

HOW TO BUY A HOME

By Joseph A. Bollhofer, Esq.

Buying a house is never an easy thing. Buying your first house can be especially trying. First, of course, you must determine your price range and approximately how much of a mortgage you can afford. Having a “pre-qualification” letter from a lender will help to show that you are a serious buyer. However, it is no guarantee that you will obtain the mortgage commitment.

This is not meant to instruct you as to how to obtain a mortgage, or how to estimate the size of the mortgage for which you might qualify. Rather, this will simply be an overview of important considerations and what you are entitled to expect in a typical real estate purchase.

First, KNOW THE MARKET as well as anyone. Read real estate periodicals, such as newspapers. Research your target geographic areas on line. Contact multiple real estate brokers. Go out on your own, on weekends and weekdays. Make sure you have a good understanding regarding what it might take to make a house suitable for your purposes. Make sure you investigate property taxes (town assessor’s office), schools and the general neighborhood. If there is vacant land nearby, find out who owns it and how it is zoned. Consider contacting the local building and planning departments to find out if there are any proposals for construction.

Once you have made an offer that is accepted, a contract will be prepared. Before contract signing, make sure you have made a thorough inspection of the house so that any necessary repairs can be negotiated. Most buyers do hire an expert to do an inspection pre-contract. Make sure you hire a lawyer you can rely upon. This is no place to skimp. If the purchase is new construction, be aware of “options” (upgrades) that are not included in the base price, and get prices before you sign a contract.

You should expect that, in the typical resale, the seller will be responsible to make sure that all of the mechanical systems and appliances will be in working order and the roof and basement free of leaks at the time of closing. It is only in rare instances that the seller will be responsible for any problems that are discovered after closing.

The typical contract is subject to an inspection to determine whether there are any wood destroying insects or resultant damage. The seller usually has the option of treating the condition and repairing any damage or declining to do so and refunding the contract deposit. You can expect that you will have to pay five to ten percent of the purchase price upon signing the contract. This deposit will be held in escrow by the seller’s attorney until the closing.

The typical time frame from contract to closing is approximately sixty days. During this time, a title search will be done to insure that the sellers have “clear” title and you will usually have forty-five days within which to obtain a mortgage commitment. Lenders usually attach various conditions to the mortgage commitment, and it is important that throughout the process you cooperate and respond timely to all requests that the lender makes. If you do not obtain a mortgage commitment within the time frame allowed by the contract, the seller may cancel the contract and return your deposit. However, if it is shown that you did not obtain a commitment because of your failure to truthfully and diligently cooperate in that process, your contract deposit could be in jeopardy.

Some lenders will give you the option to “lock in” your interest rate. I recommend that you do not lock in any interest rate without first consulting with your lawyer so that you can be assured that the closing will take place before the lock in period expires.

Lenders are required to give you a “good faith estimate” of your closing costs within three business days after you apply for the mortgage. Often I find that clients who simply look for the cheapest deal are unpleasantly surprised. My best advice is to obtain a referral or two from someone you trust who has had a good experience with a lender.

While the purchaser of a newly constructed home is entitled to certain minimal warranties under New York law, no such law exists in New York. New York does have a “Property Condition Disclosure Act” that applies to sales of used homes, but sellers can easily decline to provide the disclosure by giving a \$500.00 credit to purchasers. Since \$500.00 in the scheme of things is not a lot of money, virtually every seller gives a credit rather than the disclosure. This means that after closing, the seller has no liability for any problem that is discovered unless a buyer can prove that the seller fraudulently concealed the problem.

At the closing, the deed is exchanged for the purchase price and the buyer reimburses the seller for any fuel oil, pre-paid property taxes, common charges and any other minor applicable adjustments. Occasionally, the seller will not be able to move out before the closing, and the contract typically provides for the seller to stay in the house for a few days after closing under a written agreement where money is held in escrow to make sure that everything is okay after the seller finally moves out.

Although a house purchase is always a significant change in someone’s life, knowing what to expect goes a long way in making the process run smoothly.

While this summary addresses the main concerns involved in purchasing a home, each purchase varies. Therefore, it is strongly recommended that you obtain the advice of an attorney before signing any document.

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Editor's Note:

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