First Time Home Buyer

Homebuying 101

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Chapter 1: Figure out your Needs

Lifestyle Plans

Do you entertain a lot? Are you planning on starting a family? Do you already have kids? Where is their school? Is the local high school important? Do you travel a lot? Where will you be in 5 years?

These questions can all play a part in helping you select an area to live in.

If you plan on entertaining a lot, you may want a home with a larger gathering space, whether that be a family room or what. The kitchen may play a more important part as well, if you are preparing food. Having the kitchen open to the gathering space, or dining space is desirable as well, so that while you are preparing, you can still converse with the guests.

If you are planning on starting a family, consider enough bedrooms for future kids. When they are little, most kids will be in a crib, possibly in the master bedroom. As they get older, they will most likely want their own room. Also consider a play space that is away from the public space, like a lower level family room. This keeps the toys away from the public areas.

Type of home

Single Family Home? Condo? Townhome? Investment property? Duplex? All of these are questions that you should be asking. These are all types of homes that first time home buyers can purchase. There are many differences between them and you should consider the pros and cons of each.

Single Family Homes

A detached house is one of the most common forms of home ownership. This is just the typical house that many people purchase in the suburbs or in the city. When you purchase a home, you are purchasing the land and any structures on it. The house can range in size from a one or two bedroom cottage, to a large 5 bedroom 3500 sqft house, to an entire estate. This is what lines most of the streets in the US.

Pros:

- Most common type of home in Minnesota and across the US.
- You take care of everything

Cons:

- You take care of everything

Townhouses

Most people think of townhouses when you see a building that has several units grouped together, but each having its own entrance. This is typically a "row house" building, or a building with 4 units, each one in a corner. But the main difference between a townhouse and a condo is how the ownership is defined. With a townhouse, you own the structure and the land it sits on. This difference is a technical one, but most people just think of it as a stylistic difference.

Pros:

- Lower association dues than condos (usually)
- Lawn and snow maintenance is done by the association
- Exterior of building is maintained by association

Cons:

- Exterior of building is maintained by association
- Association dues

Condos

This type of dwelling is most like an apartment building, except instead of renting, you purchase the individual units. It can be a high-rise building comprising of 20, 30, 40 stories, or a low-rise building of up to 4 stories. This type of home also has an association fee. The major difference between a townhouse and a condo, as mentioned above, is that in a condo, you only own the space within the unit plus part of the common spaces. You don't own the land beneath your unit. Some buildings look like a townhouse, but may actually be a condo, depending on how it was originally defined.

Pros:

- Can be a "fair-weather friend" or "snow-bird" and just leave the condo vacant for a while. Easy to pack up and go.
- Security building.

Cons:

- Usually higher association dues than townhouses but it usually includes more amenities, or heat / water / sanitation, etc.
- Neighbors who may disturb quiet time.

- Some restrict pets.

Twin Homes

Twin homes are a strange dwelling. It is a 2-unit building, with each owner owning one side of the building and the lot beneath that side. It is kind of like a duplex that was split up to 2 different owners. The units are joined by a "common wall" which runs down the middle of the building.

Pros:

- I can't think of any pros of owning a twin home

Cons:

- When it comes time for maintenance, if the other owner disagrees, you'll see buildings with a HALF a roof, or siding in 2 different colors, or a half a new driveway.
- Married to a neighbor that you may not like or agree with.
- I recommend staying away from twin homes.

Multifamily

Multifamily homes are buildings that house more than 1 family, with each having their own separate spaces. This includes duplexes, triplexes, fourplexes, and apartment buildings. A duplex is a something that you should consider when buying your first home. .

Having a duplex can be a great first home. The rent from one side can make a substantial dent in the mortgage payment. I recently sold a duplex in South Minneapolis, and the new buyer was getting $1100 per month in rent to cover his $1300 per month mortgage. They get to live in the property for $200 per month! Obviously there are other expenses with the duplex, such as the utility bills, and such. But even including those bills, their out of pocket was about $400 per month to live there. Meanwhile, the renter is slowly paying off their mortgage for them!

Pros:

- You have a renter paying off your mortgage
- You may be able to live in the duplex for free, or very monthly costs

Cons:

- You have a renter sharing a wall with your home

- Managing renters, finding renters, evictions
- Middle of the night calls

Chapter 2: Ideal Neighborhood

When you rent, you can always move after the lease is up. When you buy, you'll be there for a longer term, think 5-10 years or more. Because of this the neighborhood you choose is more important than when you rent. If you choose a home that is hard to get to, and you have to go on a certain side street to access a one-way street and then turn down an alley, keep in mind that you'll be doing that every day for 5 to 10 years.

Selecting your ideal neighborhood will depend on many factors. Some of the most important factors contribute to the every-day enjoyment of your home.

> **Community**. Many people desire to be close to parks, schools, shopping and more. Consider if you have to drive to the corner store, or if you would prefer to walk to the local grocery store.
>
> **Character of the home / neighborhood.** Some people love that all the houses look the same in the neighborhood. Some people love that all the houses look different in the same neighborhood. You want to make sure that the character of the
>
> **Crime and Safety.** Everybody wants to be in a "safe" neighborhood, but the definition of "safe" can vary from person to person. You should check with the local police department to figure what an acceptable level is to you.
>
> **Access.** Whether it is close to the freeway, or close to major roads can be important. Think of how far your school or work is from the home. Think of how long a commute you want to have.

The best thing is for you to figure out what is important to you and select the neighborhood based on your factors.

Walk Score

Is walkability important for you? Some people want to be near Uptown Minneapolis where you can walk to several restaurants, stores, and bars easily. You can use the website www.WalkScore.com to see how they rate certain areas.

Chapter 3: Mortgages

There are many types of mortgages available to suit many types of different financial situations. But there are just a few that are used commonly: the conventional mortgage, the FHA mortgage, and the DVA mortgage. Each has its pro's and con's.

The FHA Mortgage

This mortgage is a great product for first-time home buyers, and in fact, is geared towards first-time home buyers. This is a government backed loan that many people use to purchase their first home. This is especially true if you don't have 20% saved up for the downpayment. The downpayment on an FHA loan can be 3.5%, and that money can be a gift from a close family member.

Pros:

- 3.5% minimum downpayment, can be from gift funds
- Relaxed standards for credit score (compared to conventional)
- Usually a better interest rate

Cons:

- Mortgage Insurance Premium to be paid up-front, at closing
- Mortgage Insurance Premium monthly

The Conventional Mortgage

This type of mortgage is another common mortgage. It usually is for people that have saved up at least 5% or 10% or 20% as their downpayment. At 20% downpayment, there is not a requirement for having private mortgage insurance (PMI).

Pros:

- 20% down usually waives Private Mortgage Insurance

Cons:

- Harder to qualify than FHA
- Requires higher downpayment, usually 5% or 10% or 20%, but there are some 3% downpayment programs available.

The DVA Mortgage

The DVA mortgage is for US Veterans. It is a mortgage program sponsored by the Department Of Veteran Affairs, hence the name.

Pros:

- 0% downpayment program
- No set minimum credit score
- No PMI required

Cons:

- Maximum loan amount may be too small for some homes in the area
- Only for Active Duty, or American Veterans, or surviving spouses, or National Guard/Reservist members.

Downpayment

How much should you put down? That really depends on how much you can afford.

Closing Costs

Here's a word about closing costs. Each mortgage has some sort of closing costs associated with getting the mortgage. These closing costs usually run about 3% to 3.5% of the loan.

Chapter 4: Looking for Homes

Introduction to Types of Sellers

There are 3 types of home sellers in our industry right now. These are: a "traditional seller," a "short seller," and a "foreclosed sale." Each has its own pros and cons.

Traditional Sellers

A traditional seller is a home that is owned by a person (or people) that are trying to sell their home. This is the typical seller, such as John and Jane Doe on Main Street. When making an offer to a traditional seller, the response time is usually within a few hours, and negotiations usually can be finished up within a day, sometimes two. Inspection period is typically 5 days. The results of the inspection can reopen negotiations if there are major problems.

The buyer closing costs can be incorporated into the offer with the seller paying the buyers closing costs. Some sellers look very down on this common practice and don't like the idea of paying for someone else's closing costs.

Closing can typically take place in 4 to 8 weeks, with 6 weeks being very normal.

Pros:

- Easier to get the deal done.
- Can move in within a normal timeframe.
- Usually in much better condition than Foreclosures or Short Sales.
- Many times these homes have updated HVAC equipment, or appliances, or roofs.

Cons:

- Priced higher due to better condition, but usually easier to work with.

Short Sales

A short sale is where the owner still owns the home, but is trying to sell the home, and the amount of the sale will be less than what they owe on the property. Offers on a short sale can usually be responded to by the seller

within a few hours. This is because the bottom line does not affect their position. However, once the documents are submitted to the bank (sellers lender), the process can take a while. The bank is supposed to respond within 30 days, but typically has been more like 8-12 weeks, or more. Some are happening within the 30 day timeframe, but not all of them. Once the bank has reviewed the offer, they may counter back at a different price, or they may accept the offer, or they may not allow the short sale to happen. If everyone comes to an agreement on price, the bank usually will allow 30 days for a closing. This includes the inspection timeframe, so it usually will move very fast once the approval is completed.

Inspections are purely for the buyer's information. The seller usually doesn't have the cash to pay for fixes or updates, hence why they are in a short sale position.

Pros:

- Usually can be significantly discounted from retail pricing due to the long timeframes involved.
- Usually in better condition than a foreclosure, although sometimes not.

Cons:

- Can take 8 – 12 weeks or more to hear back from the seller's bank for approval.
- May not be well maintained, in fact, the maintenance of a short sale home usually is one of the first things that the homeowners don't do. This would include fixing leaky faucets, replacing furnace filters, keeping the furnace / air conditioner in good repair and tuned-up, etc.
- Bank may counter the price at higher than list price.
- Timeframe to close is unknown.
- If any issues come up with the property, seller may not have the resources to fix the problems.

Foreclosures

A foreclosed home, or bank-owned home, or REO property, is a home that has underwent the foreclosure process. This process is usually finalized on the redemption date with the bank taking possession of the property. The bank will usually put the home on the market within a few weeks. The banks usually response to offers on foreclosed homes within 2-5 business days. The inspection timeline is usually 10 calendar days. The results of the inspection are usually for the buyer's information only. Some banks will not negotiate

after an inspection, leaving the buyer with the option of walking away. Some banks will allow negotiations after an inspection.

Having the Bank pay Buyers closing costs are usually not an issue.

Closing can typically take place in 4 to 8 weeks with 6 weeks being very normal. But if the buyer is using a FHA 203k loan product, closings can take somewhat longer, 8-10 weeks. This is due to the FHA 203k process, not the Bank selling the property. If the buyers are cash buyers, the banks can usually close within 2 weeks.

Pros:

- Foreclosed homes are usually priced lower than the typical home and often times can be a better deal than a traditional seller.
- Usually can close quickly.
- Unknown history on the house. There is no seller's disclosure statement.

Cons:

- Often times the condition of the home leaves a lot to be desired. Many times, these homes will need new paint and carpeting at minimum.
- Often missing appliances or have extremely dirty appliances.
- Usually have old furnaces and air conditioning equipment
- May not qualify for certain types of financing (fha).
- Usually not well maintained.

Open Houses

When working with an agent, you should be careful about what you say, and how you sign in. Keep in mind that the agent holding the open house represents the SELLER. They are obligated to tell the seller everything that you say. This may not be a good thing for you because if you want to make an offer, the seller may already know some of your cards. Giving away some of your cards is like showing your hand in poker.

1. Feel free to visit open houses. Remember that you can always ask us to schedule a private showing and we can usually get in within 24 hours.
2. If you happen to go to an open house, be sure to leave one of our business cards or be sure to tell the agent at the house that you already

have a signed contract with another agent. Try not to sign in a guest book.

3. If they require you to sign in, you can sign your name, but be sure to write in something like "represented by Steven Hong, RE/MAX" and use our phone number "952-884-8404" in the guest book.

Showings

If you spot one specific home that really catches your eye, please let us know immediately. We can usually schedule a showing within 24 hours, often times, on the same day. If we spot one that we don't think should slip by, we'll try to arrange a showing with you. If you are not available, we can sometimes preview the home so that we can get an idea of whether or not you'll like it.

Tours

A great way to see a number of houses is to tour several houses at once. We usually try to show 6-10 houses on a tour of homes that you pick, or we pick, or a combination of both. With this, expect to spend 2-3 hours looking at 6-10 homes in a similar geographic area. I usually provide you with printouts of each house so that you can take notes on each house. This is a great way to see a good number of houses up close. I generally limit it to fewer than 10 homes each time. Any more than that, it gets hard to remember each home.

Be sure to take notes in each home we visit. Use the sheets we provide to serve as a reminder about that specific home.

Please refrain from taking photos in homes that people still own (traditional seller or short sale). This is to respect the owner's privacy. If the home is vacant, then it is much less of an issue.

Seeking Advice from Other People

I recommend that you try not to talk with other people about your home search until AFTER you have purchased a home.

Parents

The time to get parents involved is either AFTER the purchase is completed, or from the very BEGINNING. If you want them involved, have them come along to **each and every** showing. This is because if you have them come to "the one," they will have nothing to base their comparison against. They will find faults in "the one" without knowing all the other houses we saw that led up to the one. It makes for a difficult strategy when they are telling you that it needs so much work, or there are so many things wrong with it.

Friends / Coworkers

This is another interesting aspect of looking for homes. Each coworker or friend you talk with will give you a different opinion about the buying process. Some will even ask their agent for advice for you. This is usually not helpful because that other agent isn't in your shoes and doesn't represent you. They may not know the circumstances of your transaction either.

But overall, asking friends about where to live, or what type of home to buy, is generally ok.

Chapter 5: Making an Offer

Making an Offer

Once you have found the home you wish to purchase, you will need to determine what kind of offer you are willing to make for the home. To communicate your interest in purchasing a home, we will present the Listing Agent with a written offer.

When an offer is accepted by the Seller, it becomes a firm and binding legal contract. When you write an offer you should be prepared to pay a small deposit. Typically, most people put 1% to 2% down as the initial deposit, called earnest money. This is to show your genuine intention to purchase the property. The Seller can stop considering other offers knowing yours is valid and serious.

Once your offer is presented, the Listing Agent, in consultation with the Seller, will either "counter", "reject", or "accept" your offer. If it is countered, then we will further negotiate the terms and conditions of the contract until a win/win situation is achieved.

The Purchase Agreement document and all of the various addendums is a set of standard “fill-in-the-blank” forms created by the Minnesota Association of Realtors, in conjunction with lawyers. The document is actually very easy to understand and you should familiarize yourself with it before it comes time to write the offer. That way, when you fall in love with a home, we can sit down and write the offer quickly.

Multiple Offers

It is important to remember that the more competition there is for the house, the higher the offers will be, usually exceeding the asking price. When there are multiple offers, we almost always will NOT know the amount of the other offers. The Listing Agent will usually set a deadline for everyone to submit their “highest and best” offer.

There are various strategies to winning in multiple offer situations. Some involve playing off emotions, and others play off strength of the terms. Each situation is unique and requires a unique solution.

Chapter 6: Inspections

The Home Inspection

The primary purpose of the inspection is to educate the Buyer - to enable then to make an informed purchasing decision. A good home inspector knows how the home's many systems and components work together, and usually encourages the Buyer to attend the home inspection as part of the process.

Attending the inspection provides an important opportunity for the Buyer to learn how their prospective new home works, and about the possible repair costs and maintenance routines. This is valuable information which could increase the life span, and perhaps the future selling price of the home.

Inspectors report on the general condition of the home's electrical, heating and air systems, interior plumbing, roof, visible insulation, walls, ceilings, floors, windows, doors, foundation, and visible structure. The inspection is not designed to criticize every minor problem or defect in the home. No home is perfect. Even brand new homes have some defects. It is intended to report on major damage or serious problems that require repair for the well-being of the home, and that might require significant expense.

The time necessary to properly inspect a home, as well as the fee charged by an inspector varies according to market location, the size and age of the home, and the individual inspection company. However, you can expect that it will take an average of two to three hours to competently inspect a typical single-family, three bedroom home at an approximate cost of $400.

We have several inspectors that we have used before. If you wish to contact these inspectors, we can provide you their information, or check on my website www.StevenHong.com for an up to date list.

Just remember that it is their job to find everything wrong with the house that they can. And they will usually generate a 20 page report on the house with a laundry list of items to be fixed.

The goal of the inspection is not to get a laundry list of items and bring them back to the seller, rather it is to get that laundry list and see if any of them are large enough that they would have impacted your offer price on the home. If there are 4 or 5 items and they total to be a couple of hundred dollars, it's probably not worth asking for. If there are 4 or 5 items and they total a thousand or more, then it may is worth asking for. Each situation is different and may vary.

Keep in mind that when we give you a list of inspectors, we are not paid in any way. We provide this list as a matter of convenience to you, and are based on experiences with prior clients.

Pros and Cons of Home Inspections

Pros:

- You know more about what you are getting into, and whether your offer price truly reflects the condition of the house.
- You'll learn more about the systems in a house and how to maintain them.

Cons:

- If there are multiple offers, chances are one of the other offers may waive the inspection contingency, making their offer much more attractive.
- If you absolutely love the house, but find a $20,000 problem, it may be hard to walk away.

Post Inspection

If there are significant items that come up during the inspection process, we'll want to know so that we can take into account the items that need to be addressed. The inspector will provide an inspection report that we can use as a basis of what work needs to be done. With this in mind, we can re-negotiate the offer price, or have items fixed before we continue.

Chapter 7: Title Work

What is Title?

Title is a term that describes your legal right to own, possess, use, control, and dispose of land.

What is Title Insurance?

Title insurance is an insurance policy that protects you in case there are disputes with the title of the property. There are 2 different types of title insurance policies: one to protect the bank called the lender's policy, and one to protect the buyer called the owner's policy.

The lender's policy usually provides protection for the amount of the loan, and is usually required by the bank. The owner's policy is optional, but will cover you (as a buyer) if a claim is made against the title. It usually covers all legal fees to defend and challenge the title to the insurer (you, the buyer), with a deductible.

Choosing a Title Company

A title company is where the closing will be held for your home. The closing is where the buyer and seller and agents sit around a table and sign paperwork to transfer the title from one party (the sellers) to another party (the buyers). This is usually when you will take possession of your new home.

There are Title Insurance Companies, and Title Companies.

Title insurance companies issue insurance policies (see above) for buyers purchasing a house. There are a few well-known, national companies, such as Chicago Title, Old Republic Title, Land America, and Fidelity National.

Title Companies are 3rd party insurance agents purchase a policy for you. This is usually also where the closing will take place. These companies are your partner in getting the deal "sign, sealed, and delivered" as far as title goes. There are several common title companies in our area. The first one, Home Title, is affiliated with RE/MAX Results. There is also Stewart Title, Title-1, Chicago Title, and many others. We can provide some guidance as to which Title companies you may wish to consider. Keep in mind that when we give you a list of title companies, we are not paid in any way. We provide this list as a matter of convenience to you, and are based on experiences with prior clients.

Chapter 8: Appraisal

Appraisals

Once the purchase agreement is accepted and signed, I'll forward a copy on to the mortgage banker. They will order an appraisal and collect any remaining paperwork they need.

The appraisal will get sent out to an appraisal company, where that company will assign a licensed appraiser to appraise the value of the property. The appraiser will schedule an appointment and go and view the property, take measurement, and some photos. They will use this information to compare it to other recent home sales to come up with a fair market value for your house.

An appraiser will come up with their valuation and this may be different than the purchase price. If it is at or higher than the purchase price, that's fine. If the appraisal comes in lower, then we have an issue. There are a couple of methods to resolve this issue. 1. You can come up with more cash to cover the difference. 2. We can try to negotiate the price down to the appraised value with the seller. #2 is often the goal, especially if the house is targeted primarily at FHA buyers, since an FHA appraisal stays with the property for 6 months. This means if we don't adjust the price and we walk away, the property cannot be sold to anyone else for anything higher than the appraised value anyway.

Work orders

FHA requires certain health and safety standards to be met in a home before they will insure a mortgage on a home. These FHA appraisers may look for and note the following: missing hand rails, peeling paint (especially on the exterior), missing outlet covers, exposed wires, broken steps, non-functioning furnaces and water heaters, and more items.

If the appraiser calls an item out, this usually will end up in what's called a work order. Work orders usually need to be done by the seller, and once it is done, have the appraiser come back out to verify that the work order was completed.

Chapter 9: Underwriting

Underwriting

Underwriting is part of the mortgage process. The underwriter is the person that looks at the amount of risk involved in issuing the mortgage to the buyer. They take into account all the factors of the buyer as well as the various factors involved with the home itself (via the appraisal). They typically will analyze your credit report, your income statements, and the appraisal of the home. Their determination results in an approval of the loan, or the disapproval of the loan.

Underwriters can be asked to re-evaluate the file if something is amiss. This process can add a few days of delay to the closing date though.

Chapter 10: Closing

Closing

The closing is where you take ownership of your new home. There are a few steps that you should do to prepare for closing.

- Call utilities and schedule the ownership change for water/sewer, garbage, electricity, natural gas, cable, phone
- You should know the location of the closing. This will almost always take place at the Title Company that we chose together.
- Review the preliminary-HUD statement. The HUD-1 statement is the "final bill of sale" accounting sheet that pulls together all the financials of the transaction into a 2 or 3 page summary. Make sure the bottom line $ is correct.
- Bring a cashier's check, not a personal check. This cashier's check should be made payable to yourself.
- Bring a photo ID.
- Know your SSN if you do not have your SSN card.
- Bring a list of your most recent residences for the past 10 years.
- Order homeowners insurance BEFORE closing.
- (Optional) You can purchase a home warranty if you wish.

At closing, once all the paperwork has been signed, and copies made, you will get all the house keys and garage door openers from the seller. This marks the first day of your new home! Congrats!

Chapter 8: After You Move In

We know that the first few weeks after a move may be quite hectic and seemingly disorganized. Most people are still trying to unpack. But what we also know is that over time, your new home will prove to be one of the smartest investments you will have made.

Please know that you can call us anytime. Whether it is for an update on the Real Estate market, your home's growing value, re-financing (especially when interest rates drop), questions about the community and area services, or even just to say "HI". We will always be here for you, and we will do everything we can to help you. Our commitment to you does not end the day you move into your new home.

In the process of actively looking for your new home, we would typically spend a lot of time together, and share many fun (and interesting) experiences looking at properties. But once you purchase your home, our time together stops almost immediately. But as you will see, I have designed a few special ways to keep in touch with you.

Congratulations in advance! We are going to have a lot of fun together, and we are going to do everything we can to make your Perfect Scenario come true.

Welcome to our Real Estate Family!

Appendix A: Real Estate Terms and Definitions

Appreciation — an increase in value of Real Estate.

Capital Gains — the taxable profit derived from the sale of a capital asset. It is the difference between the sale price and the basis of the property after making appropriated adjustments for closing costs, fixing-c expenses, capital improvements, allowable depreciations, etc.

Closing — the final settlement of a Real Estate transaction between buy and seller.

Contract for Deed — a contract ordinarily used in connection with the sale of the property in cases where the seller does not wish to convey title until all or a certain part of the purchase price is paid by the buyer.

Counter Offer — a seller's rejection of an offer made by a Buy accompanied by an agreement to sell the property to the potential Buy on terms differing from the original offer.

Deed — the written instrument which, when properly executed and delivered, conveys title.

Easement — Created by grant or agreement for a specific purpose, an easement is the right, privilege or interest which on party has in the land of another.

Equity — the interest or value an owner has in Real Estate over and above the liens against the real property.

HELOC – Home Equity Line Of Credit. A second mortgage.

Joint Tenancy — Joint ownership by two or more persons with the right of survivorship, all joint tenants own equal interest and have equal rights in the property.

Lien — an encumbrance on the property which usually names the property as security for the payment of a debt or discharge of an obligation. Examples: Judgments, taxes, mortgages, deed or trust, etc.

Loan Commitment — a written promise by a lender to make a loan under certain terms and conditions. These include interest rate, length of loan, lender fees, annual percentage rate, mortgage and hazard insurance and other special requirements.

Loan to Value Ratio — the ratio of the mortgage loan principal (amount borrowed) to the property's appraised value (selling price). On a $100,000.00 home with a mortgage loan principal of $80,000.00, the loan to value ratio is 80%.

Mortgagee — the lender of money or the receiver of the mortgage document. (Bank)

Mortgagor — the borrower of money or the giver of the mortgage document. (purchaser)

Note - A written promise to pay a certain amount of money with or without specific terms.

Personal Property — any property which is not real property. For instance, money, savings accounts, appliances, cars, boats, etc.

Point — One percent of the loan amount.

Promissory Note — following a loan commitment from the lender, the borrower signs a note promising to repay the loan under stipulated terms. The promissory note establishes personal liability for its repayment.

Purchase Agreement — an agreement between the Buyer and the Seller for the purchase of Real Estate.

Second Mortgage — also known as a "Junior Mortgage" or "Junior Lien" or HELOC. An additional loan imposed on property with a first mortgage, generally at a higher interest rate and shorter terms than a "First Mortgage".

Special Assessment — a legal charge against Real Estate by a public authority to pay the costs of public improvements such as street lights, sidewalks, street improvement, etc.

Subdivision — A parcel of land that has been divided into smaller parts.

Tenancy in Common — Ownership by two or more persons who hold undivided interest, without the right of survivorship. Interest need not be equal.

Term of Mortgage — The period during which a mortgage must by paid.

Title — often used interchangeably with the word ownership. It indicates the accumulation of all rights in a property.

Trust Account — an account separate and apart and physically segregated from a Broker’s own funds, in which the Broker is required by law to deposit all funds collected for clients.

Appendix B: Agency

What is AGENCY?

In Minnesota, the state REQUIRES us to present you with information on how you can be represented in a transaction. We are required to disclose the type of working relationship that we can have with buyers or sellers in a Real Estate transaction. There are several types of relationships that are available to you. You should understand these at the time a broker provides specific assistance to you in buying Real Estate. Buyer's Agent and Seller's Agent relationships are commonly referred to as "agency" relationships and carry with them legal duties and responsibilities for the broker as well as for the buyer and seller.

There are 5 main types of agency, which are listed below, but the first 3 are the most common ones used in practice.

Buyers Broker

A Buyers Broker is an agent / broker that represents a buyer in the purchase of a home. This type of agent keeps the buyers best interest in mind and negotiates on behalf of the buyer.

Sellers Broker

A Sellers Broker is an agent / broker that represents a seller to help them sell their home. This agent keeps the sellers best interest in mind and negotiates on behalf of the seller.

Dual Agency

Dual Agency is where both the seller and the buyer are represented by the same BROKER. The distinction is important because even with 2 agents within the same company, it is dual agency. It does not have to be just one agent working for both the seller and the buyer. That is because representation lies within the BROKER, not the agents.

Subagent

A subagent is an agent working for the seller, but assisting the buyer.

Facilitator

A facilitator is an agent that is not representing either party. This is sometimes used when the buyer wants a person to “write up the paperwork” but does NOT want representation.