



6 Home Buying Mistakes You Should Avoid

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Smart home buyers are realizing that this may be the best time to buy a home... before mortgage interest rates go higher.

During this time of the year, savvy home buyers also understand they can negotiate harder because home sellers and their realty agents know this is not the best time of year to sell a home (but it is one of the absolute best times to buy a home from a highly motivated seller).

However, in the quest to purchase a house or condo, many home buyers get caught up in the thrill of acquiring a new home and they make costly mistakes. Here are the top 6 home buyer mistakes you should avoid during *any* time of the year:

1. SHOPPING FOR A HOME BEFORE YOU SHOP FOR A MORTGAGE.

It's normal for prospective home buyers to get excited about buying a home. According to the National Association of Realtors, more than 70 percent of today's home buyers start their quest on the Internet.

But that's the wrong place to start *buying* a home. The first step to a successful home purchase is for buyers to check their FICO (Fair, Isaac Corp.) credit scores to be certain a mortgage can be obtained.

One of the best spot I've found on the Internet to check your credit is www.myfico.com. It costs about \$45 to review all three credit reports there from the three national credit bureaus; Equifax, Trans Union and Experian.

By checking credit reports at all three bureaus, there is time to correct any errors (reportedly, about 33 percent of credit reports contain mistakes) before applying for a mortgage.

Armed with your credit reports and FICO scores it's time to shop for a written mortgage pre-approval.

Be sure and share all your important information with your mortgage consultant, so that he has all the necessary facts to provide you with a written pre-approval letter or certificate. This will ensure that you are looking at homes in a price range that you already know you can afford.

2. RUSH TO BUY A HOUSE OR CONDO WITHOUT CAREFULLY RESEARCHING THE LOCAL MARKET.

After you have your written mortgage pre-approval letter or certificate from your mortgage consultant, it's time to get serious about researching the local home market in your price range.

Although you might buy the first home you spot on the Internet, or at a weekend open house, that rarely happens. Most home buyers take several months before their purchase offer is accepted by a seller.

3. BUY A HOME WITHOUT YOUR OWN BUYER'S AGENT.

Too many home buyers purchase homes with only the help of the seller's listing agent (called a "dual agent" when that person also represents the home buyer,) I believe this is a big mistake.

It costs home buyers nothing to have their own "buyer's agent" representing the buyer's best interests. Buyer's agents, in addition to showing listings of other agents from the local MLS (multiple listing service), can show prospective buyers the local "for sale by owner" (FSBO) homes also.

Smart FSBO sellers are only too happy to pay buyer's agents half of a normal sales commission, typically around 3 percent. This is a major advantage of working with a buyer's agent.

Any licensed real estate agent can be your buyer's agent to look out for your best interests (unless that agent works for the same brokerage, which also listed the property for sale; then dual agency or designated agent rules apply).

4. BUY A HOME WITH AN INCURABLE DEFECT.

No house or condo is perfect. Each one has some defect. Even brand-new houses sometimes have problems.

Fortunately, most houses and condos don't have defects that are not tolerable. Serious problems, called "economic obsolescence" by apprais-

ers, might include a bad floor plan, poor location (such as near high-voltage power lines or adjacent to the city dump), heavy street traffic, and lack of convenient parking.

5. DON'T INSIST ON A COMPARATIVE MARKET ANALYSIS (CMA) BEFORE MAKING A PURCHASE OFFER.

This is a major mistake too many home buyers make, often resulting in overpaying for a home. The CMA is the same document that the listing agent should have presented to the home seller before the asking price was determined. It includes recent sales prices of similar nearby homes, asking prices of comparable neighborhood homes now listed for sale, and asking prices of similar homes that didn't sell (usually because they were overpriced).

Only after reviewing the CMA, and discussing it with the buyer's agent, can a reasonable purchase price be offered.

6. FORGET TO INCLUDE THE TWO KEY CONTINGENCY CLAUSES.

Especially in very competitive local home sales markets, some home buyers let their buyer's agents talk them out of protecting themselves with the two key contingency clauses.

"All cash, no contingency" is what every home seller wants to hear. But it isn't realistic or very smart for most home buyers. Instead, smart home buyers include contingency clauses for (a) a satisfactory professional appraisal of the home for at least the purchase price, and (b) the buyer's approval of a professional inspector's report.

Additional customary local inspection contingencies might include termite (pest control) inspection, building code compliance, energy efficiency, and radon test.

SUMMARY:

These six home buyer mistakes to avoid help protect buyers from making major, costly errors. Home buyers who protect themselves can feel confident of making a sound purchase, which they will enjoy for many years.

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Claudio has been a licensed mortgage broker since 1998 and his clientele ranges from first time home buyers to professional real estate investors.

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