewarming party. Whether this is your first venture into owning real estate or your 10th, it never hurts to review the process, especially since there are changes to our industry every year.

The process of buying a home has many steps, and I want you to *feel comfortable* throughout the process. You don't need to know everything at the start. As new questions come up, I hope that referring to this booklet can help answer them. And remember, I'll be with you every step of the way.

You can contact me at any time, and I am happy to explain each step in more detail. I can answer all your questions up front, as well as go over the details of the process of buying real estate, at what I call a Buyer Consultation. I want you to *be prepared* at every stage so you can proceed with confidence as we focus on finding you a home.

Here we go!

Jesse

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My Philosophy

While house hunting, you will be extra aware of all sorts of real estate things. It is as if the real estate market will *come alive* for you. This phenomenon of “what you focus on expands” means that when you are actively engaged in something like buying a house your world will suddenly be full of things that were invisible to you previously.

You may also find that your friends and co-workers will “house shop” vicariously through you as you share with them your experience in the real estate market. *Please feel free to give them my card if they’d like any help with real estate.*

You may find it helpful to bring along your parents, friends or children as “consultants.” Please know that as we tour homes I will be focused on you. In my experience, your house hunting must be 100% about your needs and those of your family, and about finding the house that will meet your needs and make your wallet happy. Let’s all focus on our common goal – and get you a great home.

I believe strongly in the village approach. I am your coach and I will help manage your team. There are important decisions you need to make, and my goal with this book is not only to break down the steps of how to buy a house but also to reduce future instances of “if we had known” and help you do it right the first time. An investment this big deserves your time and full attention. Be confident that I will be giving it all I’ve got.

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Chapter 1 Real Estate Basics

Agency

Who are you working for?

One of the very first disclosures you'll see is the Agency Relationship Disclosure, which deals with the role of the real estate agent in a transaction. This document spells out my obligations to my client, including the principle of dual agency. Because it is important to understand the way that dual agency works in Minnesota, we will cover this in detail and address any questions you may have.

Communication

We need to know how to reach each other.

Please tell me the best times and methods to communicate with you so I can respect your time. Also add my contact information to your phone and email address books. I strongly believe in direct personal contact, so I highly value phone calls and meeting in person, but *please tell me how you prefer to communicate* so I can reach you in our fast-paced multitasking world.

How to Get in Touch

I want to make this easy for you.

The best ways to reach me, listed on the inside cover, are by phone, text or email.

Please text or call me anytime, and please leave a message if I miss your call. I will get back to you as soon as possible. My pledge to you: I will respond promptly to your phone calls, text messages and emails and do my best to answer all your questions. Where further research is appropriate, I will keep you informed of my

progress and keep working until I have all the information you need.

If it's easier for you, you can use these apps to communicate:

WhatsApp



Google Duo



Marco Polo



Availability

I'm ready when you are.

My work hours are generally 9am-5pm Monday to Friday, but I am also available in the evenings after 7pm and on weekends. We will meet and view properties at times that work for you. I am happy to schedule appointments on short notice; just ask and we'll get it on the calendar. *In certain market conditions it's in your best interest to see a property right away when it first hits the market.* For example, in the last two years I have made six sales on first day showings.

Get Organized – Tools and Tips for Organizing Documents

Where is that paper with the thing?

It won't take long for you to see that we *still* use a lot of paper in real estate! There will be many documents, contracts and disclosures that you'll need to read, initial and sign. It will be important to keep track of everything. I will always keep a copy of everything you sign with me, and I will give you a paper copy or send a PDF copy to your email. Please store paper copies in the red Edina Realty folder I give you. You can store electronic copies in a folder on your desktop or use Google Drive.

Edina Realty also offers a secure cloud for storage of your real estate documents. The system is called **Home Docs** (documents,

not doctors), and registration and use of the system is free for you. *Please tell me if you'd like me to set this up for you.*

If you ever need another copy of any real estate document, just ask and I'll send it to you. I will also send copies to anyone on your team, such as your mortgage company, title company, insurance agent and attorney as appropriate.

Signatures

How many times must I sign my name?

In Minnesota an electronic signature is very common and accepted by nearly everyone.¹ You will always have the choice of signing in person with me at my office or signing electronically via **Instanet Authentisign**. The electronic signing is very simple and involves me sending you an invitation email message and you clicking to sign on your computer or mobile device. *I will always advise you if an electronic signature is not acceptable.*

Timeline

Rome wasn't built in a day.

While it only takes an instant to fall in love with a house, it will take several weeks to finally close the transaction and move in, and a small army (your team) will be involved along the way. Anticipating the time involved will help you plan for scheduling movers and setting up utilities but also for giving notice to your landlord if you're renting. The timeline goes something like this:

Day 1	Contact Jesse and look at homes online
Day 2	Start mortgage preapproval
Day 5	Mortgage preapproval letter issued

¹ There are still a few sellers who will require hand-written signatures on contracts, including some banks, HUD, and some auctioneers, but these cases are becoming more and more rare.

Day 6	Schedule home showings
Day 7	Home tour #1
Day 9	Schedule home showings
Day 10	Home tour #2
Day 13	Schedule follow-up showings
Day 14	Home tour #3
Day 14	Make offer for a home
Day 15	Seller makes counteroffer
Day 16	Negotiation
Day 17	Offer accepted
Day 18	Mortgage application started
Day 24	Home inspection
Day 26	Offer renegotiated
Day 27	Appraisal ordered
Day 39	Appraisal completed
Day 54	Mortgage approved
Day 58	Transaction closes & buyer moves in

Keep in mind that this process can be somewhat shorter or quite a bit longer, depending on your individual circumstances. I am happy to advise you as we proceed.

Chapter 2 Before You Look at Properties

Intro to a House

Nice to meet you!

The most overlooked assumption in real estate is that the home buyer knows anything about what a house actually is. The focus is so heavily on the marketing, aerial photography and brand-name appliances that we don't even ask if you, the future homeowner, are even familiar with how a house is heated or what's holding up the roof and keeping the water out. Familiarizing yourself with the major household components will greatly aid your ability to rule

out a property or negotiate to your advantage. Don't be the one who says, "*If we had known at the time, we would have....*" Realize there are always mysteries of history, but we'll work to illuminate as much of the past and present as possible.

Vendors

It takes a village. Go team!

You'll want to get a head start on deciding which vendors to use during your home purchase. Home inspectors, mortgage providers, title companies, HVAC, plumbers, electricians, moving companies, house cleaners and more – on my list, I have hundreds! *I'm happy to provide referrals, just ask.* It's good to have a backup and know that many vendors keep busy schedules, so allow plenty of lead time to schedule these appointments.

Tip: Some vendors now are using their own online portals to communicate. You may be required to use those portals instead of email or phone to communicate with them.

Home Inspectors

Does this thing even work?

Start thinking now about selecting a home inspector. I've seen many buyers go into scramble mode when their offer is accepted and they urgently need to schedule a home inspection. Not all home inspectors are created equal and you should never make your decision solely on the cost.

Tip: Ask your potential home inspector:

- Do you go up on the roof?
- Do you inspect all the appliances or just the ones in the kitchen?
- How about the storage shed, water softener or smart-home features?

- What kind of report do I get? Does it include pictures?
- Is a radon test included?

Deciding early on a home inspector (and maybe a backup) will remove a hefty amount of anxiety later on.

Home Warranties

Nice to have a safety net.

A home warranty is a common part of a real estate transaction. The cost is around \$500 per year and covers appliances, mechanicals and other components of a home. It is different from homeowners insurance.

Real-Life Example: My refrigerator stopped working; it was freezing everything in the fridge section. I placed a claim with the home warranty company, paid the service fee (\$75) and a vendor was scheduled to check out the fridge. The vendor tried to troubleshoot, ordered parts, returned to install the parts and eventually determined it couldn't be repaired, so I was given a check for \$1,200 to buy a new fridge.

If a repair can't be completed, you will likely end up with a new appliance of comparable value, whether it's a water heater, stove, or heating unit, for example.

Tip: Read the fine print to see what components of your home are covered and decide for yourself if a home warranty is right for you.

Budget

Wine taste on a beer budget.

Determine your budget for your purchase before you start looking at homes, so you'll be confident about what you can afford. Make sure you talk to a bank about getting preapproved for a mortgage.

It is important to me that you have realistic expectations from the outset.

A typical monthly mortgage payment includes principal, interest, taxes and insurance (PITI). On top of this you'll also need to budget for utilities (water, sewer, trash, electricity, gas) and services (cable, phone, internet, home security) and association dues if you buy a condo or townhome. I also recommend a modest budget for a home-maintenance allowance (0.1% of the house value per month).

Financing & Preapproval

Show me the money!

Getting preapproved for a mortgage is a necessary first step for any home search, even for just confirming what you already suspect your financial picture to be. The type of mortgage that you qualify for may directly impact which properties we can and cannot see. For example, some townhome associations do not allow FHA financing, and some properties are in disrepair and will only qualify for a conventional loan or rehab financing. Getting preapproved depends on things like credit score, debts, income, recent tax returns and paystubs. Once you have your preapproval letter in hand you will be confident that you can buy the property you want.

Tip: If you are concerned about how a bank will scrutinize your credit report, one rule of thumb is to maintain a balance of 30% of your credit limit or less for each credit line you have.

Tip: Do not engage in any big financial transactions during a home purchase. Buying a truck or paying off your student loan may adversely affect your mortgage approval – always talk to your loan officer first.

Your Requirements & Search Criteria

What do you want anyway?

Finding the right property is more than just searching for 3+ bedrooms and 2+ baths in a certain geographic area, though this is certainly part of it. Please tell me all the things that matter most to you and we'll put them into two categories: **Must Haves** and **Would Be Nices**. And always keep in mind that many things can be **changed** right away or over time.

Example

<u>Must Haves</u>	<u>Would Be Nices</u>	<u>Change</u>
2-Car Garage	3-Car Garage	Countertop
3 Bedrooms	Home Office	Carpet
Large Kitchen	Kitchen Center Island	Fixtures
Large Yard	Fenced Yard	
30-Minute Commute	Walk to Work	

We will use your search criteria to narrow down the number of homes I'll show you. It would be great to find a home that is your 100% dream home, but it may be more realistic to find a home that is 80% perfect, focusing on the core attributes that matter most as you find the balance between what you need and what you want. This is an ongoing process throughout the hunt for the best fit. On occasion I may suggest a home that may not otherwise be on your radar, but rest assured it is only because I have your best interests at heart.

As life has it, you may experience changes that will require adjusting the search criteria, such as changing the price range or geographic area or property type. You may also decide to buy earlier than your initial timeline or postpone it indefinitely. *Please notify me of any changes so I can effectively assist you in the home-buying process.*

Know the Market

Fluctuating supply and demand.

Go to my blog **JesseSteed.com** and under Resources click on “Market Data Reports” for current reports and trends. If you don’t see what you’re looking for, just ask and I will provide a more customized report for your particular area of interest.

Tip: Use “Days on the Market” and “Percentage of List Price Received” to get a negotiating advantage when making an offer. It’s important to know whether a property is likely to sell with multiple offers in the first few days on the market or if it’s more likely that it will sit on the market for a *while*, and also whether buyers are paying close to asking price or if sellers are giving a big discount.

Chapter 3 Searching for a Home

Websites & Apps

The best system is the one you use.

I recommend my Edina Realty app. It is actively maintained and updated to have the latest features and is continually being enhanced by our development team. One of the best features is that you can point your phone in any direction and it will show you the nearest listings in the direction you’re facing; it’s very helpful when you’re getting to know a new area. The search filters also include commute time, which is helpful when you need to find a home within a 15-minute drive to work. You can get the app from the app store. In the settings, select me as your agent.

MLS Matrix Portal

Major League Soccer??

I will set up an MLS (Multiple Listing Service) profile that will send notifications when listings match your search criteria. You will get regular notifications of new listings and price changes. Please tell me if you'd like more information on any of these properties or if you'd like to schedule a showing or home tour.

Edina Realty Network One

An exclusive advantage.

An exclusive program with Edina Realty, Network One is our pre-market system to match buyers and sellers. When there is a potential match I will notify you. Since the prelisting may not be online yet, there may not be any pictures, so I may just be sending you an address to drive by and I will include any information available.

Open Houses

Look at that kitchen!

Not every listing will have an open house and it may be uncomfortable to see a home with other potential buyers and an agent that is not representing you. Contact me for a private tour at a time that is convenient for you.

Home Tours

How the other half lives.

When you want to see one or more homes, I will schedule a home tour. We will meet at my office or at the house, whichever is more convenient. I am happy to drive together or caravan. It may go without saying, but the home seller will appreciate removing shoes at the front door, showing common courtesy and respecting the

home as we go through. I will provide feedback to the seller's agent after each showing.

Chapter 4 Making an Offer

Things to Consider

Put your best foot forward.

When you are ready to make an offer for a property, I will give you the local market data for the surrounding neighborhood including sales history, comparable sales and any known upcoming changes that could affect the neighborhood, which could be things like school bond referendums, changes to property taxes, new development in the area and changes to businesses nearby. Having a heads up about these things will make you more confident about the property you buy. Notices for street assessments usually publish a year or two in advance, but not in every case, so checking with the local city, township or county office is a good idea.

Tip: Homeowner associations provide a financial disclosure, which generally includes any known plans of construction projects that will be billed to the homeowner.

Offer Checklist — Preparation

You've found a property you want to buy. Now we must get it for you! I will always ask the seller's agent if there are other offers on the table. (The details are never given out.) Note: The offer is also referred to as the "sales contract" or "purchase agreement." In a basic sense the purchase agreement is a set of promises and conditions where the buyer will buy, and the seller will sell if all conditions are met.

It usually takes about an hour to write an offer. (*Please refer to my Purchase Agreement Checklist in the appendix*). There are many items to discuss and it is critical that you understand each one. Being familiar with all the components of a purchase agreement ahead of time will reduce your stress level and make you more comfortable with this life-changing event that you’re throwing yourself into.

Offer Checklist — EMD

It is customary to write a check when submitting an offer. It is called the earnest money deposit (EMD) and it goes toward your total down payment. The amount will vary from \$500 up to 10% of the purchase price, though in most cases I will recommend \$1,000.

Offer Checklist — Purchase Price

The purchase price you offer will depend on several factors. **Note:** The purchase price is also referred to as the “offer amount” or “sale price.” Your budget, the value supported by comps, the pace of the market and how badly you want the home must be balanced in your decision.

Sample Offer Checklist

Earnest Money Deposit	\$1,000
Purchase Price	\$250,000
Down Payment	10%
Closing Date	45 days
Financing	30 year conventional
Interest Rate	4%
Closing Costs	Seller pays 3% of sale price
Contingency	Appraisal within 21 days
Contingency	Inspection within 10 days
Contingency	Mortgage within 40 days
Contingency	Association document review
Contingency	Well test, septic compliance
Personal Property	Appliances, curtains

Offer Checklist — Closing Date

You'll need to choose a closing date, usually 30-60 days out. This will, in most cases, be based on how long we expect all the transaction events to take. An inspection period can last 10 days, then the appraisal can take two weeks and obtaining mortgage approval can take another week or two. The absolute fastest a closing for a cash deal can occur is one week, provided the title company is able to complete their required research.

It's a good idea to consult your loan officer when choosing a closing date. Please keep in mind that banks and title companies don't work on weekends and holidays, so having all your questions answered in advance will prevent delays if you want to make an offer for a property after business hours. *The closing date is also called the contract end date.*

Offer Checklist — Mortgage Details & Closing Costs

Your loan details will be included in the offer. You'll also have the option of asking the seller to pay closing costs. Some loan programs allow the seller to pay up to 3% of the sale price toward the buyer's closing costs. How much you ask for, or whether you ask at all, is best advised by your loan officer. If you have the funds to pay your own closing costs, you may opt for that instead. One potential problem I have seen with having the seller pay the buyer's closing costs is that it may inflate the sale price. If the appraised value comes in too low then the buyer may need to pay their own closing costs if the seller doesn't agree to a lower price.

Offer Checklist — Mortgage Contingency

The financing section also contains one of your big protections. The financing contingency says that in the event that you are denied your mortgage your earnest money deposit will be returned, no questions asked. There are two options for the time period. One option is to have the contingency run until the closing date. The other option is to pick a date by which the buyer must produce a loan commitment letter from the lender. The commitment letter

says that the loan is approved, all underwriting conditions have been met and the mortgage is ready for closing. The earnest money deposit is considered non-refundable after the loan commitment letter is given so a seller may find this option desirable to have peace of mind as they wait for closing day.

Offer Checklist — Inspection Contingency

Another protection in the purchase agreement is the inspection period. Usually 10 calendar days, this clock starts running when the purchase agreement is fully signed by all parties. You will schedule an inspector to visit the property and check everything out. You should ask your potential inspectors any questions or concerns you have ahead of time. Some things to consider are any peculiarities of the home or circumstances that may need extra care such as testing for radon, lead paint, mold or a foundation inspection. I will always give you my opinion of inspections that you should consider for the property you want to buy.

General inspection fees are usually around \$400 and include appliances, electrical, plumbing, structural components and more. **The fee is paid at the time of the inspection.** If your schedule allows, I recommend that you attend the inspection. It's a great way to learn about your new home and get your questions answered about what the inspector finds. You will receive the report within 24 hours of the inspection so be sure to allow enough time to review the report before the end of the inspection period. If there are defective or hazardous items you may choose to negotiate seller-paid repairs or a discount on the sale price. This will depend on several factors such as if there were multiple offers, if the seller will agree and, most importantly, what you want to do. You will always have the option of canceling the purchase during the inspection period if you're not happy with the inspection results or if the seller doesn't agree to the repairs you want. If no changes are made to the contract by the end of the inspection period, however, then the deal moves forward to the next step.

Offer Checklist — Appraisal Contingency

Another protection that I add for your benefit is a clause that allows you to cancel the purchase if the appraised value comes in lower than the sale price. This is automatically included for FHA and VA mortgages, but we must specifically add it for other mortgage types. The reason we add it is because if the purchase price is \$250,000 and the appraised value is \$240,000, your mortgage company will only approve a loan based on the appraisal, which may require you to make a larger down payment to cover the difference.

Offer Checklist — Seller Disclosure

In Minnesota, the seller is required to provide a property disclosure to prospective buyers and the buyer must acknowledge receipt by signing. There are two kinds of property disclosures: the full disclosure and the alternative. Generally, a seller who is living in the home provides the full disclosure and a landlord or estate representative provides the alternative disclosure. Please read the disclosures carefully as they provide helpful information about important items. Additional disclosures may include information about the well and septic system.

Offer Checklist — Arbitration

You'll have the option of agreeing to arbitration with the seller. This is a way to handle disputes after closing. I cannot give legal advice, so if you have questions about whether you should agree or decline, you should consult an attorney. The arbitration agreement only applies to claims within 24 months of closing and dollar amounts exceeding \$15,000.

Multiple Offers — Introduction

In recent times in the Twin Cities and even outstate areas, multiple offers have been common. A multiple-offer scenario is any time there are two or more offers at the same time. Although very exciting, it is often very stressful for everyone involved. *With*

advance preparation you'll be less stressed and more likely to succeed.

There are no automatic rules about the multiple-offer process. A seller can do whatever they like but I've found that in general the process goes something like this:

The seller sets a deadline of 5pm for all offers to be in. This deadline is completely arbitrary, selected solely by the seller, and is an attempt to be fair to everyone so all buyers that want to place an offer have time to do so. Any offers made prior to the announcement of the deadline also have time to revise their offer to give it their best shot now that they know there are other interested parties. This deadline is commonly known as “**Highest and Best.**”

After the deadline passes the seller reviews all the offers. The seller selects one to either accept or counter and moves forward with any needed negotiation to finalize the sales contract. Other buyers then move on to find another property. If the sale falls through, the other buyers could be contacted to see if they're still interested.

Multiple Offers — How Does a Seller Decide?

The evaluation criteria the seller uses to select an offer is at the complete discretion of the seller and is rarely “first come first served.” The seller usually selects the offer that is the best combination of price, financing, contingencies and closing. While a cash offer is generally king, among offers contingent on mortgage approval there is always the question of the appraisal. If a property is listed for \$200,000 and multiple offers drive the price up to \$230,000, it would be foolhardy in my opinion for a seller to accept \$230,000 when the comparable sales only justify \$200,000. An appraiser takes into account recent sales to support property value, so unless there are pending sales that close in time to justify a higher price, it is a better bet for a seller to accept an offer that

has a high likelihood to appraise or to accept an offer from a buyer that has the financial ability to complete the transaction, even if the property appraises for less than the sale price.

Multiple Offers — Strategy

Queen's Knight to E6 – Check! This stuff really works!

Two of my tricks for making your offer stand out to a seller are the **Love Letter** and the **Home Warranty Instant Coverage**.

While writing a letter directly to the seller exposes your personal information, it more than makes up for it in tugging on the heart strings. Spelling out for the seller what you love about their home and how you envision your family enjoying it for years to come goes a long way to swaying the seller to root for your team. You still need to offer enough in sale price and other terms, but I've seen many buyers "win" the home without being the highest price simply by writing the best letter.

Home Warranty Instant Coverage is a special Edina Realty feature. Simply put, there's a home warranty being purchased as part of the sale and the coverage begins the same day the offer is accepted. (I will sign it up.) This is very appealing to a seller when the buyer offers to pay for it (at closing). A huge benefit to the seller is that now if an issue pops up during the inspection or later on during the transaction (faulty water heater, furnace, boiler, appliance), a repair can be made very affordably (as long as it is a covered item).

Counteroffers & Negotiation

And the pool table. And the golf cart.

It is common for there to be a round or two of negotiations on the road to final acceptance. It is crucial to be specific about all the items that matter to you. Minnesota Nice does not apply to a real estate transaction – each party must only do what the contract says. For example, when it comes to asking the seller to do a repair it is

critical to be specific about the end result because “fix the furnace” can be very different from “a licensed HVAC contractor shall repair the furnace and certify it is in proper working condition at seller expense.” *I will always advise you to minimize risk to your health and to your wallet.*

Chapter 5 Offer Accepted! Now What?

Inspections

The flange has a broken doohickey.

Hiring a professional inspector is the best way to make sure you’re getting a home in good condition. Pay close attention to anything flagged as a safety hazard. It’s common to ask the seller to fix safety concerns and often the seller agrees. Big-ticket items are worthy of special attention such as the furnace and AC, roof and siding and, of course, structural components. Learn all you can about the life expectancy of the more expensive items because you’ll want to budget from day one for all of the eventual joys and concerns you’ll encounter as a home owner.

I’ve sold homes that were in 100% great condition and also homes in 5% great condition. I’ve seen sellers pay for big things like a furnace repair, new water heater and new septic system to small things like smoke detectors and window panes. The most important is that you’re happy with the price and condition of the home you’re getting. In real estate there’s no “you break it, you buy it.” It’s more like “You buy it, you fix it.”

Appraisal

They will apprise you of the appraisal.

After the inspection period is over, the appraisal is ordered to make sure the house is worth the sale price. It protects the mortgage

company and the buyer from overpaying. This process generally assumes that if the buyer stops making payments and gets foreclosed, the bank can sell the home and recoup the mortgage amount.

An appraiser will do a market study and use several comparable sales to justify a value. If the value is at the sale price or higher, then the sale moves forward. If the value is lower than the sale price, then either the sale price must be lowered or the buyer must pay a higher down payment, or the sale may be cancelled. We will discuss how this affects you so you'll be prepared for all possibilities.

Clear to Close: Finalizing Financing

Full speed ahead!

Before you can close the deal your mortgage company must issue final loan approval that the loan is “clear to close.” The weeks leading up to closing can be full of requests from the mortgage company as they complete their checklist. They might require the buyer to supply up-to-date copies of the usual qualifying documents like bank statements, pay stubs and tax returns, but they may also ask for letters to explain items on the credit report or reverification of employment or other things. It is crucial to stay in close contact with your mortgage company and promptly address every item they require in order to prevent a delay in closing.

Chapter 6 Closing

Closing

The formal transfer of real estate. Is there a dress code?

The closing is the formal transfer of real estate from the seller to you. While it is a very special occasion, it is not a formal affair. (Though I've always considered it black-tie optional.) Quite the opposite, many buyers find themselves in the throes of moving with everything packed away and frantically attempting to manage logistics. Here are some tips to help keep your sanity and be organized on closing day.

Sample Closing Checklist

Utilities

Walk-Through

Movers

Purge

Open-First Box

House Cleaning

Mortgage Review

Homeowners Insurance

Cash to Close

Taking Title

Walk-Through

Ummm... are they coming back for all this trash?

We'll schedule a walk-through of the property before you sign all the papers and take ownership to make sure there are no last-minute issues. This will be within 24 hours prior to closing, often the night before or immediately before closing. *I will confirm when the seller will finish moving out and review the final checklist with you.* The seller is not required to do a deep cleaning of the home before turning over the keys, but a cursory vacuuming and sweeping is expected.

Utilities

Gas, electric, water, sewer, trash, recycling, compost – fun!

Three days prior to closing it is recommended that you contact all the utility companies to set up your accounts with them. The seller will contact them to terminate their account and it is your responsibility to set up your own accounts. *I will help you identify your options for utilities and services at your new home.*

At the Closing Table

Who attends? What happens?

I make every effort to attend the closing, though I have no official role. The closer from the title company will guide you through signing the closing documents. Your mortgage representative may attend the closing. You'll bring your photo ID and your cash-to-close certified check. Prior to closing, the title company will provide instructions if you'll be doing a wire transfer.

To protect your money, **never wire away your money** based on instructions from an email message. Always verify with me or the title company directly before starting a wire transfer. We hear about fraud in real estate transactions from time to time and Edina Realty works hard to protect you and your money. In fact, you may have to sign multiple documents that are warning you to be cautious about wiring money.

Split Closings

And neither the twain shall meet.

The seller may have their own title company. So may the buyer. Each might have their own separate closing day, time and location. This may simply be a matter of convenience, especially if one party is out of town at the scheduled closing time. If you'll be out of town on the closing day, the title company will need a two-week notice to prepare the documents to be shipped out to wherever you'll be and arrange a mobile closing representative.

Summary

Buying a home doesn't have to be a stressful experience. Preparing for each step ahead of time will lower your stress level and provide you the tools to make better decisions that will stand the test of time.

Glossary

Agency Disclosure

Agency Relationships In Real Estate Transactions is a disclosure that outlines the rules real estate agents must follow and explains their obligations to clients. Agents have the following fiduciary duties: Loyalty, Confidentiality, Disclosure, Obedience, Reasonable Care, and Accounting. A copy of this document is available on my blog, JesseSteed.com, under Resources.

Appraisal

An appraisal is an opinion of property value using comparable sales, often required by a mortgage company.

Assessed Value

The assessed value of a property is attributed by a governmental authority, often for taxing purposes. The value is based on a complex multi-year formula of sales in the area.

Association Dues

Association Dues are a monthly, quarterly, or annual fee imposed by a homeowners association for the maintenance of common elements such as roof, siding, driveway, mailboxes, and green space, generally not doors and windows.

Closing Costs

Closing costs are fees associated with a real estate transaction, and both sellers and buyers have closing costs. Sellers commonly pay state transfer taxes, commissions, title company fees, homeowners association fees, and recording fees. Buyers commonly pay fees associated with getting a mortgage, often around 3% of the sale price, which they often ask sellers to pay on their behalf.

Earnest Money Deposit

Also known as a good faith deposit, the buyer typically writes an earnest money check at the time of making an offer. The EMD can be paid electronically using a service called Trust Funds for an extra processing fee. If the offer is accepted, the money will be held in trust by a broker, attorney, or title company until closing. If the purchase agreement is cancelled, the money will be returned to the buyer unless the buyer is in default, in which case the seller may attempt to claim it.

Escrows

Also known as impounds, escrows include a portion of property taxes and homeowners insurance collected as part of a monthly mortgage payment, so the mortgage company can pay the property taxes and homeowners insurance bills every year. Sometimes called a Forced Savings Account by title companies.

Foreclosure

Foreclosure is the process a bank uses to take ownership of a property when the borrower fails to make mortgage payments. Typically taking six months or longer, the bank will eventually re-key the home, hire vendors to remove personal property, and obtain multiple appraisals to prepare the home for sale.

Homeowners Association

Also known as an HOA, it is the governing entity that oversees the joining of several properties under a collective set of rules and regulations. Townhomes, condominiums and even single-family homes can be part of an association. The HOA typically charges a monthly or annual fee to all the co-owners and may provide for things like maintenance for the roof and building exterior, lawn care, and snow removal. All the services, rules, and regulations are spelled out in the association documents that a seller provides to a buyer as part of a property purchase.

Inspections

A buyer commonly will hire an inspector to thoroughly test aspects of the home as part of the home buying process. A general inspection typically includes most home appliances, plumbing, HVAC, electrical, garage, roof, siding, foundation, and water intrusion. Things that may require additional inspections include lead paint, mold, radon gas, sewer lines, well, septic, and soil evaluations. Whether an inspection “passes” is at the discretion of the buyer unless directed by a lender or local government. A seller occasionally will hire an inspector before listing and provide the report to potential buyers. Some municipalities require a seller-paid inspection by a certified inspector.

Lead Based Paint

Prior to 1978, lead was used in paint products. Any home built prior to 1978 may contain lead paint. Lead poses serious health risks to people of all ages, and children are especially vulnerable. When purchasing a home that may contain lead, a special disclosure is made by the seller disclosing any knowledge of lead paint and provides the buyer with an opportunity to conduct a lead paint assessment.

Lot Hold Agreement

To reserve a specific lot while developing design plans, a builder and potential buyer will sign a lot hold agreement, and the buyer will pay a fee to the builder, generally \$1,000 minimum. The agreement will specify if the fee is refundable. Usually valid for 30 days, the lot hold is often extended at 30 day intervals while a series of meetings takes place between the designer, architect, builder, and buyer. At the end of the design period, the builder provides a final price, and if the buyer agrees, a purchase agreement is signed, and the construction phase begins.

New Construction

An attractive option, buyers may choose to work with a builder to design their dream home. The design process usually takes two to

three months, while construction often takes six to nine months and is always dependent on weather. Of course, these timelines can always take longer. The purchase of a new construction home is often begun with a lot hold agreement.

Preapproval

The all-important first step in shopping for a home involves getting preapproved for a mortgage. A borrower needs to provide financial records such as bank statements, W2s, tax returns, and pay stubs as part of getting preapproved by a mortgage company or bank. Some mortgage companies can now preapprove a borrower via a linked bank account and forego this tedious documentation. A complete preapproval will include a potential sale price, loan type, interest rate, monthly payment, and estimated closing costs.

Radon Gas

Radon is a naturally occurring gas that collects in homes and poses significant health risks. Some 60% of Minnesota homes may have elevated levels of radon (See **JesseSteed.com** under Homebuying 101 for more details.) but the risk is easily mitigated. Many home buyers choose to test for radon when buying a home. The EPA recommends regular radon tests every two years.

REO

REO stands for Real Estate Owned and is only used to refer to properties foreclosed and owned by banks. These properties are typically priced below fair market value due to property condition and the inability of the bank to provide disclosures. A buyer may trade a lower price for higher risk when buying a foreclosure.

Special Assessment

This is a fee imposed on a property owner by a local government or housing authority to pay for specific construction projects such as streets or new water and sewer lines.

PURCHASE AGREEMENT – Checklist

Earnest Money

To Whom, How much

Prorations

Taxes, Assoc dues, fuel

Purchase Price

How Much

Closing Date

30-60 days

Financing

Type, Term, Interest Rate

Home Warranty

Who Pays, Extra coverage

Inspections

Days, Radon, Mold, Other

Personal Property

Appliances, Other

Arbitration

Accept/Decline

Seller Disclosure

Full, Waiver

Closing Costs

3%~, Fixed amount

Well & Septic

Compliance, testing

Association

10 Days/Resale Disclosure

Appraisal

Contingency, Low

Lead Paint

Built before 1978, Reports,
Inspection

Multiple Offers

Highest & Best, Love Letter

HOME ORIENTATION GUIDE

Property Address _____

Garbage pickup
Company

S M T W Th F S

Cable/Internet
Provider

Avg cost/month

Water
Provider

Avg cost/month

Recycling pickup
Company

S M T W Th F S

Electricity
Provider

Avg cost/month

Sewer
Provider

Avg cost/month

Compost pickup
Company

S M T W Th F S

Gas
Provider

Avg cost/month

Other

Avg cost/month

Appliances

Furnace
Manufacturer

Manual? Age ___

Water Softener
Manufacturer

Manual? Age ___

Dishwasher
Manufacturer

Manual? Age ___

Air Conditioning
Manufacturer

Manual? Age ___

Refrigerator
Manufacturer

Manual? Age ___

Microwave
Manufacturer

Manual? Age ___

Water Heater
Manufacturer

Manual? Age ___

Range/Stove
Manufacturer

Manual? Age ___

Other

Manual? Age ___

A playbook to buying real estate with tips and tricks from Minnesota Real Estate Broker Jesse Steed, a 15+ year REALTOR® specializing in helping first-time buyers make life-improving transitions.

BUYER SERVICES

Set Up MLS Search – *listing notifications direct to your email*

Network One – *an Edina Realty exclusive pre-market network*

Vendor Connection – *providing access to qualified professionals*

Negotiation Advantage – *going to bat for my clients*

Timely Response – *answering messages, calls and texts*

Networking – *promoting the needs of my clients*

Real Estate Blog – *JesseSteed.com for local tips and resources*

Work Hours – *ready when you are!*

Professional Care & Concern – *being your trusted advisor*