



# 12 MAJOR Pain Points to Avoid When Buying a Home

## 1. General Concerns

- a. Owning a own home – what all does it entail?
- b. Will I have to make other Sacrifices - other life choices:
  - Reducing investment/savings/retirement contributions
  - Eating out, shopping, other lifestyle choices
  - Eliminate vacations
  - Postpone new vehicle(s)
  - Sacrificing for a smaller house
  - Further distance from desired location work/family
  - Not all the features wanted
  - Better location – school district
- c. Do I have acreage/privacy/space I'm looking for?
- d. Do I need to be close to schools, shopping, medical, etc?
- e. Will the home accommodate my needs for pets?
- f. Finding a home – period
- g. Finding time to look for homes
- h. Competition when writing offers
- i. Not knowing where to start

## 2. Financing & Finances

- a. Taking out an unnecessary mortgage or loan that does not fit you
- b. Buying a home that you can't afford, especially without job security
- c. Not taking transaction costs into account
- d. Unexpected costs – inspections, realtor fees, closing costs etc.
- e. Not having surprises – fees, costs, payments, repairs etc.
- f. Getting pre-approved
- g. Worried if their credit is good enough
- h. Worried if they are carrying too much other debt
- i. If they should pay off debts before they buy
- j. **Do** I have enough saved for a down payment

- k. **How** can I save enough for a down payment
- l. Will property taxes change
- m. Will my mortgage payment change
- n. How do I make a mortgage payment
- o. What are the right loan programs/terms
- p. Remember, affordability is *not* decided by your mortgage officer
- q. Your lender will tell you what you can qualify for, and help guide you, but only you can decide whether you can afford a home or not
- r. Even if you have a job & income, you may be uncomfortable about your future prospects

### 3. Resale

- a. Not buying a home with a view / low crime / good school district for a premium
- b. Buying a home with extremely wacky / unconventional architecture
  - Thinking of buying a condo in that turn of the century building?  
Thinking of buying a rainbow-colored townhouse?
  - Remember, not everyone shares your tastes. Buyers beware
- c. Buying a home with a terrible layout
  - Does your dream home have a living room split into two small dens?
  - Is your bedroom in between your kitchen and the living room?
  - Terrible layouts obviously come at a discount and are harder to sell. Buyers beware.
- d. Buying something in an up & coming area that will take 10 years to gentrify
  - Gentrification takes time
  - Will you enjoy living there while you wait for conversion/appreciation?
- e. Think of re-sale value prior to purchase
- f. Good attributes like higher floors, low crime, good school, etc, can make it much, much easier for you to sell the place. For example, it can take much longer to sell a property with no view versus one with a view

#### 4. Due Diligence on the Property

- a. Not checking comparable valuations
- b. What are the neighbors and neighborhood like?
- c. Skipping inspection
- d. Not checking for pending assessments
- e. Not reading HOA documents in full
  - Does your HOA have less than \$100K left in the bank?
  - Does your HOA strictly forbid renting?
  - Does your HOA forbid you from having guests?
- f. Not reading over title agreements, etc.

#### 5. Contract

- a. Understanding the purchase agreement and all of the terms
- b. What is possession date?
- c. What is a special assessment?
- d. What are pro-rations?
- e. What is a seller's disclosure?

#### 6. Taxes

- a. Mistakenly assuming you can deduct mortgage interest no matter what

#### 7. Overpaying - Investment:

- a. How to know if the house is "worth it"
- b. In real estate, it is very easy to fall in love
- c. We have seen people pay large premiums for emotional reasons
- d. In any investing, most of the money is made at the time of purchase. In other words, the price you pay for the house will directly dictate how much you make / lose on the house
- e. A lot of homes look like great investment opportunities.. until you take into account the transaction costs
- f. Big transaction cost items that people forget about are: a) resale commissions b) title transfer fees c) mortgage fees d) extra insurance e) potential future assessments / charges / maintenance costs f) vacancy costs
- g. Understand all the comparables in the neighborhood
- h. Ask your agent to pull up all sales within the past 6 months

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- i. Review per-sq/ft basis, per building basis, block-basis, etc. but understand benefits and limits of this analysis alone

## 8. Condition

- a. How do I know if the house I'm looking at is in good condition
- b. Waiving inspections is *extremely dangerous*
  - Don't get surprised by a septic problem 3 months into the move
  - If you skipped inspection, be prepared to pay large sums to fix a potential problem
- c. Adding, changing, updating Landscaping
- d. How to know how much future improvements will cost?

## 9. Working with an agent who doesn't have time for you or is pushy

- a. Pushy agents are the worst, because they can amplify all your emotional weaknesses that cause poor financial decision

## **OTHER POSSIBLE PAIN POINTS FOR BUYERS:**

### 10. Buying an investment property before primary residence

- a. Primary residence has additional tax benefits that investment properties don't
- b. Don't rush into buying a home if you don't plan to live in it

### 11. Mistakenly assuming you can deduct mortgage interest no matter what

- a. If your standard deduction is larger than your deductible portion of mortgage payments, there's less tax benefit of mortgage loans

### 12. Having to buy home owner's insurance

- a. How much will insurance cost?
- b. What does home owner's insurance cost?
- c. Does this include flood insurance?