



As Home Prices Continue to Soar, Homebuyers Are Still Making These 3 Common Mistakes

Description

With the Canadian real estate market still a “towering inferno,” homebuyers are surely feeling the pressure to rush through the home-buying process and sign the dotted line on their next home — before it disappears from the MLS.

But let’s face it: with a purchase this big, rushing through the process will inevitably lead to missteps, miscalculations, and blatant errors.

Those looking to buy a home before the year ends (or in 2022) should be extra careful not to let stress and pressure influence their decision-making skills. As you’re looking for your next home, here are three common mistakes to look out for.

1. Forgoing the pre-purchase home inspection

A pre-purchase home inspection is your chance to see how structurally sound a home really is. If the house has expensive problems, the home inspector will bring them to light, helping you get a full picture of what you’re buying.

In a sellers’ market, however, many buyers are forgoing the home inspection in favour of a faster process. This accommodates sellers, and it could make a buyer stand out, especially if others request the inspection.

But even if forgoing the home inspection gives you more leverage over other homebuyers, it can come back to haunt you. Home inspections can cost anywhere from \$300 to \$1,000. But the cost of a roof replacement, a cracked foundation, or a damaged electrical system could put back thousands of dollars. And let’s not even get started on mould.

It’s a gamble. For new homes, you might be able to get away with forgoing the home inspection (though that’s not my recommendation). For older homes, however, I would never skip it.

If you insist on leaving out the inspection, you might want to consider setting more money aside in an emergency fund. That way, if an expensive problem emerges, you have the cash to fix it on the spot.

2. Rushing through the mortgage paperwork

Mortgages are notoriously complex. And don't let your lender convince you otherwise: no matter how simple they make the process sound, always read through your mortgage paperwork. Yes: that means the fine print, too.

Imagine every possible scenario, including breaking your mortgage or moving from this house earlier than you anticipated. How would an early departure affect your mortgage? Would you pay extra? Are there clauses that make it difficult, if not impossible, to break up with your lender?

Reading your mortgage paperwork closely might not sound like the best Friday night activity. But if you don't understand your mortgage now, it could come back to hurt you later.

3. Overlooking the total cost of homeownership

Finally, don't be fooled: the price of a home isn't the asking price. It's not even the sale price. It's the sale price, plus the home inspection, plus property insurance, plus moving costs, plus whatever repairs you have to make.

It can be easy to overlook the true cost of homeownership. After all, psychologists have pointed out that under pressure, we tend to overlook negatives in favour of upside potential. For instance, when contemplating a new job opportunity, you might base your decision on the extra pay increase, even if the commute is horrible.

But when it comes to buying a home, overlooking the negatives — like extra costs — will make you less prepared to finance what is probably the biggest purchase you'll ever make. So, be sure you have your ducks in order: your down payment, emergency fund, and an extra fund to cover closing costs and other expenses. Only then are you in a good position to buy a home.

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