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The Home Buying Coach

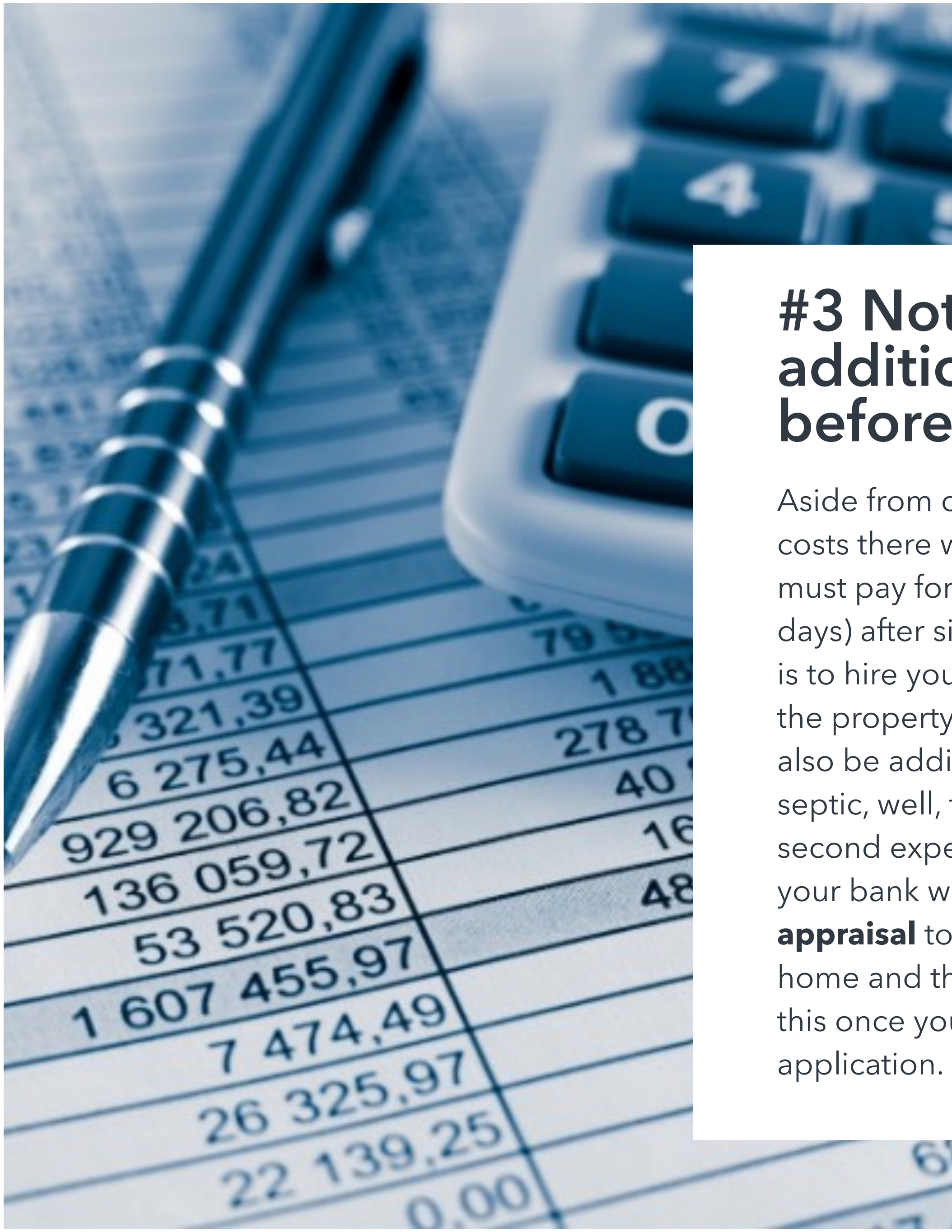
8 Common Mistakes First Time Home Buyers Make and How to Avoid Them

1 Not working with their own agent (Buyers Agent)

It is no secret that most buyer's begin their search online, they contact the various agents that are listing the homes they are interested in viewing and don't feel the need to connect with one agent, this is a big mistake!! Find a Realtor that you feel comfortable with, that asks you questions when you call and sets an appointment with you to find out you and your families' needs. This person will represent you and your best interest, they will research the price to ensure that the list price is in line with the market, they will negotiate on your behalf and only your behalf, they will be there to answer all of your questions and guide you throughout the process.

2 Not understanding the difference between down payment and closing costs

A **down payment** is what you are required to provide at closing (or before closing) according to your loan type. For instance, the minimum down payment requirement for an FHA loan is 3.5%. A conventional loan may require a 10% or more down payment depending upon the nature and purpose of the loan. **Closing costs** are different. Closing costs are items associated with closing the transaction. This includes such items as tax, insurance escrows, attorney fees, title insurance and lender fees. A good rule of thumb would be to use 4% of the loan amount as a guide to estimate your closing costs. For example let's say you are approved for an FHA loan with a 3.5% down payment. If your loan amount is $200,000, budget $8000 for closing costs (4%) and budget approximately $7000 for the down payment (3.5%) for a total of $15,000.



#3 Not budgeting for additional expenses before closing

Aside from down payment and closing costs there will be expenses that you must pay for immediately (or within a few days) after signing the contract. The first is to hire your **home inspector** to inspect the property on your behalf. There may also be additional ancillary fees such as a septic, well, termite or pool inspection. A second expense will be your appraisal, your bank will need to order the **appraisal** to determine the value of the home and they will require you to pay for this once you complete your loan application.

4 Making a large purchase before closing

Once a buyer has a signed contract on a home they often get so excited that they go out and purchase furniture or appliances or a new car to go into their new garage. DON'T!! Your lender will run your credit up to the day before your closing to ensure that you have not incurred any additional credit obligations. If any additional items show up on your credit report that increase your debt to income ratio this could ruin your chances to close on your home.

5 Not visiting the neighborhood several times

Once you have made an offer on a home, go back without your Realtor. Drive in from a different direction, drive a few streets over in each direction, drive by at night, on the weekends and during the day if possible. Also, use Google Earth to obtain an aerial view of the neighborhood and surrounding areas.

#6 Not being flexible

Every buyer has an idea in their mind of what type of house they want and what features are must haves. Remember, one of the most important features of a home is the location, you can't change that.   If wood floors is on your "must have" list and the house you fell in love with does not have wood floors but meets all of the other criteria, don't rule it out; wood floors are cosmetic and can always be changed in the future. Keep in mind the other 10 items that the house does have and don't focus on the one thing it does not have.   Additionally, if prices or taxes are much higher in your "ideal" location, don't be afraid to take a look at other areas/neighborhoods, there is no commitment in just looking you might be pleasantly surprised by what you find!

7 Not budgeting properly

The benefits of owning a home far outweigh the cost of renting, especially in the long run. New homeowners should be aware that there is a likelihood that some of your utility expenses will increase once you move into your new home, and there is also the additional cost of repairs and normal upkeep on a home. Make sure you factor this into your budget. If possible ask the current owner for copies of utility bills for the last 6 - 12 months, this will assist you in planning your budget once you close on your new home.

8 Not getting a home warranty protection plan

A home warranty protection plan can save you a great deal of money in the long run. Think of it as an insurance policy on the mechanics of your new home. Prices vary depending on the plan purchased, but for approximately $500 per year, you can have repair/replacement protection on your appliances, air conditioning system, water heater, some light plumbing and electrical, etc.   You can receive more information on the companies that offer home warranty protection plans from your Realtor.

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