

## 10 Mistakes Buyers Make

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By Janice O'Leary | June 10, 2007

In the spring of 2004, Tom and Cindy Cullinane snagged a buyer for their Beacon Hill condo just a few weeks into open-house season. The offer was a good sign, but they were still nervous. Even if everything moved according to schedule, the closing wouldn't happen until early June, which meant coming awfully close to having to juggle an extra mortgage. The Cullinanes had fallen into a common trap – purchasing a new home before selling the one they already owned – and they were feeling a little desperate. Once they had an offer, things went fairly smoothly. Some legal dickering during the process made Tom Cullinane anxious, but he still had a good feeling. In the two days before the closing, he cleaned every cranny of the condo, worried that any small thing left undone could send the buyer running, or perhaps back to the negotiating table. The family's finances were already stretched thin, since they had begun renovating property they purchased on Quincy's waterfront – renovations they needed to pay for with profits from the sale of the Beacon Hill place.

He attended the closing at a law office in one of Beacon Hill's historic buildings. The room was hot, and it was crowded with brokers and lawyers – his, the buyer's, and the bank's. The lawyers reviewed the fine print. Suddenly the buyer – me, as a matter of fact – didn't look so happy. There had been a change to the terms of the financing. Cullinane's palms began to sweat. He drummed his fingers on the table and rubbed a hand over his hair. As the terms were renegotiated, he silently rued the impulse that had made him buy first. A broker called the bank. This was completely out of his control. Finally, I signed, and Cullinane was off the hook – with his wife, the contractors, and his former mortgage lender, but it had been close there at the end. At the time, I had no idea this drama was going on behind the scenes. Now, Cullinane says he would have done things differently.

Buying before selling is a classic real estate mistake. Avoiding it seems like the obvious thing to do, but who can resist – and who plans for – love at first sight? It happens, though, when buyers are just out scouting, fact-finding, and casually attending open houses. Then they stumble upon it: the light-filled house with a big kitchen and a fireplace, in their price range and ideal neighborhood. They haven't even talked to a realtor about putting their own place up for sale. This is why bridge loans exist, they tell themselves. Our place will sell fast. The temptation is enormous.

Resist, experts say. Settle up with the old before welcoming the new, and watch out for these nine other mistakes even smart buyers sometimes make.

### Looking Even When it's Time to Stop

Sometimes buyers, especially first-time buyers, find their dream home early on but pass it up because they have just begun their search. "Buyers become anxious if they haven't looked enough," says Jeff Persons, a longtime buyer's agent in Back Bay. "One client lost the property that fit her needs because her friends had looked for a long time before finding their home, so she thought finding this one so early on was too easy."

When making a major investment, of both capital and emotion, most buyers expect the process to take a long time. But Persons says that buyers working with a reputable agent should trust him or her to know what else is on the market (and, more important, what's not). If an agent says there are no other available properties that meet the buyer's criteria and are in the right price range, just make an offer and be grateful that at least this part of the process was so easy.

### Trying to Save Money By Negotiating Without a Lawyer

"He who pays me is whose song I sing," says Linda Jason, a real estate lawyer who teaches students at the Boston Center for Adult Education how to be savvy buyers. Many buyers, she says, "don't realize the broker represents the seller." They also don't realize that a buyer's agent still earns a commission that's based on the sales price, even if that commission is paid by the seller. "So the more you pay, the more he

or she stands to make,” Jason says.

Is there anybody who doesn't have an interest in the price of the place, and in the buyer paying more? Chobee Hoy, a veteran Brookline realtor, advises buyers to hire a real estate attorney whose fee remains the same regardless of what they spend on the property. “Many people try to save money by not getting one,” Hoy says, “but that's not the way to save money.”

“Purchase and sale agreements are a standard form and are written in favor of the seller,” Jason points out. A good attorney will cost \$1,200 to \$2,000, according to Jason, but will earn the fees back by negotiating in the client's favor.

### **Waiting for Prices to Drop**

Even in an uncertain market, “buyers' biggest fear is paying too much,” says Back Bay-based realtor Andrew Friedland. They worry that next month or next year home prices will decline, and they'll either feel as if they were taken or that their investment will lose value, he says. But in the long run, home prices tend to go up.

“Most people will say, ‘We looked in 2005 and should have bought,’ ” says Michael Carucci, CEO of ERA Boston on Newbury Street. “It's rare for people to say, ‘We looked then, but now a particular property is \$50,000 less.’ ” While prices can drop, buyers may still be wise to make a reasonable offer on a property, rather than spending money on rent that could be going toward a mortgage. Buyers should take the long view, Carucci says, and realize that only rarely do prices drop significantly from year to year.

### **Visiting Only Once, or Not Knowing What's Next Door**

Most open houses take place on Sundays, at midday, when light floods in and noise levels are at a minimum. But buyers won't live in a house only on Sunday at noon. And before 10 a.m. and after 3 p.m., the same place could be a dark cave and the seemingly quiet street could become a shortcut for screaming ambulances. Jessica Foster made a few mistakes on her way to becoming a homeowner in Brookline. She cautions urban buyers to check the schedules and routes of local buses, which run less frequently on Sundays, and to come back during rush hour and late at night to check for fumes and listen for noise, especially if a property is near a hospital or fire station.

Investigating neighboring properties is another must. It could be a boon, such as land preserved in a trust – your own private nature reserve – or a bust, like a house known for drug arrests or a group home occupied by recovering addicts, whose cigarette smoke wafts up to your windows day and night.

### **Rushing the process**

About that standard purchase and sale contract: Not only does it favor the seller, it also compresses the time frame for the entire purchasing process, dictating deadlines for financing approvals, for inspections, for the delivery of down payments, and for closing the deal. “Buyers get rushed every time,” says Jason, “and they needn't be.” They can and should take more time for each step.

“Brokers will tell you it's normal to set the inspection one week after signing,” she says. “No one's going to give you more time unless you ask.” So ask. There can actually be advantages to not rushing things. “Take the time to find a good home inspector, to feel secure with your financing, and to choose a closing date that works for you,” she advises.

### **Not grilling the Developers**

Buyers looking at units in buildings being developed or converted to condos have special questions they need to ask. The first step is to find out how many developers own units in the building and whether they have binding contracts that ensure all units will be developed to a similar quality within a set time period. Do they still have leases with rental tenants? When do the leases expire?

“I'm always suspicious of developers,” says Jason, who advises caution when buying in a building that's not fully developed. Foster says that when she purchased her Brookline condo, one of the developers was renting to graduate students, who were treating their apartment like a dorm. Then, when the units

were finally developed, they were renovated on a budget, dragging down the aesthetic – and resale value – of all the units in the building, including hers.

### **Forgoing a Mortgage Contingency or Buyer's Title Insurance**

"Get buyer's title insurance," says Carucci. "The bank forces you to have title insurance to cover their investment in case there are later domain issues. But that doesn't cover the homeowner. You pay \$600 to protect the bank. For an extra \$150 to \$200, you'll be protected, too – just in case there is some question in the future about a lien on the property that didn't come up during the purchase, the bank gets a refund and so do you."

A mortgage contingency is a condition in an offer that says if the buyer doesn't get financing, they don't have to buy the property, explains Jason. She warns of a trap unscrupulous brokers sometimes set, especially for buyers who are sure they'll get all the financing they want. "They tell buyers that if they are preapproved for a mortgage, they don't need a mortgage contingency in their contract." Without that contingency, buyers might have to forfeit whatever money they've paid upfront if their financing doesn't come through. "It could turn out that the buyer doesn't qualify for as much as they need," she says, "or that, once the appraisal is in, underwriters see the property as a bad investment. These are things beyond the buyer's control."

### **Not Walking Away from Changes at the Closing Table**

Agreeing to last-minute changes when completing a real estate deal usually means bad news for a buyer. For example, if a mortgage broker suddenly announces that the lender wants to add a prepayment penalty, applicable when a borrower refinances a mortgage after one year to get a better interest rate, buyers should consider walking away from the deal.

The change could be about something that seems insignificant. Tom Cullinane, who made the mistake of buying before selling, admits to another mistake he made while closing the deal on his new property. Most contracts say that the property under agreement must be delivered "broom clean," which leaves some wiggle room for the seller who doesn't want to wash windows. But in Cullinane's case, the Quincy place hadn't seen a broom in months, possibly years. On the day of the closing, during the final walk-through of the home, the Cullinanes discovered old furniture and appliances that hadn't been removed. Rather than postpone the closing, they negotiated an extra \$500 at the table. But the cost for removal was twice that. Had the parties waited just long enough to call in a junk-removal company for a quote, the Cullinanes wouldn't have had to pay.

Typically, a seller will be anxious to complete the deal because she or he is depending on that money to purchase property. Sellers are usually unhappy – possibly even angry – about changing a closing date. But they rarely want to let a deal go completely, because that would mean starting from scratch to find another buyer. While it's smart and considerate to be cognizant of the seller's needs, buyers still have to protect themselves.

### **Seeing a Home Purchase as a Purely Financial Decision**

"Many people fear buying now," says Persons. "They're afraid it's dangerous in an uncertain market." He tells buyers to consider why they're buying a house. "It's an investment," he says, "but not just a financial investment, something to sell, like a stock, when it appreciates." It's a place to live and an investment in a certain lifestyle. "Are you buying to move your life forward, to change your circumstances, to meet your goals of where you want to be in your life?" he asks clients. "If you pigeon-hole buying as a financial decision, there's never a right time to buy." ■