



Amy Ruzick & Kay T. Johnson & Chris Goble

How the buying process works:

1st Find your Realtor and get pre-approved.

In Minnesota, we have both buyer's agents and seller's agents. This is important as it used to be that only sellers were represented and buyers were left to defend for themselves, hence the phrase "Buyers Beware." Now, both sides of the transactions are represented, and we have the same responsibilities regardless if we are representing a buyer or a seller. These are called our Fiduciary Duties:

- Loyalty
- Obedience
- Disclosure
- Confidentiality
- Reasonable Care
- Accounting

Basically, what all of these items mean is that we will do our best to work in your best interest, to help you find the right home for you to purchase, and to properly represent you to the sellers and the seller's agent.

Does anyone know how much it would cost you to hire us to help you find your home? Well, you pay us nothing, we get paid in a transaction by the sellers - regardless of who we are representing. In fact, the seller pays their realtor, their realtor's company, the buyer's realtor, and the buyer's realtor's company. The costs of selling a home are built into the prices of homes. There is one charge that RE/MAX Results, like all other brokers, charges for the use of our services. This charge is currently \$599.

Pre-approval:

As realtors, we want all our clients to be pre-approved before taking them out to look at homes. The pre-approval serves several purposes. First, it lets a buyer know how much home they can qualify for and therefore what price range we should be looking at. Secondly, it is a major factor in a seller accepting an offer from you. When we present an offer, we also present a letter prepared by your lender stating that your credit, employment and overall financial picture indicates that you are able to get a loan on this particular home. If I present an offer without this letter, the seller will be advised by their agent not to accept the offer until this letter is produced. Since this can take several days sometimes, you are now in a position to lose the home you really want to another buyer who already has their letter ready.



Amy Ruzick & Kay T. Johnson & Chris Goble

Keep in mind that pre-approved and pre-qualified are two different animals. Realtors and sellers only care about pre-approvals.

2nd Start looking at homes and find the right one!

As licensed agents, we can show buyers any homes that are currently on the market. We can easily take your criteria and search on the MLS for the homes that best fit what you are looking for, set up the appointments and take you through the property.

Since there are a lot of houses on the market, we will ask you to consider the items that are most important to you in home to help us narrow down our search within your price range. The items that most people are concerned about include:

- Location - proximity to work, family, school and neighborhoods, suburbs vs city
- Number of bedrooms and bathrooms
- Square footage of the home
- Garage or parking spaces
- Style of home - one story, two story, townhome, etc.
- Type of heating system and what appliances are included.
- What kind of yard the home comes with?
- How much work does the property need?

Of course, depending on the buyer, this list can widely vary. Once you have your list, we then ask you to review each item and determine which ones are requirements and which ones fall into the category of "would be nice"

This list helps us save time in trying to look at only those homes that would be most appealing to you. However, it is only a starting point. Your list can and will change.

We will continue to look at homes until you find the one that speaks to you. Once we find this home, you will say "I want to make an offer!"

3rd Making the offer:

When we find a home you are interested in making an offer, we will go through this home very thoroughly to make sure we are aware of as many defects that we can be. We will go over the Seller's Disclosure, and if it is in the city of St. Paul or Minneapolis, we will go over the Truth-In-Housing report. The Truth-in-Housing Report is prepared by a city inspector who is hired by the seller but works for the City. Their job is to point out all items that they noticed that are sub-standard, though this report does not adequately take the place of a home inspection.



Amy Ruzick & Kay T. Johnson & Chris Goble

We will do a market analysis on the home you are considering purchasing, to make sure that the asking price of the home is reasonable. We will also determine how long the home has been on the market and what price changes, if any, have already occurred.

We will call the listing agent to determine if there are any other offers on the property and if there is a particular date the seller is looking for a closing date.

We will then sit down together and write up the offer - called a Purchase Agreement. We will use state approved forms and fill them out.

The key decisions to make are:

What price do you want to offer the seller?

What date would you like the sale to be completed on? (Usually within 30-45 days).

How much earnest money do you want to present?

Whether the sale is contingent on an inspection.

Once we have written the offer, received a letter of pre-approval, and you have written an earnest money check, we will set up the earliest time possible to present your offer to the seller. We show up wherever they request, and the seller and their agent are both present. We go over the highlights of the offer, re-assure them that my client is pre-approved and a great buyer, and also describe the qualifications of the mortgage company that my buyer has chosen to use for their mortgage.

After we have completed this presentation we will be asked to leave while the seller and the seller's agent discusses the offer. At this point they have three options:

- 1.) Accept the offer - now a legally binding agreement
- 2.) Reject the offer.
- 3.) Counter the offer - not a legally binding agreement unless you accept the counter.

Counters:

Sellers will counter offers if there are one or more items in the Purchase Agreement that they do not like or does not work for them. Usually, they counter most often over the price. They can also counter because of the closing date or the personal property that we have requested as part of the sale. Counters can go back and forth until both the buyers and the sellers completely agree. Once this happens, it is a legally binding contract.



Amy Ruzick & Kay T. Johnson & Chris Goble

Inspections:

Though there may have been a city inspection already, many buyers will hire their own inspector to make sure that nothing was overlooked. This inspection usually costs around \$500-\$600 and must be completed within 5 - 8 days of the offer being accepted.

You can use an inspector that someone recommends to you. You can use a family member or friend who you feel is competent to evaluate a home. We, of course, recommend that you hire Fred Comb of Home Inspections of Minnesota.

The inspection takes place within 3 to 5 days after your offer is accepted. You, the inspector, and us your agents will all show up at the property. The seller and the seller's agent are usually not present for the inspection. The inspector will point out everything they notice about the property. Some will even show you how to operate water shut-off valves and change furnace filters.

The sellers are able to keep the home on the market until the contingency has been removed, but any perspective buyers must be informed that there is already a pending purchase agreement.

If the home does not pass the inspection to your satisfaction, you may opt to negotiate with sellers on a particular item, or you may opt to cancel the purchase agreement and you will receive your earnest money back. Please note - if we do not have an agreement by the end of our inspection timeline, beware – the purchase agreement is automatically enforced unless the buyer sends over a cancelation by the end of our inspection period. We pay close attention to this timeline as sometimes we ask for things that would be really nice if the seller would do, but not a deal-breaker if they do not agree and sometimes we ask for things that are deal breakers for the buyer if the seller is unwilling to do what the buyer has requested. Our team strategy for getting the seller to do the most after the inspections revolves around only asking the seller for items that would be considered hazardous and or something a typical person would not have noticed as they simply walked through the property. However, asking for too many items can easily result in the seller not wanting to do anything at all. Unfortunately, the new inspection addendum that we are now required to work with does work towards the seller's advantage and removes some of the importance for them to negotiate with repairs for the buyers.

If the home passes the inspection to your satisfaction, we then indicate to the listing agent and inform them that the inspection contingency can be removed and there is now a legally binding contract.



Amy Ruzick & Kay T. Johnson & Chris Goble

4th Preparing for Closing:

Once we have a valid Purchase Agreement, there are a few more things that need to happen once we are in the pending stage.

- We set up the closing time with the closers.
- Put in your appropriate notice if you are currently renting in a lease.
- Work with your lender to get all documents and information that they may need.
- Lock in on your interest rate.
- You call insurance companies and shop around for your insurance binder. This must be completed before closing can take place and it can take several weeks.
- Follow up on any details that may need attention.
- Schedule a walk-through prior to closing to make sure the property is in the same condition as it was on the day the offer was written.
- Contact the utilities (Trash, Water/Sewer, and Gas/Electric, Telephone and Cable) and inquire about getting the accounts in your name for the day of closing.
- Prepare a list of addresses you have resided at for the last 10 years.

5th Closing:

Typically, at the closing, there is the buyer, the seller, their respective agents, the lender, and two closers - one for the buyer and one for the seller. The closers are the people who have worked behind the scenes to make sure there is clear title to the property, determine all of the exact costs for the sellers and the buyers, walk both sides through the paperwork, and collect and distribute all funds.

You need to bring your insurance binder, your driver's license, your list of addresses for the last 10 years, any additional funds required, and anything else that you were asked to provide.

Congratulations! Once all of the paperwork has been signed, and the sellers have received payment, they hand over the keys and the property is now yours. Depending on what was stated in the purchase agreement, you can now start moving in.



Amy Ruzick & Kay T. Johnson & Chris Goble

What is the market like today?

This is probably the #1 question that we get asked.

What most people do not realize is that the market crash started in the second half of 2006. We had seen unprecedented appreciation in home prices, and it truly was unsustainable. But it seemed as though all the hype about appreciation drove buyers out into the market to compete with all of the other buyers. When the housing market crashed, it appeared that all the hype about the weak housing market seemed to be keeping potential buyers out of the market. The basic theory on good investing of “Buy low, sell high” was not being followed.

After many years of slow or even negative growth, we are back to seeing prices that we saw in 2004 and even 2005 in some neighborhoods. Currently we are seeing the market as fairly equal between buyers and sellers. We do not have the amount of inventory that we had several years ago, which therefore means if homes are priced well, they will get an offer, and very possibly multiple offers.

We are hoping that most renters are considering the benefits in buying in the current market as the rental market has been very good for landlords the past 8 years. We have a vacancy rate of just 1%, and the average one-bedroom apartment is tiptoeing to \$1200 a month. The average renter spends about 33% of their income on their rent. This expense comes with no benefits of owning a home, though the costs are typically very similar. If you are trying to decide, ask yourself the following questions:

Is my rent payment likely to increase in the next couple of years?

What type of tax benefits might I receive from owning my home (currently mortgage interest, property taxes, and mortgage insurance are largely deductible items)

How much of my payment is principal reduction, and what are the projected appreciation rates looking like?

Are interest rates going to stay as low as they are?

Am I planning on staying in the Twin Cities for at least the next 4 to 5 years?