

The
13
Worst
Mistakes
Made by Home-Buyers



The 13 Worst Mistakes Made by Home-Buyers

Buying a home can be one of the most exciting and rewarding times of your life. Or it can be a nightmare of frustration and disappointment. It depends on what you do. And what you do, depends on what you know. Most home-buyers do not have enough accurate knowledge. Worse, many are ill-informed.

This booklet lists 13 of the worst mistakes made by home-buyers. It suggests, briefly, how to avoid these mistakes so that buying a home will indeed be an exciting and rewarding experience.

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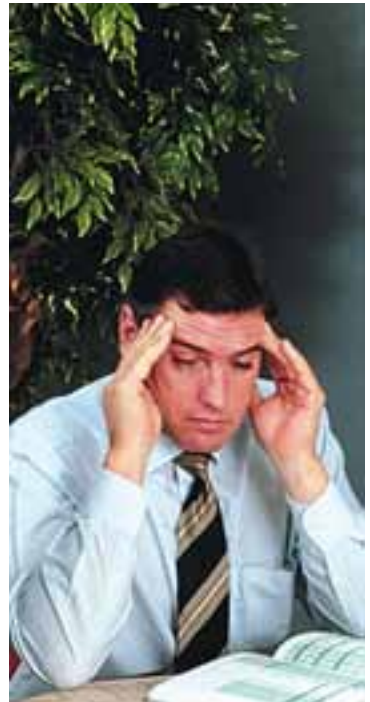
The 13 **Worst** Mistakes Made by Home-Buyers

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Worst Mistake Number 1

Exceeding Your Future Financial Limits

Financial stress is horrific. It tears families apart. The most important financial question to ask yourself, **before** you buy a home, is: *"What's the worst that can happen?"* What if interest rates rise? What happens if you buy based on two incomes and you lose one income? Think of the future. Your financial limit today will rarely be the same as your financial limit in the future. Sure, it might be better. But what if it's not? What if things get worse? Play it safe. Make sure that when you buy a home, you will be able to *keep* your home.



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Worst Mistake Number 2

Buying What You Want Instead of What You Need

There are TWO kinds of buyers: Those who buy what they *want*, and those who buy what they *need*. The public world of materialism is often a private world of financial stress. Do you *need* four or five bedrooms? Do you *need* to live in the "best" area? You can buy a better home in a less expensive – and less prestigious – area. What's more important – struggling to maintain an image of wealth or living safely within your means? Most buyers could save tens, even hundreds, of thousands of dollars by buying what they *need* instead of what they *want*. Think about it. Be careful.

**“Think
about it.
Be
careful”**

Worst Mistake Number 3

Ignoring the Extra Costs and the Hidden Costs

The extra costs of buying a home can add as much as ten percent to your purchase price. In some States, the government stamp duty climbs as high as six percent of the price. Will you need money for inclusions for your home, items such as carpets and curtains? And then there are the *hidden* costs of ownership – rates, taxes, insurance and maintenance. These can add up to thousands of dollars – all of which are constant costs. The price you pay for your home is not your final cost, it's the first of many costs. Know what they are and make sure you can afford them.



Worst Mistake Number 4

Failing to Research the Area

There are few things worse than discovering, after you have bought, that you could have bought better. If you intend to live in your home for many years, take some time to check out the area *before* you buy. Visit the area and make sure you like it. Check the prices of recent sales in the area. When you find the home you love, don't be shy about inspecting it more than once. The more you see a home before you buy it, the more you'll know if it's the right home for you. And, finally, check out the neighbours. Research is always time and money well spent.



Worst Mistake Number 5

Tolerating Poor Service from agents

Before you find the right home, find the right agent – one who will listen to you and one who is prepared to help you find the right home. Sure, agents are paid by sellers, but this is no excuse for the widespread apathy, deceit and rudeness shown towards buyers. All agents are *not* the same. Try to find one who will sit down and discuss your needs with you. It is a mistake to think that you have to tolerate poor service. An agent who is courteous and caring will make all the difference to you.



Worst Mistake Number 6

Taking the Bait About the Quoted Price

One of the most unethical tricks in real estate is advertising a home at a price well below its real price. Thousands of buyers get their hopes up, only to discover that the home they love was never in their price range. Advertisements which say "price range" or "offers above" or "bidding to start from" are usually misleading. The agents will use the excuse of the "market" to cover their lies. Be very careful – financially and emotionally – when you see "quotes" about likely selling prices. Most times, it's just a bait to lure you. Take the bait and you'll almost certainly get hurt in one way or another.



Worst Mistake Number 7

Losing Money with Auctions

While you can often buy at a lower price with auctions, your challenge is discovering the truth about the likely selling price. At auctions, thousands of home buyers lose money through legal and inspection costs for homes they never had a chance of buying. When they realise they have been tricked it breaks their hearts. Auctions can be deceitful and cruel. Unless you know what you are doing, it may be best to do what many buyers do – forget about buying at auction. If you must bid at auction, learn the "7 Rules of Buying at Auction" – (see page 38 of the book, *Real Estate Mistakes*, available in most bookshops or view the web site www.ethicsinrealestate.com).



Worst Mistake Number 8

Being Unprepared for Gazumping

Sometimes after you make an offer and it is verbally "accepted", another buyer will offer more. No matter what you are told, you have never legally purchased a home until both you and the owner sign a legally binding contract. Until this happens, remember five words: *Don't Get Your Hopes Up*. One way to reduce the risk of being gazumped is to meet the owners. At the very least, ask the agent to confirm that should another buyer make an offer higher than yours, you will be given the chance to increase your offer before the home is sold to the other buyer.

**"Don't
get
your
hopes
up"**

Worst Mistake Number 9

Being Too “Clever” With an Offer

If you decide to make an offer for a home you like, be aware that the lower your offer the less chance you will have of buying the home. Often it is best to make one offer – your best offer. Make it in writing and state that you either can not or will not pay any more. Be careful playing the ‘bluffing’ game, it can easily backfire on you. Decide which is more important – the home you love or the price you will pay. You don’t have to pay more than you can afford, just don’t be too clever or else you may miss the chance to buy the home you love.

*Buyers’
Price Declaration*

1. We have inspected the property located at:

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Worst Mistake Number 10

Not Getting INDEPENDENT Inspections and Advice

It is essential – for your financial and emotional safety – that you obtain an independent building inspection report. Be sure you discover any major faults before you buy the home. The biggest word to remember is the word "INDEPENDENT". Be careful using anyone recommended by the agent. Some agents receive kickbacks from advisors they recommend. Also, be sure to get legal advice before you sign anything. It is madness to make one of the biggest financial decisions of your life without independent advice. If in doubt about the price, consider obtaining a valuation. The hundreds of dollars you spend could easily save you thousands of dollars. Spend it.



Worst Mistake Number 11

Being Too Quick or Being Too Slow

The right time to buy a home is when you find the right home at a price you can afford. This can happen on the first day you start looking or it can take weeks, even months, of painstaking effort. Don't hesitate to buy if you find the right home; but, also, don't be pushed into making a hasty decision. No matter what you might think, you will always find another home. Take the time to make sure everything feels right and that everything checks out right. Whenever this happens, be it on the first day or after several weeks, it is then the right time to buy.



Worst Mistake Number 12

Being Caught By an Investment Scam

Despite all the negative publicity, thousands of consumers are caught with investment scams. Be very wary of "free" offers, such as investment seminars or trips to inspect property in distant areas. No matter how good these offers seem, many are a nasty con where consumers are tricked into buying properties at hugely inflated prices. Often, it is not until they try to sell that they discover how badly they have been duped. Be wary of anyone who is trying to sell you something because it is a "good investment" or it has "tax benefits" or a "guarantee". Do your research and **Don't Sign Anything** without getting independent advice.

DON'T SIGN ANYTHING!

Worst Mistake Number 13

Failing to Complain

If you have a bad real estate experience you must complain. Often the louder you complain the more chance you will have of being compensated. At the very least, you will be helping other buyers to avoid making the same mistakes. Remember, too, that real estate institutes represent real estate agents not consumers. Complain to your lawyer or to the Department of Fair Trading or the ACCC. If you wish to tell your story, you can also contact The Jenman Group on 1800 1800 18 or visit the web site www.jenman.com. We will do our best to help you.



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