



Real Estate Reality

How to Shoot Yourself in the Foot When Buying a Home...

-Debbie Yost

Buying a home is one of the largest financial commitments a person will undertake in their lifetime and one of the largest contributors to net worth. There are lots of opportunities for "turbulence" to occur in a transaction, despite everyone's best efforts to make a home purchase a smooth and stress free experience. Here are some of the typical ways people create unintentional grief for themselves in the process:

Being Ignorant or Uncaring of your Credit Score: An individual's credit rating determines the price of just about everything these days; from the amount of the insurance premium for a home or vehicle to the interest rate you will pay when financing a home. The monthly payment on a \$100,000 loan increases by \$68 when the interest rate changes from 7% to 8%. Paying even one credit card bill 30 days late can significantly increase the interest rate on a mortgage loan. It's easy to check your credit report regularly and know what your creditors are reporting. It's easier to fix credit reporting mistakes before you are in escrow trying to close on your new home.

Not Being Pre-Approved for Financing Before Home Shopping: Knowing your options for financing BEFORE beginning to shop for a home proves valuable in that the offer to purchase the property can be drafted in such a way as to take advantage of all the alternatives available. Knowing your options for financing not only makes you a more informed consumer, your purchase offer will also have more strength because the seller will have written documentation of your ability to close escrow. Many times I've seen a home seller accept a lower priced offer from a qualified buyer rather than a higher offer from someone who has no financial documentation prepared. If you decide that a new home purchase makes more sense for you than purchasing an existing home, you will also be prepared to compare the offer from the builder's lender to see if it makes sense to use them. The large incentives the builders are currently offering "if you use their lender", may cost more in the long run than if you paid for the option and financed your property at a lower interest rate.

Not Hiring a Certified, Professionally Trained Home Inspector: Every home, whether it's brand new or 30 years old is a product built by human beings, which means it will have flaws. Cosmetic flaws are like facial blemishes and some are tolerable at the right price. It's the hidden flaws or deferred maintenance that a buyer is unaware of that can turn a lovely home into a money pit. Using Uncle Harry or Dad to do your home inspection is asking for trouble. Hiring an ASHI (American Society of Home Inspectors) certified inspector who prepares a written

report including photos, has Errors and Omissions Insurance and stands behind his inspection is critical. New homes have the same opportunities for defects and buyers are highly encouraged to use an inspector to double check the workmanship before closing.

Selecting Your Home Lender from the Internet or the Lowest Published Rates in the Newspaper: Every experienced Realtor will ask a prospective homebuyer if they have met with a lender to be prequalified in the early stages of working with them to find a home. Frequently we are told they have a friend or relative in the business, or have a prequalifying letter from an internet lender, or they will just go to their local bank or credit union after they find the perfect house. While all these can work out for a homebuyer with excellent credit scores, this can turn into a real disaster in the middle of the transaction. Ask your Realtor or friends who have recently purchased a home about their experience with a lender. Interview more than one lender and don't automatically choose the one who quotes the lowest initial interest rate.

Not Interviewing and Selecting a Realtor to Use as a Buyer's Agent: In the current real estate industry, sellers and homebuilders pay for representation for both parties when they pay the typical brokerage fee. There is NO COST to the buyer for using a Realtor, even when purchasing a home from a builder. If you are considering a purchase in the next few months, call and make an appointment with a few different Realtors and interview them. Research their services by looking at their websites. Ask what their strategy is for assisting you with your home purchase. Ask what advanced training they have, how long they have been in the business and what special programs their company provides for homebuyers. A good Realtor will discuss agency relationships, which translates into whose interests they represent in a transaction. And, by the way, the homebuilder's on site agent represents the builder, not the buyer! In the initial home buying consultation between the Realtor and homebuyer, they should also recommend one or more lenders for you to meet with. Realtors with the ABR designation have been specially trained to represent you as the buyer.

The Need to Win: Every successful real estate transaction is a WIN/WIN for both buyer and seller. Successful balancing of the needs of all parties is the key to a smooth, stress free transaction. I've seen buyers walk away from a fairly priced home they love because the seller and they were \$1000 apart, or because the seller wouldn't throw the appliances into the deal at no charge. We are quite competitive in the U.S. and the need to have the last word can be like cutting off your nose to spite your face. If the needs of all parties are honored in a way that they each receive the things that are most important, everyone wins and the transaction closes with everyone happy.

Next month's column will cover the ways sellers shoot themselves in the foot. I wish you and your family a happy 4th of July! Debbie Yost, CLHMS, CRS, GRI is an Associate Broker with RE/MAX of Casa Grande and can be reached at Debbie@YostHomes.com. ♦

