

News from the City of Dearborn

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John B. O'Reilly, Jr., Mayor

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FOR IMMEDIATE RELEASE

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Home buying in Dearborn is easier, less costly now with the elimination of escrow policy

Working with Dearborn Realtors, the City offers new way to ensure homes are safe and up to code before being occupied

DEARBORN, Mich. – Buying a home in Dearborn is about to get a whole lot easier.

Under a move proposed by Mayor John B. O'Reilly, Jr. and approved by the City Council, Dearborn will eliminate what had been known as its "escrow policy" and replace it with a new pre-occupancy agreement. The action follows a recommendation by the Dearborn Area Board of Realtors.

Beginning June 1, the City will eliminate the requirement that home buyers deposit money in an escrow fund equal to the cost of fixing building and safety violations, or purchase a performance bond to ensure that critical repairs are completed.

Both methods were to guarantee that repairs were made before the buyers moved into a house. But the requirements could be burdensome, especially to first-time home buyers.

Although the City returned the money in the escrow account following a final inspection of the property, it meant buyers had to have the escrow upfront, on top of paying for the actual repairs.

Beginning on June 1, the policy will be replaced by the new pre-occupancy agreement (POA).

The POA ensures essential building and safety repairs are completed before a house is occupied, helping to keep people safe and Dearborn's housing stock maintained to minimum building standards. The fee for the POA is \$495, which covers the cost for the Residential Services Department to monitor the progress of essential repairs.

Appropriate inspections are still needed. As of June 1, the inspection fee for a single-family home is \$200; for a two-family home it is \$250.

Conditional occupancy of the home is allowed only after safety and exterior items are addressed.

The owner then has another 90 days to fix any remaining building code violations. At that point, the owner can receive a full C of O.

Either the buyer or the seller can pay the \$495 fee to the City. It is a decision that the private parties can negotiate.

A preferred option is for the seller to complete all the repairs before the sale and obtain a C of O, in which case no POA is needed.

The change should especially benefit first-time home buyers, who might be looking at older homes for sale at a lower cost, but in need of significant repairs.

For example, under the old policy, if a home needed \$10,000 in repairs to bring it up to code, the buyer would have to have the money to complete those repairs, as well as deposit an additional \$10,000 with the City to guarantee the repairs would be completed.

“The goal was a good one. We wanted to make sure that homes were safe before people moved their families in,” said Mayor O’Reilly.

“We also wanted to make sure that homes with problems weren’t just passed from one buyer to another without being fixed. Ultimately, practices like that bring down the value of the whole neighborhood,” he said.

“But we were going about reaching our goal in a way that was making it difficult for people, especially first-time buyers, from ever owning a home in Dearborn.

“Working with the Dearborn Area Board of Realtors, and with City Council support, we were able to change the way we do business and still keep our eye on the same goal,” he said.

More information can be found at www.cityofdearborn.org or by calling Residential Services at 313-943-2150.

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Escrow policy elimination means homebuying is easier in Dearborn, May 2010