

YOUR FIRST HOME:

A COMPLETE GUIDE TO BUYING
YOUR DREAM HOME



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Dahir's extensive experience and success in real estate make him highly qualified to write this book. His deep understanding of market trends, negotiation tactics, and legal aspects, gained from guiding numerous clients through transactions, ensures this book will provide valuable, real-world insights. His proven track record and commitment to helping buyers make him an authoritative and credible guide for prospective homeowners.



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Introduction

Whether you're a first-time buyer or looking to upgrade, this comprehensive guide covers everything from navigating the housing market to securing financing and closing the deal. Packed with expert tips, step-by-step instructions, and essential advice, this handbook empowers you to make informed decisions and achieve your homeownership goals with confidence.

Congratulations on taking the exciting step towards homeownership! Buying your first home is a significant milestone, but it can also feel overwhelming. This guide is designed to walk you through the entire process, from A to Z, ensuring you feel confident and informed every step of the way.



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01

ASSESSING YOUR FINANCIAL READINESS

UNDERSTANDING YOUR BUDGET

- Start by evaluating your monthly income and expenses to determine how much you can afford to spend on housing each month.
- Consider all costs associated with homeownership, including mortgage payments, property taxes, insurance, utilities, and maintenance.
- Use online calculators or consult with a financial advisor to establish a realistic budget that aligns with your financial goals.

SAVING FOR A DOWNPAYMENT

- Aim to save at least 20% of the home's purchase price for a down payment to avoid private mortgage insurance (PMI) and secure better loan terms.
- Explore down payment assistance programs or first-time homebuyer grants that may be available in your area.
- Set up a separate savings account specifically for your down payment and contribute to it regularly.

01

ASSESSING YOUR FINANCIAL READINESS

EVALUATING YOUR CREDIT SCORE

- Obtain a copy of your credit report from all three major credit bureaus (Equifax, Experian, and TransUnion) and review it for any errors or discrepancies.
- Take steps to improve your credit score if necessary, such as paying off outstanding debts, correcting errors on your report, and avoiding new credit inquiries.
- A higher credit score can qualify you for better mortgage rates and terms, so it's essential to monitor and maintain good credit habits. 650 + credit score is considered good.

GETTING PRE-APPROVED FOR A MORTGAGE

- Meet with multiple lenders to compare mortgage options and interest rates/profit rates.
- Provide documentation of your income, assets, and debts to the lender for pre-approval.

PLEASE PROVIDE THE FOLLOWING DOCUMENTS:

- Two years of W-2 forms and tax returns
- One month's pay stubs
- Two months' bank statements
- Driver's license to verify your identity

Pre-approval gives you a clear understanding of how much you can borrow and strengthens your offer when you find a home you love.

Keep in mind that pre-approval is not a guarantee of financing, so continue to monitor your finances and avoid making any major changes before closing on your home.

01

ASSESSING YOUR FINANCIAL READINESS

CONVENTIONAL BANK LOANS

Interest-Based: Conventional banks lend and borrow money with interest, earning profits through the difference between interest charged on loans and interest paid on deposits. Examples of conventional banks:

- Chase Bank
- Wells Fargo
- US Bank
- Credit Unions

SHARIAH-LAW COMPLIANT ALTERNATIVE BANKS

In Minnesota, there are several financial institutions that offer Islamic banking services, which operate in accordance with Shariah law principles, prohibiting the payment or receipt of interest (riba). These institutions provide financial products and services that are compliant with Islamic principles, including home financing options without interest. Here are some examples of Muslim banks in Minnesota and how they operate:

UNIVERSITY ISLAMIC FINANCIAL (UIF):

- Website: <https://www.myuif.com/>
- UIF is a non-profit financial institution that provides Shariah-compliant banking services, including home financing, to individuals and businesses in Minnesota and other states.
- UIF offers various Islamic financing products, such as the Declining Balance Co-ownership Program and the Lease-to-Own Program (Ijarah), which enable individuals to purchase homes without interest. These programs are structured to comply with Islamic principles while providing flexible and affordable homeownership solutions.

01

ASSESSING YOUR FINANCIAL READINESS

DEVON BANK

- Website:
<https://www.devonbank.com/>
- Devon Bank is a community bank that offers Islamic banking services, including Shariah-compliant home financing, to individuals and businesses in Minnesota and other states.
- The bank provides various Islamic financing products, such as the Declining Balance Co-ownership Program and the Lease-to-Own Program (Ijarah), which enable individuals to purchase homes without interest. These programs are structured to comply with Islamic principles while providing flexible and affordable homeownership solutions.

GUIDANCE RESIDENTIAL

- Website:
<https://www.guidanceresidential.com/>
- Guidance Residential is a provider of Islamic home financing in the United States, including Minnesota. They offer Shariah-compliant home financing solutions, such as the Declining Balance Co-ownership Program (Diminishing Musharakah), which allows individuals to purchase a home without interest.
- The Declining Balance Co-ownership Program involves a partnership between the bank and the homeowner, where the bank purchases the property and the homeowner gradually buys out the bank's share over time. Instead of paying interest, the homeowner makes monthly payments that include a portion of the property's value and rent for the bank's share.

01

ASSESSING YOUR FINANCIAL READINESS

NORTH AMERICAN ISLAMIC TRUST (NAIT):

- Website: <https://www.nait.net/>
- NAIT is a nonprofit organization that supports Islamic institutions and initiatives in North America, including Islamic banking and finance.
- NAIT collaborates with financial institutions and community organizations to facilitate Shariah-compliant financial services, including home financing, in accordance with Islamic principles. While NAIT itself does not directly provide banking services, it works to promote ethical and responsible financial practices within the Muslim community.

DEFINING YOUR HOME OWNERSHIP GOALS

02



DETERMINING YOUR MUST-HAVES VS. NICE-TO-HAVES:

- Make a list of features and amenities that are non-negotiable for your new home, such as the number of bedrooms, location, school district, and layout.
- Differentiate between essential features and preferences that you can compromise on to expand your options.

CHOOSING BETWEEN BUYING AND RENTING:

- Consider the advantages and disadvantages of homeownership versus renting, including
- financial considerations, lifestyle preferences, and long-term goals.
- Evaluate the current housing market and rental prices in your desired area to make an informed decision.
- Keep in mind that homeownership offers potential benefits such as building equity, tax deductions, and the freedom to customize your living space.

CONSIDERING YOUR LONG-TERM PLANS:

- Think about how your housing needs may change in the future, such as starting a family, changing jobs, or retiring.
- Choose a home that can accommodate your evolving lifestyle and provide flexibility for potential life changes.
- Assess the resale value and appreciation potential of the properties you're considering to ensure they align with your long-term investment goals.

RESEARCHING NEIGHBORHOODS AND COMMUNITIES:

- Explore different neighborhoods and communities to find the right fit for your lifestyle, preferences, and priorities.
- Consider factors such as proximity to work, schools, shopping, entertainment, parks, and public transportation.
- Research crime rates, school districts, property values, and future development plans to
- make an informed decision about the area's suitability for your needs.



03

FINDING THE RIGHT REAL ESTATE AGENT

UNDERSTANDING THE ROLE OF A REAL ESTATE AGENT:

- A real estate agent acts as your advocate and guide throughout the homebuying process, representing your interests and providing expert advice.
- Agents have access to valuable resources, market data, and industry connections to help you find the right home at the best price.
- Choose an agent who is experienced, knowledgeable, and responsive, with a track record of success

Asking for recommendations:

- Seek recommendations from friends, family, colleagues, and acquaintances who have recently bought or sold a home.
 - Read online reviews and testimonials to learn about other buyers' experiences with different agents and agencies.
 - Go online and watch their videos and see how they explain things - to have an idea if his/her explanation is easy to digest and understand.
 - Consider the agent's reputation, credentials, and areas of expertise when evaluating recommendations.
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03

FINDING THE RIGHT REAL ESTATE AGENT

INTERVIEWING POTENTIAL AGENTS:

- Schedule consultations with multiple agents to discuss your goals, preferences, and expectations.
- Ask questions about their experience, qualifications, marketing strategies, communication style, and availability.
- Evaluate the agent's professionalism, communication skills, and compatibility with your personality and preferences.

SELECTING THE AGENT THAT BEST FITS YOUR NEEDS

- Choose an agent who listens to your needs, understands your priorities, and communicates effectively throughout the process.
- Trust your instincts and select an agent who makes you feel comfortable, confident, and supported.

- Sign a buyer's representation agreement with your chosen agent to formalize your working relationship and ensure mutual commitment and accountability.
- Choosing an agent simply because they are a family member can lead to significant issues. This transaction is one of the most important in your life. If the agent isn't fully qualified, you might end up with a house that needs \$20,000 or more in repairs or face legal complications. It's crucial to seek out experienced professionals who understand the system to ensure a smooth and secure process.

EXPLORING HOUSING OPTIONS

04



UNDERSTANDING DIFFERENT TYPES OF PROPERTIES:

- Single-family homes: Detached homes with their own land and no shared walls.
- Condos: Individual units within a larger complex, typically with shared amenities and common areas.
- Townhouses: Attached homes with multiple floors and shared walls, often with a homeowner's association (HOA) responsible for maintenance and upkeep.
- Multi-family properties: Buildings with multiple units, such as duplexes, triplexes, or apartment complexes, offering rental income potential.

EXPLORING THE HOUSING MARKET

- Research current market conditions, trends, and inventory levels in your desired area.
- Use online listing platforms, real estate websites, and local MLS databases to search for available properties.
- Monitor pricing, days on market, and sale-to-list price ratios to gauge the competitiveness of the market and identify potential opportunities. Your agent will help with this.

ATTENDING OPEN HOUSES AND ASKING YOUR AGENT TO SET SHOWINGS FOR YOU:

- Attend open houses and schedule private showings with your agent to view properties in person and get a feel for their layout, condition, and features.
- Take notes, photos, and videos to document your impressions and compare different properties.
- Ask questions about the property's history, maintenance, upgrades, and any potential issues or concerns.

NARROWING DOWN YOUR CHOICES

- Create a shortlist of your top contenders based on your preferences, budget, and priorities.
- Consider factors such as location, size, layout, condition, amenities, and potential for appreciation.
- Consult with your real estate agent to review your options, discuss pros and cons, and prioritize your preferences before making a decision.



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MAKING AN OFFER

UNDERSTANDING THE OFFER PROCESS (YOUR REALTOR WILL HELP WITH THIS):

- Work with your real estate agent to draft a written offer that outlines the terms, conditions, and contingencies of your purchase.
- Consider factors such as the purchase price, earnest money deposit, financing terms, closing date, and any additional requests or stipulations.
- Submit your offer to the seller or their listing agent for review and negotiation.

DETERMINING YOUR OFFER PRICE (YOUR REALTOR WILL DO THIS):

- Research comparable sales, market trends, and property values to determine a fair and competitive offer price.
- Consider the seller's asking price, local market conditions, and the property's condition, location, and features when making your offer.
- Consult with your real estate agent to strategize and determine the optimal offer price to increase your chances of acceptance.

05

MAKING AN OFFER


NEGOTIATING WITH THE SELLER:

- Be prepared for counteroffers and negotiations as the seller may propose changes to the terms or conditions of your offer.
- Remain flexible, patient, and open-minded throughout the negotiation process, focusing on finding common ground and reaching a mutually beneficial agreement.
- Consult with your real estate agent for guidance and advice on negotiating effectively and advocating for your interests.

INCLUDING CONTINGENCIES IN YOUR OFFER:

Contingencies are conditions that must be met for the sale to proceed to protect the buyer and seller. Here are some of the contingencies you might see.

- Inspection Contingency: Allows a professional inspection and the option to negotiate repairs or cancel the contract if significant issues are found.
- Financing Contingency: Ensures the buyer can secure a mortgage; if not, they can back out of the deal.
- Appraisal Contingency: Requires the property to appraise at or above the purchase price, allowing renegotiation or withdrawal if it doesn't.
- Home Sale Contingency: Makes the purchase dependent on the sale of the buyer's current home.



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THE HOME INSPECTION PROCESS

HIRING A QUALIFIED HOME INSPECTOR (YOUR REALTOR WILL HELP WITH THIS):

- Research and hire a licensed and experienced home inspector to thoroughly evaluate the property's condition.
- Ask for recommendations from your real estate agent or trusted friends and family members.
- Verify the inspector's credentials, certifications, and professional affiliations to ensure they meet industry standards.

ATTENDING THE HOME INSPECTION:

- Schedule the home inspection shortly after your offer is accepted to allow time for any necessary repairs or negotiations.
- Attend the inspection in person to observe the inspector's findings and ask questions about any issues or concerns.

UNDERSTANDING THE INSPECTION REPORT:

- Review the detailed inspection report provided by the inspector, which should outline the condition of the property and any identified issues or defects.
- Pay attention to major structural components, systems (such as plumbing, electrical, and HVAC), and safety hazards.
- Consult with your real estate agent and consider seeking additional professional opinions for complex or significant concerns.

NEGOTIATING REPAIRS WITH THE SELLER (REALTOR WILL HELP WITH THIS):

- Use the inspection report as a basis for negotiating repairs or concessions with the seller.
- Determine which repairs are necessary for health, safety, or structural integrity and prioritize those in your request.
- Be prepared to compromise and negotiate with the seller to reach a fair resolution that addresses your concerns without jeopardizing the transaction.

*** As your dedicated real estate agent, I am equipped to manage all aspects of this process for you, streamlining your experience and making your life simpler.

SECURING FINANCING (FINANLIZING YOUR MORTGAGE)

07



FINALIZING YOUR MORTGAGE APPLICATION:

- Provide any additional documentation or information requested by your lender to complete the mortgage application process.
- Review and sign the loan documents, including the loan estimate, disclosures, and terms and conditions.
- Be prepared for underwriting and verification processes, during which the lender will review your financial information and confirm your eligibility for the loan.

REVIEWING LOAN ESTIMATES:

- Review the loan estimate provided by your lender, which outlines the loan terms, interest rate, closing costs, and estimated monthly payments.
- Compare multiple loan offers from different lenders to ensure you're getting the best possible terms and rates.
- Pay attention to the annual percentage rate (APR), which reflects the total cost of borrowing, including interest and fees, over the life of the loan.

PREPARING FOR CLOSING COSTS:

- Budget for closing costs, which typically include loan origination fees, appraisal fees, title insurance, escrow fees, and prepaid expenses such as property taxes and homeowners insurance.
- Review the closing disclosure provided by your lender, which details the final costs and expenses associated with the loan and closing process.
- Plan to bring certified funds that can be cashier checks or arrange wire transfers to cover the closing costs on the day of settlement.

UNDERSTANDING HOME INSURANCE:

- Banks require before the closing date to have insurance in place.
- Purchase homeowners insurance to protect your investment and belongings against unexpected events such as fire, theft, or natural disasters.
- Review your policy coverage, deductibles, and exclusions to ensure you have adequate protection for your needs.
- Consider additional coverage options such as flood insurance or earthquake insurance if you live in a high-risk area.

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ROLE OF TITLE COMPANIES IN SAFEGUARDING BUYERS DURING CLOSING

DURING THE CLOSING PROCESS, TITLE COMPANIES PLAY A CRUCIAL ROLE IN SAFEGUARDING BUYERS BY ENSURING THAT THE PROPERTY'S TITLE IS CLEAR AND TRANSFERRING OWNERSHIP SMOOTHLY. HERE'S HOW THEY DO IT:

1. Title Search: The title company conducts a thorough search of public records to verify the property's ownership history and ensure there are no outstanding liens, mortgages, or claims that could affect the buyer's ownership rights.
 2. Title Insurance: They issue title insurance policies to protect the buyer and lender from any unforeseen issues that may arise with the title after closing, such as undiscovered liens or ownership disputes.
 3. Closing Document Preparation: The title company prepares and reviews all necessary legal documents for the closing, including the deed, mortgage documents, and closing statements, to ensure everything is accurate and in compliance with local laws.
1. Escrow Services: They act as a neutral third party to hold funds and documents during the closing process, ensuring that all conditions of the sale are met before disbursing funds to the appropriate parties.
 2. Closing Coordination: The title company coordinates the final closing meeting where all parties, including the buyer, seller, real estate agents, and possibly attorneys, come together to sign documents and finalize the transaction.
 3. Recording of Documents: After closing, the title company ensures that all necessary documents are properly recorded with the appropriate government authorities, officially transferring ownership of the property to the buyer and securing their legal rights.
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CLOSING THE DEAL

ARRANGE WITH YOUR REALTOR TO SCHEDULE A FINAL WALKTHROUGH TWO OR THREE DAYS BEFORE THE CLOSING DATE:

- Conduct a final walkthrough of the property shortly before closing to ensure it's in the same condition as when you made the offer.
- Verify that any agreed-upon repairs have been completed satisfactorily and that all fixtures, appliances, and systems are in working order.
- Document any discrepancies or issues and address them with the seller or closing agent before proceeding with the closing.

- Your realtor will negotiate with the seller if more repairs are needed. They may also provide credit toward closing costs if time is running out.

SCHEDULING THE CLOSING DATE (YOUR REALTOR WILL HELP WITH THIS):

- Coordinate with your real estate agent, lender, and closing agent to schedule a convenient date, time, and location for the closing.
 - Confirm all necessary documents and paperwork are in order and ready for signing.
-

IT'S FINALLY CLOSING DAY! (THE MOMENT WE'VE BEEN WAITING FOR.)

- Attend the closing day- make sure to arrive thirty minutes early. The address will be provided by your realtor or title company.

REVIEWING CLOSING DOCUMENTS

- Review the closing documents carefully, including the settlement statement, deed of trust, mortgage note, and any additional disclosures or agreements.
- Verify that the terms and conditions match those outlined in your loan estimate and closing disclosure.
- Ask questions about any unfamiliar terms or provisions and seek clarification from your real estate agent or closing agent as needed.

SIGNING THE CLOSING PAPERWORK:

- Sign the necessary documents and paperwork to finalize the purchase of the home.
- Bring valid identification, such as a driver's license or passport, and any other required documentation specified by the closing agent or lender.
- Review each document carefully before signing and ask questions about anything you don't understand.
- Once you complete signing all documents - The closer will give you the homestead application depending on the county you are buying your property.
- Fill out that application and submit it to the county to get a property tax discount from the county.



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MOVING IN AND SETTLING DOWN

PLANNING YOUR MOVE:

- Schedule professional movers or rent a moving truck and enlist help from friends and family to assist with the moving process.
- Pack and label your belongings systematically to streamline the unpacking process at your new home.
- Arrange for utilities and services to be transferred or set up at your new address, including electricity, water, gas, internet, and cable.

SETTING UP UTILITIES AND SERVICES:

- Contact utility providers and service providers in advance to arrange for service activation or transfer.
- Schedule installation appointments for utilities such as electricity, water, gas, and internet.
- Update your address with important contacts, including banks, insurance companies, employers, and subscriptions.

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MOVING IN AND SETTLING DOWN

MAKE YOUR NEW HOUSE FEEL LIKE A HOME:

- Unpack and organize your belongings to create a comfortable and functional living space.
- Personalize your home with decor, furnishings, and personal touches that reflect your style and personality.
- Explore your new neighborhood and community to discover local amenities, attractions, and resources.

GETTING TO KNOW YOUR NEW NEIGHBORHOOD:

- Introduce yourself to neighbors and get involved in community events or organizations to meet new people and build connections.
- Explore nearby parks, shops, restaurants, and recreational facilities to familiarize yourself with the area.
- Research local schools, healthcare providers, and other essential services to ensure a smooth transition to your new home.
- *Do not forget to fill out your homestead application form and submit it to the county to get a property tax discount. Ask your realtor to help with this if necessary.*

MAINTAINING YOUR INVESTMENT



CREATING A MAINTENANCE SCHEDULE:

- Develop a regular maintenance schedule to keep your home in good condition and prevent costly repairs or problems.
- Schedule routine tasks such as HVAC system maintenance, gutter cleaning, lawn care, and pest control.
- Stay proactive and address any maintenance issues promptly to avoid them escalating into larger problems.

BUDGETING FOR ONGOING EXPENSES:

- Plan and budget for ongoing homeownership expenses such as mortgage payments, property taxes, insurance premiums, and maintenance costs.
- Set aside a contingency fund for unexpected repairs or emergencies to avoid financial strain.

- Review your budget periodically and adjust as needed to accommodate changes in your financial situation or housing expenses.

BUILDING EQUITY AND WEALTH THROUGH HOMEOWNERSHIP:

- Take advantage of opportunities to build equity in your home by making regular mortgage payments and increasing your property value through improvements and renovations.
- Monitor market trends and consider refinancing or leveraging your home equity for investment or financial goals.
- Consult with financial advisors or real estate professionals to explore wealth-building strategies and maximize the long-term benefits of homeownership.

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RESOURCES FOR FIRST-TIME HOMEBUYERS PROGRAMS AND HOMEBUYER EDUCATION IN MINNESOTA:

THESE AGENCIES AND ORGANIZATIONS WORK COLLABORATIVELY TO PROVIDE VALUABLE RESOURCES, EDUCATION, AND SUPPORT TO FIRST-TIME HOMEBUYERS IN MINNESOTA, HELPING THEM NAVIGATE THE HOMEBUYING PROCESS WITH CONFIDENCE AND ACHIEVE THEIR DREAMS OF HOMEOWNERSHIP.

1. Minnesota Housing Finance Agency (MHFA):

- Website: <https://www.mnhousing.gov/>
- Phone: 651-296-7608
- MHFA offers a variety of programs and resources for first-time homebuyers in Minnesota, including down payment assistance, low-interest mortgages, and homebuyer education courses.

2. NeighborWorks Homeownership Center:

- Website: <https://www.nw.org/network/homeownershipcenters/Minnesota.aspx>
- Phone: Varies by location (check website for local centers)
- NeighborWorks Homeownership Centers provide homebuyer education and counseling services across Minnesota. They offer HUD-approved homebuyer education courses that cover topics such as budgeting, credit management, and the homebuying process.

1. Homeownership Advisors Network (HOAN):

- Website: <https://hoan-mn.org/>
- Phone: 651-659-9336
- HOAN is a network of nonprofit organizations in Minnesota that offer homebuyer education and counseling services. They provide HUD-approved workshops and one-on-one counseling to help first-time homebuyers navigate the homebuying process and achieve sustainable homeownership.

2. Minnesota Homeownership Center:

- Website: <https://www.hocmn.org/>
- Phone: 651-659-9336
- The Minnesota Homeownership Center offers comprehensive homebuyer education and counseling services statewide. They provide online and in-person workshops, individual counseling sessions, and resources to help first-time homebuyers make informed decisions and achieve successful homeownership.

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RESOURCES FOR FIRST-TIME HOMEBUYERS

1. Local Community Development Agencies:

- Many local government agencies and community organizations in Minnesota offer homebuyer education programs and resources. Check with your city or county housing department, community development office, or local nonprofits for information on available programs, workshops, and services.

These resources can help you find a HUD-approved homebuyer education course and provide valuable information and support as you navigate the process of buying your first home in Minnesota.

CONGRATULATIONS!

Congratulations on completing this comprehensive guide for first-time homebuyers! By reaching the end of this book, you've equipped yourself with the knowledge and resources needed to navigate the exciting journey of buying your first home.

From assessing your financial readiness to understanding the intricacies of the homebuying process, you've covered every step from A to Z. Your dedication to learning and preparing for this significant milestone demonstrates your commitment to making informed decisions and achieving your homeownership goals.

Remember, buying your first home is not just about finding a place to live—it's about investing in your future, building equity, and creating a space to call your own. Armed with the information and insights provided in this guide, you are well prepared to embark on this exciting adventure with confidence and excitement.

If you have any questions or are ready to start the process, don't hesitate to reach out to me, Dahir, at Sahan Realty. You can visit our website at sahanrealty.com or give me a call at 612-263-1796. I'm here to help you every step of the way.

Congratulations once again, and may your journey to homeownership be filled with joy, success, and many happy memories in your new home!

