

THE WALL STREET JOURNAL.

WSJ.com

SEPTEMBER 1, 2010, 11:23 A.M. ET

Five Mistakes Home Buyers Make

Even in this market, buyers can get tripped up. Here are a few do's and don'ts for first-timers.

By SARAH MAX

Home buyers are an increasingly rare breed these days. Many who were eager to buy a house raced to take advantage of federal homebuyer tax credits. When those government perks expired in April, home sales essentially went into deep freeze, plummeting to levels not seen in more than a decade, according to the latest numbers from the National Association of Realtors.

Still, the Realtors project that nearly 4 million existing homes will sell in 2010. First-time buyers, without the burden of a home to sell, could benefit from the foul market—and the record low mortgage rates.

But woe to the overconfident buyer. Here are five common missteps that first-time home buyers make.

1. Snubbing the real estate agent

With so many websites offering a mass of data on listings, who needs an agent? Most people, actually. Finding a house and figuring out comps—the price of comparable homes on the market—is the easy part. Managing the nuances of offers, inspections, financing and all the other pivotal steps to buying a home is where many new buyers tend to get tripped up, says Shii Ann Huang, an associate broker with The Corcoran Group in New York.

When you hire an agent to act as your "buyer's

representative," she's obligated to put your interests first, even if her commission is paid by the seller and based on the sale price. Skeptical? That's all the more reason to find an agent on your terms. Ask friends and acquaintances for referrals and interview two or three candidates before deciding.

But don't let the agent find you. When Viviane Ugalde and her husband, both physicians, bought their first home in Sacramento nearly two decades ago they made this mistake. "We stumbled onto an agent when she saw us peeking in the windows of an empty house for sale," Ms. Ugalde recalls. The agent, who happened to live on the same block, came out of her house (wearing pajamas), offered to show the couple around the neighborhood, and ultimately helped them find a house. Then the agent, who was new to real estate, neglected to show up for the closing. "It was scary and confusing signing what seemed like a thousand pages," says Ms. Ugalde.

2. Guesstimating how much you can afford

Many buyers mistakenly take a do-it-yourself approach to financing. They use online calculators to estimate how much house they can afford, dive into the house hunt and then get a dose of cold water when lenders refuse to qualify them for that amount. "The process is so different than it was four or five years ago," says Diann Patton, a broker with Coldwell Banker in Grass Valley, Calif.

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Not only are lenders reading loan applications closely, she says, they're verifying employment and running credit checks multiple times during the process.

Make a date with a mortgage broker or banker before you get serious about your search, says Ms. Patton. Remember, too, that the costs of buying and owning a home go well beyond the sticker price. While online calculators do take into account property tax and insurance, it's up to you to account for maintenance costs, moving fees and association dues.

3. Letting charm cloud your judgment

No one will fault you for falling hard for a charming older home. But, unless the house has been painstakingly remodeled or you're prepared to pay for repairs and upgrades, an old house can quickly lose its allure. Last year Alison Koop, a public relations manager for the University of Washington, came dangerously close to saying "I do" to a seemingly fabulous mid-century home in northeastern Seattle. Ms. Koop was so smitten with the big windows and vaulted ceilings in the living room that she neglected to notice the exposed wires, shoddy roof and other structural problems. Any delusions Ms. Koop had were laid to rest in the guest bathroom. "When the inspector turned the faucet on," she says, "the spigot fell off, hitting the floor of the tub with an exclamatory thunk."

If you're considering an old home, don't let the inspection be your last line of defense, says Jay Papasan, vice president of publishing at Keller Williams Realty. "Negotiate a long due diligence period," he says. That gives you time to get real estimates from contractors and back out if need be.



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Of course, new homes aren't without their drawbacks. Recently, many newly built homes experienced serious problems with Chinese-made drywall, for example. Proceed with care whatever the home's age.

4. Focusing on the house, not the hood

In hindsight, many buyers say they wish they'd taken their due diligence a few steps further to really get to know all the perks, quirks and hassles of living in a particular place. You can always fix up the house, but there's no easy remedy for annoying neighbors, oppressive homeowner association rules and marathon commutes. When Laurie Tarkan and her husband bought their first home in 2001 they were so infatuated with the circa-1924 three-bedroom cottage that—in addition to brushing over some of the headaches of an old house—they didn't give a whole lot of thought to its somewhat out-of-the-way location about a mile from downtown Maplewood, N.J., a popular New York suburb. "As a first-time buyer you're not aware of all the things you should think about that aren't about the house," says Ms. Tarkan, who after living in New York City for 17 years, still hasn't gotten used to driving everywhere.

Spend as much time as you can in your future neighborhood, ideally on different days and times. Eat in the restaurants, drop in a yoga class, test drive your commute.

5. Making arbitrary offers

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With housing inventory running high and sales at record lows, in most markets, there's no shortage of houses for sale and sellers desperate to get out from under them—all the more reason to hold out for the right house and the right price. But when you find that perfect house, don't assume you can lob a lowball offer or make unreasonable demands. Even in hard-hit markets, nice houses in desirable neighborhoods are fetching multiple bids.

If the house has been on the market for months, you probably don't need to worry about other buyers lining up behind you. Make an offer based on recent sales for comparable homes, foreclosure activity and market trends, and don't be afraid to start the bidding low. If the house is fresh on the market (or recently foreclosed) and other buyers are circling the block, put your best foot forward but don't get suckered into a bidding war.

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