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Top 5 Real Estate Mistakes

by Ilyce Glink

Avoid the 5 homebuyer mistakes that everyone is making.

Real estate is a fast moving business. But Ilyce Glink, popular real estate columnist and radio show host, knows how to keep up. She lists the top 5 mistakes people make in today in her new book, [*Buy, Close, Move In!*](#)

Top Five Mistakes We're Now Making in the New World of Real Estate

With rules, laws, and fees changing daily, it's easy to make a mistake when shopping for a home or a loan. Here are some of the most common mistakes I see buyers make in the new world of real estate:

1. Not Understanding the New Way of Doing Business

What's changed in real estate? The details. While you still go out and shop for a home, make an offer, find financing and close on the property, the details of how this process works today are vastly different from the way we went about buying real estate five, ten, or twenty years ago. If you've read this book cover to cover, you should now be familiar with some of the ways life has changed. If you picked up the book and flipped back to the Appendix, you'll have to go back and read the good stuff. But understand this: if you attempt to wade in without familiarizing yourself with the new way of doing business, you'll find yourself blocked at almost every turn. Finding good partners (see below) help, but you have to be prepared to provide more information and evaluate more factors in order to close successfully on a new home.

2. Failing to Build a Top Real Estate Team

If you buy and sell property for a living, you know that it's a team sport. By that I mean you can't do everything on your own. Even if you're a real estate agent, you'll still need a good lender, inspector, title or escrow company, and attorney to assist you in completing this purchase successfully. But some buyers think they can do it on their own. In today's new real estate world, that's a mistake. For example, even in states where real estate attorneys aren't generally used to close house deals, using an attorney to help you negotiate a foreclosure or short-sale purchase can mean the difference between closing and sitting in limbo. Real estate agents who intimately know the foreclosure market or have colleagues who represent real estate owned (REO) properties for banks and other financial institutions can help you find the right property faster. Get on their short list as an investor with cash to spend and they'll give you extra time and attention. Taking the time to build a great real estate team will pay off in spades. Not putting this team together ahead of time is a mistake you don't want to make.

3. Not Responding to Your Lender's Request for Additional Documentation

Lenders have tightened up credit requirements and are taking the time to verify every piece of information you submit. In fact, when you apply for a mortgage today, you should expect to provide reams of documentation both with your application and during the verification process. It's quite likely that some of your information will disappear during the process, and you'll be asked to replace

various documents or augment your documentation. When these requests come in, you should take them seriously and respond quickly. If you don't, you could be putting your financing in jeopardy.

4. Not Cleaning Up Your Credit Before Applying for a Loan

One of the ways lenders are tightening credit requirements is by raising the minimum credit score necessary to be approved for a mortgage. Prior to the credit crisis, lenders might have charged one interest rate if you had a 680 credit score -- today you might need a credit score of 720 to get the same rate. When it comes to government-backed loans, FHA originally didn't have a minimum acceptable credit score limit, but it has now instituted tougher standards that require a credit score floor of at least 600 (or higher) in order to get a loan. That's why is extremely important that you spend time cleaning up your credit history and score *before* you apply for a loan.

5. Paying More Than You Should for Property

Although home buyers are enjoying the strongest buyers' market in recent memory, some buyers are paying more than they should for properties. Why? There seems to be a fear growing in some areas of the country that if you don't buy now, you'll miss out on a once-in-a-lifetime opportunity to "get in at the bottom." While it's true that in some markets "bottom feeders" are coming in and swooping up properties by the dozen, fear is the wrong emotion to drive the real estate market. The housing bubble formed because too many folks were thinking about real estate as an investment and not about the other parts of the equation. They were afraid to wait, believing that property prices would go up at 8 to 10 percent per year. We now know that property prices can tank as well as soar. The trick is to understand what the real value is in a neighborhood and not overpay for property. Don't be pressured into making a move before you're ready.

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MIKE'S 5 MUST-ASK QUESTIONS FOR YOUR REAL ESTATE AGENT

HGTV's Mike Holmes arms potential home buyers with 5 key questions you need to ask your real estate agent about any house you're considering.

Mike Holmes, best-selling author and host of *The Holmes Inspection* on HGTV, wants to make sure homeowners are well informed before they buy. His latest book, [*The Holmes Inspection*](#) offers up solid expertise and advice for anyone looking to purchase a home. It's best to be prepared. After all, buying a house is the single largest investment most people will make in their lifetime.

Mike's 5 Must-ask Questions for Your Real Estate Agent

Once you start looking at houses, you'll have lots of questions. It can seem overwhelming, but your agent can help you learn a lot about any house that's on the market. Here are the questions you need to ask your agent about any house you are seriously considering.

1. How old is the house?

The older the house, the more likely it will need major repairs and renos. But don't assume that all newer homes are problem-free. When a house (or a renovation) gets to be twenty or thirty years old, lots of things can start breaking down. Some new houses are not so much built as slammed together, so even when buying new, don't skip hiring a good home inspector.

2. How long has the vendor owned the house?

If the ownership was brief, you might be looking at a "flip." Not all flips are bad, but far too often they're the worst kind of "lipstick and mascara" job. In a bad flip, a lot of cosmetic changes are made, while any mechanical and structural issues are covered up or overlooked in order to make a quick profit.

3. What's the sales and renovation history of the house?

Your agent will be able to give you a list of recent sales. Lots of sales activity might be a sign of big problems with the house -- as each new buyer discovers he's been taken for a ride, he decides to get off that merry-go-round by selling the house and all its headaches to someone else. On the more positive side, you'll be able to see how much the previous owners paid for the house in what year. Then your agent can find out what changes or improvements were made, which will help determine if the asking price is fair.

4. Are there building permits or inspection reports for any work done on the house?

Most renovations require building permits from local building authorities. These permits, along with the inspection reports that are made at various stages of the job, are important records of what's been done. Your agent can ask the vendor to see permits and inspection reports for structural, plumbing and electrical jobs so that you have hard evidence that the work was inspected and approved by building authorities.

5. Was the house ever a grow op?

Believe it or not, no one is required to disclose that a home was previously used for a marijuana-grow operation -- unless you ask. If your agent doesn't know, he or she can ask the seller's agent for full disclosure. Why does this matter? Grow ops usually involve some "retrofitting," and the conditions they create -- especially very high moisture throughout the house -- can do a lot of damage to the structure.

Don't be afraid to ask these questions and more, and don't skip a thorough inspection. Your home may be the single biggest investment you'll ever make. It's your right to get the best service and the most comprehensive information available. Demand it, and don't apologize for being demanding. Educating yourself before you sign on the dotted line is worth it.

Adapted from *The Holmes Inspection* by Mike Holmes, published by HarperCollinsCanada ©2008 Restovate Ltd.