Home Buying & Moving

Homeownership is the largest investment most consumers make. It is also one of the most complex, often requiring many legal documents and the involvement of many parties.

Buying a home can be very satisfying- or it can turn into a nightmare that can damage a family's financial stability. The key to success is to be informed. At first the process can be intimidating. But remember that millions like you had identical concerns and became successful homeowners. Also remember, it's your money. If any of the parties are not forthcoming or you believe they are not doing their job properly, speak up. Do not be afraid to get answers from the people involved.

Some of the people involved in buying a home are:

- **Real Estate Agents -** Real estate agents sell by advertising and showing homes. Most agents represent sellers, but many also represent prospective buyers. They generally make their money when a deal on the home closes. The first thing you should do is ask the agent who they represent. Unless you specifically retained the agent, you should presume they represent the seller.
- **Appraisers / Inspectors -** Regardless of how you pay for the home, it is important to have the home professionally appraised and inspected. These professionals should be independent of the lender or real estate agent and should give you a candid assessment of the condition and value of the property. Be wary of anyone who insists you use "their" appraiser or inspector.
- **Surveyors -** You may also want to hire an independent surveyor to perform a topographic survey on the property. Surveyors can trace the legal history of the property, including property lines, platting restrictions and zoning regulations.
- **Title Company -** The title company researches the legal status of the property and issues title insurance. Title companies ensure that the seller is the legitimate owner or representative of the property and will tell you if anyone else has legal claims (liens) on the property, such as for unpaid taxes or an unpaid mortgage by a previous owner. It is essential that you involve an independent title company, since you could be held liable for many unresolved debts by a previous owner. Do not trust a seller or agent who insists that you avoid using a title company. You will have to pay for the title insurance, but it can often be rolled into the loan.
- **Mortgage Broker -** Some consumers use mortgage agents, also known as brokers, to help them find a loan. The broker does not issue the loan. Instead, he or she gets a commission once you agree to accept a loan from one of the mortgage companies they represent. You should determine whether you want to use a broker, or if you would rather contact lenders yourself. Avoid mortgage brokers who charge hefty up-front fees and "guarantee" they will find you a loan. Make sure the broker is licensed, and avoid him if he does not give you a fee disclosure form. Ask if he will be paid a "yield spread premium" - this will likely increase your costs.

- **Mortgage Company** - Mortgage companies provide loans to buy real estate. However, commercial banks and sometimes credit unions also issue home loans. A mortgage company or bank often "sells" the debt to another institution meaning where you pay your monthly payments can change.
- **Attorney/Accountant** - Attorneys and/or accountants who represent you can help conduct real estate transactions. They conduct basic document reviews and can provide you with an explanation of the purchasing process and your long term rights and obligations. Their fees can be worth it if they find terms that will cost you down the road.

Read the Terms

Understand the documents you sign. **No matter what anyone tells you, the written terms are the most important.** If you were promised something that is different from the purchase agreement, it can be costly and very difficult to undo. It is also important to have a realistic outlook of your finances. Purchasing property that is out of your price range can make payments a struggle and lead to foreclosure. If you are unsure, ask a financial professional or HUD approved counselor.

Some of the most common problems resulting from buyers who do not understand the terms are:

Interest rate surprises - Be leery of a seller or lender who is not clear about the interest rate and if it is **fixed or variable**. Offers that overly-emphasize "low monthly payments" might not show the full picture. Variable interest rates can climb over time. Even a couple of percentage point increase in the interest rate could add hundreds of dollars to your monthly payment, especially in the beginning when you carry a large balance.

Skyrocketing payments and accumulating debt - Some lenders offer mortgages with extremely low introductory monthly payments. These offers are known as "exotic" mortgages. The reason your payments are so low initially is because the mortgage begins with a low interest rate and your payments only cover part of the interest. Because the unpaid interest becomes part of the mortgage itself, and the interest rate rises, your payments may double or triple. Unless you make payments that cover the accumulating interest and pay off the principal you could find yourself building no equity and in a cycle of accumulating debt.

Undisclosed costs - Many home buyers discover months after the purchase that they owe hundreds or thousands of dollars in property taxes. Not all lenders roll property taxes into the monthly payment. Find out before closing whether the tax will be separate. You can approximate the tax by contacting the county's appraisal district. Most counties provide tax information online. For brand new homes that do not have a tax record, contact the appraisal district about property taxes on comparable homes in the same area.

Lenders require buyers to have homeowners' insurance. While some mortgages include homeowners' insurance as part of the monthly payment, others require you to obtain and pay the premium separately.

Remember taxes and insurance can increase yearly, so even with a fixed interest rate your monthly payment may increase.

"Contracts for Deed" - Contracts for deed, sometimes referred to as "rent to own" financing arrangements, are legal in Texas. The important difference between a contract for deed and a conventional purchase contract is that under the contract for deed the buyer generally does not gain immediate equity in the property as he or she makes payments. Equity is the difference between the value of the home and the amount still owed. Under a contract for deed, the buyer only has an equity interest after they have paid 40% of the loan or more, or have made 48 monthly payments.

Generally, if the buyer provides a promissory note for the note's balance and a deed of trust, the seller must provide a warranty deed within 10 days or provide an explanation that legally justifies why the seller is not providing the warranty deed.

Contracts for deed can also have strict conditions. Some consumers with a contract for deed have lost their homes because they were a few days late on one payment. This meant that despite making timely payments for years, the contract forced them to leave the property with no stake in the investment. It is therefore critically important for you to know exactly what type of contract you are signing and to make sure you can meet all the conditions.

Refinancing issues- Consumers who refinance their home can get in over their heads by not reading the new loan's terms. Some loans advertise "low monthly payments" but have a variable interest rate which skyrockets after a few years. If you choose a loan with a variable rate, make the lender tell you what the monthly payments will be after the rate has adjusted several times.

Some refinancing companies may insist you use "their" appraisers, who may over-value the home. If you borrow more than the home's true value, you could be stuck making large payments or forced to sell your home for less than what you paid.

Many refinancing companies offer loans with a "prepayment penalty." This means to get out of the loan within the first few years, you must pay a large sum. Ask if this is included in your loan, and try to have it removed. Loans without a prepayment penalty give you greater flexibility to sell your home or refinance it during the first few years.

Avoid any lender who asks you to falsify income or asset figures on your loan application. Many lenders make legitimate loans based upon "stated" income (income for which you don't have any documentation). But if the loan officer suggests that you include phantom income, do not use them. You could face criminal charges for lying on a loan application.

Moving

If you have a complaint against a moving company you can file a complaint with either the Texas Department of Motor Vehicles (TxDMV) or the Federal Motor Carrier Safety

Administration (FMCSA). TxDMV accepts complaints against movers that carry goods that stay within the state of Texas. FMCSA conversely takes complaints against movers that cross state lines.

Common Scams

Title scams - Always use a title company. Some scam artists misrepresent themselves to buyers as "free and clear" home owners wishing to sell their home. If no title search is performed, they could sell the buyer a condemned property which often carries a large tax lien. If this happens you could lose the home and your money. Title companies ensure that the buyer is dealing with the property's legal owner or authorized agent. They also inform the buyer about debts or other legal issues associated with the property. Be sure you deal directly with the title company. Do not trust a financing company or seller who insists on acting as a go-between.

Foreclosure "rescue" scams - Many home buyers who have trouble making payments are victimized by unscrupulous lenders who offer to "save" them from imminent foreclosure.

Learn more at the page below.

Mortgage Compression or Modification Services - In this scheme companies sometimes misrepresent that they will refinance the consumer's home and provide drastically reduced payments and/or a shorter loan term.

Find out more on the Loan and Mortgage Scams page.