Consumer Issues

Buyer Beware Of The Seven Deadly Sins

By Julie Garton-Good

The planets are now aligned for home buyers, bringing together a seemingly perfect environment of low interest rates, good inventory, and up to an $8,000 first-time home-buyer credit. It's a package buyers' dream about!

But there are several flaws, seven deadly ones in fact, that can stifle buyers and derail the home-buying experience. Many of these sins have been present in previous markets while others have been added post-mortgage meltdown.

Deadly Sin #1: ***Failing to check your credit in advance of house hunting.*** Approximately three to four months prior to your home search, check your credit (for free) at all three credit repositories via www.annualcreditreport.com. This will allow you to make sure the information reported is correct and complete and will allow you time to correct any errors you find. Additionally, with your three credit reports, you can obtain your credit score for a charge of a few dollars. While the scores are not always the same, it should give you an idea of the range they'll fall in when the lender later pulls your mortgage credit report.

Deadly Sin #2: ***Not working with a buyer's agent.*** In today's marketplace, a buyer that's not represented by his/her own agent may be ill-equipped to navigate successfully through a transaction. Additionally, you and your agent can work as a team in tandem with your lender to quickly respond to requests for documentation and the myriad requirements of the loan underwriting process. After checking out the agent's experience and business acumen, make sure you communicate well together. This is important for reaching a satisfactory end result — a closed purchase.

Deadly Sin #3: ***You stop loan shopping at the best interest rate.*** Choosing the best loan is so much more than interest rates. You need to "begin with the end in mind" and choose the best mortgage vehicle to meet your financial objectives in owning the property. For example, if you'll be a short-term owner, don't waste money with a mortgage that requires you to pay hefty discount points upfront and/or contains a pre-payment penalty. Similarly, if you plan to hold the property long-term, an adjustable rate mortgage is probably not in your best interest. A mortgage should fit you much like a good pair of shoes — comfortable, durable, and cost-effective.

Deadly Sin #4: Failing to check out the lender and get pre-approved. Savvy home buyers know that it's imperative to be pre-approved for a loan by the lender. However, the mortgage meltdown has caused another casualty in the mortgage game — lenders that are here today and gone tomorrow. Check around with real estate professionals about who's who, how long they've been in business, and how likely it is that they'll remain that way. Also, don't fall prey to getting in over your head just because the lender says you can qualify for "x" amount of mortgage. Be pragmatic. If the monthly payment quoted for a loan amount will give you night sweats for the long run, don't buy into it. Choose a less-expensive house and sleep well at night.

Deadly Sin #5: Failing to thoroughly check out the neighborhood. When initially exploring a neighborhood, we usually take the most direct route and main arterial streets. In order to get a true picture, use side streets to access the area and visit during different days of the week and different times during the day. What appears to be a quiet neighborhood on Sunday can become a hub of noise during Monday's commute.

Deadly Sin #6: ***Failing to attend the home inspection and final walk through.*** One of the best ways to learn about the house you're purchasing is to accompany the home inspector on the inspection. You can view how the house is constructed, uncover nuances of plumbing/wiring, and ask the inspector questions as you progress. The final walk through gives you one last chance to make sure the house is as you last viewed it, including any personal property you've negotiated in the purchase.

Deadly Sin #7: ***Not examining closing documents prior to closing.*** In today's rush to get sales closed, most buyers forego one of the most important aspects of the mortgage and purchase process — taking time to thoroughly review all closing documents. In fact, under federal law, a buyer is given one business day to review anything he/she is required to sign at closing. That means, if a loan is scheduled to close on a Monday, the buyer should receive the documents by the close of business on the previous Thursday. This will give you time to compare your closing costs to the Good Faith estimate you received at loan application as well as question anything you don't understand. You're signing on for the long haul, so it's vital you know what you're committing to.

If you arm yourself with knowledge, a good buyer's agent, and are prepared to ask questions, your home-buying experience has a much greater likelihood of being enjoyable and virtually sin-free! ■

Julie Garton-Good has designed the "C-CREC" (Consumer-Certified Real Estate Consultant™) designation and training course. She is the sole three-time recipient of the Real Estate Educator Association's "International Real Estate Educator of the Year" award. She is an award-winning real estate educator and author of seven books. Julie's 4th Edition of "All About Mortgages: Insider Tips to Finance and Refinance Your Home in Today's Economy" was recently released by Kaplan Publishing, New York.

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