



BUYING A HOME: KNOW THE BASICS

by Texas Attorney General Greg Abbott

FOR MOST TEXANS, buying a home can be an overwhelming task, whether you're a first-time home buyer or a seasoned veteran who has moved many times. As a prospective home-owner, you should know the basics about home buying to keep from falling victim to unethical sellers who try to exploit the lack of familiarity that consumers have with real estate transactions.

Several parties are involved in the home buying process, beginning with a financing institution. Many sellers will offer to finance the home for you, but it is always a good idea to be pre-approved for a loan, because it puts you in a better position to negotiate interest rates and other terms.

A title agent will conduct research about the home's previous ownership and the lot on which it is built. A title search will reveal whether there are any outstanding debts on the home, such as back taxes a previous owner failed to pay or outstanding liens. Many consumers who have been scammed in real estate transactions were persuaded by fraudulent sellers to forgo a title search. This decision sometimes left the homeowners facing title problems, enormous debts and foreclosure on homes on which they had made substantial down-payments.

When you have found a home that you are interested in, insist that an independent appraiser assess the fair market value of the property. If the seller insists that an appraisal is not necessary or that you use a different

appraiser, it could be a sign of someone who is asking too much for the home.

You should also insist on an independent inspection, even if the home is new, to identify any structural problems or other defects that could jeopardize your investment.

Fees for title companies, inspectors and appraisers are included at the closing of the home-buying transaction. Carefully review all documents and never sign a home-purchase document you do not fully understand or a document that has blank spaces.

Before closing, ask your lender whether property taxes will be included with your monthly payment and, if so, make sure this agreement is in the contract. Some consumers have discovered that they were liable for large tax bills only after living in their homes for several months. Contact your local taxing authority to get an idea of how much property taxes will be after your first year in the home.

You will also want to find out whether the financing institution will be collecting insurance premiums, whether they are part of your monthly payments, and what those fees will be before you finalize the contract.

Do not provide substantial sums of money before the deal is finalized. Unethical mortgage brokers or sellers will ask for thousands of dollars up front to guarantee the loan and then disappear with the money without providing the promised financing. Limit earnest money to a few hundred dollars, and talk with your real estate agent about a termination option,

which is an agreement you and the seller can enter into that will allow you to terminate the contract within an agreed-upon time window.

Increasingly, my office is receiving complaints about mortgage acceleration specialists who falsely tell consumers they can help them refinance their home and save thousands of dollars. Typically, these companies will offer to deduct payments from the homeowners' checking account and promise to forward that money to the original lender. Be wary of any mortgage acceleration offer. It is not the same as refinancing, and if the mortgage acceleration specialist does not forward payments on time, you could be putting your home and credit history in jeopardy.

I am committed to making sure that Texas consumers are not taken advantage of during the home buying process. In January, my office reached a \$325 million multi-state settlement with Ameriquest Mortgage Corp. that prohibited the company from engaging in predatory lending and high-pressure sales tactics. The company also agreed to several major home finance reforms and improved business practices.

A mortgage may be the single most difficult—and most valuable transaction you will ever undertake. I encourage you to seek personalized advice from qualified professionals regarding all personal finance issues.

POINTS TO REMEMBER



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Involve the following parties:

- Financing institution
- Title company
- Independent appraiser
- Independent inspector

Do not provide large sums of money up front.

Beware of mortgage acceleration scams.

Texas Real Estate Commission
<http://www.trec.state.tx.us/consumer/default.asp>

Consumers who believe they may have been defrauded or misled by a mortgage company may call the Attorney General's toll-free complaint hotline at (800) 252-8011 or file a complaint online at www.oag.state.tx.us



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