



How Not To Pay Too Much For Your Home

Whether you are buying your first home or your fifth, the process of buying a home can be an emotional, time-consuming venture. Feeling that, in the end, you made the right decision and got a good deal can make all the difference.

As with most major decisions, the amount of work and research you undertake *before* you start shopping can have a dramatic effect on how well you do in the end.

#1 Do you really need that backyard tennis court?

Everyone can picture their ideal home. If you haven't thoroughly prepared yourself prior to viewing houses, chances are that you will find what you think is your ideal home, and will wind up paying too much for it.

It is essential to treat the buying process in a slightly detached manner. Those who fall in love with houses usually pay too much.

That's why it's recommended that you develop a list of needs and one of wants. When looking at houses, make sure that they cover all of your needs – things like adequate space, a good neighborhood, perhaps a garage – and then have fun with items on your wants list. Treating the process in a regimented manner will help you to make a rational, informed decision.

#2 Get pre-approved

Visit your lending institution prior to shopping. Be sure to get a mortgage commitment in writing. Being pre-approved gives you a solid price range, and lets your Realtor® and potential sellers know that you are serious and not just a browser.

#3 Get the right people behind you

Buying a home is a complicated process, with many people involved. Having the right people on your side can make a big difference. An experienced, dedicated, and knowledgeable Realtor® can put a team of advocates, including lenders, lawyers, home inspectors and movers, on your side immediately.

#4 Communicate

The more you share with your Realtor®, the better he or she will be able to represent you. Letting your representative know exactly what you're looking for, in terms of needs/wants, price range, and location, can eliminate unnecessary trips to unsuitable homes and that focus can help ensure that you wind up in the right home.

#5 Location, location, location

It's still true. The desirability and resale value of your home depend on location more than any other factor. People want a desirable community that includes character, quality of schools, access to work, major transportation arteries, recreational facilities, etc.

On your viewing trips, take a careful look and ask the following questions: How does this home compare to others in the neighborhood? Are yards fenced? Are there many children playing in the streets? Are the front and back yards and the exteriors of the homes properly maintained? The less expensive houses in a better area tend to appreciate faster than the most expensive houses in a less desirable area.

Additional factors that affect the property value of a home include traffic, sounds, smells, zoning bylaws, and many others. Be objective. Be sure you are completely satisfied with the neighborhood. If you choose a neighborhood with problems, you likely won't get as much as you hoped with it comes time to sell.

#6 Use your Realtor's® knowledge

Your Realtor® is trained in all aspects of real estate, including understanding supply and demand, economics, and the neighborhoods of the city in which they practice. A professional Realtor® can do much of the work for you, by reviewing your needs, reviewing available properties, and making an informed match. A comprehensive knowledge of the available homes in your neighborhood is one of your Realtor's® strongest assets. With the aid of computerized systems, a Realtor® is notified within hours when a home becomes available.

#7 Pay attention to red flags

When evaluating a home, be sure you know the difference between acceptable and unacceptable problems. Cosmetic items like peeling paint, worn carpeting, or unattractive wallpaper can be easily remedied, and can be used as negotiation items, as there will be costs involved in updating the home.

Major problems, however, are clearly red flags. Look for items such as major foundation cracks, water damage, outdated electrical systems, and inadequate plumbing. These items could be too expensive to remedy to make the home a worthwhile investment.

#8 Hire a home inspector

A home inspection is an inexpensive way to gain peace of mind, and guard your pocket book. A proper inspection will cover all areas of the house including foundation, electrical, heating, plumbing, floors, walls, ceilings, attic, roof, siding and trim, porches, patios, decks, garage and drainage. A professional inspector can give you an objective view of the property, with a written report, indicating the present condition and items that will need repair.

#9 Be cautious with fixer-uppers

Sometimes, a fixer-upper can be purchased below market value, and once sufficient repairs are made, can be sold at a significant profit. However, not all fixer-uppers will bring in the profits you might expect.

Consumers often overestimate their level of dedication to doing extensive renovation work, and underestimate the costs associated with such work. A wall that needs to be replaced can often lead to the discovery of faulty plumbing, electrical, or other major undertakings. Your Realtor® and home inspector are your best allies when it comes to cost-benefit analyses.

#10 Consider your future needs

A move can be a major undertaking. Take a good look at your current lifestyle and consider the future. Will you need extra space for a home office, a child, or perhaps a child moving back home? Perhaps it may be easier and less expensive if you purchase a home that can meet these needs now, rather than moving up to a larger home a few years down the road.

#11 Proceed quickly

When you're ready to buy, act. Good properties sell. This is especially true given the current state of most real estate markets. However, when you work with a Realtor®, you have access to the latest technology. As part of the MLS and Agent Handshake networks, a Realtor® has access to properties within hours of when they are listed.

Technology works to your advantage. Many Realtors® now have personalized websites which allow you to sign on as a client, and receive notification of new listings via email. You save time and effort, and you can view only those homes that come closest to meeting your needs.

#12 Clarify relationships

In any real estate transaction, be very clear about who is working for whom, and what the relationship represents. Unless otherwise stated, an agent represents the seller in transactions for the sale of a home. This agent, as part of his or her fiduciary duty, must ensure that the seller's (and not your) position is represented throughout the entire process. Get a buyer's agent on your side, or ensure that someone is acting in your best interests.

#13 Keep it impersonal

Conversely, information could be used to your detriment. Information about your mortgage, size of down payment, move-in deadline, or circumstances for buying could be used to the seller's benefit in negotiations. While you want your Realtor® to know these details, maintain your poker face and keep your cards hidden with the sellers and their agents.

#14 Measure twice, sign once

While you definitely want to move quickly once you've made the decision to purchase, you don't want to cave in to pressure for a quick close. Someone who is trying to pressure you into buying a home is likely doing so for a reason. Make sure the reasons for you to buy a home are your reasons, not theirs.

#15 Exercise your negotiating skills

Even if you prefer not to haggle, it's worth it, especially when it's your home and one of your biggest investments. Most people expect to haggle over the price. There is always room for negotiation, and your Realtor® should be a professional negotiator.

#16 Avoid bidding wars

In some cases, the seller's Realtor® may use scare tactics to rush the sale or increase the price. Falling for this trap could cost you money. If there is another buyer, or some other reason this pressure is being applied, whoever wins also loses because they tend to overpay. Let reason be your guide, not passion.

#17 Get it in writing

Legally, sellers must disclose all known material defects of a property. Ask for this in writing. Also be sure to consider the ramifications of these defects. Will they be costly down the road? Are they "serious" defects?

#18 Be aware of hidden costs

While Realtors® often tempt first-time buyers with rent/mortgage comparisons, there is more to a home than simply the mortgage. You will be responsible for other items including mortgage insurance, appraisal fees, legal fees, inspection fees, transfer taxes, title insurance, inspections, property tax, increased bills, etc. Your Realtor® can give you a good idea of the costs associated with buying a home that are beyond its final negotiated price.

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