

Security Deposit vs. Sales Holdback

A resolution on January 10, 2017 changed the Village Green procedure in regards to deposits. The motion passed reads, "Motion: that the current 190 members will provide a \$1000 security deposit at time of selling. New members at time of purchase will provide a \$1000 check into a trust account for damages and fees assessed at the time of selling his or her share. The remaining money will go to the selling member." In the past, \$1,000 of the asking price funneled through the Village Green office in order to pay for damages sellers may have caused. Buyers & sellers now pay a refundable deposit minus repair costs.

Prior to the Resolution – Sales Holdback (often referred to as a Sales Deposit)

Prior to the resolution that the board passed on January 10th of 2017, when a member moved out of Village Green, a buyer would pay the entire purchase price minus one thousand dollars (\$1,000) to the seller of the share that they were purchasing. The one thousand dollars would be paid to Village Green and after 30 to 60 days if there were no problems with a member's residence, then a check was sent to the seller minus any fees.

Example:

Selling Price \$10,000

Buyer → Seller \$9,000

Buyer or Seller → Village Green \$1,000

After waiting period: Village Green → Seller \$1,000 (minus any repair costs)

After the Resolution in Jan 2017 – Security Deposit

After the resolution, Village Green now requires a \$1,000 security deposit from incoming members. The security deposit is in addition to the sale price of the share. Sellers that moved in before January 10, 2017, will also pay a security deposit to cover damages. In addition, Village Green can work with the title company to receive money owed when buyer uses a loan company.

Example:

Selling Price \$10,000

Buyer → Seller \$10,000

Buyer → Village Green \$1,000 Security Deposit

Seller → Village Green \$1,000 Security Deposit

When Buyer sells their share, they will receive the sale price of their house plus the security deposit minus any amounts required for repairs. Seller will receive their deposit back 30-60 days after closing minus cost of repairs.

We hope that this answers any questions that you have. All current buyers need to supply the security deposit to Village Green before move-in. Due to lending guidelines, the security deposit cannot be paid from money that was financed by South Metro Credit Union.

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Answers to Common Questions:

Q: Why did the Board Make This Change?

A: People were confused and misinformation was communicated among incoming and outgoing residents. Many sellers and buyers were writing their own contracts without fully understanding a sales holdback.

Q: Before January 10, 2017, I paid \$1000 to Village Green when I bought my unit and I wrote that it was a "deposit" in my notes. Where did that money go?

A: That was a sales holdback (often referred to as a sales deposit) and it was sent to your seller minus damages.

Q: I moved in after January 10, 2017, did Village Green lose my \$1,000 deposit?

A: Your security deposit is in a secure bank account and will be refunded you minus damages when you move out of Village Green.

Q: I moved in before January 10, 2017 and my seller told me I had to pay Village Green \$1,000, but didn't tell me that was part of the asking price. Will Village Green refund the money?

A: No. The seller has the \$1,000 dollars you paid minus damages. If you have proper documentation, then you may go back to your seller and ask for a refund of your money.

Q: I paid a \$1,000 earnest money deposit? Did Village Green get and keep that?

A: An earnest money deposit is paid to the seller to show that a buyer is earnest about buying the unit. It does not have anything to do with Village Green.

Q: What if I have a purchase agreement that proves that my \$1,000 is not a part of the purchase price?

A: Village Green is not liable for any agreements that are made between a buyer and seller.

Q: Will Village Green write up contracts for sellers to help with future sales?

A: We do not have staff on hand that will take on the liability to write up your contract without a fee. Lawyers cost money.

Q: What is the dictionary definition of a sales holdback?

A: A holdback is a portion of the purchase price that is not paid at the closing date. This amount is usually held in a third party escrow account (usually the seller's) to secure a future obligation, or until a certain condition is achieved. Holdbacks are very common in purchase and sale agreements.

Q: What is the dictionary definition of an earnest deposit?

A: Earnest money is a deposit made to a seller that represents a buyer's good faith to buy a home. Once deposited, the funds are typically held in an escrow account until closing, at which time the deposit is applied to the buyer's down payment and closing costs.

Q: What is the dictionary definition of a security deposit?

A: An amount of money paid in advance as security against the payor's non-performance of a contractual obligation.