

REAL ESTATE NEWS

Don't let 'extra' costs spoil first home buy

By Doug Funkh

The down payment and monthly mortgage payments are only two cash elements involved in purchasing a house.

First-time buyers should anticipate coming up with several thousand dollars from the time they make an offer to actually moving in.

"Many people don't account for the little extras and end up disillusioned with a home purchase," said Doug Stranahan, divisional president of Century 21 Great Lakes.

"It is important to sit down with your real estate agent and make a list of all the costs you anticipate. Your agent can help you ensure that you aren't forgetting anything."

Those extras include earnest

money, mortgage application fee, points, inspection, mortgage insurance, homeowners insurance, real estate taxes, utility hook-ups and legal fees.

Earnest money is included with a purchase offer to show sincerity of purpose. Typically, this is the first check written in the process and is a percentage of the offering price.

"Three percent is a general rule of thumb, but that doesn't mean it has to be that," said Michelle Michael, an agent with Re/Max Executive in Farmington Hills. "I've seen them from \$500 to 5 percent."

A 3-percent earnest deposit with a \$60,000 offer is \$1,800. The money is set aside and applied to the purchase at closing.

"If you follow the parameters set by the seller, you may receive

all this money back if you decide not to buy the home," Stranahan said. "But be sure to check with the agent and seller if your money is refundable."

Figure on paying a mortgage application fee of about \$500. That fee generally is non-refundable if you don't qualify for a mortgage or subsequently elect not to finance through that institution.

Comparison shop to find out exactly what other mortgage processing fees may be involved down the line.

Banks and savings and loans put on fees they incur for credit reports, surveys and title protection, usually payable at closing.

First-time buyers should talk with a banker before beginning a house search to know exactly what they can afford, Michael

said. That can usually be done without a fee and it saves time and money in the long run.

An inspection at the buyer's expense has become standard practice, especially on older houses.

"Depending on the company, inspection costs range from \$125-\$300," Stranahan said. "Your agent can usually recommend someone to provide this service. Request a written report from whomever you select."

Legal fees associated with buying a house can range from \$300-\$500, said Charlotte Wirth, an attorney with a practice in Redford.

While lawyers aren't mandatory in the process, their expertise can help structure sales to your advantage and make sure you hold clear title to property.

Involve a lawyer before you submit a purchase agreement, a

binding legal contract.

Again, find out what exactly what a lawyer will do for a fee.

"I always review paper with them (clients) to make sure they understand what they're signing," Wirth said.

Points, mortgage discount fees charged by financial institutions, can be paid in cash at closing or rolled into the loan. A point is 1 percent of the amount borrowed.

If paid up front, 2 points — typical nowadays — on a \$45,000 mortgage would amount to \$900.

Figure on coming up with cash for the escrow account equal to one year's property taxes and one year of homeowners insurance protection. Shop for insurance rates and obtain tax information from town hall.

Then there's utility connection fees.

Michigan Bell requires \$42 to initiate telephone service after a move.

Michigan Consolidated requires a deposit of \$50 refundable after a year only of new customers who have no utility credit record in Michigan for the past six years.

Detroit Edison requires \$5 to set up a new account for all customers. A refundable deposit ranging from \$25-\$100 depending on past average monthly billings at that address also is required of new customers with no utility credit record.

Consumers Power generally doesn't require a deposit or connection fee.

Don't forget moving costs. Better yet, maybe family and friends will help for free.

Time-share condos may best suit vacation travel plans

CONDO QUERIES



ROBERT M. MEISNER

I have an opportunity to buy a vacation condominium on Longboat Key, Fla. The

condo managing agent says it will rent my condo on a weekly basis

when I am not there, for a small fee. I vacate around

the world and plan to use it no more than three weeks a year. Any comments?

Having reviewed the market conditions in that area, I would strongly suggest that you carefully review the reasonable feasibility of renting out your unit for 49 weeks of the year and the fee you will have to pay if you are successful in renting it.

The market appears soft and the rental commissions are high. Perhaps a time-share condominium

um that allows you access to condos around the world might better suit your needs, assuming you are very careful in selecting the right time share.

We had a kitchen fire in our condo that damaged the wallpaper. The condo association says it has no responsibility to repair it. Our insurance has

lapsed. What can I do?

First, learn from the experience that you need an HO-6 or other condo owners' insurance policy.

As to the problem, review your condo by-laws and get a copy of the association's insurance policy to determine the extent of coverage, if any. The association may be balking in that there is a deductible, but many times the association's insurance coverage includes wallpaper.

I am thinking about appealing my property assessment and there are a number of other co-owners in our condominium

also upset. Is there anything that the association can do?

I have been in situations where the association has used legal counsel to appear and appeal the assessment at the local tax assessor's office on behalf of the members of the association as a group to streamline the process and bring common issues of concern to the attention of the assessor.

Sometimes the political and economic power of the association can help to adjust the property

tax burden of the co-owners.

Robert M. Meisner is a Birmingham attorney concentrating his practice in the areas of condominiums, real estate and corporate law. You are invited to submit topics you would like to see discussed in this column by writing Robert M. Meisner at 30200 Telegraph Road, Suite 457, Birmingham, Ala. 35226. This column provides general information and should not be construed as legal opinion. To leave a voice mail message for Robert Meisner, dial 953-2047, mail box 1871.

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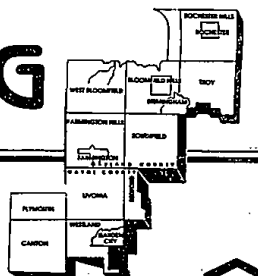
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