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MEDIA

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HOW TO BUY A HOUSE IN CASH

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Almost two-thirds of all houses sold in Detroit are *bought with cash*. Mortgage companies are still reluctant to approve loans in large parts of the city because of low home values, discrimination and their appraisal process.

Paying for a house in cash or through a rent-to-own contract is risky for the buyer. If a bank issues a mortgage, it requires things like title insurance and inspections that protect the bank's investment but also help the buyer avoid being taken advantage of. Cash buyers have to protect themselves against these risks.

It's also *easy to waste money*. The sale price is just part of what you should expect to pay for a house. In a mortgage, most added costs are bundled into the total loan amount.

If you've decided to buy a house in cash, here's a guide to *help you avoid some common mistakes*.

01

DO A TITLE SEARCH

Before buying a house in cash, make sure the seller owns the property. In Detroit “*deed fraud*,” when a scammer tries to sell a property that is not theirs, is fairly common. A “*title*” is the legal right to own and use the property. A *title company* will research and examine public records for any problems that may cause legal issues for the buyer. *Title defects* can include property taxes, liens against the house, or ownership disputes. A *title search* usually costs between \$100 and \$200. You can also buy *title insurance* from a title company. Title insurance is a one-time fee and can protect you from any claims against the property that the title search did not turn up.

02

GET THE HOME INSPECTED

A *home inspection* can protect the buyer from underestimating potentially dangerous or expensive issues in a house. Costly issues that can be uncovered during the inspection include moisture in the basement, mold, cracks in the foundation or problems in sewer lines that can cost thousands of dollars. Home inspections typically take a few hours, cost a few hundred dollars and come with a report. Home inspectors do not need to have a state license to inspect homes in Michigan, so it is important to hire somebody who is experienced.

03

CHECK HOW MUCH YOU’LL PAY IN PROPERTY TAXES

All homeowners are responsible for paying *property taxes*. Property taxes attach to an address, not a person. So, if the former owner of the home owed property taxes, the new owner owes that money as soon as they move in. Buyers should visit the Wayne County Treasurer’s Office to determine whether there are any delinquent property taxes for a property before buying. Detroiters can look up and pay the current taxes for any property through the City of Detroit Treasurer. If a homeowner does not pay their property taxes for three years, Wayne County can foreclose on that home and sell it at auction.

04

HOMEOWNERS INSURANCE

A *homeowners insurance policy* can cover damages to or loss of the house and your possessions in case of an accident like a fire, flood or theft. Some policies also protect you if someone is injured on your property and files a lawsuit. Some insurance companies require you to purchase a separate “*rider*” to cover flooding. In some neighborhoods on the east side, flood insurance will become mandatory in October 2022. The average cost of homeowners insurance in Detroit is more expensive than in the rest of the state. If you choose to buy homeowners insurance, do your research and look up the insurance agency here to make sure they are licensed in Michigan.

HOME REPAIR RESOURCES

If your new home needs work, there are a few options available to you. The City of Detroit’s 0% Interest Home Repair Loan Program offers 10-year, interest-free loans from up to \$25,000 to help Detroiters with good credit repair their homes. You must have lived in your home for at least six months to qualify. Senior homeowners in need of a new roof can apply for the Renew Detroit program. There are a few other grants or loans for home repair in this guide for more information.

05

REGISTER THE HOME

A “*deed*” transfers the title of a property from the seller to the new owner. Buyers need to register their deed with the Wayne County Register of Deeds. Buyers in Detroit can schedule an appointment with the Register of Deeds. The fee to record a deed is \$15 for the first page and \$3 for each additional page. Buyers will also need to pay a transfer tax of \$1.10 per \$1,000 of value. For a \$10,000 house, the fee would be \$11.

06

BUYING A HOUSE

FROM THE DETROIT LAND BANK AUTHORITY

The Detroit Land Bank Authority (DLBA) is the largest property owner in the city. It sells homes that were vacant or blighted. Some of these homes are sold for very low prices, and *most of these are cash purchases.*

01 BROWSE HOUSES LISTED ON THE DLBA WEBSITE

To view the properties available through the DLBA, go to buildingdetroit.org.

When browsing, be sure to review the *Property Condition Report* for auction properties and the *Property Walkthrough Guide* for both the “auction” and “own it now” properties. The report lists what DLBA’s inspectors believe needs repair.

02 SCHEDULE A WALK-THROUGH OF THE PROPERTY

Buyers can schedule a *private walk-through* for a \$35 fee through the property’s listing page. Members of the DLBA staff and security team will meet the buyer at the location to tour the property. The DLBA encourages buyers to bring a licensed home inspector with them.

Buyers should also bring the DLBA’s Property Walkthrough Guide. The guide is designed to help you identify mold or wood rot, issues with the roof and some other structural and environmental issues.

03 REVIEW THE COMPLIANCE REQUIREMENTS

The DLBA requires every house it sells to be *renovated*. Buyers enter this compliance phase after they close on their house. A compliance team tracks the progress of the renovations.

04 CREATE AN ACCOUNT ON THE DLBA WEBSITE

Buyers interested in an auction property must create an account with the DLBA. Buyers will have to link a credit or debit card to the account. The DLBA will automatically deduct \$1,000 for a deposit if your bid is the winning bid.

05 PLACE YOUR BID

Buyers will need to pass the DLBA’s *eligibility check*. Michigan residents, non-residents who will live in the property after its rehabbed, or companies or organizations permitted to do business in Michigan are eligible to bid. Bidders who lost a property to tax foreclosure in Wayne County within the last three years are not eligible to bid. Buyers can only bid on the property on the date of the auction between 9 a.m. and 5 p.m. The highest bid wins.

06 AFTER YOUR WINNING BID

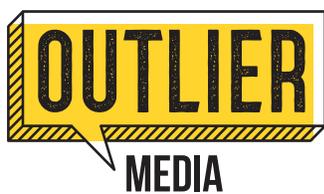
The DLBA can reject a winning bid for *any reason*. If a bid is rejected, the bidder does get the deposit back. The winning bidder needs to prove they do not have any blight tickets or past due property taxes on other Detroit properties. The DLBA accepts buyers who are currently on a tax payment plan. It also allows for a cure period for the winning bidder to clear up any blight tickets or unpaid property taxes. Once buyers clear the eligibility process, they receive a copy of the purchase agreement and have three days to read, sign and return it.

07 SCHEDULE YOUR CLOSING

A closing is scheduled no more than 30 days after the DLBA signs the purchase agreement. Buyers must pay the price of the house above the deposit, \$295 for an inspection report and about \$800 in closing costs including: title fees, deed recording fee, tax certification fee and title insurance. Buyers will receive the title and the quitclaim deed for the property at closing. Buyers must sign a *reconveyance deed*, an agreement that the buyer will give up the property if they do not comply with the DLBA’s renovation requirements.

08 DLBA’S COMPLIANCE PROCESS

Most property owners are required to begin renovating the property *within six months of the purchase*. Owners are required to share photos of their progress with the DLBA every 45 days. Property owners should report delays to the DLBA. After the home meets those criteria, the DLBA will get rid of the reconveyance deed, and the buyer will own it free and clear.



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