

Buyer's Advocate...100% of the Time!

Common Mistakes

Smart Buyers Make

and How to Avoid Them

“There are a lot of things to worry about when buying a home. Whether your agent represents you, shouldn't be one of them.”

David Kent, ABRM, CRS



www.CharlestonHome.com

CHAPTER 12

Common Mistakes Smart Buyers Make and How to Avoid Them

By David Kent

Buying a house is a big financial commitment, and for most people, the largest investment they will make in their lifetime. It seems like common sense, but many people jump into the process without really educating themselves first. In the excitement of house hunting they skip over the homework and planning, leaving them vulnerable in the long run. Reading this book is an excellent step in making sure you are prepared.

I have a unique perspective as I have worked exclusively with buyers since 1995. I opened Charleston's first exclusive buyer's agent with my business partner after a career in building. Since opening the Real Buyer's Agent (www.Charlestonhome.com), I have worked with hundreds of buyers and have come across just about every problem you can imagine, and some you probably cannot. Here is a list of the five most common mistakes I see from homebuyers.

COMMON MISTAKE #1:

Not understanding agency. What does agency mean to you? Buyers often do not understand how they can be represented

when they buy a house. They make the common mistake of thinking one agent works the same as the next and they do not understand the legality of agency or how agency affects them. Buyers drive around, see a house they think looks interesting and call the number on the 'For Sale' sign. This means they are calling the listing agent who is representing and works for the seller. Do not be one of those people!

The seller's agent owes you no loyalty or confidentiality, and in fact is obligated under law to tell the seller pertinent information you disclose. If you do decide to use the same agent as the seller, you will not have someone to be your advocate. Many states allow designated, dual and transactional agency, which will affect the advice and counsel the agent can give you. This is not the ideal way to ensure that your interests are being protected. Think about it this way, if you are involved in a lawsuit, would you want to use the same attorney as the other side? Do you think that one person can really represent both sides equally? Many homebuyers do not understand that they have a choice and it is up to them to make sure they are represented the way that is best for them.

Prudent buyers plan ahead and go to a real estate company to seek out an agent before starting the process. Because you are reading this book, you will know that single agency is the best choice. Under single agency, an agent only represents one side of the transaction and owes their client fiduciary duties, such as obedience, loyalty, disclosure, confidentiality, accountability, reasonable care, and diligence. Choosing an agent that will act as a buyer's agent and represent only you throughout the transaction is really the best practice.

Organizations like the National Buyer's Agent Alliance (www.buyersagent.net) can put you in touch with a buyer's agent if you're not familiar with the area in which you are considering buying. The organization's primary purpose is to spread the word on buyer's agency and put potential buyers in touch with buyer's agents. Buyers deserve the same representation that the seller receives from their agent. As a buyer, you deserve to

have someone fighting on your behalf and acting as your advocate throughout the process and it is up to you to make sure you have it!

COMMON MISTAKE #2:

In addition to understanding types of representation, buyers need to make sure to select the right real estate agent. Mistake number two is not doing your homework up front and picking an agent who is best for you. When you find an agent who you think might be a good fit, interview him or her. How long have they been in the business? Are they a full time real estate agent? Do they have any designations or experience that makes them better suited for your needs? Can they represent you as an exclusive buyer's agent? How much of their business is devoted to listings and how much to representing buyers?

Ideally, you should work with an exclusive buyer's agency where everyone works only with buyers. If that option is not available where you plan to buy, make sure that the agent is willing to represent only you throughout the transaction. Ask for referrals from their past clients and how they will be compensated. Most buyer's agents are paid through a commission split with the listing agent; however, you should discuss other ways that he or she can be compensated. Typically, having your own agent won't cost you more. A good agent will not only represent you, but will educate you throughout the process. It is also the agent's job to use his or her expertise to think of factors and considerations you may not know or have forgotten about.

COMMON MISTAKE #3:

The third common mistake is failing to get pre-approved before looking at homes. For the majority of buyers today, getting a mortgage is an important part of the home-buying process. Getting pre-approved is especially important for first time homebuyers, but it is something that anyone embarking on a house hunt should do. (If you haven't worked with a loan officer/mortgage professional before, your buyer's agent can give you referrals.)

Pre-approval involves contacting a mortgage professional and giving them both some financial and personal information. You will also discuss what kind of monthly payment you would like and the amount of your down payment on your future home. Your mortgage professional will then get you “pre-approved” with a lender for the maximum amount you will be eligible for from that particular lender.

Getting pre-approved enables you to know the price range of homes you will be able to purchase and eliminates the homes that do not fit within your budget. When you find a house that you are ready to put an offer on, a pre-approval letter can show the seller that you are serious and have the ability to obtain financing required to purchase the house they are selling. In a nutshell, it will save you time looking only at homes you are comfortable financing and will put you in a better negotiating position.

Keep in mind that the lender who provides your pre-approval letter does not need be the same lender who finances your mortgage. You still have the ability to shop for the best rate and terms when the time comes.

COMMON MISTAKE #4:

Number four on the common mistakes list is concentrating first on individual properties rather than the location of the property. Many buyers get caught up in looking at particular homes on the Internet or having their agent take them to numerous homes without much focus or thought. If you find your dream house, but it does not fit your work, shopping or school needs, then you are not going to be happy there! Until you narrow down the area that fits you and your family best, you are wasting your time looking at homes.

If you are not familiar with the areas, it is perfectly OK to go look at a few homes in several areas, with the goal of these excursions being location focused. Here are some important

things to consider when thinking about the area:

- What are your priorities?
- Where do you spend the majority of your time?
- How far is the property to your job and what is the potential commute time?
- How does the school's performance compare to similar schools in the area?

Even if you do not have school-age children, school performance can play a significant role in home re-sales. If you do have children, take the time to look up the schools-testing results and graduation percentages and plan school visits. When you go to sell this home, school performance is a factor that future buyers may consider and can play a part in how long it takes for a house to sell.

In addition to the factors that have to do with your lifestyle, also consider environmental factors that are going to affect the price of the property. Every area is different. However, in the Charleston area where I work, the distance the property is to a beach or the downtown area greatly affects price, not only in the initial cost of the property, but also in additional expenses like flood insurance and wind and hail insurance. The closer you are to the water, the more expensive it is.

Check with your agent to see what environmental factors might come into play in the areas you are considering. You should also consider the Census data. Is the area you are considering purchasing economically healthy? What does job growth look like? What industries are strong? What kind of crime does a particular area have? Contacting the local police station and asking for a crime report is a great way to really know what's going on in a particular area.

Check to see how many foreclosures/short sales there are in the neighborhood you're considering. At the end of the day, you need to make sure that you have done everything in your control to ensure that you are picking an area that will nurture appreciation for your

future home and is a place you will be happy and enjoy for years to come. Once you have tackled this, then concentrate on the homes that meet your requirements from the research you have done.

COMMON MISTAKE #5:

Ok, so you have picked an agent and know you have got the best representation possible. You have done your research on the area, found a house, negotiated the terms. Common mistake number five is not getting a home inspection. It is amazing to me how many people want to skip this important step. Buying property is a big commitment, and until an appraisal and inspection have been done, you really do not know for sure what you are getting. Not all defects are visible to the untrained eye, and frankly, the majority of people don't know everything to be considered.

Keep in mind all home inspectors are not created equal. Much like picking an agent to represent you, make sure you are picking a qualified inspector. I highly recommend you use someone who is insured and certified by an organization such as with the American Society of Home Inspectors (www.ashi.org). You want an inspector who has been trained and has the necessary knowledge and expertise to give you a thorough inspection. You are not looking for some guy who was just laid off, owns a pickup and suddenly decides, "Maybe I'll start doing inspections; how tough can it be?" Using an inspector who is certified gives you more recourse if you have a problem in the future.

Buying new construction does not exempt you from needing a top-flight home inspection. A home inspection is cheap insurance that can save you significant money and problems that were built into the house. I recommend, at a minimum, both a pre-drywall and a final inspection for new construction. During the pre-drywall inspection, the electrical, plumbing, and ductwork can be inspected prior to the instillation of the sheet rock, which is a real benefit over resale properties as the walls are already in place. The final inspection covers the five major components of a home: structural integrity, roof, electrical, plumbing and

heating and air-conditioning.

With a thorough inspection, you will know the real cost of the property and what kind of projects you would be taking on if the seller refuses to do repairs. Having an inspection enables you to negotiate some repairs or, at the very least know what things could be eating away at the equity of a property. If you can get the seller to take care of the major items from the repair list, you will be in that much better of a position when it comes time for you to sell the house. In addition to the home inspection, depending on the area where you are buying, you may also want to consider radon, lead paint, septic, mold, water sampling, etc. Your agent can help recommend which of these might be pertinent depending on the house location and age.

Avoiding these common mistakes and making sure you have got a team of trustworthy people working for you will help you to make a great buy. The home buying process is full of unexpected surprises but working with a buyer's agent can make the process a lot less stressful and a lot more enjoyable for you. I've had clients say that using a buyer's agent to help buy their home "exceeded every expectation" they had about buying property. You deserve this experience when you buy your home.

So to recap, here are the most common mistakes every homeowner should avoid:

1. Not Understanding Agency

- Choosing a buyer's agent who will represent your interests throughout the transaction is the best choice.

2. Choosing the Wrong Real Estate Agent: Do your Homework!

- Interview potential agents. Ask questions. Check past performance.

3. Not Getting Pre-approved

- You'll know what payment you're comfortable with and you'll be in a better negotiation position when you find the right house.

4. Location, Location, Location: Pick the location before the house

- You'll save yourself time and end up with a property you'll be happy with in the long run.

5. Not having a Home Inspection

- Know the true cost of the property and what you're really taking on. In addition you'll be in a better position when you sell the house.