

## How Not To Pay Too Much For Your Home

Whether you are buying your first home, or your fifth, the process of buying a home is a detailed, time-consuming venture. At the same time, it's an emotional period laden with difficult choices. You want to ensure that the home you purchase meets your family's needs now, and in the future.

Each of these decisions often involves money. When you consider all that money represents, you'll want to ensure that you don't pay too much. This article helps you become a savvy buyer, by pointing out some of the pitfalls inherent in the home-buying process. These include such things as knowing what you want before you begin shopping, taking your time to shop, choosing the right realtor, and remaining objective while viewing potential homes. With this information, you'll be closer to finding your ideal home.

### 1. Before You Shop, Develop a Need vs. Wants List

Everyone has a picture of an ideal home. This would include all the features you not only need, but have long desired. However, when it comes time to buying a home, the desires cost more. While it's nice to think about having a beautifully landscaped backyard, or a solarium, perhaps even some built-in appliances, these are usually considered luxury items, which can add considerably to the price of your home.

That's why it's a good idea to develop a needs and wants lists. With this list, begin with items you really need like adequate space, garage and number of bedrooms. For most people, basic needs should be considered first. After that, you could consider additional desires, if you can manage these benefits financially.

With such a list in your hands, you're less likely to be caught up in the excitement of the pursuit. You'll have a good idea of what you want, within your price range, and if you can afford those additional items.

### 2. Get Pre-Approved Prior to Shopping

Visit your financial or lending institution prior to home buying. Quickly, you'll know the amount of mortgage you'll receive. Be sure to get a mortgage commitment in writing. Most importantly, you'll tell sellers that you are a serious prospect. Depending upon market conditions, a seller may lean towards an unconditional offer. You'll have less negotiating power if you have to wait for mortgage approval.

Banks and financial institutions have developed many programs especially for home buyers, be that first-time buyers or those with equity in their homes. When you review your needs and objectives with a lending officer, you'll be one step closer to purchasing your home.

### 3. Choose Your Winning Team

Buying a home is a complicated process, with many people involved. From choosing the right mortgage, to finding a home inspector, to viewing available properties, there are many steps involved for even the hardiest person. With a professional realtor on your side, you'll have access to these services, already in place, and highly recommended. A good agent has the knowledge and experience developed from many years of helping both buyers and sellers. During this time they have developed a network of people, from lenders, lawyers, home inspectors and movers, to assist both home buyers and sellers.

### 4. Communicate Clearly With Your Realtor

Spending time with your Realtor will reap huge dividends. When you have a clear picture of the type of home you're looking for, your Realtor can come closer to finding the home you want. You won't waste time looking at homes that don't match your needs.

### 5. It's Still True – Location, Location, Location

You've heard it so many times, that it's probably starting to sound like a broken record. That's because it's true! A home is not a stand-alone item. Rather the value of a home is greatly affected by the surrounding homes. Don't let your emotions determine your purchase. Think resale. The desirability and resale value of your home depends largely on location more than any other factor. People want a desirable community that includes character, quality of schools, access to work, major transportation arteries, recreational facilities, etc.

On your viewing trips, take a careful look and ask the following questions: How does this home compare to others in the neighborhood? Are yards fenced? Are there many children playing in the streets? Are front and backyards and the exterior of the homes properly maintained?

Walk around the neighborhood and get a feel for the people living in the area. You may want to speak with a few neighbors to get their comments. If you like the community, carefully examine the home you like. Generally speaking, extremely large homes surrounded by smaller homes tend to appreciate less than a large home among other large homes. Alternatively, the smallest home in the neighborhood tends to stand out by the other homes on the block. Sometimes, it could take a bit longer to sell a smaller home, as some people are reluctant to pay extra for the neighborhood.

Additional factors that affect the property value of a home include traffic, sounds, smells, zoning bylaws. Be objective. Don't rely too heavily on your emotions. Be sure

you are completely satisfied with the neighborhood. If you choose a neighborhood with problems, you likely won't get as much as you hoped with it comes time to sell.

## 6. Use your Realtors' Knowledge of the Community

Your Realtor is trained in all aspects of Real Estate, including understanding supply and demand, economics and the neighborhoods of the city in which they practice. As they regularly view homes as they are placed on the market, they are at the heartbeat of knowledge and information about housing trends and prices. They can save you time and money, by narrowing your prospects to only those that meet your requirements. It is a very time consuming process to view every home available that meets your needs. A professional Realtor can do much of the work for you, by reviewing your needs, reviewing the properties and then hopefully, advising you of a potential match. A comprehensive knowledge of the available homes in your neighborhood is one of your Realtor's strongest assets. With the aid of computerized systems, a Realtor is notified within hours when a home becomes available.

## 7. Check Your Emotions, and Shop With Your Head

When people purchase a home on emotion, without an objective view of the property, problems may develop later. Shopping for a home is an emotional process. It could be costly. Using your head, along with asking for an objective opinion (from your Realtor) could help you avoid costly errors.

## 8. Pay Attention to "Red Flags"

When evaluating a home, be sure you know the difference between acceptable and unacceptable problems. Cosmetic items like peeling paint, worn carpeting, unattractive wallpaper can be easily remedied. You could use these as negotiating items, as there will be costs involved in updating the home.

Major problems, however, are clearly "red flags." Look for items such as major foundation cracks, water damage, outdated electrical systems, and inadequate plumbing. These items could cost you dearly in the future.

## 9. Hiring a Home Inspector is a Wise Investment

A home inspection is an inexpensive way to gain peace of mind, and guard your pocket book. A proper inspection will cover all areas of the house including foundation, electrical, heating, plumbing, floors, walls, ceilings, attic, roof, siding and trim, porches, patios, decks, garage and drainage. A professional inspector can give you an objective view of the property, with a written report, indicating the present condition and items that will need repair.

## 10. Be Cautious With Fixer Uppers

Some people may be inclined towards purchasing a home that needs some work. This could be a challenge and an opportunity to make money. Sometimes, a fixer-upper can be purchased below market value, and sufficient repairs made to bring it to a good sale condition with a profit realized. However not all fixer uppers will bring in the profits you might expect. It depends upon the price of the home, the amount of repairs needed and the market conditions at the time of sale. If the home is not priced low enough, you may not recover your investment of time, trouble and money. Before you purchase what looks like a quick way to profit, carefully consider the condition of the home and ALL the repairs that need to be made. Get several estimates. Complete a comprehensive budget. Also consult with your Realtor. He or she can give you an idea of what you can reasonably, expect to recover when the home is put back on the market.

## 11. Consider Your Future Needs

Take a look at your lifestyle now and in the future. Will you need extra space for a home office, a child, or perhaps a child moving back home? Perhaps it may be easier and less expensive if you purchase a home that can meet these needs now, rather than moving up to a larger home a few years later.

## 12. Proceed Quickly

When you're ready to buy, move fairly quickly. That's because good properties usually sell fast. This is especially true when there is a shortage of homes available. However, when you work with a Realtor, you have access to the most current technology. As part of the MLS network, a Realtor has access to properties within hours of when they are listed. Technology works to your advantage. When a Realtor knows your needs, they will notify you when properties that meet your criteria become available. Many Realtors now have personalized web sites which allow you to sign on as a client, and receive notification of these listings via email. You save time and effort, and you can view only those homes that come closest to your needs.

## 13. Clarify Relationships

In any real estate transaction, be very clear about who is working for whom, and what the relationship represents. Many people believe that the agent they are working with automatically represents them and their interests. Yet, without specific disclosures this is not true. Unless otherwise stated, the agent represents the seller in transactions for the sale of a home. This agent, as part of his or her fiduciary duty, must ensure his loyalty protects the seller's position throughout the entire process.

#### 14. Ask for a Written CMA

A Comparative Market Analysis (CMA) is an analysis of comparable homes in the neighborhood. It shows you the sale prices of comparable homes in the neighborhood, along with asking prices of other homes in the area currently on the market. A Realtor can request this report for any home and neighborhood in Canada. Ask for this report in writing. With this valuable document, you'll have the appropriate evidence for either a too-high asking price, or one that is a bargain.

#### 15. Investigate the Seller's Situation

Knowing about the seller's reasons for moving could work to your advantage during negotiations. For instance, a seller who has been transferred to another city, may be more motivated to sell rather than someone who is still shopping for a new home. A vacant house, a house that has been on the market for several months and reduced in price, could also be indications of a motivated seller.

#### 16. Keep Personal Information to Yourself

Conversely, information could be used to your detriment. Information about your mortgage, size of down payment, move-in deadline, or circumstances for buying, could be negotiating factors. While you want your Realtor to know these details, don't reveal any of this information to the seller.

#### 17. During Negotiations, Keep Your Emotions Intact

In certain situations, emotion could cost you money. If you let the seller know how interested you are in the property, this might be seen as a financial opportunity. Recognizing that you are highly motivated, you could be an easier target for a higher price. If you absolutely love the home, keep it to yourself. This is a definite advantage of working with a professional Realtor. Trained to be non-emotional, he or she can ensure you get the best price.

#### 18. Ensure the Deal is Right Before You Sign

While you definitely want to move quickly, once you've made the decision to purchase, you don't want to cave in to pressure for a quick close. Someone who is trying to pressure you into buying a home, is doing so for a reason. This could involve money, or a multitude of other reasons.

#### 19. Exercise Your Negotiating Skills

Even if you prefer not to haggle, it's worth it, especially when it's your home and your future. Most people expect to haggle over the price. That's often why the price is set a

big higher than the actual selling price. There is always room for negotiation. If you want to get the best home possible for the least amount of money, then negotiation is the only way to get a good deal.

## 20. Avoid Bidding Wars

In some cases, the seller's Realtor may use scare tactics to rush the sale or increase the price. Falling for this trap could cost you money. If there is another buyer, or some other reason this pressure is being applied, whoever wins also loses because they overpay. If there really isn't another buyer, then it's likely that the deal will fall through.

## 21. Insist on a Written Disclosure of all Known Defects

Legally, sellers must disclose all known material defects of a property. Ask for this in writing. Also be sure to consider the ramifications of these defects. Will it be costly down the road? Are they "serious" defects?

## 22. Be Aware of Your Hidden Costs

There is more to a home than simply the mortgage. You will be responsible for other items including mortgage insurance, appraisal fees, legal fees, inspection fees, transfer taxes, title insurance, inspections, etc. Your Realtor can give you a good idea of the costs associated with buying a home that are beyond the final negotiated price of your home.