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A Guide for Home Buyers

HOW TO AVOID PAYING TOO MUCH FOR A HOME



(604) 671 7000
les@6717000.com
www.vancouverbcrealty.com



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More often than not, buying a home is a very stressful experience for many of us because it involves emotions and tough decisions that have monetary repercussions. However, with the right kind of knowledge, proper support and a little planning, the home-buying process needn't be plagued with such misery.

By implementing the strategies outlined in *How to Avoid Paying Too Much for a Home* and teaming up with a sharp realtor, you can steer clear of all of the big pitfalls millions of buyers continue to make year after year, save yourself thousands of dollars and, in so doing, spare yourself from a lot of unnecessary grief and anxiety!

Tip No. 1 - Know exactly what you need before you start shopping

Do you choose the four bedroom home, the one with the big garage or the one with the big patio for entertaining? Is a big kitchen more important to you than a den or do you prefer a big family room with a fireplace?

When you start shopping, you're going to fall in love with more than one home for a number of reasons. However, unless you know what your specific needs are, you might end up selecting one that you will regret down the road. That's why you should always list the features you "need" along with the ones you "desire" before you begin looking at anything.

Use the space provided at the end of this report and break your list into two separate categories—"Needs" and "Desires." When you're finished, prioritize all of the items. By doing this, you will have a clear understanding of what you really need versus what you'd like to have, so when it actually comes time to look at homes, your chance of settling on one that falls short of your requirements will be greatly diminished.

Tip No. 2 - Don't shop without a pre-approved mortgage

Getting a pre-approved mortgage is the only way to shop for a home because you know exactly how much you can afford in advance and it tells sellers that you're a serious prospect (which can be especially useful in situations where you find yourself in a bidding war with other buyers who are not pre-approved). Only, make sure you get a firm commitment in writing, otherwise things may fall apart when it comes time to negotiate a deal.

In recent years, lenders have modified qualification rules and have developed programs designed to help more people qualify, including many who have credit or employment history problems. Some of these programs even call for dramatically reduced down payments!

Tip No. 3 - Choose a good realtor

Buying a home is an daunting task for even the hardest individuals. That's why most people hire a realtor.

A good agent has the knowledge and experience that come from years of helping out all kinds of buyers and sellers. In addition, he or she has a team of other professional to place at your disposal such as lawyers, lenders, inspectors, movers and so on.

Choosing a professional realtor is the best way to ensure you get the best deal possible. And since most sellers you encounter are certainly going to have one working for them, it doesn't make sense to be without one either.

Tip No. 4 - Make sure your realtor knows what you're looking for

Once you have a clear picture of the home you want, it is critical that your realtor has the same picture. Otherwise, you end up wasting your time looking at homes you're not really interested in.

A good agent will take the time to ask you several questions on what you're looking for and he or she will carefully listen to your answers.

Tip No. 5 - Location–Location–Location

No other single factor affects the desirability and resale value of a home more than location. You can have the most beautiful home on the best manicured property, but if it's surrounded by a poorly planned community, it'll be difficult to get rid of it when you want to move on to something else.

There are a number of elements that make up a desirable location, including character, quality of schools, access to work centers and services, recreational facilities, etc.

The first thing you should consider is the neighborhood. Since every neighborhood has its own unique character, you need to make sure you'd be comfortable in the one you're thinking of choosing. Explore it carefully. Do all the residents take care of their yards and homes? Are the properties fenced in properly? Do children run wildly all over the place? Talk to some of the neighbors and ask them for some feedback, but whatever you do, be diplomatic.

If everything checks out fine in the neighborhood, take a look at the 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. But remember... it might take longer to sell a smaller home when it comes time to do so because many people are unwilling to pay extra for the neighborhood.

Another factor you should be watchful about is the outer edges of a neighborhood. These are the dividing lines between unlike neighborhoods that have differences in as

architectural styles, home size, property use or something else. Look for a home in the middle of a community of similar homes as it will hold its value better. The exception to this rule is a house situated on the edge of a neighborhood bounded by woods, park land, a golf course or other attractive open space. These types of boundaries appeal to buyers and a home located near or on them actually commands a better price. Of course, it goes without saying that a home located too close to a freeway, strip mall or factory should be scratched off from your list.

Other things that can adversely affect property values are traffic, sounds and smells. Be sure to scout out the neighborhood thoroughly before you decide to make an offer.

Tip No. 6 - Guard your feelings

Never let a seller know how badly you want his or her home because as soon as you've done so, you've reduced your power to bargain a good deal substantially. In fact, your seller may see an opportunity to squeeze a little more money out of you even when you've made a good offer to begin with. Therefore, keep a low, conservative profile when viewing homes, no matter how much you want it.

Tip No. 7 - Shop with your head

Don't forget the purpose of your "Needs" and "Desires" list. Shopping for a home is an emotional experience, but your heart will cost you money. Using your head on the other hand, will save it instead.

Tip No. 8 - Don't ignore the red flags

Be sure you know the difference between acceptable and unacceptable problems when you're evaluating the advantages and drawbacks of a particular home.

Some problems such as peeling paint, worn carpeting and ugly wallpaper are cosmetic and can actually be used during negotiations to lower the asking price. After all, you can simply apply the savings to bring up the house up to snuff. However, water damage, signs of rot, bad plumbing, major foundation cracks or antiquated electrical systems are a different story.

In any case, don't allow yourself to be blinded by a home's positive attributes when it has serious problems. Otherwise, you may end up spending more money down the road than you initially bargained for.

Tip No. 9 - Hire a professional home inspector

Experience shows that a few hundred dollars spent on a professional home inspection before you make an offer is one of the best investments you'll ever make during your entire home shopping experience. The reason being that a professional inspector knows specifically what problems to look for and can identify problems that are easily overlooked by an untrained layman. This can save bundles of money and heartache, but also, where the

problems are minor and can be rectified for a nominal cost, a written report can be a powerful negotiating tool to bring down the asking price.

Typical inspections cover foundation, electrical, heating, plumbing, floors, wall, ceiling, attic, roof, siding, trim, porches, patios, decks, garage and drainage.

When you hire an inspector, make sure you accompany him or her on the tour so you can learn a lot about the home you're thinking of buying. Once you have the evaluation, the decision to proceed is yours. The inspector will only give you a professional opinion on the home's condition, not advice as to whether you should buy or not.

Tip No. 10 - Be careful with that fixer-upper

You may be the kind of person who likes to buy a fixer-upper at below-market rates, invest a little sweat equity or a small sum of money on renovation, then place the property back on the market at a profit. But if you don't acquired the home at a low enough price initially, it'll be impossible for you to recoup the investment of time, trouble and expense. Hence, before you proceed, do a careful evaluation of what you'll have to invest and talk with your realtor to learn what you can reasonably expect to make when the home is replaced on the market. And as always, be sure to include a buffer for the unexpected because as stated by Murphy's Law, if something can go wrong, it more than likely will!

Tip No. 11 - Keep an eye on future needs

If you can stretch your budget a little today to buy a home that you can grow in, whether for increasing your family, running a home-based business or having space to build an addition, do it. In the long run, it'll probably be less expensive than moving up to a marginally larger home when a need arises.

Tip No. 12 - Get a written disclosure of all known defects

The law now requires sellers to make complete disclosure of known material defects. Make sure you get it in writing and take time to consider how these defects may affect what you're prepared to pay.

Tip No. 13 - Find out if the agent is on your side

Make sure you know who the agent you're dealing with represents. Agents have the responsibility to be open and honest with their clients and to let them know who they represent--the buyer, the seller or both.

Tip No. 14 - Always ask for a written comparative analysis

One good way to ensure that you don't offer too much money for a home is to ask your realtor to prepare a written comparative market analysis. This will show you the sale prices of comparable properties in the neighborhood as well as those of the surrounding area currently

on the market.

By implementing this step, you may find that the asking price is above what comparable homes in the neighborhood are actually selling for, or you might even find a better bargain in another area. Also, you can use the comparative market analysis to show the seller why you believe your offer is a reasonable one.

Tip No. 15 - Move quickly when you're ready to buy

Once you've made up your mind to buy a home and you've lined up your realtor, be prepared to make decisions quickly because good properties move fast. Otherwise, if you find the right home today, but aren't ready to buy until tomorrow, chances are that you may already be too late.

Tip No. 16 - Find out as much as you can about the seller's situation

The more you know about the seller, the better. Like you, the seller probably has a deadline or reason why he or she is selling. Maybe his or her company has transferred him or her to another city or he or she can no longer afford the mortgage because of a recent job loss. Whichever, find out as much information as you can so you can negotiate the best deal possible.

Tip No. 17 - Don't be pressure into a quick deal if you don't feel right about it

During negotiations, don't let the seller pressure you into a quick close. This may be a sign that there's something wrong that you should know about, but don't. Therefore, take proper precautions as this could be worth money.

Tip No. 18 - Don't be afraid of the negotiation process

If you're the type of person who prefers a hard-and-fast price tag on all the products you buy because you don't like to haggle—think again. Negotiation is the key to getting a the best possible home for the least amount of money, so you had better be prepared to play the game.

Tip No. 19 - Avoid bidding wars

There are times when the seller's realtor will try to scare a hesitant buyer with the threat of another serious potential buyer. Whatever you do, don't fall into this trap as it will only cost you money. Instead, let the other side know that you might be interested if that happens before you walk away. Chances are, if there isn't another buyer, "the other deal" will fall through and the seller's agent will come calling. But if there really is another buyer, continue to resist because whoever wins the war also ends up overpaying.

Tip No. 20 - Watch out for the hidden costs

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

Needs & Desires List

NEEDS

DESIRES

If you need further explanation on the foregoing or have any question regarding real estate, please feel free to call me for assistance.

(604) 671 7000
les@6717000.com
www.vancouverbcrealty.com



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