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# The 7 Most Costly Mistakes Home Buyers Make and How to Avoid Them!

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Reports show that most home buyers consistently make the same mistakes over and over when looking into purchasing a home. Sometimes they decide to go *solo*. There is nothing wrong with this approach, but most home buyers are not familiar with the process, so they learn as they go and become victims of the process by making costly mistakes. Other times the realtor/agent they hire to facilitate this large transaction is not experienced enough to recognize and correct these mistakes.

In more than 23 years of experience in residential real estate, we have compiled what we consider to be

## ***THE 7 MOST COSTLY MISTAKES HOME BUYERS MAKE WHEN GETTING READY TO BUY A HOME!***

The compilation and distribution of this information is not making us the most popular company among our fellow realtors. However, we haven't done this to become popular but to be a source and create awareness for *you the consumer*.

You are getting this valuable information at no charge.

The cost has been underwritten by us to make you aware of these mistakes and help you avoid them when you are ready to buy your home. If you have a family member, friend, or co-worker who may need this information, feel free to share it, as this is the purpose for which it was gathered.

So, what is the first mistake home buyers make?

## 1. LOOKING FOR HOMES BEFORE THE APPROVAL OF A MORTGAGE LOAN.

Avoiding this mistake is very important. In fact, it is so crucial that anyone wanting to purchase a home **MUST** meet with a mortgage lender as soon as they make the decision to become a homeowner. The fact is that no seller will consider an offer without an approval letter from a lending institution or proof of funds if you are paying cash.

Studies show that people waste many hours driving by neighborhoods looking at homes that may not even be in your price range, causing emotional and unnecessary stress, not to mention the disappointment you may face when you find the home is not within your means.

Choose a mortgage broker or have your realtor refer you to one. Realtors usually have a few preferred bankers they work with, and trust based on services rendered on past transactions and previous satisfied previous.

*Experts agree that this mistake may very well put you in a bind, costing you thousands of dollars in financing. Know way ahead what your terms are and don't leave it to the last minute.*

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## 2. ASKING ADVICE FROM THE WRONG PEOPLE.

By now, if you haven't yet, you will be the target of most of your family members, friends and co-workers, they **ALL** want to do one thing for "you": *they want to advise you on how to buy your home—what to do, where to get it, which home to get, how much to pay for it, etc.*

Even though they all have good intentions, you want to get advice from someone who is a professional in the field. Consider the following:

Would you go to a mechanic to have your teeth cleaned?

Would you call your doctor to fix a plumbing issue?

Of course not, so why would you want to take that approach on something that is going to cost many thousands of dollars more?

As the saying goes, an ounce of prevention is worth a pound of cure.

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### 3. NOT USING A REALTOR/WORKING WITH A PART-TIME REALTOR.

What about my friend who is a part-time realtor?

Even though all realtors abide by the same code of ethics and should have a very good knowledge of the housing market, most part-time realtors are not as familiar with new trends and changes that can affect or help the home buyer.

The National Association of Realtors suggests that one of your first questions you should ask the person you choose to work with **MUST** be: ***Are you a licensed realtor?***

Only licensed individuals are allowed **by law** to give you pricing information and advice on how to submit a proper offer on your new home.

In addition, *there is a huge difference between a realtor and a licensed person*. While you may choose to be represented by an agent, please be aware of the following: he/she may not have any access (legally) to your local MLS, thus this person wouldn't have any idea as to what the market is really doing in a specific neighborhood; he/she may not even have access to the promulgated forms issued by the state of Texas because he/she is not a realtor; in other words, the advice you get from this person will come from hypotheses instead of facts. (To be certain you are represented by a realtor, ask that person to show you his/her local association membership ID card or MLS public ID, if necessary)

On the other hand, realtors will have all these facts on hand and will be ready to show them to you.

Your next question should be:

***Are you a full-time realtor?*** If he/she is a part-timer, see comment above.

#### 4. NOT HAVING A BASIC IDEA OF NEED VS. WANTS.

Needs and wants are two completely different things. A good realtor will ask you questions regarding your family interests, hobbies, place of employment, etc. then guide you through a process that will help you identify what your basic needs are, including schools, commute, shopping, and so far, once these needs are met *and if the approved amount allows you to include some of your wants*, then it is your choice to increase the sales price (try to avoid going tops just because your realtor is suggesting it to you).

A recent survey shows that not knowing what your basic needs are for your new home may very well take you in the direction of getting into too much home or not obtaining what you really need. Relying on someone else to make that decision for you may not be the best route to take.

Remember, this is going to be your home, and you are about to enter a new phase of your life, so it is important to stay within your means.

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#### 5. FINANCING A CAR RIGHT BEFORE PURCHASING A HOME.

Anytime consumers open new credit accounts such as a credit card or an auto loan, their FICO score could drop, according to Craig Watts, a spokesman for Fair Isaac, the creator of FICO scores.

"Hence the admonition to not open other new accounts while your mortgage application is in process," he said.

(Unless your banker advises you to do so.)

A big purchase would use up a considerable proportion of a borrower's total credit limit, which results in a drop in the score. Lenders often check credit scores in the weeks before closing, including the day before your closing takes place.

"Lenders will likely slam on the brakes if the applicant's credit scores have suddenly dropped below the minimum required for the requested loan rate."

Avoid the buying itch while the process of you home purchase is in effect.

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## 6. BUYING A “FOR SALE BY OWNER,” (OWNER FINANCING) AND SELLER REFUSES TO CLOSE AT A TITLE COMPANY.

There are many reasons why you **MUST** avoid this type of transaction, but you need to use common sense. When something starts to look suspicious, ask questions and seek legal advice.

Many times, people are not really into selling you a home; they are after your money and plan to take the home back from you.

If you decide to buy a “for sale by owner,” please make sure you check all the proper documents, consult with an attorney before you engage in this type of transaction, *SEEK PROPER ADVICE*. The financing side tends to be very obscure with these sales. Sometimes the clauses are not to protect the consumer, and terms may not be what you think they are. In a nutshell, be careful.

## 7. PURCHASING A NEW HOME STRAIGHT FROM THE BUILDER

### **Myth:**

If I show up to the builder's office without a realtor, the salesman is going to give me a better price on the house.

### **Fact:**

Not quite. Just think, you are going to be dealing with the person who is representing the builder, not you.

Realtors can negotiate on your behalf; most times they are up to date on the builder's incentives and will make sure you get them. The salesman is not going to volunteer anything if he or she doesn't see the need for it.

Remember, you **DO NOT** have to use the services of a real estate professional; however, if they are free of charge, why wouldn't you?

New home builders are not regulated by the state of Texas; thus, their contract is of course non-regulated, which means it is not driven to protect the consumer.

If you decide **not** to use a realtor to represent you (at no cost), have an attorney review the contract before you sign it.

I really hope this information was of value to you as a home buyer.  
Should you have any questions or suggestions, please feel free to contact us.

**Please remember to live with passion!**



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