

The 11 Most Common Mistakes New Home Buyers Make ... and How to Avoid Them

"It's much easier to cross a mine field when you know where the mines are. By knowing the common mistakes that most people make when buying a home, you can save yourself time, money and a great deal of frustration."

Dear Prospective Home Buyer:

Thank you for responding to my recent notice, offering this valuable Report: "The 11 Most Common Mistakes New Home Buyers Make... and How to Avoid Them." My name is Jim Thornton, and I am a Mortgage Broker.

For most people buying a home is the largest investment they will ever make. Unfortunately, many homebuyers go into the process without learning about the process. This often leads to the purchase being more expensive and more difficult than it needs to be. By learning from other people's experience, you can avoid...

- paying too much for the home you want, or
- losing the opportunity to own your dream home or,
- buying a home with lots of problems or,
- (worse) buying the wrong home.

A systematic approach to the home-buying process can help you steer clear of these common mistakes, allowing you to not only cut costs and save time, but also make the process a more pleasant experience.

This important report was created for people who are considering the purchase of a home and want to protect themselves and their families from unnecessary problems and expense. It is based on more than 12 years of experience in the real estate and mortgage financing industry helping thousands of people just like you realize their dream of happy home ownership.

I believe the best way to help people get what they want is to educate them so that they can make decisions based on correct information. I want the people I deal with

to be well informed (knowing both the good and the bad) and I welcome questions. If you are dealing with an agent or loan officer that is not willing to answer your questions openly and honestly, I encourage you to seek out someone that will.

11 Home Buyer Mistakes

This important report discusses the 11 most common and costly homebuyer mistakes and what you can do to avoid them:

1. Not Checking Out Each Area Thoroughly

If you are planning on buying a house in an area that you have lived in for a long time this may not be an issue. But if you are new to the area, it will be well worth your while to ask people you trust about the different areas you are interested in. When you narrow it down to two or three choices, walk the neighborhoods, talk with people you meet, visit community organizations, schools, places of worship, etc. and make sure this is an area you will be comfortable in.

2. Not Verifying Value's

What price should you offer when you make an offer on a home? Is the seller asking too much or is this a bargain you should jump on? You will never know for sure until you research the market and look at what comparable homes have recently sold for in that particular neighborhood. This is something your real estate agent can help with.

By accessing the local multiple listing service an agent can provide a list of all the homes that have sold in a prescribed area. Ask your agent to provide a list of all the homes that have sold within the last three to six months that are the same type of home that you are interested in and close to the same size and age (or at least condition) along with the final selling price of the property (including any known seller concessions).

If you will take the time to drive by these properties you will quickly get a feel for values in the area and be better equipped to make a reasonable offer for the property. If you don't have a real estate agent, we would be happy to refer you to one.

3. Not Getting Pre-Approved for a Loan First

This is where most people get the cart before the horse. They get excited about buying a home and start looking around. Before you know it, they have hooked up with a real estate agent and are seriously considering different properties. Then they finally ask the question: Can we afford this? Unfortunately, the answer is often no and they have to start all over again. And, of course, when they start looking at

lower priced homes their enthusiasm is dampened because they had their hearts set on the nicer homes.

Getting pre-approval not only helps you know what you can afford but it puts you in a stronger negotiating position as well. When the seller and their agent know that your loan is done and just waiting for you to find a property, they will be much more interested in your offer and will give your offer more weight against competing offers.

Getting pre-approved is fast, easy and normally free. Most mortgage professionals can obtain written pre-approval for you at no cost and no obligation, and it can all be done quite easily over-the-phone. More than just a verbal approval from your lending institution, a written pre-approval is as good as money in the bank. It entails a completed credit application, and a certificate from the lender which guarantees you a mortgage up to a specific level when you find the home you're looking for.

Make sure you are dealing with a professional who specializes in residential mortgages. The mortgage industry is extremely complicated with literally hundreds of options and choices. Using an expert can make the difference between getting into the home of your choice or having to rent forever.

4. Taking Your Credit for Granted

Unfortunately, you may be reading this report too late to have kept from making this mistake but it is never too late to start improving your credit rating. In the last few years, the way lending decisions are made has become much more automated. And the way the decisions are made has changed dramatically. For the most part decisions are made based on certain guidelines and not left up to subjective humans.

This places more and more importance on your credit rating when applying for a loan. How good your credit rating or "scores" are depending on several factors such as: Current credit balances, Amount of current available credit, Late payments (How many, how late, how recent, Type of Account) and recent inquiries about your credit.

If you are planning on getting a mortgage loan, make sure you are making all of your current payments on time and avoid any unnecessary inquiries into your credit. In other words, don't go out shopping for a car or new furniture and have sales people all over town running credit checks on you. If you want to have the highest scores possible and therefore qualify for the best rates available it is best to be patient and wait until your loan is done before you go do things that will affect your scores.

5. Not Having a Prioritized List of What Is Important

Many new home buyers will often get swept up in the excitement of becoming homeowners then after it's too late they find out that the home they just purchased does not suit their needs. Before even beginning the process clearly define your wants and needs. Put the list in writing and prioritize it in order of importance. Measure each property you look at to determine how well it matches your list.

Here is a list of some items to take into consideration:

Size of home: Number of Bedrooms, Baths, Etc.

Style: Are stairs or a basement, ok? Etc.

Type: Single Family, Duplex, Condo, PUD

Condition: Does it have to be near perfect or are you willing to do some repairs in order to get a better price?

Location: Type of neighborhood, Proximity to work, schools, etc.

Special Features: Garage, Wheelchair access, Air Conditioning, Etc.

6. Not Checking on Title and Boundary Issues

It's no fun to get to closing and find out that there is a problem with the Title to the property. These problems could appear in the form of undisclosed owners, tax liens, mechanics liens, easements, leases or other encumbrances. One of the first things that should be done as soon as you come to an agreement on the purchase of a property is to order a preliminary title report from a title company. Your real estate agent will normally handle this. Make sure you receive a copy and review it.

If there are any parts of the report that you don't understand, ask your agent or an employee of the title company to explain. If there are issues that need to be taken care of make sure that they are completed before closing and that the Title Company is issuing you a clean policy of Title Insurance. This Title Insurance Policy will help protect you from claims that may come along after the fact.

It's even worse when you find out about a problem after closing such as a problem with your property boundaries. For instance, if your neighbor discovers that the shed at the back of your property is sitting partially on their property it's **your** problem regardless of whether the shed was built there by you or a previous owner. Survey's help you avoid these types of problems.

The dependence on survey's varies from area to area depending on how established the neighborhoods and boundary lines are and the type of legal descriptions that are used. Your agent can give you a good idea of the necessity of a survey or an update of a previous survey. However, if there is any question as to the boundary lines of a property your offer should be made subject to your approval of a survey by a licensed company.

7. Not Getting a Thorough Inspection

Another valuable tool for avoiding unexpected problems is a professional inspection done by a licensed home inspection company. Your offer should also be subject to your approval of just such an inspection. A professional inspector will objectively inspect the home inside and out and should be able to give you a report of any item that needs to be fixed with associated, approximate cost.

No home (even a fairly new home) is perfect. You should not be alarmed when the inspector suggests minor repairs or maintenance issues. This is quite normal. Avoiding the large repairs or expenses (such as termites, radon, mold, lead paint or asbestos) is when the inspection will more than pay for itself.

8. Placing Your Best Offer Up front

Working with a realtor you trust can make a huge difference in the buying process. It is important to rely on their expertise and market value assessments. Today's real estate climate is like nothing seen in recent history. Competition is fierce and often when submitting you will have multiple competitors. Before submitted an offer, you need to have an accurate assessment of what the property and area is worth.

In a sellers' market, especially where there are multiple offers, you need to make sure your offer is the most attractive. The days of going back and forth trying to negotiate the lowest possible price are in the rear-view mirror. It is advisable when making your offer, assess what the maximum price you are willing to pay is and submit that offer.

9. Up on Contract Stipulations

When negotiating the purchase of a property there will often be items (such as repairs, etc.) that the seller agrees to take care of prior to closing. It is a mistake to simply assume these have been taken care of and not check on them prior to closing.

Make sure to do a final walk-through of the property well before the closing date. Bring along a list of all the items that were agreed to and check them off as you go. It's not a bad idea during the negotiation process to agree to an amount to be held in escrow at closing if the items are not taken care of. This will give the Seller motivation to make sure they are completed and will avoid delays in closing if they are not.

10. Hidden Expenses

It's no fun to get to the closing table and find out that the costs of completing the transaction are higher than you thought. If inspectors, surveyors, etc. have agreed to be paid at closing make sure you know what their charges will be and get it in writing.

The same is true of your lender. Your lender should be able to provide a detailed estimate in writing of all expenses to expect in originating your new loan. Be sure and bring these items to closing and compare them. No lender can be exact down to the penny in estimating these costs but a good lender should be pretty close.

11. Rushing the Closing

Nobody likes surprises when it comes time to close. Moving is one of the most stressful times in peoples lives so both the Seller and you as the Buyer are going to be more emotionally "uptight" then normal.

The best way to minimize the stress is to expect some bumps along the way and give yourself time to deal with these challenges as they appear. Make sure to set reasonable time frames for items to be accomplished then hold to your schedule as much as possible.

Ask your lender to have all the documents available for review a day prior to closing. Check them out carefully to make sure the costs on the settlement statement are in line with what you expected and that the terms of the mortgage (i.e., interest rate, fixed or variable, term, pre-payment penalties, etc.) are what you agreed to. This way if you do find a discrepancy you will be able to deal with it without feeling under the gun and there will be time to fix it before it becomes a problem.

So, what to do next?

Well, I know that is a lot for you to take in so I am happy to spend some time with you and answer any questions you have about the process of buying your new home. You are welcome to call my office in Brantford during normal business hours. If you're ready, I can even collect the information needed to suggest the best possible course of action for you personally.

Or, you can complete the brief "Confidential Home Buying Information" Form below.

Or, of course, you can do nothing, disregard this completely and continue paying rent wondering what it would be like to own the house you've always wanted and watching the price of homes continue to rise. Instead, if it's time to make a

change in your life, let me help you avoid the possible pitfalls and make smooth transition into your new home.

I hope to hear from you.

Sincerely,

Jim Thornton

PS: With current market conditions now is THE time to act. Don't let this opportunity pass you and your loved ones by.

More Client Success Stories

"A Jim obtained the mortgage that best suited our needs at the best rate available to us. Any questions or concerns we had throughout the process were addressed in a timely, professional manner. I would not hesitate to recommend Jim to anyone looking for a mortgage."

- Margie Maslin, Brantford ON

"Very professional, knowledgeable and timely to work with. He really understood our needs and got us the best mortgage possible in terms of rates, paydown options, and re-advancing. Couldn't be happier and will definitely use Jim in the future for expanding our real estate portfolio. Shap Dresser too."

- Patrick Belina, Brantford ON

"I cannot recommend Jim enough. We had been told by so many we would never be able to buy a home because my husband is self employed and I had been in a credit proposal with bad credit. Luckily we had Jim. He worked with us, was honest and upfront about the steps we needed to take, and gave us a clear path to follow to get to the point we could start house hunting. He worked so hard for us, was always available to answer questions, and got us an AMAZING deal with a great bank. There is not enough words of gratitude we can give, as we sit in our new home, to thank him for everything he made possible for us! You will not regret working with Jim!"

- Anja Mracevic

"Jim worked tirelessly to help me get a mortgage under tight time constraints and despite some unanticipated (first-time home buyer) blips along the way. I felt well informed and supported throughout the process, and am very appreciative of his reassurance during an inherently stressful time. Jim is incredibly knowledgeable and a pleasure to work with. He works quickly and communicates openly. I highly recommend Jim to first-time home buyers and anyone in the area!"

- Sarah Syrret

"I highly recommend Jim for anyone who is looking for an incredible mortgage broker. Jim made getting my mortgage so easy. He was really professional, and was available for any questions I had. Simply put, Jim got me the best rate and was able to work in the short close date I set. He is amazing!"

- Joel Buchanan
