

THE ULTIMATE HOME BUYER



SUCCESS KIT

Buying a home? Avoid These Common Buyer Mistakes!

For most of us, buying a home is the single biggest financial transaction we will make. It's exciting and fulfilling, but it can also be overwhelming, even downright frightening. The pitfalls are many but fortunately most are commonplace and we can tell you how to avoid them. Real estate agents, bankers, lawyers, accountants and other experts in the real-estate game each have their own lists of the worst mistakes a buyer can make. Here's a look at some of the common mistakes made by home buyers (especially first time buyers).

Mistake #1: Confused Buyers - Don't start looking before you figure out what you are looking for!

There may be a big difference between the kind of home you *want* and the kind of home you *need*. To avoid wasting time, causing yourself and your real-estate agent frustration, and running the risk of regretting your choice later, realize that it's important to satisfy the needs first and the wants last. In the long run, the greatest view in the world is not likely to make up for not having enough bedrooms.

Here's an example of a checklist you could use to help clarify and identify your ideal home...

	Property #1: Alma	Property #2: Buick	Property #3: Broadway
#1 Address: 102 Alma St.			
#2 Address: 2345 Buick Ave.			
#3 Address: 1746 Broadway St.			
Non-Negotiables			
Master Bedroom- 10.5x11 plus	X	√	√
Outside open balcony or patio	X	√	√
Close to transit	√	√	√
Big windows	√	√	√
1 bed plus den	√	√	√
Allows rentals	√	X	√
ensuite laundry	X	X	√
dishwasher	X	√	√
underground parking	√	√	√
close to walking area	√	√	√
Negotiable Ideals			
High ceilings*	√	√	√
fire place*	X	X	√
Radiant heated floors	X	X	√
exercise room	X	√	√
new appliances*	X	√	√
hardwood floors	X	√	X
Ensuite Bathroom	X	√	X
soaker tub*	√	√	√
Listing Price:	\$269	\$289	\$295
Offering Price:	\$247	\$257	\$279

Now It's Your Turn to Clarify Your Ideal Home...

Ideal Home Checklist					
	Property #1	Property #2	Property#3	Property #4	Property #5
#1 Address:					
#2 Address:					
#3 Address:					
#4 Address:					
#5 Address:					
Non-Negotiable					
Negotiable Ideals					
Listing Price:					
Offering Price:					

\$____ K+ = All Non-Negotiables Necessary plus * items on negotiable list

\$____ K or less= All Non-Negotiables Necessary

Mistake #2: Shortsighted Buyers - Don't forget to factor in your FUTURE NEEDS!

What will you need in 5 years, or 10? Try to estimate your future needs as well as your immediate needs. Buying a home now that's big enough to accommodate a larger family, a home-based business or in-laws joining the family may be a better financial move than having to find a larger place in just a few years.

Mistake #3: Unrealistic Buyers - Figure out how much you can afford to pay BEFORE you start looking.

Determine what you can realistically afford to pay for a home, remembering that there is a myriad of costs that you probably haven't even considered. (See our Special Report on Closing Costs). Factor in mortgage insurance, appraisal fees, inspection fees, transfer taxes, lawyer fees, provincial and federal taxes.

Mistake #4: Unapproved Buyers - Get pre-approved for a mortgage. Show me the money!

Don't lose the home of your dreams because you aren't pre-approved! Many sellers want to know that you can really afford the home before they will take your offer seriously. You can go through the application process for a mortgage and have financing in place before you even start looking.

Here are four important advantages you gain by getting pre-approved:

- 1. A pre-approval letter is more reliable than a pre-qualification letter.** Getting a pre-qualification letter is easy. You just call a mortgage broker, provide some basic financial information, then wait a few minutes for the letter to come through your fax machine. Getting a "pre-qual" from a Web site is just as easy BUT THIS DOES NOT MEAN YOU ARE QUALIFIED.
- 2.** A pre-approval letter, on the other hand, involves verification of the information. Rather than taking your word on faith, the lender will ask for documentation to confirm your employment, the source of your down payment and other aspects of your financial circumstances. Granted, a pre-approval is more time-consuming (and possibly more stressful) than a pre-qualification the additional due diligence is exactly why the pre-approval carries more weight.
- 3. You'll know how much money you can qualify to borrow.** Most home buyers have a rough idea of how much they would feel comfortable paying every month on their mortgage. However, there's no quick-and-dirty way to translate that monthly payment into a specific maximum mortgage amount because other factors -- down payment percentage, mortgage insurance, property taxes, adjustable interest rates, rental suite income and so on -- are part of the calculation. And, you might not be qualified to borrow as much as you think you should be able to borrow, depending on your income, your debts and your credit history. **Don't rely on the online calculators, brokers have exact methods on calculating how much you qualify for and can usually get you a much higher amount.**
- 4. You'll have more leverage in negotiations with the seller.** Sellers often prefer to negotiate with pre-approved buyers because the sellers know such buyers are financially qualified to obtain the financing they need to close the transaction. A pre-approval letter is an especially favorable point in a close multiple offer situation. And,

you might feel more confident about making an offer with a pre-approval letter in hand and the knowledge that you'll be able to obtain a mortgage.

5. **Your real estate agent will work harder on your behalf.** A pre-approval letter signals to your real estate agent that you're a well-qualified buyer who is serious about purchasing a home. The increased likelihood of a closed sale -- and a commission -- will naturally motivate your agent to devote more time and energy to you. In fact, some agents won't even show property to buyers who don't have a pre-approval letter.

A few caveats: Pre-approval letters aren't binding on the lender, are subject to an appraisal of the home you want to purchase and are time-sensitive. If your financial situation changes (e.g., you lose your job, lease a car or run up credit-card bills), interest rates rise or a specified expiration date passes, the lender will review your situation and recalculate your maximum mortgage amount accordingly.

Mistake #5: Cash Poor Buyers – You may not be as cash poor as you think you are!

Consider every possible source of cash — do you have insurance policies or retirement saving plans that can be used for buying a home? Look into the rules thoroughly even if you think you aren't eligible; your mortgage broker or your real estate agent may not be aware of all the loopholes either. While many retirement plans limit dipping in to first-time homebuyers, the definition of a first-time buyer may simply be someone who hasn't owned a home in the past five years.

Mistake #6: Bank Bound Buyers – Don't take “NO” from the bank as your final answer!

Most of us think “bank” when we think mortgage, but there are many other lenders and they all have various terms and repayment options, such as bi-monthly, even weekly payments, rather than monthly, or a floating interest rate rather than locked-in. There are alternatives to the traditional 30-year mortgage. In today's market, there is no reason not to use a broker. They are free (most of the time).

Mistake #7: Uninformed buyers – Be familiar with the real estate market so you don't PAY TOO MUCH!

There's lots of information available on the local and national housing situation; check the Internet, attend seminars offered by real estate professionals or check out books and magazines. Contact the municipality (or visit their website) to see what the current assessed value for property taxes is. Ask your Buyer's Agent for a market survey of homes in your price range, including the asking and selling prices of comparable homes that have recently sold. This is how you make sure you're paying a fair price for your home.

Mistake #8: Do-It-Yourself Buyers - Get your own real estate agent!

Most of us think of a real estate agent as representing the seller, which they usually do. But having your own agent to help you buy a home can save you time and money. A good buyer's agent can help you find the right home quickly because they know the area and have access to listings, agent open houses and other information. Your buyer's agent can advise you on market conditions and appropriate prices, pre-inspect homes for you so you don't waste time on something completely unsuitable and recommend the other professionals you need from

home inspectors to lawyers. The seller's agent has a legal responsibility to act in their best interest, not yours. You need a trained professional in your corner, and that's a Buyer's Agent.

It is essential to communicate exactly what your needs are to your Buyer's Agent, so you are both looking for the same home. Choose your agent with as much care as if you were selling a home and if he wants you to enter into a formal agreement, make sure it includes a cancellation clause in case you aren't satisfied with the service.

Mistake # 9: Un-represented Buyers - Have your own lawyer!

Your agent's job is to find you a home, not give you legal advice. Keep in mind that your agent is usually paid only **after** you purchase a home and their fee often comes out of the proceeds; think about it. Your lawyer's only job is to look out for your best interests. A written agreement to purchase a home binds you legally to its provisions. Before you sign anything, your lawyer can review the agreement and advise you of changes, clauses or contingencies that they feel are necessary. You are not obliged to use a lawyer recommended by either your agent or your lender.

Mistake # 10: Sloppy Buyers - Have the house professionally inspected.

In your agreement with the sellers, one of the conditions should be a favorable report from a house inspector. But even before you get to this point, make sure you pay careful attention to the homes you're looking at. Watch for cracks in the foundation, signs of moisture in the walls, evidence of insulation, the condition of the roof, age of the furnace and appliances, etc.

Once you've made an offer, ask your Realtor or friends to recommend a good inspector. Make sure they are certified (the home-inspection industry is not licensed or regulated). Ask how many inspections they have performed and what kind of report is provided to you (you might confirm how long it will take to get the report). Also ask if you can be present during the inspection. If they say no, find someone else.

The inspector's job is to check the property and tell you what defects need to be repaired or replaced. Based on their report, you might want to walk away from the property or negotiate with the seller for repairs or an allowance for repairs. In most jurisdictions, sellers are required to make complete disclosure of defects in writing. Make sure you have this disclosure and so does your inspector.

Mistake # 11: Buyers Who Don't Do Their Homework - Check the zoning

It's important that you check the surrounding area and find out about restrictions, conditions and covenants governing the subdivision. The best surprise is no surprise when it means a shopping mall or an airport planned for just behind the home you are considering. Similarly, you want to know if the subdivision has covenants barring you from making changes such as additions to your home or determining the color you can paint it.

If you are looking at condominiums or a strata-titled development, ask to see the bylaws put in place by the board of directors. You may find rules with which you will be uncomfortable living with, such as restrictions on visits by the grandchildren in some adult-oriented complexes. A Buyer's Agent would be a big help here!

Mistake # 12: The Emotional Buyer - Keep your emotions under control.

Here are five emotional mistakes first-time home buyers often make:

1. **Love Hurts** - Falling in love with a home. As discussed at the top of this article, the buyer has to reconcile dreams with realities. It's often difficult to look at the pros and cons of a home rationally if you let yourself become too emotional about a particular property. Beware of real estate agents trying to play on your emotions to encourage you to say yes. Never buy the first home you see without looking at some others.
2. **Keep Control** - Losing control of the situation is frustrating and can lead to imprudent decisions. Don't let yourself be swayed or sidetracked by an assertive agent or by undue advice from family or friends (they don't have to live there, you do!). Personality clashes with agents, mortgage broker or others with whom you are trying to work can also be upsetting.
3. **Decisions, Decisions** - Not being able to make a decision. If you can't decide about anything from budgets to what kind of house you want then maybe you aren't ready to commit to home ownership. If you're simply worried that something better will come along after you've made your offer, remember that there's more than one home out there with your name on it. Take the time you need to make a sound decision, but don't be afraid to commit to a new home purchase.
4. **What are you getting into?** - Not realizing the responsibilities of home ownership. It's great to own your own home, but it takes time and commitment to maintain this large investment. Make sure you are prepared.
5. **Is it the right time?** - Buying before you are ready. If you are suffering cold feet over becoming a homeowner, sit down and take stock of the situation. Examine your motives for thinking you should take this giant step, looking at what it will mean to your lifestyle and budget. Talk it over with your financial counselor, your real estate agent and your mortgage professional. Remember that there are two million first-time buyers a year and most of them felt the same trepidation as you. Most of them are happily taking on their exciting new challenge.

Mistake #13: Location –Location – Location!

Did we mention location? Location is the key. The value of your home is affected by those around you. The home may be perfect, but look carefully at the neighborhood too. No home is an island (usually) and the value is affected by the homes that surround it.

Factors determining the best location include:

- **Surrounding homes** - the condition of other homes, including buildings and grounds
- **Size Matters** - the relative size of your potential home compared to the others. A small home surrounded by large ones may have taxes disproportionately high because of the neighborhood.

- **Placement** - the outer edge of an area is less desirable than being in the middle, surrounded by similar homes, except if the property borders woods, a park or other open space such as a golf course.
- **Best Buy** - the least expensive home in the best area or in an area in transition is a best buy. You can buy low now to sell high later.
- **State of the Neighborhood** - your home will retain its value better if the neighborhood is attractive and has residents who take pride in their community. Look for nearby schools, stores, recreation opportunities and transit. Make sure it's not a neighborhood in decline with falling population and rising crime.

Mistake #14: Screwing Up The Offer

It's not over once you've found the house you want. Now you have to make an offer. Some common mistakes at this stage include:

- **Low-balling** - New buyers often offer too little or want too many concessions from the seller. That can alienate the seller, with the result that he simply rejects the offer without even a counter.
- **Paying too much** - Avoid bidding wars at all costs. Sometimes the threat of another buyer is simply a ploy to scare you into upping your offer. Even if there is another buyer, don't play the game. Whoever eventually "wins" will be the loser because the price will be too high. In case there isn't another buyer, let the seller know you'll be interested if the "deal falls through."
- **Being afraid to negotiate** - Most of us hate to haggle, but negotiation is the key to the best deal. Know your bottom line and be prepared to walk away if you can't meet it. Knowing as much as possible about the seller's situation, including his time frame, is an enormous help (a Buyer's Agent can be very helpful here). Likewise, try to keep information about your own financial situation to yourself; the seller will be looking for information about you that they can use to their advantage during negotiations.
- **Being pressured into a quick deal** - Don't let the seller's side pressure you to a quick close. It could be a sign that something's not right. If the property has been on the market for a long time, there's probably no rush. Remember, there's always another place that's right for you.
- **Not asking the seller to pay for extras** – Don't be afraid to ask the seller to pay for the home inspection and a survey of the property (you need to know where the boundaries are and exactly what you are purchasing). Your agent can advise you on this.

Mistake #15: Not Following through to THE END

The deal has gone through and you are about to take possession. You must still be vigilant, for there are mistakes to be made even now:

- **Possession Date** - Make sure you and the seller both know when you are to have vacant possession - that is, when they and their stuff is to be gone. If you think it's 12:01 a.m. and the seller thinks it's noon, there can be big problems.

- **Insurance** - Make sure you have arranged for adequate home insurance and that it's timed to come into effect so there is no gap between the seller's insurance and yours.
- **Final Check** - Do a thorough walk-through before you close and before you take possession to ensure that all conditions are met. Are the light fixtures all in place? Are all the appliances you agreed to buy still there?
- **Boot Them Out** - Don't let the seller stay in the property after the time of possession (close of escrow). If they decide not to leave or something is damaged you could have little recourse except costly lawsuits.

In Conclusion:

Make sure buying a home is the right step for you at this time. If owning (i.e.: mortgage or loan payments) is cheaper than renting then that's a good indication it might be time to buy a home. Make sure a home purchase fits in with your lifestyle and financial needs, goals and obligations. Writing a rent cheque once a month and having someone else take care of the upkeep is easy. Are you ready to assume the added responsibilities of home ownership?

Consider buying a home in a more holistic context that includes your whole financial picture, instead of making the home-buying decision based on income alone. Buying a home is a BIG DEAL! You'll spend more on a home than on any other purchase you make (usually). You do your homework before you buy a major appliance or vehicle, don't you? For instance, I'll bet you carry a tattered copy of the "Lemonade Car Buyers Guide" when you go looking for a used car. And you dig out the Consumers Guide for some research before you bring home a new microwave oven or wide screen TV. Take that same determination to get the features you want at the best possible price and apply it to buying a home. Once you've done your homework make sure you surround yourself with professionals and then start looking for that dream home, at the dream price.

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Sincerely,

Kristina Berg ~ *The Mortgage Diva*
778-808-7756 Cell

Read the
Details

Frequently Asked Questions (FAQs)

Q: I've always used my bank for my financial needs. Can't I get the same service at my bank?

A: It depends what you define as service. For the benefit of simplicity, I like to break service down into 2 different categories.

1) **Client Service**- a mortgage professional's ability to answer questions, get your loan approved and stay in touch with regular updates before and after the deal closes.

2) **Product Customization**- a mortgage professional's ability to assess and determine your unique situation (including your credit, your current financial situation, and your short and long term plans) so that they can find a mortgage product that is perfectly customized for your particular needs.

Using this two part definition for "service" it is highly unlikely that you will get the same service at your bank and here's why...

Service Feature	Your Bank	Jane Smith
48 Hour Progress Update Guarantee	-	✓
# of Mortgage Products Available	2-5	200+
Guaranteed Best Rates & Terms Available	-	✓
Expert in Working With First Time Home Buyers	-	✓
Million Dollar Rolodex of Preferred Vendors	-	✓
Mortgage Financing Educated at UBC	-	✓
Tips & Updates in a Monthly Client Newsletter	-	✓
Annual Mortgage Reviews and Credit Coaching	-	✓

Q: Do I have to pay an extra fee to hire you as my mortgage broker?

A: No. My service is absolutely free. I get paid by the lender that we determine is best suits for your needs, so you get to enjoy the advantage of saving time and money with my service- for FREE!

Q: I thought mortgage brokers are just a last resort alternative if someone gets turned down at their bank, is this true?

A: If you refer back to the chart above you'll notice that is certainly not true. Unless you or your spouse is a bank employee, or a bank share holder, I can't think of one good reason why you wouldn't want to take advantage of the significant time and money savings I provide.

KEEP READING →

Q: How can I trust that you will get my deal done?

A: Simply put- I GUARANTEE it in writing: "Apply for a Mortgage Through Me, and if I Can't Find You the Absolute Best Rates And Terms, I'll Personally Refer You to Someone Who Can!"

On occasion I've had to do exactly that – refer my client to someone else - because we found another lender that had the best product for my client's needs. Even though I don't get paid when that happens... I'm always amazed how richly rewarded I am for doing the right thing. Those rare occasions have brought me loads of referrals and a best of all... a clear conscience.

Q: Do you get financial incentives to recommend one lender over another?

A: Some lenders do offer a higher level of compensation than others. But frankly, it is so insignificant that it doesn't make one iota of difference to me or my lifestyle. Over the years I've learned that if I don't do whatever it takes to help my client find the best mortgage possible, it costs me dearly in lost good will, lost referrals and lost repeat business. That's why I'm committed to providing unbiased professional advice that is in your best interest. Your success is my success! Period.

Q: I think my bank will pay for my appraisal and home inspection? Why should I work with anyone else?

A: It's always good to save money on those various closing costs. We all like saving money. Just make sure you ask the following questions to be sure you don't get stung with thousands of dollars in unnecessary fees and interest...

- 1) Am I certain that this mortgage is customized to my unique goals and needs?
- 2) Will this mortgage allow me to pay the least amount of interest over the entire term of my mortgage?
- 3) Are the terms of my mortgage flexible enough to avoid paying extra fees?

If you can answer all of these questions to your satisfaction, it might be a good option for you. If not, I would suggest giving me a call to explore *all of your options*.

Call me. I want to earn your business. We currently have over 30 creative programs to fit your unique needs. Please contact me at **778-808-7756** to set up your **FREE No-Obligation consultation** where we will meet to tailor a program to fit your needs and comfort levels for monthly payment and investment.

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Yes! Kristina, I'd like your trusted recommendations on reliable, service oriented professionals so I can save time, money and hassle throughout my home buying and/or selling experience. Please refer me to your preferred vendors in the categories checked below.

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Home Inspector		
Home or Life Insurance		
Mover Service		
Financial Planner		
Accountant		
Home Decorator		
Painter		
Home Appraiser		
Flooring Supplier		
Flooring Installer		
Landscaper		
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Furniture Store		
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