

# ***13 Mistakes that Home Buyers make, and how to avoid them.***

The following list is in no particular order but simply hi-lights some of the common mistakes that people make when looking to buy a home. The best way to avoid them is to work with a Mortgage or Real Estate Professional you like, and who does it everyday.

## **1. Being unaware of the current market conditions.**

If you are unaware if it is a Buyer's market, Seller's market or even a balanced market, then you could very well pay too much for your home or not offer enough and miss out on owning your dream home. The best way to avoid this happening to you is by working with a Real Estate professional because they know the market because they help Buyer's and Seller's everyday. As well as market conditions, when you work with a Real Estate professional, they can tell you assessed values and recent sales of comparable homes that are near by so you know exactly what the home is worth and how much to offer.

## **2. Being too Emotional.**

It does sound funny but it is possible to buy the wrong home. This can happen when there is too much emotional attachment and you may forget to consider something as obvious as commute times to work or taking the kids to school (or being outside the school catchment area). So Buying emotionally rather than logically as all Star Trek fans know, Vulcans do not experience this issue, but we humans do. Now I agree there should be emotion involved which is why you want to buy the home in the first place. And yes you should be excited and perhaps a little nervous when you buy. They are good emotions to have along with pride of ownership once you own the home. Emotion is only a problem when there is "too much" or it is uncontrollable. Too much "wanting" the home may cause you to over pay for the home but have you considered the other side? Not buying a home because you didn't like the paint colour. If colours and staging is not your forte, then bring along a friend who is good at it and can help you (if they really like it, they may even help you paint).

## **3. Not understanding the process or terms in the purchase agreement.**

It is understandable that most Buyer's are not familiar with the process when buying a home because most people only do it once or twice in their lifetime. The more you do it, the better you understand it and Licensed Real Estate professionals have been trained in the process and do it everyday when helping buyers and sellers, so we can fully explain it to you. The same applies to terms in the purchase agreement. If there is something you do not understand, then ask us as we are here to help and it is our job to explain it to you. Your Mortgage Broker or Lawyer will also be glad to answer any questions you have because getting this sorted out early in the process can save lots of headaches down the track.

## **4. Not getting everything in writing before removing conditions.**

If you make an offer and it is subject to you satisfying certain conditions (such as obtaining financing) then there is a deadline for you to remove that condition. So lets say you want to bring in a painter to provide a quote or have the home freshly painted before you move in. The Seller may verbally agree but unless you put it in writing and both Buyer and Seller sign, then there is no obligation by the Seller to allow access or to paint the place, once you have removed conditions. When you use a Real Estate professional, we understand the process and allow enough time so this kind of thing does not happen.

## ***13 Mistakes that Home Buyers make, and how to avoid them.***

### **5. Not doing your Due Diligence.**

The saying goes “Caveat Emptor” or “Buyer Beware”. What this means is you should do your own due diligence before buying a home. Some things to consider are: Checking the Real Property Report (RPR) to make sure it has compliance and that it shows all structures on the land. Should you accept Title Insurance in Lieu of an RPR if no RPR is available? Is it a Bare Land Condo, and what does that mean? Has there been renovation work done without permits (ie: City Assessment shows it as unfinished basement but the home you are buying has finished basement). Not checking Title or having something registered on Title and not asking your agent or lawyer to explain. Not checking out things such as council zoning, land use, building approvals in the area, future road widening or restrictive covenants.

### **6. Changing jobs or making a major purchase.**

If you change jobs at the same time as applying for financing it can hurt your application because Lenders like to see job stability and a long history of work with the same employer. The same applies if you make a major purchase, lease a new vehicle or get another credit card because it will limit the amount of financing available. Applying for a new credit card or vehicle lease may make it look like you are shopping for credit, so Lenders will typically refuse an application or offer you less money at a higher interest rate if they think you are shopping for credit.

### **7. Buying “too much” house.**

Once you are pre-approved for a mortgage, the Lender will have given you a maximum price range for you to look in for your new home. One common mistake is people will buy the maximum amount they can afford. Why this is often a mistake is the mortgage payment plus all the other monthly expenses can really stretch you, so any change in circumstances or unexpected bills can upset the boat. Often the house is simply too big for your needs and there is a lot of wasted space or you need to buy more furniture (more unexpected bills). When the house is too big it is often too much time and work to look after. It's too big to clean and you can't afford a cleaner, and the yard or exterior maintenance are quietly forgotten about but the curb appeal goes down and so does the home's value. If you intended to do renovations, often the cost of renovations can escalate and your funds dry up before the work is finished or you end up living in a construction zone for too long.

### **8. Leaving it to the last minute.**

This applies to having all your necessary documents ready at hand as well as getting pre-approved before you go looking for a home. By having all your documents ready, it will speed up the pre-approval process and the actual financing once you have found the right home. It is a waste of your time looking for a home before you are ready and can often lead to disappointment if you find the right one but can not get everything together in time. Getting pre-approved will also put you in a better place and able to make a stronger offer should you find the right home but it is a multiple offer situation. Leaving things to the last minute, such as getting insurance or notifying utility companies can have their own drawbacks too.

### **9. Not getting a Professional Inspection.**

We always recommend you do a professional inspection regardless of buying a condo, townhouse, duplex, or single family home. This applies for resale homes as well as brand new homes. Make sure the Home inspector is licensed and has all the right tools such as an infrared camera. For older homes in established areas with lots of trees, you may consider to hire a

## ***13 Mistakes that Home Buyers make, and how to avoid them.***

plumber with a sewer camera in addition to the home inspector. A few hundred dollars up front can save you tens of thousands of dollars later.

### **10. Buying before Selling.**

If you find your dream home you can make an offer subject to you selling your current home. If you are in a Seller's market then this is not considered a very strong offer, particularly if there is multiple offer situation, so your offer may not be accepted. If your offer is accepted, then there is normally a 48hr clause. What this means is, if another offer comes in (even another weak offer with a sale of Buyer's home condition) then you have less than 2 days to remove all conditions or lose the home. One way to avoid this is to sell your current home first. If you have a long enough closing date on your existing home, then there is no pressure of finding a new home or having to move, and you also know exactly how much money you have available. If you Sell first and then find your new home, depending on the closing times for each property, you may need bridge financing to cover the gap if you get possession of your new home before the closing date of your current home.

### **11. Forgetting closing costs.**

There are some first time home buyers who count on using all their savings for the downpayment on their new home but forgot to budget for closing costs. Some of these closing costs may include, Home Inspection, Legal Fees, Property Tax Adjustments, Insurance, Mortgage Payments, Home Owner Association Fees, Condo Fees, Immediate Repairs, Landscaping, Rent, Utilities and or connection fees..... There may be others and not all of these will apply to every transaction so it is important to make a list and budget accordingly. If you are unsure about the closing costs for your transaction, consult with your Real Estate Agent, Lawyer, Insurance Agent etc, so you know what to expect.

### **12. Thinking you can't afford to Buy.**

This unfortunately is one of the biggest mistakes many people make. If they don't think they can afford to buy it is usually out of fear and so they never even consult with a Mortgage Professional to see if they qualify, and what mortgage and downpayment options exist for them. They never ask a Real Estate Agent what house prices are in which areas for the different types of homes. They feel they need to save up more for the down payment, so maybe next year or the year after but then housing prices go up so they need to save more or so they think. They think the market is too high so they wait for it to come down and be more affordable, or conversely they think the market is down (ie, affordable) and afraid it will go down lower so they hold off buying. These last two are examples of people trying to time the market which is almost impossible. You may have heard stories of people who got lucky, bought low and sold high. They do happen and more often than you think. How much did your parents buy their home for and what is it worth now? The key is to get in the market because once you have bought your house it is automatically geared for inflation.

### **13. Calling the Listing Agent directly.**

This may seem like the logical thing to do but few people realize the Listing Agent is working for the Seller. How can you expect them to work in your best interests when they are already representing the Seller. At best they can be impartial and provide you with a list of comparable recent sales so you can determine what the home should be worth if you want to write an offer, but they can't negotiate for you. If you are in this situation and doing your own negotiating, once you have got the price as low as the seller will go, you may be able to negotiate lower by having the listing agent reduce commissions since they represent both sides.