Common Home Buying Mistakes

By avoiding these common mistakes, your home buying experience will be much more pleasant. Many buyers have learned the hard way, and now are sharing their advice with you, so take it from “the voices of experience”, and don’t make these mistakes!

Looking For A Home Without Being Pre-Approved

Pre-approval and pre-qualification are two different things. During the prequalification process, a loan officer asks you a few questions, then hands you a "pre-qual" letter. The pre-approval process is much more thorough. During the pre-approval process, the mortgage company does virtually all the work associated with obtaining full-approval. Since there is no property yet identified to purchase, however, an appraisal and title search aren't conducted. When you're pre-approved you have much more negotiating clout with the seller. The seller knows you can close the transaction because a lender has carefully reviewed your income, assets, credit and other relevant information. In some cases (multiple offers, for example), being pre-approved can make the difference between buying and not buying a home. Also, you can save thousands of dollars as a result of being in a better negotiating situation. Many mortgage companies will help you become pre-approved at little or no cost. They'll usually need to check your credit and verify your income and assets.

Choosing A Lender Because They Have The Lowest Rate

While rate is important, you have to consider the overall cost of your loan. Pay close attention to the APR, loan fees, discount and origination points. Some lenders include discount and origination points in their quoted points. Other lenders may only quote discount points, when in fact there is an additional origination point (or fraction of a point).

Not Getting A Written Good-Faith Estimate

Within three working days after receipt of your completed loan application, your mortgage company is required to provide you with a written Good-Faith Estimate (GFE) of closing costs. You may want to consider requesting a GFE from a few lenders before submitting your application. With a few GFEs to compare, you can get a feel for which lenders are more thorough, and you can educate yourself regarding the costs associated with your transaction. The GFE with the highest costs may not indicate that a particular lender is more expensive than another - in fact, they may be more diligent in itemizing all fees. The cost of the mortgage, however, shouldn't be your only criteria. There is no substitute for asking family and friends for referrals and for interviewing prospective mortgage companies. Your real estate agent can also help you find a good mortgage company. You must also feel comfortable that the loan officer you are dealing with is committed to your best interests and will deliver what they promise.

Not Getting A Written Rate Lock

When a mortgage company tells you they have locked your rate, get a written statement detailing the interest rate, the length of the rate lock, and other particulars about the program.

Buying A Home Without Professional Inspections

Even if you're buying a new home with a one year builder’s warranty, and warranties on most equipment, it is highly recommended that you get property, roof and termite

(Structural and Pest Control) inspections. These reports will give you a better picture of what you're buying. Inspection reports are great negotiating tools when it comes to asking the seller to make repairs. If a professional home inspector states that certain repairs need to be made, the seller is more likely to agree to make them. If the seller agrees to make repairs, have your inspector verify the completed work prior to close of escrow. Do not assume that everything will be done as promised.

Not Shopping For Home Insurance Until You Are Ready To Close

Start shopping for insurance as soon as you have an accepted offer. Many buyers wait until the last minute to get insurance and find they have no time left to shop around.

Not Planning Your Move Carefully

You expect to move out of your current residence on Friday and into your new residence over the weekend. Also on Friday, your lease terminates and the movers are scheduled to appear. Friday morning arrives: bags packed, boxes stacked, children under arm and the dog on a leash; you're sitting on your front door stoop awaiting the arrival of the movers. Your phone rings. Your loan closing is delayed until the following Tuesday. The new tenants turn into your driveway with a weighted-down U-Haul and the movers pull up across the street. You ask yourself, "Where's the nearest Motel 6 and storage facility? How much will the movers charge for an extra trip? Can we afford it?" Granted, this "disaster" is contrived, but problems can and do occur. How can you avoid such circumstances? Cancel your lease and ask the movers to show up five to seven days after you anticipate closing your transaction. Consider the extra expense an insurance policy. You're buying peace of mind - and protecting yourself from expensive delays.

Making Major Purchases Before You Close

This includes furniture, jewelry, appliances, electronic equipment, and cars - anything that will create a debt or cut into your cash reserves. Increasing your debts or decreasing your cash reserves may adversely affect your loan qualification. If you need to buy a car or furniture, wait till after you move into your home.

Moving Your Money Around

Your lender is required to document the source of your down payment and closing costs. If you start transferring liquid assets among different accounts or banks - if only to consolidate - you could end up regretting it when you have to produce canceled checks, deposit receipts, and other seemingly inconsequential information.

Changing Jobs

Talk to your lender before changing jobs. Changing jobs may adversely affect your ability to borrow. In the worst case, changing jobs relatively soon or during your transaction can preclude you from closing the loan.

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