HOMEBUYERS GUIDE

Ohio Department of Commerce

Division of Real Estate & Professional Licensing

The Ohio Department of Commerce's mission is to promote prosperity by protecting what matters most. 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 and home inspectors. Regulation of these professionals 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 resource 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, appraisers, attorneys and licensed inspectors can assist you with and advise you on the details of your purchase.

The Division is pleased to provide the information 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 license 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 cannot guarantee the accuracy or availability of the content of this information. 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 license.complaints@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. Doing a little homework upfront will help you be prepared for requests from agents, lawyers, lenders and a host of other professionals. These steps will reduce unpleasant "surprises" during the transaction. (*See Appendix A for a checklist.*)

Why Buy?

It is important, first, 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 have appreciated in value and a profit can be made from 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.

The federal income tax code provides several benefits for homeowners, with the most significant typically being the mortgage interest deduction. For example, homeowners can deduct interest paid on mortgage debt of up to $750,000 (or $375,000 if married filing separately) for loans taken out after December 2017. Consult a tax professional to understand how these rules apply to your specific situation.

Unlike rent, which can increase annually, most mortgages have fixed or capped monthly principal and interest payments. This can provide financial security by 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 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 in 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 able to direct you to find information about a neighborhood you may be considering, such as school ratings and safety statistics. The agent can supply information on real estate values, taxes, and municipal services and facilities available.

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 connect with the best lending options. The agent can help you prepare an offer to purchase and help with negotiations. The agent can also be of assistance with lining up inspections and during the buying 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 the possible roles of your real estate agent in your real estate transactions. 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, however, read this form carefully.

In addition to the Consumer Guide to Agency Relationships form, you will also be presented with an exclusive or non-exclusive buyer agency agreement either prior to showing any properties or before preparing an offer to purchase.

How Much Can You Afford?

As a general suggestion, no more than 30% of your monthly gross income should be budgeted for housing expenses: Principal, Interest, Real Estate Taxes and Homeowners Insurance (PITI).

Additionally, if you have less than 20% down on a Conventional Loan you will also be required to pay PMI (Private Mortgage Insurance). The Federal Housing Administration requires MI (Monthly Mortgage Insurance, regardless of down payment). These amounts should also be factored in to your "housing expenses."

Unless you have 20% down or more on your loan, the taxes, insurance and mortgage insurance will be escrowed. "Escrow" means that you pay a certain amount each month which gets held by your loan servicer so that when your annual bills for taxes and insurance are due, the servicer will have sufficient funds to pay them, held in your "escrow account." Taxes and insurance vary each year, so annually you will receive an "Escrow Analysis" which will show you what was paid the previous year and what the anticipated payouts will be in the upcoming year. *Note: Your payment MAY change annually based on your taxes and insurance, but your principal and interest, on a Fixed Rate loan, will remain constant for the entire time you have that loan.*

Generally, if you have minimal debt, your "affordability" for purchasing will be three times your annual income. Lenders will only base your affordability off the income of the borrower(s) on the loan, not household income. *Caution: Many lenders may preapprove you based on your income and debt, but your "buying power" should be based on the number you are "comfortable" with. For example, if a lender says you can buy a house for $300K but the payment you are comfortable with monthly based on your life and desires is more suited for a $250K house, then shop for $250K.*

Getting "Buy Ready!"

Most people, especially first-time homebuyers, will finance part or all their home purchase with a mortgage. Loan terms are individual to the consumer, based on debt, income, loan type, property type and credit score. The better your credit score, the better your interest rate options will likely be.

It is best to meet with a mortgage professional a few months prior to starting the house search, to determine eligibility and address any known or unknown issues you may have with your credit, income or job history. Often, consumers wait until the last minute and then become disheartened and frustrated with the process due to unforeseen issues or mortgage guidelines that they were simply not aware of.

Checking your credit annually is also a good practice to see if there may be reporting discrepancies, collections and/or any errors which may negatively impact your credit scores.

Opening new debt, especially large purchases for appliances, furniture, and vehicles, is not recommended when you are in the process of searching for a new home. Your Mortgage Loan Officer should be able to best guide you on the best practices and the Dos and Don'ts when in the market for a new home.

Your Credit Rating

Mortgage Lenders use the FICO scoring system in determining eligibility for home shopping. If you get credit alerts or subscribe to other online credit alerts, those scores are based on the VANTAGE system and that is a completely different scoring calculation. The FICO scores are based on 5 components:

1. **Payment history (35%):** Paying off debts on time has the greatest positive impact on your credit score. Late payments, judgments, collections, etc. all have a negative impact. Recent delinquencies from the past two years will have a significant impact in a negative way on your scores.
    a. **Outstanding Credit Card Balances (30%):** This ratio is determined between the amount owed and the remaining available credit. **Your goal should be to**

always keep your credit balance below 30% of the credit limit. Ideally, you should keep balances as close to zero as possible.

2. **Credit History (15%):** This portion of the credit score indicates the length of time since a particular credit line was established.
3. **Types Of Credit (10%):** A good mix of credit, which includes 3-5 open, active accounts with a mixture of installment and revolving is best.
    a. **Inquiries (10%):** This portion of your score is based on the number of inquiries made to your credit within a 12-month period. Each new inquiry, or hard inquiry, may reduce points from your score. *Please note:* The FICO algorithm recognizes when you are shopping for a mortgage and a "30-day window" allows for grace when calculating your FICO score. If you get credit alerts from your financial institution those scores may show a variance, but that is based on your VANTAGE, not FICO, scoring system.

Financing Your Purchase

Approximately 80% of people buying a home choose or need to use financing. Loan rates, fees and terms may vary slightly between lender to lender but the loan types available are standard in the industry when obtaining a qualified mortgage loan. Standard Loan Types are Conventional, FHA, USDA and VA. The loan terms such as length of loan (15, 20, 25 or 30 years) are determined on an individual basis and depend on your eligibility.

Adjustable-Rate Mortgage (ARMs): Usually offer a lower initial interest rate than fixed rate loans, but your rate and payments can increase or decrease based on market rate fluctuations. APR (Annual Percentage Rate): The yearly cost of a mortgage, including interest, mortgage insurance, the origination fee & points, expressed as a percentage.

Cash to Close: The amount of money you need to bring to the closing, which will include your closing costs, any down payment and escrows for taxes and insurance.

Closing Costs: These expenses are in addition to the price of the property in a real estate transaction. Costs incurred included, but not limited to, are lender origination fees, discount points, third-party fees associated with your loan, appraisal fees, title company fees, survey fees, taxes if applicable and deed recording fees.

Closing Disclosure: An initial closing disclosure is sent during the loan process when certain milestones are met and will still be an estimated version of costs for closing, but needs to be acknowledged by the borrower(s) at least 3 days (72 hours) prior to the actual final closing. The closing disclosure outlines the final cost and fees associated with the loan for the borrower. It lists all closing costs, prepaids and monthly payments for the borrower(s) new mortgage, in addition to the rate, type and term of the borrower(s) new mortgage. The borrower(s) will review and sign a copy of the final closing disclosure at the closing.

DTI (Debt to Income): The percentage is calculated using minimum monthly payments reflected on credit in addition to your housing expense (PITI). The underwriter uses this ratio to determine risk and eligibility.

Earnest Money: Usually paid by certified check, ACH or wire transfer into a trust account or escrow account held by a Real Estate Brokerage, legal firm or title company. The funds will be held in the account and credited toward your cash to close when the home sale is finalized.

Escrow: An Escrow payment is a common term referring to the portion of a mortgage payment that is designated to pay for real property taxes and hazard (homeowners) insurance. It is an amount "over and above" the principal and interest portion of a mortgage payment. *Note: With a Fixed Rate Mortgage your principal and interest will never change if you have the loan, however, your total monthly payment MAY vary annually due to increases/decreases in your taxes and insurance.*

Escrow Analysis: An annual analysis statement will be sent to you and indicate if the monthly payment will change for next year, based on projected taxes and homeowners' insurance bills to be due in the coming year. It will indicate if there are any anticipated or known shortages or surpluses in the account. If there is a shortage, the shortage will be spread over the next 12 payments OR you can opt to pay the shortage all at once, thus keeping your current monthly payment the same. If there is a surplus, it will be credited to the account or sent as a check if it is over $50.

Fixed Rate Mortgage: When your mortgage is "fixed" that means the interest rate stays the same for the entire term of the loan. Your Principal & Interest payments remain stable and consistent, making it easier to plan your monthly budget.

Interest: Expressed in a percentage, the interest rate determines the amount of interest the lender charges you to borrow the money.

Loan Estimate: The loan estimate provides important details about a requested mortgage loan. The estimate includes interest rate, lender fees, monthly payment, escrow set up, other third-party closing costs and any credits or charges specifically associated with the purchase contract. NOTE: The loan estimate cannot be issued until a subject property has been selected and under contract.

Loan-to-Value (LTV): The Loan-to-Value represents the percentage of a homes appraised value being financed. LTV is an essential piece of the loan in determining rate, eligibility and underwriting requirements.

Mortgage/ Mortgage Financing: The mortgage document itself is the security instrument filed at the county in which the property is located, and it places a lien on the property indicating the collateral is secured by financing the lender. Mortgages can be obtained from mortgage bankers, mortgage brokers, depository banks, credit unions, commercial banks and sometimes insurance companies. To apply for a loan, an application will need to be completed and supporting documentation provided to verify your income and assets. The lender will determine your eligibility based upon all provided.

Mortgage Insurance Premium (MIP) / Private Mortgage Insurance (PMI): If your down payment on a Conventional loan is less than 20% down, your lender will require PMI which insures the lender in case you default on your loan. Lenders can compare their rates to find you the optimal rate for your PMI. Generally, on a Conventional loan your PMI will be removed when you are 78% loan to value. If your loan is an FHA loan your mortgage insurance (MIP) is through HUD, as they are insuring the lender against default. FHA MIP is paid for the life of the loan unless you have 10%-20% down it may be released sooner or when you are at 78% loan to value. The Veterans Administration insures VA loans and it is a one-time fee, and the United States Department of Agriculture insures USDA loans. Again, mortgage insurance, regardless of loan type is insuring the lender, not the consumer, in the event you are unable to make your mortgage payments.

Principal, Interest, Taxes and Insurance (PITI): PITI is an acronym which stands for Principal, Interest, Taxes and Insurance. This is the housing expense used to determine eligibility for the mortgage loan and is the four components that will make up your actual monthly mortgage payment. If you have 20% down or more and choose not to escrow, your payment will only include your principal and interest, however, underwriting will still use the total PITI for approval.

Preapproval: A loan offer is granted after a collection of some basic information and verification of employment, income, assets and credit scores. It is not a guarantee of an officially approved loan, but it is a recommended and necessary step, per lenders and real estate agents, in the home buying process, before looking at houses.

Purchase Agreement: The contract to purchase a piece of real estate. Purchase agreements are state and regionally specific because real estate law and practices vary by state.

Loan Amount	Rate	Monthly Pmt.
$100,000	5.00%	$536.82
$100,000	5.50%	$567.79
$100,000	6.00%	$599.55
$100,000	6.50%	$632.07
$100,000	7.00%	$665.30
$200,000	5.00%	$1,073.64
$200,000	5.50%	$1,135.57
$200,000	6.00%	$1,199.10
$200,000	6.50%	$1,264.14
$200,000	7.00%	$1,330.60
$300,000	5.00%	$1,610.46
$300,000	5.50%	$1,703.37
$300,000	6.00%	$1,798.65
$300,000	6.50%	$1,896.20
$300,000	7.00%	$1,995.91
$400,000	5.00%	$2,147.29
$400,000	5.50%	$2,271.14
$400,000	6.00%	$2,398.20
$400,000	6.50%	$2,528.28
$400,000	7.00%	$2,665.20
$500,000	5.00%	$2,684.11
$500,000	5.50%	$2,838.95
$500,000	6.00%	$2,997.75
$500,000	6.50%	$3,160.34
$500,000	7.00%	$3,326.51

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

The estimated monthly payment amount is for principal and interest only. Your full monthly mortgage payment will also include property taxes and insurance, as well as any applicable PMI or MIP (Private Mortgage Insurance or Monthly Insurance Premium).

Should I be preapproved for a loan?

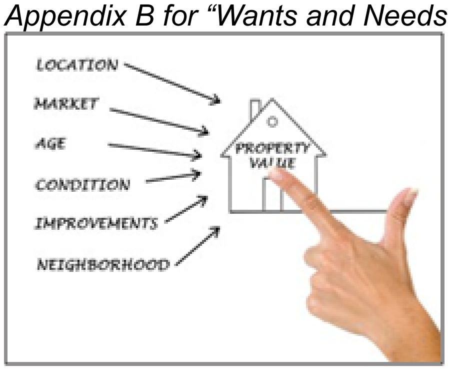
Before you begin to shop for a house or consider making offers, it is in your best interest to get preapproved for a mortgage loan. The process includes meeting with and/or talking with a loan officer, having your credit files reviewed along with income and asset verifications. Much of this can be done electronically now, which makes it more convenient for consumers, but meeting with your loan officer in person can be especially helpful for first-time homebuyers. Based on the information the lender obtains from you and various third-party sources, the lender will issue you a preapproval letter which shows your maximum borrowing power in a dollar amount.

Although this is not a formal loan commitment, the letter of preapproval can be provided with an offer to assure the listing agent and the seller of your ability to secure financing. This is incredibly important, especially in a competitive market, because the sellers do not want to accept an offer that is likely to fall through due to the buyer(s) being unable to complete the mortgage process.

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 price location, size, amenities and design. It often pays to attend several open houses but be sure to discuss this with your buyer's agent first. He or she may want to attend with you or call the listing agent in advance. Many listings offer virtual tours to provide a more detailed preview of the home to potential buyers. You can see a variety of options to help you develop a list of your requirements.
Be sure to also discuss the pros and cons of building a home with a local builder vs buying an existing home. 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 licensed 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 builder's model is all standard. Most builders offer a wide range of options from doors and windows to flooring to countertops and fixtures.

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



Your agent will direct you on how to find information on the following in order to narrow your search:

- School ratings
- Proximity to shopping, hospitals, 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. Averages of 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 the information about the property that your agent provides you with. 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.

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 will also want to have a qualified home inspector visit the house before you close on the property. There are several places to look for a home inspector including the division’s License Lookup Tool. Your agent can provide you with a list of at least three home inspectors in the area. 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. In addition to a home inspection, your lender will likely require a wood destroying insect inspection. If not, you may still wish to do so. If you are buying in a rural area, you will also want to have the well and septic inspected. Some buyers also opt for additional inspections or testing for things such as radon gas. These tests/inspections usually come with an added cost.

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/carpeting/another 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 electricity?

- What is the condition of the electrical system? Are 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 (if they comply with current laws), not just the current owner(s). They may involve pet restrictions, type and height of fencing, outbuildings, restrictions on removal of trees, or not allowing your small business to run out of your home

You may also want to check to see if there is an active Homeowners 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 preapproval 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 or adding sidewalks. The total cost of the project is divided amongst the properties benefiting from the improvement(s), spread over several 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. The homeowner should disclose these on the Residential Property Disclosure Form (page 4, Section L) 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 **https://www.hud.gov/contactus/lead-based-paint-guidelines**.

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 **https://www.cdc.gov/mold-health/communication-resources/guide-to-mold-cleanup.html**.

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 **https://www.epa.gov/asbestos**.

Residential Property Disclosure Form: The seller must disclose the condition of the property in the Residential Property Disclosure Form www.com.ohio.gov/propertydisclosure. 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. It's not a bad idea to Google the address and click "news."

The greatest protection comes from doing research — or having research done on your behalf — about the property in which you are interested. For instance, you may consult the Ohio Sex Offender Registry from the Ohio Attorney General's Office to locate specific offenders or identify offenders in their communities. Ohio law requires sex offenders to register their home address, work address, and vehicle information with their local sheriff's office. Search by address, name, city and more, and sign up to receive email alerts for your community. Visit https://ohio.gov/residents/resources/sex-offender-search.

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 http://www.ohiobar.orgfor 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 appliances, drapes, carpets, fireplace tools, or anything else to remain with the house, it must be included in your offer.
- The 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 and insect, structural and other kinds of inspections.

Payment of deposit, or earnest money. While the custom of earnest money varies from place to place, and year to year, it is not uncommon for an earnest money deposit to be put down at the time the offer is made. You initially determine the amount of the earnest money deposited; however, the seller may want to negotiate the amount. 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.

When using an agent’s services, the real estate brokerage will typically hold this deposit, but the exact terms will be written in the contract. 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 a 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 fulfil the contract.

During the period from acceptance of the offer until the title transfers at the closing, you as the buyer are 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 maintains 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 obliged 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 to the purchase price of the property if title to the property is found to be invalid. This is often purchased with a one-time 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 contingency, an unfavorable inspection will not be ground 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. 6.)

Obtaining insurance. Lenders typically will not let you close the deal on your home purchase if you do not have homeowners' insurance. You will want to start this process early by checking with your insurer during the home inspection period. If the insurability of the home is cost prohibitive, you will want to know that earlier rather than days before closing. 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 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. You will also need to be able to bring acceptable identification with you to the closing. Reach out to your real estate agent or title agent prior to closing.

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 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 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 must 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 fewer 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. However, even with experience, some damage, like water or mold can be quite costly to remediate.

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 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 to obtain a loan to purchase the property. If the buyer cannot fulfill their obligations in the land contract, the property reverts 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 they been discriminated against should contact the Ohio Civil Rights Commission or the U.S. Department of Housing and Urban Development (HUD).

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Appendices

Appendix A

Homebuyers Checklist

- Real Estate Agent
- Mortgage Budget
- Self-Credit Check
- Loan Preapproval
- 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 (if necessary)
- Arrange for utilities
- Closing – get the keys!
- Record the Deed

Appendix B

Wants and Needs

Price Range: $____ to $_____

Age of Home: __ New ___ Existing (__ Years Old)

House Size: _____ Square Feet

Style: Ranch, Two-Story, Bi-Level, Split

Rooms:

- ___ of Beds
- ___ of Bath
- ___ Finished Basement
- ___ Den/Study
- ___ Family
- ___ Dining
- ___ Living
- ___ Laundry
- ___ Porch
- ___ Deck/Patio
- ___ Garage
- ___ Outbuilding
- ___ Fenced Yard
- ___ Other

Heat:

- ___ Gas
- ___ Electric
- ___ Oil
- ___ Forced Air
- ___ Radiator

Extras

- ___ Air Conditioning
- ___ Hot Tub
- ___ Ceiling Fans
- ___ Dishwasher
- ___ Fireplace
- ___ Alarm System
- ___ 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 prequalification.

- Finalize the exact amount you can pay for a home.
- Seek advice from your real estate agent, or your county auditor’s office regarding comparable homes in the neighborhood and any other relevant information.

Step 3: Make an offer

- Your agent will draft the purchase agreement. This document should include:
  - Description of property
  - Price offered
  - Type of financing
  - Earnest money
  - Items to be included/excluded
  - 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 estate agent or other professional

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