

## **“Top Ten Mistakes First Time Home Buyers Make and How to Avoid Them”**

1. Renewing a lease within six months of moving. A lease is a contract that obligates you to pay rent for a set period of time. If you move while still under the lease, you may be responsible for paying rent for the period of the entire lease, even if you no longer occupy the place – whether an apartment or a house – that you rented. It may be to your advantage to sign a shorter lease, or arrange with your landlord to rent on a month-to-month basis. If you live in a rental and are looking to buy a home, consider the cost of breaking a lease as part of your expenses.
2. Buying too much house. Once upon a time, home shoppers were advised to buy as much house as they could afford, as it could only go up in value. That old adage no longer holds true, and it is vital to make certain that you can afford the monthly carrying charges on your house or apartment (whether co-op or condo). A mortgage broker or lender will help you figure out what you can afford. But please be careful. If you are a couple counting on two incomes, what happens if one can no longer work? If you’re buying a multi-family house, can you afford to pay the taxes, mortgage and other expenses if a tenant moves out or worse, if a tenant stays and stops paying rent? And remember, renovating and furnishing a new home can be expensive.
3. Buying too little house. The average American family purchases more than one house over their working years. If you are planning to start a family, or take in a rent-paying tenant, you may want to spend extra money and buy more house. Maybe with one more bedroom than you need right now. Maybe a two-family house. If you can afford it, it may make sense to buy a little more house and anticipate your family’s growth and need for more space.
4. Buying in the “wrong” neighborhood. The wrong neighborhood is any neighborhood that is unfamiliar. You want to study the neighborhood. Do you like

its stores? Does it have businesses that suit you? Grocery stores? Restaurants? Dry cleaners? Hardware stores? Pharmacies? Houses of worship? You want to walk the neighborhood – during the daytime and at night. Feel the rhythm of the neighborhood; see if you will be happy coming home there.

5. Buying too soon. Sometimes home buyers feel they're shopping in a seller's market, and feel pressured to buy the first house or apartment they find. You must shop with a list of factors that matter to you. You need to rank your desires in order of importance. If you like to cook, you may want a large kitchen. If you frequently have visitors, you may want a guest room with separate bathroom. Like you shouldn't grocery shop when you're hungry, don't home shop when you're feeling desperate. Take your time to research the market.

6. Buying too late. This is the opposite of point number "5". Once you know your market, and find an apartment or house that you want, don't be afraid to make an offer. You don't want fear to keep you from home ownership. An experienced real estate broker or agent or real estate attorney should help you feel comfortable with your buying decision. While this may be the biggest purchase of your life, you want to move forward, and find a place that you'll be happy living in.

7. Buying a property with problems. You may be able to live in a house on a main road, but what if you want to sell? Is the house in the flight path for an airport? You may pay less for a house with negatives, but can your house be sold if you want to move? My client sold a property which lets the city condemn it and take it back for a dollar, forever. The buyers plan to build a house and sell. Who would buy such a house? Not one of my clients if I could help it.

8. Breaking your budget. Yes, this means you actually must sit down and prepare a budget. You need to figure out if you can keep living like you were before home ownership. Maybe you'll need to cut down on dinners out. Maybe you'll have to take shorter vacations, closer to home. You want to enjoy your new home, not stress over paying for it. How much are you willing to change your life to pay a monthly mortgage and taxes and such?



9. Choosing the wrong mortgage. You must shop around for a mortgage. Compare different banks. Then challenge a mortgage broker to find you a better deal. Is it to your advantage to get a lower interest rate for your mortgage loan by buying “points” up front? Are you planning a quick move or re-finance so that an adjustable rate mortgage – with a lower up-front interest rate – may suit you? There are more mortgage options than you can imagine. Like ice cream, mortgages come in many, many flavors. Make sure you find a mortgage that works best for your financial circumstances.

10. Choosing the wrong insurance. You must insure your house or apartment and its contents. What would it cost to replace your “stuff” if you suffered a catastrophic fire? How about if you had to re-build your house? Also, if the value of your house and possessions increase over time, so at some point you may have to bump up your coverage. And don’t forget about umbrella or excess coverage to top off your home and cars. If you’ve read this far, than you should be feeling that buying a new home is a team effort. You shouldn’t go it alone. In addition to an attorney and real estate broker, get yourself a local “independent insurance agent”; someone you can sit down with and talk to. With proper insurance coverage, you should sleep peacefully in your new home.