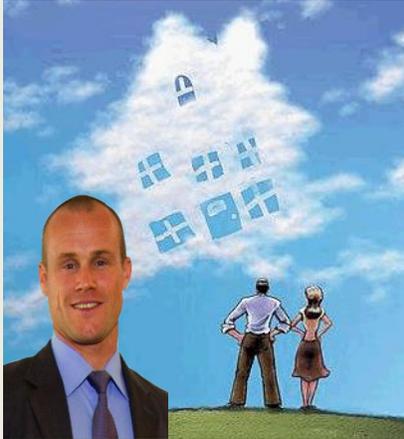


# Avoid These 5 First-Time Homebuyer Mistakes



According to the dictionary, a mistake is an error resulting from deficient knowledge or carelessness. While we can't do anything about carelessness, when it comes to counseling first-time homebuyers, the real estate agent is a tremendous resource to help overcome knowledge deficiency.

That homebuyers lack knowledge about the process only makes sense when you understand that shopping for a home may be a once-in-a-lifetime experience for some. Certainly, it's not something most Americans do frequently. The process is foreign and the pitfalls are hidden. This is why it's so important to find the right real estate agent to assist you along the way.

Let's take a look at some of the most common first-time homebuyer mistakes.

## Mistake 1: Not Being Clear About Money

Going into a home purchase with your eyes closed to your finances is probably one of the biggest mistakes you can make during the process. Nobody likes unpleasant surprises, yet that's what you open yourself up to when you are ignorant about where you stand financially.

If you are unsure about your credit-worthiness, order your credit reports from the three major credit bureaus. By law, Americans are entitled to one free report from each bureau every 12 months. You can order your free reports at [AnnualCreditReport.com](http://AnnualCreditReport.com), the only authorized website, according to the [Federal Trade Commission](#).

Look for errors on the reports and dispute any erroneous information. Pay off what you can to help lower your debt-to-income ratio.

Then, see a lender to determine exactly how much you can borrow for a home.

Finally, when you have that figure, don't be tempted to shop for homes priced at the limit. Give your post-purchase budget some monthly wiggle room by purchasing at the middle of the price range, or a bit more.

## Mistake 2: Not Being Clear About Your Wants and Needs

While you may not get everything on a wish list, it's a good idea to compile one – especially if more than one person will be living in the home.

Understand that your wish list isn't set in stone and you can plan on it changing once you start viewing homes. During the home-shopping process, you will get a better idea of which items are feasible with your budget and which will have to be struck from the list. Knowing what you want and need in a home is vital to your long-term satisfaction, so it's worth the time it takes to sit down and make a list.

Don't neglect the neighborhood wish list either. Do you need to be close to public transportation? If you'd like a family neighborhood with lots of kids for yours to play with, put that on the list.

The bonus to getting clear on your wants and needs is that when you share the list with your real estate agent, your time won't be wasted by viewing homes that don't fit your criteria.

## Mistake 3: Not Reading the HOA Documents

If the home you decide to make an offer on is managed by a homeowners association, you'll be presented with a stack of paperwork to read over and approve. These are the HOA documents and, although terribly boring, they hold a wealth of valuable information that you must be privy to before making the final decision to purchase the property.

These documents govern how you can use your home, and they give you an idea of how much and how often your fees might rise. You'll learn about common and ongoing problems the association deals with and how financially solvent the association is.

Don't be like the couple that purchased a condo without reading the HOA documents and found out, three days after closing, that they - along with all the other homeowners - were being assessed \$7,500 to remedy construction defects.

If you don't feel that you can read and understand the information in these documents, it's important to hire an attorney to help you wade through them.

## Mistake 4: Making Big Changes

The best part of the home-purchase process is that point during the transaction when inspections are complete, all the contingencies have been removed, and it feels like smooth sailing to the close.

Unfortunately, this is a danger zone for rookie homebuyers. This is typically when they start picturing themselves actually living in the home and the urge may be overwhelming to shop for furniture, appliances and other big-ticket items.

Just before closing, many lenders perform what is known as a "soft pull" of your credit reports. It's called "soft" because it doesn't impact your score in any way. It's the lender's way of making sure all the circumstances under which it approved the loan haven't changed.

Any big changes you make, such as large purchases or getting a new job, may derail or delay the purchase. If the new debt you've taken on is substantial enough, it may change your debt-to-income ratio and you may be forced to reapply for the mortgage.

Keep your pocketbook closed and remain on your current job until you walk away from the closing table.

## Mistake 5: Waiving the Home Inspection

Although foregoing a home inspection was unthinkable a few years ago, in a seller's market where multiple offers are common, it's tempting to agree to waive the home inspection as an incentive for the seller to pick your offer. It's also not very wise.

A professional inspection, even of a newly constructed home, may be the only way you'll know whether you're buying a lemon or a plum - a money pit or a smart investment.

When you forego a professional home inspection, you're essentially buying the home "as is." Without the inspection contingency, the buyer waives his right to ask for repairs or money to make the repairs.

Waiving the home inspection is never worth the risk.

Knowing how much home you can afford is paramount to a successful home purchase. Making the decision to remain within a certain budget, doing all you can to clean up your credit to get the lowest interest rate possible, and becoming clear on your desires and expectations all help to make the home-buying process as error-free as possible.