

Avoid Buying Pitfalls

Buying a house is full of moving parts, and, while there are people and systems in place to make sure it runs as smoothly as possible, things can go wrong. Knowing the potential pitfalls that could be ahead will make your life a little easier.

Newsday lists a number of these possible problems and what you can do to avoid or mitigate them.

YOU CAN'T GET A LOAN

Your credit affects the amount you can borrow as well as the terms of the loan; better credit means more favorable terms for you. Before you begin the process, check your credit, which you can do for free once a year at annualcreditreport.com. If it's not as good as you would like, see what steps you can take to improve it. If you find errors, start working with the credit agencies to get old accounts removed or handle any credit card fraud issues.

THE HOUSE NEEDS MORE WORK THAN ANTICIPATED

You'll hire a home inspector to check out the house, but that happens after you've already made an offer. If the house has hidden problems, such as bad wiring, a leaky roof, cracks in the foundation or any number of other large, expensive repairs that might not be obvious, you could find



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REAL ESTATE 101

The More You Know

It's always a good idea to get a second opinion. To avoid unexpected setbacks, the Consumer Financial Protection Bureau advises home buyers to consult multiple sources when it comes to major factors in a home purchase. "Don't rely on just one person for advice," the Bureau advises. "Get a second — or a third — opinion throughout the process and before making key decisions. Then make the best choice for yourself." This might mean getting multiple estimates from contractors when considering buying a home that needs repairs or consulting multiple mortgage lenders or brokers.

yourself with a lot of large bills once you're the owner. During the inspection period, you should raise these issues

and request that the seller fix them. If the seller won't make the repairs and won't lower the cost of the house to com-

pensate for those repairs, figure out exactly how much repairs will cost you and carefully weigh whether you still

want the house.

APPRAISAL PROBLEMS

Because your house is the collateral for the loan, your lender wants to make sure it's protected in case you can't make your payments and they end up owning the house. This means they won't give you a loan for more than the house is worth, but often, you don't find this out until you're halfway through the escrow period when the appraiser turns in the appraisal report. The appraised value is based on the features of your house as well as the sale prices of similar houses in similar neighborhoods in your market.

Buyers who find out, for example, that a home with a selling price of \$250,000 only appraised for \$240,000 have four options. First, they can back out of the sale. Typical contracts allow for the buyer to back out without losing the escrow money if the appraisal comes in low. Second, they can renegotiate the selling price of the house. If the sellers are trying to sell the house quickly, they might go for this. Third, buyers can make up the difference themselves in cash. The final option, if you believe the appraisal is wrong, is for the seller's real estate agent to petition the appraiser, through the buyer's lender, for a reappraisal.



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HOMESWISE GLOSSARY

Prepayment penalty: a fee that a borrower may be required to pay to the lender, in the early years of a mortgage loan, for repaying the loan in full or prepaying a substantial amount to reduce the unpaid principle balance.

SOURCE: Federal Trade Commission

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