

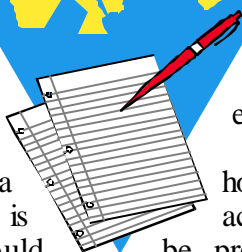
## Presenting Your Contract Offer

*The most important part of your purchase process*

Once you have found the home you determine what offer you are important to remember that the more the higher the offer should be -- sometimes

wish to purchase you will need to willing to make for the home. It is competition there is for the house, even exceeding the asking price.

To communicate your interest in purchasing a Agent with a written offer. When an offer is legal contract. When you write an offer you should deposit. This is to guarantee that your intention is to purchase the property. The Seller can stop considering other offers, knowing yours is valid and serious.



home Carol will present the Listing accepted by the Seller it becomes a be prepared to pay an Earnest Money

After Carol presents your offer to the Listing Agent it will either be accepted, rejected or the Seller will make a counter offer. This is when Carol will negotiate terms of the contract if necessary. It is at this time that you will want to have the property professionally inspected - if that is what you choose to do. Please read the page titled "Choosing an Inspection Company."

The step-by-step contract procedure for most single-family home purchases is standard and is followed quite closely by most builders and REALTORS®. The Purchase Agreement used is a standard document approved by the MN Real Estate Commission. Some buyers retain lawyers to review the transaction contract but most do not if they are being represented by an Agent. Carol Pech has been writing and negotiating real estate contracts for 31 years.

The Purchase Agreement or contract constitutes your offer to buy and, once accepted by the Seller, becomes a valid, legal contract, so understand what is written on the contract offer. It will be prepared according to your instruction and contains required information to be provided. In general the contract asks for your name, tenancy, Earnest Money deposit, inclusions and exclusions, Title Insurance policy, date for closing, purchase price and terms, date of possession, and signatures. A description of each section follows.

**1 Your Name** - The name under which you wish to take title. Please read the section detailing Title. Many people use their full legal name. Keep in mind that whatever name you decide to use, you must use the same name to sell the property or transfer title.

**2 Tenancy** - This refers to how you "take title" to the property. It signifies your interest in the property and your rights of survivorship. How you take title to a property is a legal decision and you may wish to discuss which form of tenancy is best for you with your attorney. Also read the section about Title. Your Agent cannot, by law, advise you as to how to take title.

**3 Earnest Money deposit** - The amount of Earnest Money due is negotiable and varies with the value of the property. The range is usually between 2%-5% and is rarely less than \$500.00. Its purpose is to show good faith that your offer is serious. It also serves as a source of payment for damages to the Seller, should you default on the terms of the contract. A personal check is sufficient and should be made payable to the real estate company or the closing agent.



## Presenting Your Contract Offer (continued)

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**4 Legal Description/Street Address** - This section contains technical information from the section, etc. The street address is the

The legal description is the government regarding plat location, information you will be familiar with.

**5 Purchase Price and Terms** - This section details the terms of down payment, loan amount, A description of the loan will be required. In probably have loans available and will detail the approval (which you should have) you need to specify the interest rate, loan conditions, and down payment limits which are acceptable to you.

details the agreed purchase amount and interest rate, and other loan conditions. new construction, the builder will terms here. If you have not yet received loan

*For example, your contract can specify “offer is contingent upon Buyer’s ability to obtain a 20% down, 8% interest rate, 30-year loan within 15 days.” That lets you out (if you wish), if you cannot find such a loan. If you are planning to assume someone’s existing loan, specify “offer contingent upon lender’s approval of loan assumption.” If you must have an FHA loan, specify “offer contingent upon, etc., etc.” When in doubt, Spell It Out!*

**6 Inclusions and Exclusions** - This section details any items that are to be included in the purchase price that are not permanently attached to the real property. Also, this section details any items the Seller does not wish to leave, that may be construed as attached or staying with the property. For example, these items may include window coverings, refrigerator, stove, dishwasher, microwave, shed, dog house, garage door opener, etc.

**7 Liens, Encumbrances and Restrictions** - The contract should detail all liens, encumbrances, easements, restrictions, etc., which are not recorded. You should have someone explain the liens, encumbrances, etc. which are recorded.

**8 Special Assessments** - Any special assessments should be revealed by the Seller. For example, if a property recently got a special assessment to build new sewers, who is to pay for it, etc.

**9 Inspection** - You have the right to request a physical inspection of the property and its inclusions. If the inspection proves unsatisfactory, both Purchaser and Seller have a set time to reach a settlement of how to correct the unsatisfactory conditions. Detail all concerns and terms here.

**10 Title Insurance Policy** - A Title Insurance Policy is required by the lender. The Seller pays for the Title Insurance Policy. As a Buyer you are required to purchase a Mortgagee Policy which is a part of your loan fees at closing.

**11 Closing Date** - The closing date will be scheduled after all financing and inspection contingencies have been met. We are in a “Good Funds” state meaning all moneys at closing must be certified funds (cash, electronic transfers, certified check, Cashier’s check, etc.). You will be notified prior to closing of the amount you will need, so you have ample time to obtain your funds. Also, if you are closing your current house first, Carol will coordinate each closing to make it as convenient as possible.



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**12 Closing Procedures** - This section details who is to be responsible for conducting the closing. Usually all moneys and documents are handled by the Listing Agent's office or a Title Company (i.e., the Closing Agent). The Closing Agent acts as a depository for funds. They disburse funds to the proper parties, handle the adjustment of taxes, insurance, etc., between the Buyer and Seller. They are also responsible for obtaining pertinent documents such as the Deed and Title Insurance policies, and are responsible for the recording of documents with the State, etc.

**13 Date of Closing Procedures** - This section details what date you want to close the proceedings and take title to the property.

**14 Date of Possession** - Although this date is negotiable between the Buyer and Seller, it is customary for possession to occur between three (3) and five (5) days after closing.

**15 Occupancy** - This section details what happens if the Seller does not give occupancy.

**16 Terms of Contract Termination** - You may specify the number of days the Seller has to accept your offer. You and the Seller may also agree that you will forfeit your deposit if you default on your offer.

**17 Additional Provisions** - This is where you put all items which may be in doubt or which could be contested later. For example, what fixtures go with the house? If it is a new home, does the builder assume any responsibility for corrective work? Is there something that must be done before you will buy the house? If so, put each item in a "Contingency Clause."

**18 Signatures** - In MN, an offer and acceptance must be in writing. If acknowledged in the body of the contract, fax signatures will be binding until original signatures are obtained.

Notes

