



The 12 Most Costly Home Buying Mistakes Even Smart People Make... and How To Avoid Them

Real estate experts agree that these recommendations are vital to successful home buying. Don't let enthusiasm cloud your good judgment. From emotions to economics observe the following guidelines and increase the likelihood of achieving the best home buying experience possible.

Mistake #1 --- Working with the wrong agent

Not all agents are alike. For example, the Seller is represented by the Listing Agent whose job it is to get the Seller the highest price, best terms, fastest sale and fewest problems. The Listing Agent cannot do anything that will undermine the Seller's financial interests or help the Buyer get a better business deal.

Recommendation: Use a Buyer's Agent Specialist

A Buyer's Agent's duty is to promote and protect the Buyer's interests...not the Seller's. Select a Buyer's Agent based upon knowledge, skill, experience and the commitment to exceeding your needs and expectations. The best Buyers' Agents will offer a performance guarantee whereby if you're not satisfied with the Agent's performance you can terminate your Buyer's Agency relationship.

Mistake #2 --- Not being genuinely pre-approved for a loan before starting your home search

Some lenders' pre-approvals are nothing more than a condition laden, cursory pre-qualification. It's only a best guess of what you can borrow without verification of your credit worthiness.

Recommendation: Find a loan first, and then find a home

A genuine pre-approval is the lender's firm commitment to loan you money at a specific rate and terms. Have a "genuine" loan pre-approval in hand before starting your home search. A pre-approved buyer is tantamount to a cash buyer. And, a pre-approval demonstrates to the seller that you are a serious, credible and financially capable buyer.

Mistake #3 --- Shopping solely online for a home

Shopping for a home online may be convenient and fun, but it's not without drawbacks and inefficiencies.

Recommendation: Personally view 20 homes before you buy

Gather first-hand market experience. Nothing can benefit you more than knowing what's out there, and what your choices are. All real estate is local. The composition, structure and dynamics of the local housing market vary with place and time. Understanding its make-up and present market conditions helps you make a more informed decision. A professional Buyer's Agent knows the market and is there to help you make the right decision.

Mistake #4 --- Bidding blind

Blind bidders ignore recent sales activity of competitive homes, and pay a steep price for their oversight. Listing prices are not indicative of the real value of a home. The Seller's Agent (e.g. Listing Company) is working to obtain the highest price for the seller-not the lowest price for the buyer.

Recommendation: Review a competitive market analysis

Homes are worth what people are willing to pay for them. Actual selling prices of similar homes recently sold are the most reliable indicator of a home's true value. A competitive market analysis shows the recent sales prices of competitive properties in the area. Your Exclusive Buyer's Agent can provide and interpret the analysis for you. Get the facts and don't bid blindly. Blind bidding leads to overpaying, and relying on gossip can be costly.

Mistake #5 --- Not knowing your total financial obligation

The average person spends more time determining the cost of a new dishwasher than the actual costs associated with buying a new home. Not knowing how many dollars you'll need to close the transaction can be an expensive mistake.

Recommendation: Obtain an estimate of your closing costs

No one likes financial surprises. Know your total cost to purchase before making an offer. Your Buyer's Agent will prepare a realistic estimate of all your closing costs and expenses so you can prepare for these expenditures. A thorough cost estimate will include all real estate related expenses (e.g. commissions, inspection fees, home warranty premium), lender charges, title insurance premiums, escrow fees, homeowner's insurance and pro-rations.

Mistake #6 --- Skipping a professional home inspection

Why inspect? Because no home is perfect. Even repeat buyers can overlook serious flaws and deficiencies. Don't be blind-sided by serious defects that may not be readily observable by the inexperienced eye.

Recommendation: Thoroughly inspect the property

There are no perfect properties. A professional inspection will help you understand the home's physical condition. A professional home inspector will identify the red flags, defects and malfunctions visible in the home. Knowing the flaws, short-comings and potential repairs before you buy helps you get your money's worth.

Mistake #7 --- Declining a home warranty protection plan

Trying to save a few dollars by declining a home warranty can be a costly error in judgment. For a relatively small cost a home owner can obtain a substantial measure of protection against unexpected breakdowns and malfunctions.

Recommendation: Obtain a home warranty plan

Home Warranty Protection Plans are contractual guarantees by an insurance company to repair or replace certain systems and components within the first year of home ownership with the payment of a deductible. Home warranties ensure you for the costs to repair or replace components like water heaters and furnaces. They offer an additional level of protection that may well prove to save you much more than their cost.

Mistake #8 --- Putting on blinders

The image you have in your head of the perfect home is probably not realistic. Unrealistic expectations have as a consequence a huge opportunity loss.

Recommendation: Don't let emotion cloud good judgment

Be realistic, flexible and open-minded. Consult with professionals to test your expectations. Brainstorm how you might improve a house and create more value. A house in the right neighborhood, on the right street, at the right price can be made right over time. Don't reject a house because it isn't perfect- none are.

Mistake #9 --- Not taking a long-term perspective

It's almost always a mistake to buy a home based upon your short term needs while ignoring your long term needs. A careful needs and wants analysis with the guidance of a trained professional can save thousands of dollars.

Recommendation: See the big picture

Evaluate your purchase based upon a five to ten year holding period. Ask yourself where you want to be in five years- Will your family grow significantly in the future? Might an elderly parent come live with you? These are just a few of the questions left unanswered may be financially burdensome or emotionally draining.

Mistake #10 --- Underestimating the importance of location

The size and condition of the home are far less important than the property's location. You cannot change the location of a home. Almost everything else is changeable. Location is the most venerable principle in real estate and the single most crucial influence on value.

Recommendation: Buy the very best location you can comfortably afford

Location is the key to how well you enjoy living in the home and how much you can sell it for when the time comes. The city, neighborhood, street and site are the prime contributors to value.

Mistake #11 --- Ignoring incurable defects

An incurable defect is any "adverse condition" deemed as such by the buyer that cannot be remedied with a reasonable amount of money or effort. Incurable defects include land prone to soil instability, neighborhood nuisances, proximity to undesirable land mark, such as, high voltage power lines, a fire station or hospital. A property with an incurable defect is worth less than another property that doesn't possess the same defect --- all other factors being equal.

Recommendation: Determine the effect of an incurable defect on the value of a home

If you buy a property at a discount because of an incurable defect (and it should be discounted)- you will have to sell it at a discount, or you'll have difficulties producing a timely sale. The cardinal rule of home buying is: the best time to think about selling your home is before you buy it.

Mistake #12 --- Failing to recognize inept design flaws

An inept design will negatively impact the value and marketability of a property. Flaws in style, proportion or functionality reduce the value of an otherwise appealing property. Homes with reverse floor plans, 4 bedrooms/1 bathroom, isolated master bedroom, bedroom access through another bedroom are all examples of design flaws that detract from a home's value.

Recommendation: Objectively analyze design shortcomings and their affect on resale

It's all about value - and value means getting your money's worth. Remember the value of a home with an inept design is diminished by the severity of the ineptitude. Before you buy, answer this question: How difficult or easy will it be to sell this home when that time comes?