

# Top 10 Home Buyers Tips

**TIP 1- Buying A home Is One Of The Best Investments You Can Make!** Home equity remains the largest single savings vehicle for most Americans. In addition to the tax incentives of home ownership, and the ability to tap into your home equity if the need arises, buying a home is a wise and prudent investment for most people.

**TIP 2- It Is Very Important To Buy A Home That Will Go Up In Value.** Slow, steady home appreciation has been the rule over most of the nation's history, and many real estate investors became quite wealthy in that environment. They did so by very carefully analyzing the appreciation potential of their investment, and they invested for the long term. You should too. Even if you plan on living in your home just a few years, you will want it to have gone up in value when you put it back on the market.

**TIP 3- Use A Buyers Agent.** If you're going to work with a real estate agent, contract with a buyer's agent rather than with a subagent. A buyers agent is paid by you and has a duty to represent your interests, while the subagent is paid by the seller and represents the seller's interests. The subagent, which has been the traditional relationship between a buyer and an agent, is ethically required to disclose all relevant information (such as the fact that you'll be willing to raise your offer if necessary) to the seller. Try as you might, it's difficult to avoid saying things you shouldn't to a subagent. While you are responsible for paying the buyer's agent, the net cost can be zero if you put in your offer that the seller is to pay buyer agent's commission (which the seller would have had to pay anyway if the offer had come from a subagent). An exception is if you're buying from a self-seller. They often did not plan on allowing for a real estate commission. In those circumstances you face a subjective decision as to whether a buyers agent's negotiating skills are sufficiently better than yours to justify the commission you will owe them.

**TIP 4- Choose Your Agent Wisely.** If you are using a real estate agent look for one with experience in working with buyers, with knowledge of the neighborhood(s) you are considering, and who does not have a reputation for being 'pushy'. The purchase of a home is a serious long term commitment on your part and a good agent will recognize that buyers need time and patience so they can satisfactorily sort out the myriad's of factors involved in a purchase decision.

**TIP 5- Current Home Prices Are A Less Important Consideration Than Interest Rates.** Try to buy and/or sell when interest rates are low. The amount of mortgage you can afford (and thus the price of the home you will consider) will change as the interest rates rise or fall. A certain asking price may sound expensive to you, but at a lower interest rate you might be able to afford it. You may own several homes over your lifetime, and the factors that will limit or increase the value of the home you will be selling will similarly affect the price of its replacement. Since those factors largely wash each other out, interest rates remain the most important factor.

**TIP 6- Always Have A Home Inspection Contingency In Your Offer** and always hire a professional home inspector to provide you a written report, along with "ball park" estimates or ranges of repair costs. If the inspection turns up problems that weren't readily noticeable, you can use it and the ball park estimates for negotiating leverage to get the seller to make the repairs or provide you a commensurate price reduction.

**TIP 7- Learn As Much As Possible About The Seller's Circumstances.** There may be mutually beneficial opportunities. For example if you might face difficulty qualifying for a big enough mortgage, and the seller is worried about college costs for his or her sixth grader, then maybe the seller might be interested in accepting a second trust for part of the purchase price if the interest rate is above what they could otherwise earn and the loan is paid off the summer before the child's freshman college year. From your perspective the rate will likely be less than you could get from a traditional lender.

**TIP 8- Research Your Mortgage Options Well Before You Make An Offer.** You won't have enough time in the five days sellers normally allow to get all of your paperwork together, determine the best kind of mortgage, who is offering the best rates etc. Consider getting a contingent letter of approval for a loan, or an actual loan commitment prior to making an offer. The former is not actually a loan commitment, but rather a contingent approval for a loan up to a certain amount. While it has relatively little enforceable value, it nevertheless can impress a seller, who might be more willing to accept a lower offer because of the perceived financial capabilities of the seller. It's also possible to get approved by a lender with a longer term "lock" on the interest rate in order to protect you from subsequent rate increases. While this should substantially increase your negotiating leverage, keep in mind that you pay more directly or indirectly for the longer commitment, either in terms of the rate and/or points.

**TIP 9- Learn How To Negotiate Like A Pro.** There's more money involved in this negotiation than just about any other area you'll encounter. Even if you're using a buyer's agent, you're part of the team, and you'll have to make the ultimate decisions about how much to offer and how much to compromise on a counter offer.

**TIP 10- STUDY!** The tips in this brochure are only the beginning. You'll need to learn a lot more if you want to get the best possible deal. Read as much as you can on home buying, on negotiating, on neighborhoods in your area that might fit your needs, and on factors that impact long term appreciation like schools, infrastructure, major new business expansions or closing etc. Keep copies of everything you send the lender and everything the lender sends you.

