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THE 15 MOST COMMON MISTAKES BUYERS MAKE

For most of us, buying a home is the single biggest financial transaction we will make. It's exciting and fulfilling, but it can also be overwhelming, and even downright frightening. While the pitfalls are many, most are commonplace and easily avoided when you know what to look for.

Real estate agents, bankers, lawyers, accountants and other experts in the real-estate game each have their own lists of the worst mistakes a buyer can make. So let's have a look at 15 of the MOST common mistakes made by all home buyers, especially first time.

Mistake #1. Confused Buyers - Don't start looking before you figure out what you are looking for. There may be a big difference between the kind of home you want and the kind of home you need. To avoid wasting time, and causing you and your real-estate agent frustration, realize that it's important to satisfy the needs first and the wants last. In the long run, the greatest view in the world is not likely to make up for not having enough bedrooms, or the regret of having made the wrong decision.

Mistake #2. Shortsighted Buyers - Don't forget to factor in your FUTURE NEEDS! What will you need in 5 years, or even 10? Try to estimate your future requirements alongside your current needs. Buying a home now that's big enough to accommodate future decisions like a larger family, a home based business, or co-habitation with in-laws may be a better financial move than having to find a larger place in just a few years.

Mistake #3. Unrealistic Buyers - Figure out how much you can afford to pay BEFORE you start looking. Determine what you can realistically afford to pay for a home, remembering that there is a myriad of costs that you probably haven't even considered. (See our Special Report on Buyers Costs.) Factor in mortgage insurance, appraisal fees, inspection fees, transfer taxes, lawyer fees, and provincial or federal taxes. And don't forget to get financial advice from as many sources as possible.

Mistake #4. Unapproved Buyers - Get pre-approved for a mortgage. Many sellers want to know that you can truly afford before they will take your offer seriously. You can go through the application process for a mortgage and have financing in place before you even start looking. Being pre-approved lets you know exactly what your price range is. This may also make it possible to negotiate a better price or terms, because the seller won't need to wait to find out if you qualify for a loan.

Mistake #5. Cash Poor Buyers - You may not be as cash poor as you think! Consider every possible source of cash available to you. Do you have insurance policies or retirement saving plans that can be used for buying a home? Look into the rules thoroughly even if you think you aren't eligible; there are often loopholes or exceptions that may benefit you. For example, many retirement plans limit access to first-time home buyers, but the definition of a first time buyer may simply be someone who hasn't owned a home in the past five years.

Mistake #6. Bank Bound Buyers - Don't take "NO" from the bank as your final answer! Shop around for the best mortgage. Sometimes the bank isn't even your best starting point. There are a number of other lending institutions with various terms and repayment options. There are alternatives to the traditional 3D-year mortgage, so shop around, or let your broker shop for you. It's in your best interest.

Mistake #7. Uninformed buyers - Be familiar with the real estate market so you don't PAY TOO MUCH! There's a lot of information available on the local & national housing situation; check the Internet, attend seminars offered by real estate professionals or check out books and magazines. Ask your Buyer's Agent for a market survey of homes in your price range, including the asking and selling prices of comparable homes that have recently sold. This way you can make sure you're paying a fair price for your home.



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Mistake #8. Do-it-Yourself Buyers=Get your own real estate agent! Most of us think of a real estate agent as representing the seller, which they usually do. But having your own agent to help you buy a home can save you time and money. A good buyer's agent can help you find the right home quickly because they know the area and have access to listings, agent open houses and other tools and information. Your Buyers agent can advise you on market conditions and appropriate pricing, as well as pre-inspect homes for you to prevent wasting your time on something completely unsuitable. They can make recommendations on potential properties and refer you to other professionals you may need, such as a home inspector or lawyer. The seller's agent has a legal responsibility to act in the Seller's best interest, not yours. So hire a Buyer's agent to have a trained professional in your corner.

It is essential to communicate exactly what your needs are to your Agent, so you are both looking for the same home. Choose your agent carefully, and if they want you to sign a formal agreement, make sure it includes a cancellation clause, in case you aren't satisfied with the service.

Mistake # 9. Un-represented Buyers – Hire a lawyer! Your agent's job is to find you a home, not give you legal advice. Your lawyer's only job is to look out for your best interests. A written agreement to purchase a home binds you legally to its provisions. So before you sign anything, your lawyer can review the agreement and advise you of changes, clauses or contingencies that they need to be addressed. You are not obliged to use a lawyer recommended by either your agent or your lender. The choice is always yours.

Mistake # 10. Sloppy Buyers - Have the house professionally inspected. In your agreement with the sellers, one of the conditions should be a favorable report from a house inspector. To find a good inspector, ask for recommendations, then make sure the inspector is certified since the home inspection industry is not licensed or regulated. Ask how many inspections they have performed and what kind of report is provided to you. Make sure to confirm how long it will take to get the report. Also ask if you can be present during the inspection. If they say no, find someone else. The inspector's job is to check the property and tell you what defects need to be repaired or replaced. Based on his report, you might want to walk away from the property or negotiate with the seller for repairs or an allowance for repairs. In most jurisdictions, sellers are required to make complete disclosure of defects in writing. Make sure you and you inspector have this disclosure.

Mistake # 11. Buyers Who Don't Do Their Homework - Check the zoning of the surrounding area and find out if any restrictions, conditions or covenants govern the subdivision. The best surprise is no surprise when it means a shopping mall or an airport will eventually be built behind a home you're considering. Similarly, you want to know if the subdivision has covenants barring you from making changes such as additions to your home or determining the color you can paint it. If you

are looking at condominiums or a strata-titled development, ask to see the bylaws put in place by the board of directors. For example, there may be rules restricting visits by the grandchildren. A Buyers Agent would be a big help here!

Mistake # 12. The Emotional Buyer- Keep your emotions under control. Here are five emotional mistakes first-time home buyers often make:

1. Love Hurts - Falling in love with a home. As discussed at the top of this article, the buyer has to reconcile dreams with realities. It's often difficult to look at the pros and cons of a home rationally if you let yourself become too emotional about a particular property. Beware of real estate agents that play on your emotions to encourage you to say yes. Never buy the first home you see without looking at some others.
2. Keep Control - Losing control of the situation is frustrating and can lead to imprudent decisions. Don't let yourself be swayed or sidetracked by an assertive agent or by undue advice from family or friends. You are ultimately the person that needs to be happy about your decision. Also keep in mind that personality clashes with agents, mortgage broker and the like may be upsetting, but it's important to keep an objective perspective when considering a home purchase.
3. Not being able to make a decision! If you can't decide about anything from budgets to what kind of house you want then



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maybe you aren't quite ready to commit to home ownership. Take the time you need to make a sound decision, or re-evaluate your current situation, but don't be afraid to commit to a new home purchase, once you're ready.

4. What are you getting into? - It's great to own your own home, but it takes time and commitment to maintain this large investment. Make sure you are prepared and aware of all the responsibilities home ownership will include.
5. Is it the right time? - Buying before you are ready. If you are suffering cold feet over becoming a homeowner, sit down and take stock of the situation. Examine your motives for wanting to take this step, and look at what it will mean to your lifestyle and budget. Talk it over with your financial counselor, your real estate agent and your mortgage professional. Remember that there are two million first-time buyers a year and most of them have similar feelings of trepidation, but with the right people surrounding you, it can become an exciting and motivating time.

Mistake #13. Location -Location - Location! Location is absolutely key. The value of your home is affected by the other homes around you. No home is an island, so even if the home is perfect, don't forget to look carefully at the neighborhood. Factors determining the best location include:

Surrounding homes - the condition of other homes, including near-by buildings and the up-keep of surrounding grounds.

Size Matters - the relative size of your potential home compared to other homes in the same area. A small home surrounded by large ones may have taxes disproportionately high because of the neighborhood.

Placement - the outer edge of an area is less desirable than being in the middle, surrounded by similar homes, except if the property borders woods, a park or other open space such as a golf course.

Best Buy - the least expensive home in the best area or in an area that's transitioning is a best buy. You can buy low now to sell high later.

Mistake #14. Screwing Up The Offer- It's not over once you've found the house you want. Now you have to make an offer. Some common mistakes at this stage include:

Low-balling - New buyers often offer too little, or want too many concessions from the Seller. This can alienate the seller, resulting in a complete rejection with no counter offer.

Paying too much - Avoid bidding wars at all costs. Sometimes the threat of another buyer is simply a ploy to scare you into increasing your offer. Even if there is another buyer, don't play the game. Whoever eventually "wins" will actually lose because the price will be too high. In case there isn't another buyer, let the seller know you'll be interested if the "deal falls through."

Being afraid to negotiate - Most of us hate to haggle, but negotiation is the key to getting the best deal. Know your bottom line and be prepared to walk away if you can't meet it. Knowing as much as possible about the seller's situation, including their time frame, can be an advantage when considering the terms of your offer. A Buyers Agent can be very helpful here. Likewise, try to keep information about your own financial situation to yourself; the seller will be looking for information about you that can be used to their advantage during negotiations.

Being pressured into a quick deal - Don't let the seller's side pressure you to a quick close. It could be a sign that something's not right. If the property has been on the market for a long time, there's probably no rush. Remember, there's always another place that's right for you.

Not asking the Seller to pay for extras- Don't be afraid to ask the Seller to pay for the home inspection and a survey of the property. You are entitled to know where the boundaries are of the property you are purchasing. Your agent can further advise you here.



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Mistake #15. Not Following through to THE END - The deal has gone through and you are about to take possession. You must still be vigilant, for mistakes can be made even now:

Possession Date - Make sure you and the seller both know when you are to have vacant possession – meaning the exact date and time that they and their stuff are to be gone. If you think it's 12:01 a.m. and the seller thinks it's noon, both of you will find yourselves in an undesirable situation.

Insurance - Make sure you have arranged for adequate home insurance and that it's timed to come into effect so there is no gap between the seller's insurance and yours.

Final Check - Do a thorough walk-through before you close and before you take possession to ensure that all conditions are met. Are the light fixtures all in place? Are all the appliances you agreed to buy still there? Make sure before the closing date.

Force them Out - Don't let the seller stay in the property after the time of possession. If they decide not to leave or something is damaged you could have little recourse except costly lawsuits.

In Conclusion:

Make sure buying a home is the right step for you at the right time. If owning is cheaper than renting, this may be a good indicator that it's time to think of buying. Make sure a home purchase fits in with your lifestyle and financial needs, goals and obligations. Writing a rent cheque once a month and having someone else take care of the upkeep is easy. Are you ready to assume the added responsibilities of home ownership? Consider buying a home in a more holistic context that includes your whole financial picture, instead of making the home-buying decision based on income alone.

Buying a home is a BIG DEAL! You'll probably spend more on a home than on any other purchase you make during your lifetime. So don't be afraid to do some homework and investigate all your options. This will include surrounding yourself with the right professionals who will help you find that dream home at the dream price.