

HOW DO I FINANCE A HOME PURCHASE?

Home purchase financing options vary depending on your income, savings, credit record and life situation. Conventional mortgages amortized over 30 years frequently offer an attractive mix of being low risk and having low interest rates and lender fees. The federal government now regulates interest rates, fees and costs, and borrower eligibility for conventional mortgage loans under recently enacted “qualified mortgage” rules.

If you don't qualify for a conventional mortgage due to past credit challenges, including bankruptcy or foreclosure, you may qualify for a Federal Housing Administration (FHA) loan. An FHA loan is generally offered at regular market interest rates, but allows you to buy a home with a down payment of only about 3.5 percent. An FHA-regulated appraisal and inspection are required, which is typically more in-depth than conventional mortgage appraisals and inspections. FHA mortgages include a required FHA mortgage insurance premium, which is usually included in the original loan. FHA mortgage insurance premiums usually cost less than private mortgage insurance.

First-time home buyers may be eligible for one or more of the programs offered by the Ohio Housing Finance Agency (www.ohiohome.org), and veterans may be eligible for VA loans through the U.S. Department of Veterans Affairs (www.va.gov).

DO I NEED CLOSING PROTECTION COVERAGE?

Ohio law now mandates that closing protection coverage be offered to all parties in a closing transaction: the seller, the buyer and the lender. For a nominal cost, you may elect to buy closing protection coverage for yourself. The insurance underwriter provides this protection for you in case the closing agent steals the closing funds or fails to follow closing instructions provided by the parties. Your purchase of title insurance alone does not protect you against those actions, and you may want to buy closing protection coverage before you hand over funds to the closing agent.



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BUYING A HOME



MIKE FOLEY, CLERK
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WHAT SHOULD I CONSIDER WHEN BUYING A HOME?

For most people, a home purchase is the biggest single investment of their lives. It is, therefore, extremely important for a prospective buyer to use great caution in selecting a home that will not only provide comfort, but will cause as little worry as possible, both while it is lived in and when it is time to sell.

A house may seem to be ideal in appearance and cost, but it may contain hidden defects that detract from its value. This may be true not only of the house's appearance and construction, but also of the title to the land on which it is located. For example, a right-of-way over the land may permit someone to drive across the property, zoning regulations that permit the construction of a factory or commercial building on an adjacent lot, or private restrictions affecting the use or ownership of the property or imposing monetary assessments. It is possible that a title problem may prevent a later sale of the property or be very expensive to remove. Such examples of the difficulties you may encounter show the importance of checking every detail before you buy a home.

Ask yourself:

- Has the seller given you, either before or after your execution of the purchase agreement, the State of Ohio Department of Commerce Residential Property Disclosure Form?
- If the home was built before 1978, has the seller given you the Lead Based Paint Disclosure Form and the Protect Your Family from Lead in Your Home pamphlet required by federal law?
- Do you know of any serious physical defects in the property? If so, how can you protect yourself against such defects?
- Are there personal property items such as pool tables, area rugs, washers and dryers, or lawn equipment that you would like to include in the purchase?
- What zoning regulations affect the property?
- Have the utilities been installed and paid for?
- Are there any easements or restrictions on the property?

- Are there any unpaid real estate taxes or special assessments associated with the property, and if so, is the seller paying them off before or at closing?
- How are current real estate taxes and special assessments to be prorated at closing?
- Are there mechanics' liens or other monetary liens against the property?
- Is there a provision in the real estate purchase contract for the seller to furnish "marketable" title to the property?
- What type of title evidence is to be furnished and who is to pay for it?
- What kind of deed must the seller give (general, limited, quitclaim)?
- What are the terms of payment of the purchase price?
- When can you have possession?
- Who will be responsible for fire or casualty loss if that occurs after signing the contract, but before title is transferred?
- Is title insurance advisable?

WHAT IS A PURCHASE AGREEMENT?

A purchase agreement is a document that is just as important as the deed itself. It should contain an accurate description of the property and all of the terms of the sale, including the price, the terms of payment, the type of deed to be given, the date of possession, provisions for the furnishing of title evidence, proration of real estate taxes and casualty losses, and matters on which the buyer may want to make the purchase contingent, such as financing, inspections, the sale of an existing residence, etc. In many cases, provisions for items of personal property or fixtures may be needed.

IS A PURCHASE AGREEMENT ENFORCEABLE?

To be enforceable, a purchase agreement must be in writing and must be signed by both the seller and buyer and, if the seller is married, by the seller's spouse. The reason for this is that the seller's spouse has an interest in the property (known as dower rights) that cannot be taken away without consent. Therefore, make sure that

the agreement you sign is properly binding on both the seller and the seller's spouse.

WHAT IS OHIO'S RESIDENTIAL DISCLOSURE LAW?

Under Ohio's residential disclosure laws, the seller of a home, except in limited circumstances, must disclose to prospective buyers certain information concerning the condition of the home. The information must be disclosed on a form prescribed by Ohio's Department of Commerce. This form is known as the Residential Property Disclosure Form. The form must be signed by the seller, and the buyer must acknowledge receipt of the form. The seller's disclosure contained in the form is limited to conditions known to the seller and is not a substitute for a professional inspection of the home.

The buyer should require the seller to provide the form before the buyer enters into a purchase agreement. However, the form may be given after the agreement is signed by the buyer. If the form is provided after the buyer has entered into the contract or if the form is not provided to the buyer, the buyer, without incurring any liability to the seller, has the right to rescind the agreement. This rescission right must, however, be exercised before closing and within certain limited time periods. The residential disclosure laws establish other rights, obligations and limitations for both the seller and buyer. To fully understand these rights, obligations and limitations, you should consult an attorney.

