



## Three Major Home Buying Mistakes

### How to Avoid Home Buying Mistakes

Not every mistake in a real estate transaction can be reversed, much less fixed before closing. If buyers goof up and make an innocent mistake, they might very well be stuck with the consequences for a long time or, worse, their deal might not even close. It could fall out of escrow.

#### **Number One Blunder: Refusing to Confide in a Trusted Advisor**

This advisor could be your real estate lawyer or real estate agent. Buyers withhold information for a variety of reasons such as:

- \* Fear of how they will be perceived
- \* Irrational belief they have all the answers
- \* Don't feel it is important enough
- \* Lack confidence in their advisor

Experienced real estate professionals handle such a multitude of transactions and personality mixes, there's little they haven't heard before. Your advisors are representing your best interests and have a fiduciary responsibility to do so. They can't help you if they don't know what you are doing behind their backs. Plus, they will likely have a better idea for you than you can dredge up.

If you have cold feet and have thoughts about backing out of the transaction, talk to your agent about those feelings. She can help walk you through the anxieties. Pros will help you to determine if you really need to cancel and, if so, manage the transaction so you can get your earnest money deposit back.

#### **Number Two Blunder: Altering Financial Pictures Prior to Closing**

When I bought my first home, I easily qualified because I had no car payment nor revolving debt. A week before closing, I bought a new car and financed the purchase. New ratios meant I no longer qualified. A frantic phone call to my mother, begging her to lend me the money to pay off my car loan (and threatening to show up on her doorstep with luggage in tow and a cat under each arm), was the only tactic that saved me from losing the house.

Today's home buyers make the same mistake. Do not buy anything on credit and / or with a credit card once you have completed a loan application. Do NOT buy:

- \* Automobiles
- \* Washers, dryers, refrigerators



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- \* Lawnmowers or garden equipment
- \* Expensive electronics or computers
- \* Furniture for your new home

Slight alterations in your credit ratios could cause an underwriter to throw out your loan and deny it. If your loan contingency has expired or been removed, you could forfeit your earnest money deposit in addition to losing the home.

### Number Three Blunder: Buying the Wrong House

The very first thing home buyers should do is make a list of priorities and define home purchase objectives. Figure out what features and benefits are most important and which you can live without. Before you close escrow, review this list. It's easy to overlook a major factor that could come back to haunt you later.

A buyer looking for a home in the midtown neighborhood of Sacramento, California, found herself swept up in the excitement of buying a home that was a bit less than she actually needed. She convinced herself that having one bathroom was suitable, but discovered shortly after closing that sharing a bath with two grown sons was impossible. It caused her so much tension and strain that she sold less than a year later. It cost her money to sell and more money to buy a two-bathroom home in another neighborhood. If the market had been depressed or a buyer's market<sup>6</sup>, she could have lost everything, like this next guy, instead of simply spending a lot more money than was necessary.

Another buyer purchased a home that cost him about \$100,000 more than he was comfortable spending. But he fell in love with the Victorian character: the high ceilings, sparkling chandeliers and wide-planked floors. A year later, he could no longer afford to make his mortgage payment. The house was too expensive for him to maintain. He would have been better off buying a smaller home in a more modest neighborhood. But he let his soaring emotions cloud his good judgment. Since his purchase, the market softened and he could not sell. He lost his home to a short sale.