Buyer Beware:

Important Information to Help with Your Home Purchase

Every situation is different; this guide may not address all the important things when buying a house. To protect yourself and make sure you are getting the best deal, we strongly encourage you to use counselor certified through the Department of Housing and Urban Development (HUD). Many of these services are free.

**12 Tips for Purchasing a Home**

1. **Do your research before purchasing a home** – Buying a home is complicated, so don’t be afraid to ask for help. Visit the house and talk with neighbors. Read everything very carefully.

2. **Make sure everything is covered in the purchase agreement** – The purchase agreement is the binding document for your purchase. If the terms are not in writing, then you have no legal protection! Everything is negotiable before you sign this important document. Have this document reviewed by a lawyer or an organization familiar with housing law.

3. **Make sure you work with a realtor instead of a real estate agent** – Ask your realtor if they belong to an association. A realtor should be a member of an association such as the Detroit Association of Realtors or Oakland County Association. These associations will verify if your realtor is in good standing.

4. **The seller should provide a title commitment as part of your purchase** – This will identify any problems with tax debt and liens and help you make sure the seller owns the property. If a seller does not want to provide title commitment (for title insurance), this could be a red flag. You can pay for a title search and add in writing to the purchase agreement that the purchase depends on the title search. Paying for a title search can save a lot of money in the end.

5. **Ask the water department to check the remaining water bill** – At the time of closing, the contract should say who is responsible for paying the remaining water bill. This should be a part of your purchase agreement. Like property taxes, the water bill attaches to the house, not to a person. Once you purchase the house, you will be responsible for the remaining bill.

6. **Check the property tax debt for the house** – You will be responsible for any previous debt once you become the owner of the house. You should check the tax bill online at [http://www.waynecounty.com/PTA/](http://www.waynecounty.com/PTA/) (Click ‘Enter Site’, then click ‘Accept Disclaimer’) or at the Wayne County Treasurer’s Office on 400 Monroe St, 5th floor. A title search or title insurance will also let you know if there is any tax debt.

7. **You tax bill depends on the time of year** – Your tax bill for the current year will depend on when you bought the house. If the tax is already paid for the year, you may owe money to the seller.
12 Tips for Purchasing a Home, continued

8. Ask yourself how much repairs will actually cost – Take into consideration roofing, plumbing, electric, and heating repairs. Depending on what is needed, these repairs can be extremely costly. If the house is in bad condition, repairs could cost you a lot of money! If repairs are not made, the house can cause serious health problems for you and your family.

9. Add up yearly tax payments, maintenance, and utility bills – Make sure you can afford tax payments, including the tax debt, before you purchase the home. If you do not pay the previous tax debt, you could lose the home to tax foreclosure. If the house has drafty windows or if you need space heaters, you could have very high DTE bills. Consider utility bills as part of your monthly cost.

10. Be sure to record the deed - Recording your deed will protect your ownership and help you be eligible for the lower homeowner tax rate and additional programs. To record a deed in Wayne County, you can go to the Wayne County Register of Deeds (400 Monroe St, 7th floor). You must file a Property Transfer Affidavit and Principle Residence Exemption (for homeowners only) at the city assessor’s office (Detroit’s office is at Coleman A. Young Building, 8th floor). You must file an affidavit within forty-five days of signing the deed or you will have to pay a fine.

11. Be sure to record the land contract if you are purchasing through land contract – If you cannot record a land contract due to delinquent taxes, you should record a memorandum of land contract. You can record this contract at the Wayne County Register of Deeds (see above). Recording this contract will provide you with more protection when you want to transfer ownership.

12. Visit a HUD-certified counselor before buying a house - Many HUD-certified services are free and will give you the information you need to buy the best house for you and your family. If you use a counseling agency that is not HUD-certified, there may be extra hidden costs.

Finding the right house is one of the most difficult decisions you will make. Following these tips, doing your research, and asking for help will make sure you get the best deal for your family.

Key Questions to Research when Purchasing a Home

Q: What is the current tax debt? (don’t rely on the seller for information; check this through the Wayne County Treasurer’s Office)

Q: What is annual tax bill?

Q: Who is the legal owner of the property (the person whose name appears on the deed)?

Q: What additional repairs are needed? Do I have a plan for completing these repairs or know the cost of repairs?

Q: If I cannot make these repairs, will the house be livable? What will utility cost be without repairs?

Q: Are there any liens on the house (e.g. tax, water bills, second mortgage)?

Q: Is there utility theft on record? (Title insurance will help you determine this.)
Buyer Beware: Signs of a Scam

Beware of any of the following situations when buying a house!
It could be a scam if a seller:

⇒ Makes promises or tells you they will do something but will not put it in writing
⇒ Tells you not to worry about taxes
⇒ Asks you to sign something without reading it
⇒ Asks you to sign with blank spaces
⇒ Is reluctant to provide title insurance or show documentation
⇒ Will not record a land contract
⇒ Tells you not to contact an attorney
⇒ Pressures you to make a quick decision
⇒ Is not a member of a Realtor Association

And remember, if it is not in writing, you do not have any legal protection!

If You Already Own Your House:
While this booklet talks about scams when buying a home, current homeowners should also be careful of scams with people offering to buy your home. If someone pressures you sell your home quickly or you see any of the signs above, this could be a scam.

Different Types of Home Purchasing
Buying from an Investor vs. Buying from a Tax Auction

Buying from an Investor:

These types of purchases include land contracts, mortgages, or cash purchases. This includes purchasing as-is homes.

• Tax debt will not be reset when you buy from an investor, so you still have to pay previous tax debt. There should be language in your contract about who is responsible for tax payments.
• Even if your contract says that the seller will pay the old tax debt, your contract should require proof of payment. If the seller does not pay this debt, the new homeowner is still responsible for this debt.
• You may want to negotiate to reduce the purchase price by the past tax debt and pay the back taxes yourself. You could lose the house to tax foreclosure if taxes are 3 years or older.

• You will be responsible for previous unpaid water bills.
• Utility theft may still be on record so you would have to handle the case directly with Theft Recovery at DTE.
Buying from an Investor vs. Buying from a Tax Auction, continued

**Buying from a Tax Auction:**

- You will not owe taxes for previous years. However you still owe taxes for the year of purchase.
- You will not owe water bills from before you brought the property but you may be responsible for any water bill that was transferred to the tax bill in the year of the auction.
- While you may pay a low price for the house, you will be responsible for any needed repairs.
- Even if house is for sale through the tax foreclosure process, **the house may still be occupied**. If someone is living there, you will have to go the District Court in order to evict someone from the home after you receive your deed.
- The home may still be under statutory redemption when you purchase the home. This means that the previous homeowner may still be able to buy the house back. If this happens, you would get your money back plus interest.
- The utility theft may still be on record. In this case, you would have to handle the case directly with Theft Recovery at DTE.

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**Considerations When Purchasing on Land Contract**

For a land contract, the seller holds the title or deed to the property until all the payments have been made.

- It is extremely important to record your land contract.
- If there is still tax debt, you will not be able to record your land contract at the Wayne County Register of Deeds (400 Monroe St, 7th floor). In this case, you should record a Memorandum of Land Contract.
- The land contract should say who is responsible for paying the taxes and what type of documentation will be used for proof of payment. If there is current tax debt, the contract should say who is responsible for previous debt.
- If the seller is responsible for previous debt, have a plan for addressing this tax debt if they do not make all of the payments. If the seller does not pay taxes, you could lose the home to tax foreclosure.
- Save copies of all payments (cancelled check, money order receipts that clearly states where money went) in case there are problems with transferring ownership.
- The land contract should be clear on who is responsible for paying the water bill and how this is recorded with the Water and Sewerage Department.

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**Different Types of Deeds**

A property deed is a written and signed legal document that is used to transfer ownership of a home from the old to the new owner.

**Quit Claim Deed:**
This type of deed does not guarantee that the seller is the owner. Instead, it says that whatever they have, they are selling to you. This could mean that the house has probate issues or liens on the house.

**Warranty Deed:**
You can only record a warranty deed if you have a clean tax bill and no liens to the property. Warranty deeds are insurable. Warranty deeds are recommended since it means there is clear title and no liens on the property.
HOW TO: Instructions and Locations for Different Steps of the Home-Buying Process

Before Purchasing:

**Check County Tax Debt:** To see if the seller has unpaid property taxes with Wayne County, you can either go online at http://www.waynecounty.com/PTA/ or at the County Treasurer's Office at 400 Monroe St., 5th floor.

**Check Ownership:** You can verify that the seller is the actual owner of the property and print out a copy of the deed at the Wayne County Registrar of Deeds (400 Monroe St. 7th floor). This search will cost $5 and it will be $1/page to print a copy of the deed.

After Purchasing:

**Record a Deed:** Go to the Wayne County Register of Deeds (400 Monroe St, 7th floor). Recording your deed will protect your ownership and help you be eligible for the lower homeowner tax rate and any additional programs. There is a small fee to record a deed.

**File a Property Transfer Affidavit and Principle Residence Exemption:** You would file this at your city’s assessor’s office. In Detroit, this office is in the Coleman A Young Building, 8th floor. You must file an affidavit within forty five days of signing the deed or you will have to pay a fine. The Principle Residence Exemption will help you to get the lower property tax rate for homeowners.

Disclaimer: While this document provides important information, this does not substitute for legal advice from a real estate attorney or a housing counselor.

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