

Homebuying Mistakes to Avoid



MONEY SPROUTS

Americans regularly participate in the “house swap” —a move due to a new job, the need for a bigger home, or the desire for a better school district. And in this hot housing market, unfortunately, too many will rush into this decision and make mistakes. Mistakes that may leave them unable to qualify for the home they want, ill-prepared to make ends meet once they have it, or with a home that may be difficult to sell in the future. We hope this quick list will help you avoid these costly home buying mistakes.

1. Failing to improve your credit score—Your credit score has a direct impact on your ability to get a mortgage and the interest rate you are offered. The higher your credit score is the lower your interest rate will be. Caution: Do not do anything that can alter your credit score until after your closing. Ex: make large purchases, apply for new credit, make late payments, close an old account, etc.



2. Forgetting to factor in the added costs—Your bank or mortgage lender will tell you the MAXIMUM amount you can qualify for but don't forget those extra costs such as HOA fees, taxes, insurance, and utilities which could put you above your monthly spending budget. Remember to factor in about 1% of the purchase price each year for upkeep of the house. You may not spend it every year but some years you'll spend much more! Go to CNNMoney, Zillow, Bankrate.com, or Realtor.com for calculators to help you determine the right price.

3. Failing to use available resources—Don't pay more than you need to! Use a realtor when negotiating the price, closing costs, warranties, and extras. And the best part: all these services won't cost you a dime as the buyer!

4. Neglecting to have a thorough inspection—In the current home buying craze, many houses are being purchased sight unseen and without the benefit of inspections. Inspectors can check for problems beyond cosmetic, e.g., termites, mold, structural, foundation, roof, attic, crawl space, electrical, plumbing, drainage, etc. While not recommended, if you purchase without an inspection, be sure you have cash reserves available to pay for necessary repairs down the road.

5. Failing to consider resale—Remember, location is key. Positive locations include those with a good view, by water, on a golf course, near a park, on a quiet street or cul-de-sac, or in a great school district. Negative factors might include locations in close proximity to excessive noise, busy streets with high traffic patterns, high-voltage power lines, dilapidated homes, or undesirable industries.

6. Being unrealistic about improvements—Failing to obtain reasonable cost projections can leave new homeowners very disappointed when the true home improvement estimates come in. Get expert opinions and appraisals so you know what you can afford to do and not do. Don't be stuck with a home you may not completely enjoy.

7. Failing to consider homeowners insurance costs—Research homeowners insurance costs for the property. Factors that could determine the cost of insurance include the location (is it near an earthquake fault line or flood zone?), the crime rate in the area, proximity to a fire station, age of the home (due to wiring, plumbing, roofing, or foundation problems), and whether there's a pool.

You can save thousands of dollars —and avoid enormous potential problems —by avoiding these costly mistakes when purchasing your next home.

For more resources and tools on homebuying, loans, closing, interest rates, etc., see Consumer Financial Protection Bureau (CFPB): [Owning a Home](#).

rootedpg.com

ROOTED
PLANNING GROUP