

# How To Buy A Home

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Buying and selling a home is a major transaction. The sale price alone should indicate how extraordinary such a transaction is when compared to the financial decisions that are a part of everyday life. Home ownership can provide you with many benefits such as a long term investment and tax advantages. Mistakes in the sale or purchase of a home can burden you for years to come. On the other hand, a well handled transaction can provide pleasure and contentment.

## Home Budget

A home is the largest single investment for most Americans. The first question is: can you afford the home you want to buy? The second is: what additional costs beyond the price of the home do you need to take into consideration to ensure staying within your budget? Below are some of the items that should be included as part of the total cost of buying a home:

- Monthly loan payments
- Property taxes
- Insurance premiums
- Utility bills
- Repairs
- Maintenance

The seller has valuable information on the cost of running the home. Examine the seller's bills and maintenance expenses to get an idea of the monthly expenses of the home. Check the age and condition of the appliances, wiring, and plumbing.

## Using An Attorney

In order to ensure the advantage of your investment you should consult an attorney prior to signing a contract to buy a home. An attorney can make changes to a contract that can protect you under your particular need. For example, a provision in the contract can give you the right to cancel and receive back the deposit if you cannot obtain mortgage financing.

## Steps In Buying A Home

Contracting, signing the initial contract, agreeing to all the changes to the contract, and making necessary deposits.

- Applying for a mortgage
- Inspecting the home
- Agreeing on repairs or improvements, if necessary
- Searching the legal title and obtaining a survey
- Preparing documents to close title
- Closing title
- Post closing follow-up by the buyer's attorney
- Recording the deed and mortgage
- Clearing liens and title exceptions
- Obtaining title and home insurance

## An Attorney's Role

- Preparing, reviewing, negotiating and explaining the contract of sale
- Helping you with home inspections and negotiations related to the inspections
- Assuring that you obtain good title to the property
- Helping you resolve problems relating to the transfer of occupancy, closing date and possession

## Mortgages

A mortgage is a loan from a bank, a mortgage company or other financial institution which makes up the difference between your down payment and the selling price. The mortgage also includes interest

to be paid over the designated time.

The buyer will often need a mortgage to purchase a home. The contract should provide that the buyer is given an adequate amount of time in order to obtain a mortgage commitment. The seller should be willing to wait while the buyer attempts to obtain the necessary financing, assuming that the seller has received reasonable assurances that the buyer is likely to be able to qualify for the mortgage. If the buyer cannot obtain financing, the contract will be declared void and the seller will be free to sell to someone else.

## Contracts

The contract of purchase and sale determines the rights of the parties to the entire transaction. In some states, you may need to sign a binder and submit it to the seller to start the home buying process. A binder can be an agreement to sign a purchase contract or the purchase contract itself. In other states, the first document you sign is a purchase contract that contains the purchase price. There are a variety of names for purchase contracts such as deposit agreements, purchase agreements, receipts, or money contracts. It describes the property, sets forth the financial terms of the sale, states when the closing will take place (estimated), sets forth rights and procedures regarding inspections, along with several other time limitations and procedures that are to take place prior to closing. As with most contracts, it is just as important to consider what is left out of the contract as it is to determine what is included. An attorney will advise you on the necessary precautions to take while negotiating the purchase of the new home. You should not sign a binder or purchase contract unless it protects your rights.

Elements of a purchase contract:

- Price
- Deposit
- Description of real estate property
- Date for closing
- Date for possession
- Title and Survey
- Representations and warranties

- Proration of taxes, insurance and other charges
- List of items to be included with the home
- Conditions, inspection, financing, legal review

## Deposits

Many purchase contracts provide for a cash deposit to show the seller that the buyer is serious. The purchase contract should contain details about whom will hold the deposit and how it will be applied. Ensure that provisions are put into the contract so that you do not lose the deposit if you do not buy the home. Your attorney can also advise you regarding other issues that affect your rights to the deposit.

## Condition Of The Property

Contracts often refer to the purchase as being "as is." This would not be satisfactory to a buyer unless the buyer were completely aware of the condition of the property. For this reason contracts should provide the buyer with the opportunity to inspect the property to determine its true condition. The buyer would then be protected by being allowed to refuse to purchase the property if the buyer and seller cannot agree on making repairs to the property. The seller would be protected by being allowed to refuse to make repairs (with the risk that the seller may need to find another buyer).

## Title Search, Survey & Title Insurance

The deed you receive at the closing from the seller is your "bill of sale." This serves to transfer the seller's interest in the property to you. The title may be limited by easements or building restrictions that affect your use of the home. Easements may give utilities or government authorities the right to use a part of your land for electrical lines, sewers or drainage. Your attorney can conduct a title search and advise you of any limitations that may interfere with your use of the home or its resale value. Be sure to obtain an up to date survey prior to the completion of the purchase of the home.

## Home Inspection

Inspection clauses in contracts are of great importance. They must be reviewed carefully since the rights of the parties are dependent upon them. Your attorney can help you protect yourself in the preparation of a contract with a satisfactory provision regarding the home inspection. Then after the contract is signed the attorney can help you to obtain an inspection and to exercise your rights and options regarding the repair of the home.

Buyers inspect homes for:

- Physical/structural defects
- Sewer/septic systems and drains
- Radon contamination
- Plumbing
- Heating/Cooling
- Appliances/water heater
- Electricity
- Land boundaries
- Roof
- Infestation
- Insulation
- Wiring

By such inspections, buyers can determine the facts. Then the parties can either make changes to the condition of the property, adjustments in the price, or accept the property with the knowledge of its present condition. Make sure your contract gives you the right to cancel the purchase if defects or repairs agreed upon are not corrected by the seller before closing.

## Fees And Charges

Many fees and charges must be paid as part of the sale or purchase of real estate. Your attorney should be able to provide you with guidance regarding the amount of these charges and assist you in minimizing your expenses.

The expenses include:

- Title insurance and examination fee

- Mortgage document fee
- Closing document fee
- Escrow(s)
- Sale/Broker commission
- Proration of insurance and taxes
- Recording fees
- Cost of inspection
- Legal fees

Altogether, closing costs are approximately 4% - 6% of the price of the home

Knowing what expenses to expect up front can help you plan competently for meeting your financial obligations.

## Closing

"Closing" refers to the actual time that the buying and selling of a home takes place, when all the paperwork is prepared, completed and signed by the buyer and seller, checks are written for disbursements and escrow, and the "home keys" are transferred from the seller to the buyer.

## Conclusion

Closing on a home is a complicated transaction. You should seek the advice of an attorney for assistance in order to protect yourself against expensive mistakes. Proceed carefully before signing a purchase contract and closing the sale.

This article is for general information. As laws differ from state to state, legal advice for your particular legal problems is advisable.