

Home Buyers: How to Avoid Paying Too Much

WHETHER YOU'RE A FIRST-TIME BUYER OR AN OLD PRO AT THE REAL ESTATE GAME, BUYING A HOME CAN BE A DAUNTING PROCESS. IT'S AN EMOTIONAL TIME FILLED WITH DIFFICULT CHOICES—AND EACH DECISION YOU MAKE HAS MONEY RIDING ON IT. YOU CAN EITHER CHOOSE TO MAKE IT A LOT OF FUN AND EVEN EASY, OR GO ABOUT IT THE HARD WAY.

Finding the right home to meet your family's needs is hard enough. But knowing how to avoid paying too much for that home once you've found it is another job entirely.

As someone who has helped thousands of buyers find their dream homes and save money at the same time, I've developed this guide to help you avoid the pitfalls inherent in the home-buying process. I'll show you not only how to make sure you've found the right home, but also how to negotiate a price to your advantage.

In today's complex, fast-paced market, you can't afford to learn these lessons through trial and error. The tips contained in this report will go a long way toward making you a savvy buyer. These tips have been gathered and put together from over a decade of selling. Gathered from the best school in the business, doing it.

1. Know what you're shopping for before you start.

Before you begin shopping, understand that there are two homes out there vying for your interest—the one that meets your needs vs. the one that fulfills your desires. In a perfect world, you'd find a home that satisfies both. But since this isn't a perfect world, you're going to find yourself confronted with choices.

Do you choose the three bedroom home with room for your family to grow, or the one with the big backyard and deck that's perfect for entertaining? Is having a big kitchen more important to you than a few extra rooms?

When you start shopping, you're going to find homes you fall in love with for different reasons. That's why you should list the features you want before you start shopping. Use the form provided at the back of this report and break your list into two categories—"Needs" and "Desires"—and prioritize the items you come up with.

Understanding what you really need as opposed to what you'd like to have will help you keep your priorities straight as you shop around. I've seen

people fall in love with a home for the wrong reasons, then regret their purchase when the home fails to meet their needs.

Don't let emotion cloud your judgment. Satisfy your needs first. If you find a home that meets your needs and fulfills some of your desires, so much the better. The important thing is to know the difference before you get caught up in the excitement of the hunt.

2. Shop for a mortgage before you shop for a home.

Getting a loan pre-approval is the smart way to shop for a home. It tells sellers that you're a serious prospect, and you know in advance the maximum mortgage you can afford. Make sure you get a commitment *in writing*. I've seen many buyers make the mistake of learning what they qualify for but not getting that pre-approval in writing.

The good news is that it's easier than ever to qualify for a home loan. Lenders have modified qualification rules and created programs designed to help people even if they have problems in their credit or employment histories. Many programs call for dramatically reduced down payments – the biggest obstacle for first-time buyers in particular.

Don't make the mistake of thinking that the bank that you have been with for the past number of years, will give you the best mortgage rates. I have owned a dozen properties and have taken a mortgage from a different lender almost every time. Banks are like department stores, they often have sales, theirs happen to be in better rates.

One of the main benefits you will have for yourself is that you will now be able to make an informed decision as to the price range that is best for you. The biggest benefit is the increased power you gain when making the offer. This little secret allows your Realtor to turn this into what will be treated as a cash offer. You see, an offer that is presented as conditional on financing for a person that has already been approved as a borrower, is as good as cash, and that is music to a sellers ears.

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3. Pick a winning Realtor to help you.

From picking a mortgage to finding the right home to inspections and negotiating the best deal, it can be exhausting for even the hardest souls. That's why most people have a Realtor in their corner.

A good Realtor has the knowledge and experience that came from years of helping both buyers and sellers. He or she also has a team of other professionals to put at your disposal—lenders, lawyers, home inspectors, movers, etc.

Most sellers you encounter are certainly going to have professionals in their corner. Having a pro on your team is the best way to make sure you get the best deal possible. Your Realtor should have for you a readily available list of people affiliated with the purchase of your new home.

You should also consider the abilities of the Realtor you choose to work with. A Realtor with lots of experience will be able to help you in far more ways than a new Realtor ever possibly could. Purchasing your home is one of the largest investments you will ever make. That's important! Make sure that your Realtor has a great support team and is not trying to be all things to all people. A Realtor is not a home inspector, surveyor, architect, termite inspector, designer etc. This simple little truth could cost you thousands.

Also make sure that the Realtor you hire has experience, make sure they have a lot of sales and can prove this to you with references. In addition you can have any Realtor verify with a letter from their broker exactly how many homes they have sold in the past.

4. Make sure your Realtor knows what you are looking for.

Once you have a clear, detailed picture of the home you want, make sure your Realtor has the same picture. This communication is critical. Otherwise, you'll both waste time looking at homes you're really not interested in. Also, make sure your Realtor knows your priorities. Your shared goal is to find a place that meets all of your needs; your Realtor will then try to satisfy as many of your desires as possible. A good Realtor will ask you several questions about what you're looking for and what you can afford. And they'll listen carefully to your answers.

5. It's a cliché, but... location, location, location.

The desirability and resale value of your home-to-be depends on location more than any other single factor. Again, don't let emotion get in the way of a wise investment. No home is an island, and the value of yours is affected by the homes that surround it.

Assuming you've already considered the elements that make up a desirable community—character, quality of schools, access to work places and services, recreational facilities, etc.—there are several elements that combine to create a good location.

Your first consideration is the neighborhood. Every neighborhood has its own unique character; you need to make sure you'd be comfortable in the one you're thinking of living in. Take a long walk and observe carefully. Do people take care of their yards and homes? Are the yards fenced? Do children play in the streets? Talk to the neighbors and ask questions that give you a better feel for the area. But be careful not to appear judgmental—you might be talking to a future neighbor.

If the neighborhood is to your satisfaction, look at homes on the market in the area. Extremely large homes surrounded by smaller ones tend to appreciate less than a large home among other large homes. Conversely, the smallest home in the neighborhood tends to be “pulled up” by the other homes on the block. However, it might take longer to sell a smaller home when the time comes because many people are unwilling to pay extra for the neighborhood.

The outer edge of a neighborhood is usually not good for resale value. There are noticeable dividing lines between unlike neighborhoods. It could be a difference in architectural styles, home size, property use or something else. Look for a home in the middle of a community of similar homes; it will hold its value better.

An exception to this rule is a house on the edge of a neighborhood bounded by woods, park land, a golf course or other open space. Natural boundaries appeal to buyers, and these “edge” homes can actually command a *better* price. Of course, the exception to this rule is when there's an unpleasant use planned for the open space. An open field with a babbling brook is nice, a new freeway, strip mall or factory isn't.

Other things that can negatively affect property values are traffic, sounds, smells, etc. Be sure to give the neighborhood a long, hard look. The home you're interested in may be perfect, but if the neighborhood has problems, your investment won't be worth as much when the time comes to sell.

If you do find a home that is not in the most desirable of locations and you want to consider purchasing it, then just make sure that you are getting it at a price that reflects this fact.

6. Use your Realtor to narrow the prospect list.

A good Realtor brings to the table an in-depth knowledge of the current housing inventory in his or her area, and continually updates that knowledge by touring homes as they are placed on the market. This is to your advantage. Trying to personally see every available home that might fit your needs would

be an overwhelming process. If you are thorough in communicating your needs and what you can realistically afford, then your Realtor can help you narrow down the list of prospective homes to those that best suit your needs. This will save you much time and energy.

When the time comes to settle on one home, you can do it with the confidence that you've made a well-informed choice.

We have built a *Buyer Profile System* in our office that is a complex and sophisticated system that makes the house hunting process a breeze. We take all the requirements that you are looking for in your new home and enter them into our computer database. All the good stuff, like area, bedrooms, garage, we can list just about anything you would like to have in a new home and then let this magnificent computer do the searching. It even looks while you sleep.

The best part is that you will not have to drive aimlessly through neighborhoods, looking and hoping. Our computer will constantly be looking, and when that perfect house comes on the market we will be notified and will contact you immediately. We can call you, fax you, or even e-mail you a color brochure of any new homes that come on the market. This little service, exclusive to our clients, will save you countless hours of searching.

A complete working knowledge of the available homes in your area is your Realtor's strongest asset. He or she updates this list every week.

7. Show a little interest in everything you see.

As you tour the homes on your “short list,” find something to admire in each one. If you don’t show any interest until you’ve finally fallen in love with a home, then you’ve just put yourself at a competitive disadvantage. Never let anyone know how badly you want a home—it will cost you money! My experience has shown that a majority of people will know they have found the house they want within about sixty seconds of walking in the door. This is where you want to hold your cards close to your chest. When walking through homes try not to talk much about the things you like or don’t like, in today’s world even when people are not home, they might still be listening. If the seller knows just how bad you want the home, then the job of getting it at a great price just got tougher. If you have no desire in viewing the property, make the viewing swift and forgettable. Have your Realtor thank the seller for letting you see their home and move on to the next one.

8. Shop with your head, not your heart.

Don’t forget the purpose of your “Needs” and “Desires” lists. Shopping for a home is an emotional process. Your heart will cost you money; using your head will save it.

9. Don’t ignore red flags when evaluating a home’s pluses and minuses.

When evaluating the advantages and drawbacks of a particular property, be sure you know the difference between acceptable and unacceptable problems.

Some issues—peeling paint, worn carpeting, ugly wallpaper—are cosmetic and can be easily remedied. In fact, you can use these “problems” during negotiations to lower the asking price—after all, you’ll need to spend money to bring the house up to snuff. Make careful note of what you see that can be used to your advantage. Don’t nitpick—if taken to extremes, you could end up alienating the seller and creating a hostile atmosphere.

Other problems may be warnings to walk away. Major foundation cracks, evidence of previous water damage, signs of serious dry rot or termite damage, antiquated electrical systems or plumbing—any one of these may be cause to reconsider your interest.

Don’t let a house’s positive attributes blind you to very real problems. If you do, the chances are good that you’ll end up spending much more money than you ever expected down the line.

10. Hire a professional home inspector.

In my experience, spending a few hundred dollars on a professional home inspection is the best investment you'll ever make. A professional inspector brings experience in examining a great many homes, good evaluation standards and an unbiased perspective. And a written report can be an excellent negotiating tool, if there are serious problems that were not disclosed by the seller.

A Typical Inspection Looks At

- Foundation (slab, crawl-space, basement, etc.)
- Electrical, heating and plumbing systems
- Floors, walls and ceilings
- Attic
- Roof
- Siding and trim
- Porches, patios and decks
- Garage
- Property drainage

Make sure you accompany your inspector on the tour. You'll learn a lot about the home you're thinking of buying. Be prepared to spend at least a couple hours at the home.

Once you have your evaluation, the decision to proceed is yours. A home inspector only gives you a professional opinion of the home's condition, not advice as to whether or not you should buy. It is not their job to know value.

11. Not all fixer uppers are good buys.

You may be the sort of person who looks at a home in need of significant work as a challenge and an opportunity to make money. Many people have bought fixer-uppers at below-market rates, invested a little sweat equity or

more than a little money on renovations, then eventually put it back on the market at a profit.

But if it isn't priced low enough, you won't recoup your investment of time, trouble and expense. Before you proceed, do a careful evaluation of what you'll have to invest and consult with your Realtor to learn what you can *reasonably* expect to make when you put the home back on the market. And be sure to include the unexpected—there 's no such thing as a "sure thing."

12. Choose a home with an eye toward future needs.

Buying a home is a big investment. If you can stretch a little today to buy a home that you can grow in—whether it's having a child, running a home-based business, or having room to build an addition—do it. In the long run, it will probably be less expensive than moving up to a marginally larger home when the need does arise.

13. Once you're ready to buy, move quickly.

Good properties move fast. Once you've made up your mind to buy a home and you've lined up your Realtor, be prepared to make decisions quickly. If you find the right home today but aren't ready to buy until tomorrow, you may already be too late.

14. Clarify who your Realtor is.

Make sure you know who the Realtor you're talking to represents. Any Realtor has a responsibility to be open and honest with you and to let you know who he or she represents—the buyer, the seller or both. Never tell other Realtors, other than the one you are working with what you are thinking of the home you are viewing. The best example is when you are touring an open house and you're not with your Realtor. You might just be giving important information to the seller making things harder to negotiate in your favor.

15. Ask for a written comparative analysis.

One way to ensure that you don't offer too much for a home is to ask your Realtor to prepare a written comparative market analysis. A CMA will show you the sale prices of comparable homes in the neighborhood. It also lists the asking prices of other homes in the area currently on the market.

You may find that the asking price is above what comparable homes in the neighborhood are actually selling for. Or you might even find another home in the area that's a better bargain. When you make an offer, you can use the CMA as evidence to show the seller why you believe your offer is a reasonable one.

16. Learn as much as you can about the seller's situation.

It's true what they say: *knowledge is power*. The reasons behind a sale can often be used to your competitive advantage during negotiations. For example, a seller whose company has transferred him to another city is probably more motivated to sell than someone who is still looking for a new home. On the other hand, the seller's company might be picking up the expenses.

Other signs of a motivated seller include a vacant house, or a house that's been on the market for several months with several reductions in the asking price. A home that is full of furniture and family items, but it is obvious that one of the partners has moved out.

17. Keep your own situation to yourself.

Information can be used against you as well. How much you're willing to spend, the size of mortgage you can afford, your move-in deadline—it can all be used to extract more money out of your pocket. Be sure to tell your Realtor everything he or she needs to know to be effective on your behalf—how much you have for a down payment, the size of mortgage you can afford. If you have a specific time line that you have to be moved in by and you can trust your Realtor, then you better let them know. I have seen it in various articles where the advice is counter to my thinking here. However, if you have a time line and you do not let your Realtor know, then you just might be creating a problem that your Realtor could have worked out for you.

18. Use time to your advantage.

Just as you have a time frame in which you wish to buy, the seller almost certainly has a deadline of his own. If you can learn the seller's deadline, it's another piece of information that can be used to negotiate a better deal.

19. Check your emotions at the door during negotiations.

One of the costliest mistakes you can make is letting the sellers know how much you love their home. Once you've let it slip, you can just forget about negotiating the price—the other side knows how motivated you are. In fact, a seller may see it as an opportunity to squeeze a little more money out of you even when you've made a good offer to start.

20. Don't be pressured into a quick deal if it doesn't feel right.

While you want to move expeditiously once you're in negotiations, don't let the other side pressure you into a quick close. It may be a sign that there's something you should know, but don't. And the reason could be worth money.

21. Don't be afraid to negotiate.

You may be the type of person who prefers a hard-and-fast price tag on everything. "I don't like to haggle," you say. But negotiation is the key to getting a good deal. If your goal is to get the best home possible for the least amount of money, then you had better be prepared to play.

22. Stay out of bidding wars, if you are concerned about price.

Sometimes, the seller's Realtor will try to scare a hesitant buyer with the threat of another serious potential buyer. Don't fall into this trap if you are concerned about price. If there is another buyer, then the seller's Realtor will try to get a bidding war going. In these situations, whoever buys the house will have to pay more.

If there isn't another buyer, there's a good chance that "the other deal" will fall through and the seller's Realtor will come calling. Be sure to let the other side know that you *might* be interested if that happens before you walk away. The important thing here is to know if the other offer is real. If your Realtor shows up to present at the same time as all other offers, then you will know that it is real.

However, with that being said, I have been in my own personal bidding war and I won. I got the house and yes I did pay far more than what I would have had there not been another offer. If the house you have been looking for has taken several months, then you have to ask yourself, is it worth the risk to wait to see if another property will come on the market.

If your decision is that you are going forward with an offer and price is still a concern, remember it does not cost you anything to present an offer. Make your offer at the best price you can afford and cross your fingers. Who knows? You might get lucky. But, if you want the house and you want to increase the odds in your favor of getting it. Make an offer with most of the conditions removed, increase the offer price between five hundred and two thousand dollars over the list price. There is about a 99% chance that you will get the house. Ask yourself this very important question: Is it more important to save four or five thousand dollars? Or, will it be worth paying the extra to live where you want, in the kind of house that you want? If the answer is yes, as it was in my case, then a few extra hundred dollars a year won't bother you. It would have bothered me more to be driving by another person's house today.

23. Make sure you get a written disclosure of all known defects.

The good news for buyers is that the law now requires sellers to make complete disclosure of known material defects. Make sure you get it in writing. And carefully consider how these defects might affect what you're willing to pay.

24. Know your hidden costs.

There's more to buying a home than the mortgage. Don't forget to factor in mortgage insurance, appraisal fees, inspection fees, transfer taxes, title insurance and every other dollar you'll have to spend in order to know what you're *really* paying for a new home.

A word of advice is to be aware of additional costs above and beyond the final negotiated price of your home. Know how much you are really paying for your new home.

NOW, ARMED WITH THIS KNOWLEDGE, YOU STAND A MUCH BETTER CHANCE OF AVOIDING OVERPAYING FOR YOUR HOME.

As you can imagine, there is no learning curve that forgives mistakes made during the home-buying process. If I had to choose only one tip from the several I just listed, it would be this: Get yourself a good Realtor—someone whose sole interest in the deal is to watch out for your interests. If you take this advice, the rest will follow. A truly sharp Realtor will make sure that you follow all of the other suggestions I've included in this report. And feel free to use the checklist I've supplied with this report to help in your home search.

Please feel free to call me if you would like further explanation on any of these topics, or if you have any real estate questions at all. I simply see my mission as striving to be as helpful as I possibly can to area home owners. I hope this special report provides the information you need to be an informed buyer.

YOUR HOME BUYER'S COMPARATIVE SHOPPING LIST: NEEDS VS. DESIRES

My Needs In A Home

What do I absolutely *need* in my next home...

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

My Desires In A Home

What I would absolutely *love* in my next home...

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____