Ohio Department of Commerce
Division of Real Estate & Professional Licensing

Home Buyer's Guide

How to Make the Most of Your Home Buying Experience

OHIO DEPARTMENT OF COMMERCE
DIVISION OF REAL ESTATE & PROFESSIONAL LICENSING

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The Ohio Department of Commerce has as its mission the promotion of safety, soundness and growth and success of Ohio businesses. The Division of Real Estate & Professional Licensing is a state agency within the Ohio Department of Commerce. The Division licenses and regulates real estate brokers and sales associates who arrange for the sale or lease of real estate, as well as real estate appraisers. Regulation of real estate brokers, sales persons and appraisers is intended to ensure that they conduct their business in a legal and ethical manner.

The laws dealing with real estate can be complicated. Frequently, problems arise simply because the parties involved do not understand the importance of each step of a transaction. The Ohio Division of Real Estate & Professional Licensing has assembled this booklet to assist you with the home buying process. In addition, you might want to utilize the services of professionals in the real estate industry. Professionals such as real estate agents, real estate appraisers, real estate attorneys and qualified inspectors can assist you with and advise you on the details of your purchase.

The Division is pleased to provide the information in this booklet as a service to the general public. In addition, the Division offers an online look-up service at www.com.ohio.gov which allows you to check the status of real estate agents you may be considering. This guide is intended as general information only. The Ohio Division of Real Estate & Professional Licensing does not and can not warrant or guarantee the accuracy or availability of the content of this booklet. References to third parties are provided exclusively for convenience and are not and should not be interpreted as an endorsement, sponsorship or recommendation of the third party. You should consult your personal attorney, real estate or tax professional for details and advice on your specific situation. Should you need to verify the licensure of a real estate broker, salesperson or brokerage, or need information about filing a formal complaint with the Division, you may contact the Division at **614-466-4100**, e-mail at **Web.real@com.ohio.gov** or visit the website at **www.com.ohio.gov/real**.

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The More You Know

When buying a home, as with most endeavors, the more you know, the easier it will be. Proper planning will help you to focus on what you want out of your real estate purchase. Furthermore, planning will help you anticipate and prepare for requests from brokers, lawyers, lenders and a host of other professionals. This will allow you to complete your transaction with a minimum of hassles. (*See Appendix A for a checklist.*)

Why Buy?

It is important, first of all, to decide why you want to purchase a home. For instance, home ownership offers several advantages over renting. It can be an investment, comes with significant tax advantages, offers fixed housing expenses, gives you control over your environment and provides several intrinsic benefits such as pride of ownership, security and independence.

Advantages of Ownership:

- **Potential Price Appreciation**
- **Tax Deduction**
- **Control Over Your Environment**
- **Stable Living Costs**

More than just a place to live, the real value of home ownership comes from owning a piece of real estate that may increase in value over time. Historically, homes appreciate in value and a profit can be made on the sale of your home. With traditional "principal and interest" loans, each monthly house payment you make goes toward paying off your loan and earns you a greater percentage of, or equity in, your home. Monthly rent payments earn you no equity and cannot later be recovered, as mortgage payments can, when you sell.

This means it is important to examine a house's potential payoff as well as its curb appeal. How much a home increases in value depends on many different things, like the neighborhood, its age and upkeep and the strength of the housing market. As with other investments, you may also lose money. For example, if you only possess your home for a short time before having to sell, your property may not have appreciated enough to recapture your closing costs, including any down payment you made.

Currently, the federal income tax code offers several advantages for home owners. The biggest typically comes from the deduction for mortgage interest paid. For instance, if you are making a $1,000 monthly mortgage payment of which 80 percent goes toward interest, you can deduct around $9,600 a year. Property taxes are also deductible as are loan origination fees or points and house buying expenses such as legal fees and administrative costs. Consult a tax professional for details.

Unlike rent, which can increase annually, most mortgages have fixed or capped monthly principal and interest payments. This can provide the financial security that comes from knowing what your housing expenses will be from year to year. Home ownership also allows you to tailor your environment to match your individual tastes and needs. Of course, this means that – in most cases – you are responsible for all of the repairs and maintenance on the property, while if you rent, your landlord likely maintains the property and takes care of any problems. Some home and condominium owners' associations maintain shared or common areas of a development.

Selecting a Real Estate Professional

Though no law requires the use of one, a licensed real estate agent can provide a wide range of services and advice to assist you with the home buying process. In addition to finding available properties, the agent may be helpful in other ways.

A good real estate agent will assist you with all the steps of your real estate transaction. He or she will be well acquainted with all the important things you'll want to know about a neighborhood you may be considering, such as the quality of the schools, the number of children in the area and the safety of the neighborhood. The agent can supply information on real estate values, taxes, insurance, utility costs and municipal services and facilities.

All the financial details that can seem so mind-boggling to first-time home buyers are something the agent deals with daily. He or she will help you figure the price range you can afford, explain the advantages and disadvantages of different types of mortgages and guide you through the paperwork. The agent can help you prepare an offer to purchase and help with negotiations. The agent can also be of assistance with lining up financing and inspections and during the closing process.

How do I choose a real estate agent? Most people choose an agent on the recommendation of family or friends. You may also search the Division's website at **www.com.ohio.gov/real**, or contact the local Board of REALTORS® for help finding an agent with the experience you require. The Ohio Association of REALTORS® and the National Association of REALTORS® each maintain websites that also provide a great deal of useful information. To visit their sites, go to **www.ohiorealtors.com** or **www.realtor.com**.

Once you have found a real estate agent with whom you are comfortable working, he or she, prior to conducting any business on your behalf, will provide you with a Consumer Guide to Agency Relationships. This brochure is provided to help you understand all of the possible roles of your real estate agent in your real estate transaction. It is also intended to help you understand the role of other agents who may be involved in your transaction.

This form is required by law in the state of Ohio and does not in any way constitute a contract between you and the agent. Read this form carefully.

How Much Can You Afford?

Most lenders suggest devoting no more than 28 percent of your gross monthly income to housing expenses. A house payment typically has four components: principal, interest, taxes and insurance or PITI, which are all rolled into your mortgage. Depending upon your down payment and the lender's programs, you may also have Private Mortgage Insurance (PMI) included and be required to escrow all of these components. To "escrow" means to pay 1/12 of certain obligations of home ownership – like property taxes, homeowners insurance, and PMI – to your lender in your monthly principal and interest payment. The lender holds the funds in escrow until the obligation, or full payment, is due and then pays it on your behalf. The following table can give you an idea of what you might be able to afford based on your gross income.

Calculating Affordability

Annual Gross Income	Monthly Gross Income	28% of Monthly Income
$20,000	$1,667	$467
$25,000	$2,083	$583
$30,000	$2,500	$700
$35,000	$2,917	$817
$40,000	$3,333	$933
$45,000	$3,750	$1,050
$50,000	$4,167	$1,167
$75,000	$6,250	$1,750
$100,000	$8,333	$2,333

Get Your Financial House in Order

Since most people, especially first-time home buyers, must finance part or all of their home purchase with a mortgage, it is very important to have a good credit rating. The best loan terms are reserved for those individuals with the best credit history. The worse your credit rating, the higher your interest rates will likely be, and the more points you may have to pay to secure your loan.

Frequently, people don't start to think about credit until they are ready to purchase a home. For many, this is too late. It is often recommended that for at least one year prior to purchasing your home, you should assure that every credit card bill, rent and utility check, car payment and other debt is paid in full and on time. It is also a good idea to get a copy of your credit report from one or all of the three credit reporting agencies: Equifax, **www.equifax.com**; Experian, **www.experian.com**; or TransUnion, **www.transunion.com**. This will let you check for any discrepancies and correct any errors that may have a negative impact on your ability to secure financing.

Your Credit Rating

• **Length of Credit History:** Having had credit accounts for a long time is a positive factor, because your history gives lenders information to evaluate how you typically use credit and repay your debts. Credit reports with approximately 10 years of history are considered optimal. Meanwhile, up to 7 years of credit history is considered short, and less than 3 years of history is considered too little.

• **Credit Accounts:** A high amount of previous credit is a positive factor because it indicates to lenders that other lenders have trusted you by lending you money in the past. (Note: This is different from high credit card limits. If you are not utilizing the entire limits of your cards, reducing the limits or your total number of cards may improve your credit score.) Conversely, having a low amount of credit is a negative factor because it indicates that either you are just starting to use credit or you have missed payments in the past. If you are just starting to use credit, lenders do not have information to evaluate how you typically use credit and repay your debts.

• **Payment History:** Late or missing payments are a negative factor. Some cases are worse than others. For example, if you have not missed any payments recently, lenders may think you are (or have become) responsible and do not (or will no longer) miss payments. Also, missing payments on only a few accounts is not as harmful as missing payments on most or all of your accounts, because lenders realize that many people miss a payment (or pay late) once in a while. Also, missing a single payment is not as harmful as missing several consecutive payments because many lenders consider missing 3 or more consecutive payments as an indication that you may not repay them. Finally, while not recommended, it is not as harmful to miss payments on accounts with low balances as it is on accounts with high balances because lenders stand to lose less money on low balances if they remain unpaid.

• **Credit Usage:** High balances are a negative factor (except for some types of installment loans such as mortgages and auto loans), because lenders worry that you are living beyond your means and may not be able to repay them. This is particularly true with credit card debt. Lenders do evaluate how much you owe (your debt) in relation to how much you earn (your income). Meanwhile, low balances are a positive factor because lenders see evidence that you tend to use credit conservatively so they do not stand to lose too much if you become unable to repay them. Never using your credit cards, however, may be considered a negative factor. First, it does not provide lenders with information about how you typically use credit and repay your debts. Second, it also means that you have a lot of available credit, which you may decide to use if you experience financial trouble.

• **Credit Applications:** When you apply for any type of credit (such as a mortgage, auto loan, credit card, department store card, etc.), the lender considering your application checks your credit history, and it is noted on your report as an "inquiry." Although inquiries are a natural result of applying for credit, lenders dislike seeing many within a short period of time. This is because it is hard for them to determine whether you are applying with different lenders in search of the best offer or if you are trying to obtain credit because of financial trouble. Remember, making many applications in a short period of time could hurt your credit score. Therefore, try to limit your comparison to a small number of lenders when "shopping" for the best offer.

Financing Your Purchase

Nearly 90 percent of home buyers finance their purchase. That means virtually all buyers require some sort of loan. The real issue with real estate financing isn't getting a loan (virtually anyone willing to pay lofty interest rates can find a mortgage). The issue is getting the loan that is right for you – one with the lowest cost and best terms.

The vast majority of home loans are secured with a mortgage. A mortgage makes the home itself the security for the loan. The buyer receives the deed from the seller, and so becomes the legal owner, but the buyer gives the lender the right to take possession of the house in the event the buyer defaults on the loan. There are several types of available mortgage options, which your agent can assist you with. Following are some terms to be familiar with.

• **Loan Term:** The life, or length of a mortgage is typically 30 years, but 15 and 20-year loans are also available. A longer term means a lower monthly payment but higher total interest paid.

• **Principal:** This is the sum of money borrowed to buy your home. Before the principal is financed, you can give the lender a sum of cash called a down payment to reduce that amount.

• **Interest:** Usually expressed as a percentage called the interest rate, interest is what the lender charges you to use the money you borrow.

• **Annual Percentage Rate (APR):** The yearly cost of a mortgage, including interest, mortgage insurance, and the origination fee (points), expressed as a percentage.

• **Point(s):** Additional loan costs are often expressed in points. A point is one percent of the financed amount of the loan. These costs are generally rolled into your mortgage payment.

• **Fixed-Rate Mortgage:** With a fixed-rate mortgage, your interest rate stays the same for the term of the loan. Your principal and interest payment remains stable, making it easier to plan a monthly budget. Initial interest rates tend to be higher than with other types of loans, but protect you from the risk of rising interest rates.

• **Adjustable-Rate Mortgage:** ARMs usually offer a lower initial interest rate than do fixed rate loans, but your rate and payments can go up or down, depending on which way interest rates in general are going.

• **Private Mortgage Insurance (PMI):** Lenders typically require a down payment of 20 percent. If your down payment is less than 20 percent, your lender considers your loan riskier than those with larger down payments. To offset that risk, lenders will need the mortgage guaranteed by an outside organization such as the Veteran's Administration, the Federal Housing Administration or a private mortgage insurer. This protects the lender against any mortgage defaults. Without it, many buyers could not otherwise afford to buy a home. You can usually cancel your PMI when your equity in you home reaches around 20 percent. Ask your lender for complete details.

• **Good Faith Estimate:** Approximate dollar amounts (or a range of amounts) of all the charges, costs, and fees a prospective home buyer will have to pay at closing on a particular property.

• **Mortgage financing** can be obtained from mortgage bankers, mortgage brokers, savings and loan associations, mutual savings banks, commercial banks, credit unions, and insurance companies. To apply for a loan you must complete a written loan application and provide supporting documentation such as pay stubs, tax returns and rental checks.

Per-Month Payments (Based on a 30-Year Fixed Loan – Principal and Interest Only)*

Loan Amount	3.25%	3.5%	4%	4.5%	5%	6%	6.5%	7%
$50,000	$218	$225	$239	$253	$268	$300	$316	$333
$60,000	$261	$269	$286	$304	$322	$360	$379	$399
$70,000	$305	$314	$334	$355	$376	$420	$442	$466
$80,000	$348	$359	$382	$405	$429	$480	$506	$532
$90,000	$392	$404	$430	$456	$483	$540	$569	$599
$100,000	$435	$449	$477	$507	$537	$600	$632	$665
$110,000	$479	$494	$525	$557	$590	$660	$695	$732
$120,000	$522	$539	$573	$608	$644	$719	$458	$798
$130,000	$566	$584	$621	$659	$698	$779	$822	$865
$140,000	$609	$629	$668	$709	$752	$839	$885	$931
$150,000	$653	$674	$716	$760	$805	$899	$948	$998

*Check with your lender for a full list of estimated closing costs and accurate payment information.

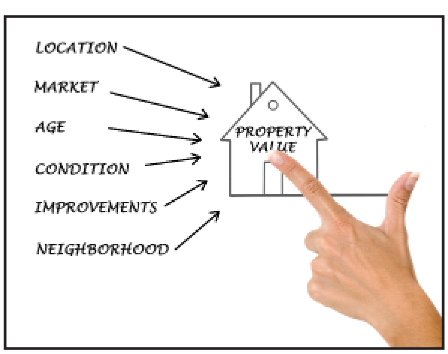
The table above details what you could expect to pay per month for a given loan amount at the given interest rate. This table is based on a 30-year term and, as noted, reflects principal and interest only.

• **Should I be pre-approved for a loan?** Before you begin to make offers on properties, it might be in your best interest to get pre-approved for a loan. Pre-approval means you have met with a loan officer, your credit files have been reviewed and the loan officer believes you can readily qualify for a given loan amount with one or more specific mortgage programs. Based on this information, the lender will provide a pre-approval letter, which shows your borrowing power.

Although it is not a final loan commitment, the pre-approval letter can be provided with an offer to purchase to assure the listing agent or seller of your ability to secure financing. This is important because sellers do not want to accept an offer that is likely to fall through because financing cannot be obtained.

What Do You Want?

Each of us is different, so it is important to formulate a list of the features and benefits you want in a home. Consider things such as pricing, location, size, amenities and design. It often pays to attend several open houses where sellers open up their homes to potential buyers. Many listings on the internet now include multiple photos or a virtual tour to provide a more detailed pre-view of the home to potential buyers. You can see a variety of options to help you develop a list of your re-quirements.



The attached worksheet can provide you with a framework as you begin your search. (*See Appendix B for "Wants and Needs Worksheet"*.)

These issues should also be considered as you narrow your search:

- Quality and availability of schools;
- Immediacy of shopping, religious centers and recreation facilities/parks;
- Property tax rates, income tax rates and other community expenses as compared with similar homes in other neighborhoods;
- Utility expenses, trash collection and sewage disposal. Past utility expenses are available from the utility company;
- Availability of public services such as police and fire protection;
- Local zoning ordinances and condition of other properties in the neighborhood;
- Proximity to work, access to public transportation and/or options for alternate routes.

Next, it is important to consider your priorities. If you can't get a home at your price with all the features you want, then what features are most important? Would you trade a big kitchen for more bedrooms? A bigger yard for a shorter commute? Write out this list and share it with your agent. (*See Appendix B)* This will help your agent limit the search to only those houses of interest to you.

If you look at more than a few homes, they can quickly become a blur. To help keep track, refer to your list of priorities and make notes of which of your desired features are in each house. It is easiest to do this on the listing sheets with all of the information about the property that your agent provides you. Using the listing pictures or virtual tours, compile a worksheet based on your priorities and rate each house's features. Do not take your own photos or video of the inside of homes without the consent of the seller or seller's agent – and get that consent in writing.

Building a new home presents its own set of complications. First, you must find a reputable builder who is involved in an area in which you would like to live. Then you must evaluate various lots within the development and select a floor plan which suits your needs.

Frequently, the builder will have its own financing package, which you will want to compare against other mortgages from various lenders. If the home comes with a warranty, be sure to read it carefully and note what is covered and for how long. And always have the home inspected by a professional third party.

It is very important to find out what is included with the basic home and what are considered upgrades. Don't assume what you see in the builders model is all standard. Most builders offer a wide range of options from doors and windows to flooring to countertops and fixtures.

Attention to the Details

Once you have begun to narrow down specific properties, look carefully at each house, examining the physical details, construction, neighborhood and any specific rules or regulations imposed on owners in the neighborhood. You may also want to have a qualified home inspector visit the house before you close on the deal. There are several places to look for a home inspector including the Better Business Bureau or a list of inspectors in the area available through your agent's brokerage. In any case, a home inspection is highly recommended but the choice of inspectors is yours and yours alone. A home inspection is an objective visual examination of the physical structure and systems of a house, from the roof to the foundation. The standard home inspector's report will cover the condition of the home's heating system; central air conditioning system (temperature permitting); interior plumbing and electrical systems; the roof, attic and visible insulation; walls, ceilings, floors, windows and doors; the foundation, basement and structural components.

Whatever you decide, you should pay particular attention to the following:

- Condition and age of the roof – are there any leaks or recent repairs? If only part of the roof was repaired, will the rest cause trouble?
- Are the roof gutters and downspouts correctly installed and in good repair? Do they drain properly?
- Are the interior walls solid and suitably finished? Is there any evidence of leaks or cracks?
- Are the floors firm and level? What about the condition of floorboards and supports? What type of flooring is under carpeting/other floor covering?
- Do the ceilings sag or have evidence of leaks or cracks?
- Are stairs and door frames level and well joined? Are windows and doors properly maintained and do they open and close easily?
- Is there any evidence of termites or dry rot?
- What is the condition of the plumbing system? Check for suitable water pressure and drainage.
- What is the condition of the heating and cooling system? Is it noisy? Is it forced air, gravity, gas or electric?
- What is the condition of the electrical system? Is there enough power and adequate outlets for your needs? What is the fuse or breaker arrangement?
- Is the property well drained? Landscaped?
- Is the foundation in good condition? Is there any evidence of excessive cracks or uneven settlement? Is the basement dry?
- In what condition is the attic or crawl space? Is there evidence of leaks or dry rot? Does the insulation meet specifications?
- Check driveways, decks and patios for signs of problems.

Deed Restrictions, Special Assessments, and Home/Condominium Owners' Association Fees and Rules: Deed restrictions, also known as restrictive covenants, are written agreements limiting the use of a property and can be found in the property records of the county in which the property is located. They apply to all future owners of the property, not just the current owner(s). They may involve pet restrictions, type and height of fencing, restrictions on removal of trees, or not allowing your small business to be run out of your home.

You may also want to check to see if there is a Home Owners' Association (HOA). There could be a fee due every month or every year to pay for the maintenance and upkeep of the common areas, such as the entrance to the subdivision. There could be restrictions on the color of exterior paint, on how many cars may be parked in your driveway, or what type of window you may use to replace existing windows. Some property renovations are even subject to pre-approval by the board of the HOA.

Special assessments may be in force for large community improvement projects like connecting the homes in the area to public water/sewer. The total cost of the project is divided amongst the properties benefitting from the improvement(s), spread over a number of years. So before you sign that offer to purchase, make sure you know what assessments, fees and rules have already been set in place to govern the use of that property and how they will affect your monthly payment. Check out the deed restrictions, if any, and check to see what the rules of the HOA are so you can fully enjoy your new home.

Lead Paint: Old lead-based paint is the most significant source of lead exposure in the U.S. today. Most homes built before 1960 contain heavily leaded paint. Some homes built as recently as 1978 may also contain lead paint. In houses built prior to 1978, the seller is to provide notice that if lead based paint exists, it may present a danger, provide a lead-based paint disclosure form, and provide information on hazards from inspections in the sellers possession. You may want to have all painted surfaces tested for the presence of lead. For more information visit **www.hud.gov/offices/lead/leadhelp.cfm**.

Toxic Mold: Contamination can lead to a variety of health and respiratory problems. Make certain your inspector checks attics and crawl spaces for leaks and moisture that could support mold. For more information visit **www.cdc.gov/mold/stachy.htm**.

Radon: This is a colorless, odorless gas that, when trapped in buildings, can be harmful at elevated levels. Ask your inspector if Radon is a problem in your area and if it will be part of the inspection. For more information visit **www.epa.gov/radon/**.

Asbestos: Prior to the 1970s, asbestos was used in many different insulation and fireproofing applications. You can't tell whether a material contains asbestos simply by looking at it unless it is labeled. If in doubt, treat the material as if it contains asbestos or have it sampled and analyzed by a qualified professional. A professional should take samples for analysis, since if done incorrectly, sampling can be more hazardous than leaving the material alone. Material that is in good condition and will not be disturbed (by remodeling, for example) should be left alone. Only material that is damaged or will be disturbed should be sampled. For more information visit **www.epa.gov/iaq/asbestos.html**.

Residential Property Disclosure Form: The seller must disclose the condition of the property in the Residential Property Disclosure Form (**www.com.ohio.gov/documents/real_COM ResidentialPropertyDisclosureForm.pdf**). Unless otherwise advised, you can assume that the form says the seller doesn't know anything more about the property than a careful inspection would show. If the Disclosure is not provided, the buyer has the right to rescind the Offer to Purchase by whichever comes first: closing or thirty days after seller accepts buyer's offer.

Stigmatized Property: Though the Residential Property Disclosure Form includes only material issues, many home buyers are also interested in less tangible facts. Stigmatized property is property that is in some way tainted--for instance, by a crime which may have occurred there. Legally, the seller is not obligated to disclose these issues.

To guard against discovering this kind of information after you have purchased your home, you should ask questions. If you ask a question about which the seller or his agent has information and it is not disclosed, you may then have recourse.

The greatest protection comes from doing research--or having research done on your behalf--about the property in which you are interested. For instance, **Megan's Law** notifications are public record. You may consult the county sheriff's office for information regarding instances of Megan's Law notifications of sexually oriented offenders residing in the neighborhood in which you are interested. Visit **www.meganslaw.org** for more information and ask your agent about additional instances of stigmatized property.

Steps in the Home Buying Transaction

Once you make the decision to buy a particular house, there are several phases remaining in the process that must occur before you become its legal owner.

Offer to Purchase. You, as the prospective buyer, must sign an offer to purchase the property. This is an extremely important document. When the seller accepts an offer, it becomes a contract and you can be compelled to buy the property on the terms stated. (*See Appendix C for a checklist of steps in the offer to purchase*.)

Most real estate agents use standard forms for offers, on which they fill in the exact terms. These forms may vary region to region so be very careful about what is written. The terms of the offer will become the terms of the sale if it is accepted. For this reason, it is advisable to have a real estate attorney prepare or review your offer for you. While this is an additional expense, the cost of attorney fees if legal action results will be much higher. Visit **www.ohiobar.org** for more information.

Your offer to purchase should clearly set forth the following terms:

- The total price you agree to pay;
- Anything in the house or attached to it you intend to buy. Many misunderstandings arise over this. If you want the appliances, drapes, carpets, fireplace tools, or anything else to remain with the house, it must be included in your offer;
- The amount of down payment and/or type of financing you will use;
- The amount of earnest money accompanying the offer;

- How long after the offer is accepted you will have to arrange financing;
- When the transaction will "close" or title will transfer;
- When you will take possession of the property;
- Provisions for title searches, insect, structural and other inspections.

Payment of deposit, or earnest money. A deposit is put down at the time the offer is made. You initially determine the amount of the earnest money deposited. While you are not required to make such a deposit, one is usually made to indicate to the seller how serious you are about buying the property.

The seller may require a larger deposit to insure that interest on your part. The final amount may be the result of negotiations between you and the seller.

When using an agent's services, the real estate brokerage will hold this deposit. If the sale goes through, it is usually applied to the purchase price or returned at closing. If the offer is not accepted, you are usually entitled to a refund of your deposit. If the transaction does not close, there may be a dispute over who is entitled to the deposit. The matter could wind up in court for resolution.

The contract should contain terms for the return or forfeiture of any earnest money deposit. Therefore, you should read this section of your offer carefully.

Acceptance of the offer. When using an agent's services, the agent will present your offer to the seller. If after making this offer you decide you do not want to purchase the property, you may revoke the offer, but only if it has not been accepted. If it has not, and you want to revoke your offer, you should immediately notify your real estate agent. If you cannot contact the agent, reach out to the agent's broker. Any oral revocation of an offer should be put in writing as soon as possible.

Many legal problems can arise from revocation. If possible, you should deliver a written notice with a witness, and carefully note the time of delivery and obtain a signed receipt of the notice. If your offer is accepted, there is a contract between you and the seller. Either of you can go to court to compel the other to perform per the contract.

During the period of time from acceptance of the offer until the title actually transfers at the closing, you as the buyer are considered to be the "equitable owner" of the property. This may mean that if the property is damaged (for example, by a fire) the buyer might bear the risk of the loss as of the date the offer is accepted. However, many purchase agreements provide that the seller is to maintain insurance on the property up until closing. If it does not, you should consider obtaining insurance at once.

Title examination and inspections. Most purchase agreements are conditioned upon a title search that guarantees that there are no liens on the property, including whether the seller is involved in a bankruptcy. This is done by professionals who examine the records of the transfers of ownership of the property, mortgages, and other claims on it. If someone else has a claim to the property, the seller's title to it is not "clear." You are not obligated to complete the purchase in that case. Your real estate attorney can evaluate the title and advise you if it is clear or not. You may also want title insurance, which protects you up to the purchase price of the property in the event that title to the property is found to be invalid. This is often purchased with a onetime fee at closing time. If you are financing the property don't be confused by the title insurance policy included in the closing statement; this policy ONLY covers the lender's investment in the property.

If a termite or other kind of inspection is called for, it is made before closing. If you have any doubts as to the condition of the property (such as roof, furnace, plumbing, etc.), you should make the favorable inspection a condition of the contract. Without such a contingency, an unfavorable inspection will not be grounds for failing to purchase the property.

Arranging financing. You are expected to arrange financing as soon as possible after your offer has been accepted. If you haven't been pre-approved, loan processing can take from 30 to 90 days. If a broker or salesperson is involved in the transactions they may assist you. (See, "Financing Your Purchase" pg. 5.)

Obtaining insurance. Lenders typically will not let you close the deal on your home purchase if you do not have homeowners' insurance. If you have not already obtained insurance you will need to do so now. The companies you deal with for your other kinds of insurance may also be able to insure your home, but here too, it could pay to shop around. Visit **www.ohioinsurance.org or www.insurance.ohio.gov** for further information.

Closing. Most closings today are done in "escrow", where the title attorney acts as the agent for both parties, and is paid by both but the two parties sign documents and settle their costs separately. However there are still face-to-face meetings of the buyer, the seller, the real estate agents, the lawyers, and the representative of the lender. The closing can take place at the lender's office, title office or at agreed upon locations such as the real estate brokerage.

All the papers are signed and exchanged, and the seller is paid. The buyer will generally have to pay money at the time to cover the down payment and closing costs. The lender should provide you with a good faith estimate in advance of the closing so that you will be aware of how much money will be required, as well as acceptable methods of payment. In most cases this will need to be by certified or cashier's check, made out in advance.

It is extremely important that you read all documents presented to you at the closing before signing them. Once you have signed them, it is presumed you agree with, and are subsequently bound by, the terms in those documents. Ask your real estate agent about obtaining a copy of these documents before the closing so that you may review them at your leisure. In any case, having your own attorney review the documents prior to closing is advised.

Recording. To establish your clear title to the property, the deed you receive must be recorded in the Recorder's office of the county where the property is located. This will usually be done by the escrow agent, the lender, or by your attorney. You should be sure this has been arranged and will be done as soon as possible after the closing. Request a copy be provided to you.

Unconventional Purchases

Short Sale/Foreclosure:

One alternative to the "traditional" real estate purchase exists, known as a "distressed property". Distressed properties are usually categorized as foreclosures or short sales. Both foreclosures and short sales have been around for as long as mortgage loans. Both foreclosures and short sales offer a buyer an opportunity to purchase a home at a fraction of the current market value.

Before discussing the difference between a foreclosure and a short sale, it is necessary to understand what makes a property "distressed". When making a real estate purchase, most buyers obtain a loan. The buyer must sign a promissory note or "note" outlining the terms of the loan, such as, length of loan, interest rate and payment schedule. The mortgage is then recorded with the county, listing the real estate as collateral for the loan. "Distressed" refers to the status of the loan for the property. When the borrower/property owner falls behind on payments to the lender, the property becomes distressed. The lender can then start a legal procedure to take back the property for which the loan was obtained. This is done under the terms of the mortgage. The mortgage gives the lender the right to initiate the taking of the property via the filing of a foreclosure notice with the court. In the filing of the foreclosure action, the lender is claiming that the borrower has failed to live up to the terms of the original loan agreement or "note". There are two types of foreclosure filings; judicial and non-judicial. Ohio is a judicial state, meaning that the foreclosure filing has to be filed with the courts and the court must approve the foreclosure. Foreclosure actions in judicial states take considerably longer than those filed in non-judicial states. Once the court has confirmed the buyer is in default and has granted judgment to the lender, the property is auctioned for sale, generally, by the county sheriff's office. If the property is not sold at sheriff's sale/auction, the property belongs to the lender. When that happens, the lender attempts to sell the property as a "foreclosure".

Short sales allow the sale of a "distressed" property prior to a foreclosure judgment. In a short sale, the property is marketed much like a traditional real estate transaction, with a licensed real estate salesperson. Once an offer has been made and accepted for the purchase of the property by the property owner, the offer has to be submitted and accepted by the lender. The reason that the offer must be submitted and accepted by the lender is because the offer, normally, will be less than what is owed on the property and the lender must agree to accept less for the release of their lien, the mortgage, hence the term "short sale".

Each type of distressed sale has its own advantages. Many times, with a short sale, the property owner still resides in the property, which means the property is being maintained and as a result there are less initial repairs and maintenance costs. In a foreclosure sale, the property usually has been vacated and, in many cases, damaged. The damage can be a result of the property owner being angry about losing the home or the property not being properly "winterized" prior to the property owner vacating. As a result, properties sold after being foreclosed are reduced in price accordingly. Foreclosures are a good bargain for buyers experienced in maintenance and home repair.

Land Contract/Lease Options:

Other options in purchasing real estate are land contracts and lease options, sometimes known as "rent-to-own". Both options provide a buyer with little or no down payment, credit history and/or bad credit the opportunity to purchase a home. In a land contract, the property owner serves as the lender. The buyer and the property owner agree to terms including a total contract amount (purchase price), interest rate and payment schedule. Typically, in a land contract, the buyer offers a non-refundable deposit/down payment as an incentive to the seller. During the time of the land contract, the buyer should attempt to establish or fix credit in an effort to obtain a loan to purchase the property. If the buyer cannot fulfill their obligations in the land contract, the property reverts back to the seller. In a land contract, the property can be transferred to the buyer with the land contract recorded as the mortgage or lien.

In a lease option, or “rent-to-own” situation, the tenant/buyer enters into an agreement with the property owner/landlord giving the tenant the opportunity to purchase the property at a set price at the end of the lease. In addition, some of the monthly rent goes towards the purchase price. In the event the tenant does not or cannot purchase the property at the end of the lease, the property stays with the landlord/owner and the portion of the rent that was going towards the purchase price is forfeited to the landlord. In this situation the property is never transferred to the tenant/buyer until full purchase price is paid.

Equal Opportunity in Housing

Ohio and federal law both prohibit discrimination in the buying, selling, or renting of real estate based on race, color, religion, sex, handicap, familial status or national origin. Additionally, Ohio law prohibits discrimination based on ancestry or military status. Fair housing law covers discrimination in offering, showing, selling and renting homes, apartments, condominiums, and cooperatives. Anyone who feels that he or she has been discriminated against should contact the Ohio Civil Rights Commission or the U.S. Department of Housing and Urban Development (HUD).

EQUAL HOUSING OPPORTUNITY

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APPENDIX A

Homebuyer's Checklist

- ❑ Real Estate Agent
- ❑ Mortgage Budget
- ❑ Self Credit Check
- ❑ Loan Pre-Approval
- ❑ Wants and Needs Worksheet *(See Appendix B)*
- ❑ Real Estate Attorney
- ❑ Offer to Purchase *(See Appendix C)*
- ❑ Deposit of Earnest Money
- ❑ Housing Inspections
  - ❑ Appraisal
  - ❑ Structural Inspection
  - ❑ Termite Inspection
  - ❑ Title Search
- ❑ Arrange Financing
- ❑ Obtain Insurance
  - ❑ Homeowner's Insurance
  - ❑ Title Insurance
  - ❑ Private Mortgage Insurance
- ❑ Closing
- ❑ Record the Deed

APPENDIX B

Wants and Needs Worksheet

Price Range $_________ to $_________

Age of Home __New __Existing (___years old)

House Size ________ square feet

Rooms # Bath___ # Bed___
__ Finished Basement
__ Den/Study __ Dining
__ Family __ Living
__ Laundry __ Porch
__ Deck/Patio __ Garage
__ Other _________, _________

Heat __ Gas __ Electric __ Oil
__ Forced Air __ Radiator

Extras __ Air Conditioning
__ Ceiling Fans __ Fireplace
__ Alarm System __ Dishwasher
Range: __ Gas __ Electric
__ Refrigerator
Driveway: __ Asphalt __ Concrete

APPENDIX C

Offer to Purchase Checklist

- ❑ **Step 1:** Prepare to make an offer.
  - ❑ Revisit the neighborhood at various times of day and night.
  - ❑ Talk with prospective neighbors to discuss what it is like to live in the area.

  Review:
  - ❑ Market value of the home
  - ❑ Home's condition
  - ❑ Any special circumstances

- ❑ **Step 2:** Review loan pre-qualification.
  - ❑ Finalize the exact amount you can pay for a home.
  - ❑ Seek advice from your real estate agent, the Ohio Association of Realtors, or your county auditor's office regarding comparable homes in the neighborhood and any other relevant information.

- ❑ **Step 3:** Make an offer
  - ❑ Submit purchase and sale agreement to your real estate agent. This document should include:
    - ❑ Description of property
    - ❑ Price offered
    - ❑ Amount of down payment
    - ❑ Earnest money
    - ❑ Financing
    - ❑ Contingencies, including inspections
    - ❑ Closing date
    - ❑ Occupancy date (date you take possession)
    - ❑ Length of time offer is valid
    - ❑ Any other requirements based on advice from your real state agent or other professional

- ❑ **Step 4:** Seller response
  - ❑ Acceptance
  - ❑ Counteroffer
  - ❑ Rejection

Department of Commerce

Division of Real Estate & Professional Licensing

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