

attorney can advise you about whether and how to obtain title insurance and also on its terms, exceptions, and limitations. Title insurance does not cover zoning or environmental issues.

Checking Property Condition

New York's Property Condition Disclosure Act, which took effect in 2002, requires house sellers to give buyers either (1) a completed multi-question Property Condition Disclosure Statement (PCDS) based on the seller's actual knowledge or (2) a credit of \$500 at closing if the PCDS is not provided. Even if a seller delivers a PCDS, any buyer of a house should perform his or her own inspections and engage professional inspectors before or after signing a contract. The buyer's obligations may be conditioned on receiving satisfactory inspection reports, however, the contract may place the burden upon the buyer and indicate that the premises are being sold "as is." Home inspectors (other than architects or engineers) are required to be licensed and must provide a written inspection report within five business days after the inspection, clearly identifying the condition of systems, structure, appliances and components observed. The buyer should also make appropriate inquiries about the property. For newly constructed houses, buyers receive the benefit of a statutory warranty under General Business Law § 777-a.

Form of Deed

Residential transactions generally use two possible types of deed, the document that actually transfers ownership. The first is a "Warranty Deed," where the seller assures the buyer that the seller owns the property. This form of deed is common upstate. The second type of deed is a "Bargain and Sale Deed With Covenant Against Grantor's Acts," more customary downstate. Here, the seller only assures the buyer that the seller didn't do anything to affect his or her ownership of the property — the seller represents nothing about the status of the title. In both instances, if the buyer obtains title insurance, the buyer will usually look to the title insurer for protection against claims even though the buyer may also make a claim against the seller.

Representation

Never forget one important point: the seller, buyer, and bank may each have its own attorney. An attorney representing one of these parties

(even if you pay his or her fee, such as for a bank's counsel) is not your attorney unless you agree to be represented by him/her. You should have a written agreement stating the fees and the scope of the representation. You must also be properly informed of any potential conflict of interest. It is your own responsibility, as a buyer or a seller, to seek an attorney's professional advice to protect yourself and your interest in the transaction.

Closing

The "closing" of the purchase of a house is the event where the buyer receives title to the house with all the related documents for that transfer.

At closing, these documents are reviewed to confirm that they comply with the contract. If they do, the buyer must then pay the seller the balance of the purchase price and various other closing costs. These documents are usually prepared by the seller's attorney or agent.

Arrangements are also made at closing for the buyer to move into the house. Normally, when the buyer delivers the full purchase price to the seller, the seller will hand over the keys and the buyer can move in immediately. The purchase agreement may, however, give the seller some time to finish moving out.

The buyer needs to remember that buying a house is a major investment. It usually involves making payments over many years. In the long run, it will probably be more economical to have competent professional legal advice — your own attorney's advice — in making the purchase than to risk the trouble and expense that could result from not having had that advice in the first place.

This pamphlet, based on New York law, is intended to inform, not advise. No one should try to interpret or apply any law without an attorney's help. Produced by the New York State Bar Association in cooperation with the Real Property Law Section.



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NEW YORK STATE BAR ASSOCIATION

BUYING AND SELLING REAL ESTATE

Whether buying or selling real estate, you should understand the contract terms and how they affect you.

Buying and Selling Real Estate

Nearly everyone, at some time in life, faces the need to buy or sell real estate. Because the purchase of a house is probably the largest single investment a typical person will ever undertake, any buyer or seller should carefully consider the practical and legal complications of such a transaction before proceeding. This pamphlet describes the real estate purchase and sale process, noting some differences in practice between upstate (north of Sullivan, Ulster and Dutchess Counties and parts of Greene and Columbia Counties) and downstate. Another pamphlet, "The Attorney's Role in Buying or Selling a House," explains the role of the attorneys in the process, as well as dealing with brokers; tax consequences; and the condominium, cooperative and homeowners' association forms of ownership.

Contracts

As a buyer, once you have found the house you want to buy and have agreed on the price, you will probably be asked to sign a document and pay a deposit. This document may be called a binder, receipt, purchase offer or purchase agreement. The seller's agent usually prepares it (upstate, usually a real estate agent/broker; downstate, usually the seller's attorney). If a real estate agent or broker prepares a contract, it will usually be subject to approval by the parties' attorneys within a specified short time.

Any one of these papers may constitute a binding contract obligating you to purchase the house. Before signing it, or within the specified attorney review period, you should consider seeking legal advice. In all cases, you should be sure that anything you sign is subject to the approval of your attorney, indicated by "subject to attorney review." Once you sign a contract, your rights and obligations are determined. Your attorney may no longer have the opportunity to structure the contract to meet your objectives unless you reserve the right to have your attorney review it.

Whether you are seller or buyer, you should understand the contract terms and how they affect you. Other parties to the contract do not have an obligation to tell you what the contract means. You may not understand the legal meaning of much of the terminology or what must be changed or added to protect you.

So, if you plan to have an attorney represent you in the transaction, the time to consult one is before you sign anything — or immediately after you sign a contract or binder that is subject to attorney approval.

The contract of sale should identify the parties and the purchase price and how it is to be paid. It should adequately describe the property to be sold, the type of deed to be delivered, the quality of the seller's title to the property, a description of personal property included in the sale, the date the buyer will take possession, and the date of the proposed closing. It should also cover many other issues about the property and the responsibilities of the parties to each other.

The contract should in most cases let the buyer cancel the contract if the buyer can't obtain a mortgage loan or if the sale falls through for some other reason that isn't the buyer's fault. In each of these cases, the buyer's deposit should be returned.

Sometimes a seller wants to stay in the house after closing while arranging new accommodations. Although this can be risky to a buyer, it does occur, and the attorneys can work out an appropriate arrangement to protect both parties' interests.

These are only a few of the matters that any contract covers. It is very important that you understand the range of terms and conditions and the obligations you must consider when you enter into such a transaction.

All contracts and mortgage documents for the purchase and sale of real estate must be in writing and written in a clear and coherent manner.

Title

The "title" to real estate means the right of the owner to its peaceful possession and use, free from the claims of others. The exercise of that right is, however, often limited by other rights, such as "easements." To obtain electricity, sewer, telephone, and other service, an owner often gives

the municipality or public utility the right to run its lines or pipes across his or her property to the house. Other easements and restrictions often encountered relate to drainage of surface water, or access to rights of way such as for a jointly used driveway. An owner must comply with these easements, and a buyer needs to consider them.

An owner's use of his or her property may also be limited in other ways. Deed, zoning or municipal restrictions may apply affecting such things as location of fences, installation of swimming pools, or limitations on size and number of structures. Almost all land is subject to real property taxes. If those taxes are not paid, the owner may lose his or her real property. The property may also be subject to other debts, such as special assessments or levies. If not paid, these obligations may create their own problems.

When you buy a house, you need to know that you have the right to occupy it without interference and that later you will be able to sell or mortgage it without problems. You must also be sure that the house you are buying is legal and in compliance with local requirements. This is often confirmed by a certificate of occupancy.

Title Searches and Title Insurance

After you sign a contract as a buyer, you should satisfy yourself that the seller can convey title to the property as required by the contract. In different areas of the state, buyers use a range of methods to confirm the seller's title.

In some areas upstate, your attorney may examine the land records and issue a certificate reporting the findings or give you a written title opinion based on his or her review of an abstract of title (which is simply a title history) prepared by a commercial abstractor or an attorney. Downstate, and in other areas upstate, your attorney may have a title insurance company or agent search the land title records and issue a title insurance policy. Sometimes these methods are combined.

Does title insurance eliminate the need for an attorney? No, although it may protect you against financial loss and the possible expense of defending your title in court, it does not lessen the importance of your attorney's advice. Your