



CHAPTER 1

Profit from the Mistakes of Others

Thinking about buying a home? Good for you. You're about to make one of the best personal and financial decisions of your life—if you do it right. And that's just what this book will help you do.

As you read through the eye-opening stories—sometimes funny, sometimes sad—you will see how to steer clear of potential pitfalls. Even better, you will learn to profit from the opportunities that you discover (or create) along the way. You will gain not only from the knowledge I've accumulated from dozens of my own property transactions, but also from the experiences of hundreds of homebuyers, real estate agents, mortgage loan officers, and home inspectors.

Here are some of the fears, mistakes, and pitfalls you'll learn how to handle:

1. Getting turned down for a mortgage
2. Paying too much for mortgage interest, fees, and costs
3. Overpaying for your house
4. Discovering that a house or neighborhood comes with hidden and unwelcome surprises
5. Being taken advantage of by a real estate agent, loan officer, or lawyer
6. Buying too little, too much, or the wrong kind of insurance
7. Suffering discrimination

8. Buying a house whose value doesn't appreciate much
9. Running into problems at (or on the way to) closing
10. Buying a house that doesn't meet your needs, wants, or budget

Unlike other books on homebuying, the discussions here don't merely present general principles, simplistic questions, or a "homebuying process." Instead, *106 Mistakes* illustrates what you need to know through dozens of real-life examples. Through these examples, you'll see how to conquer your confusion, become more confident, and make the right homebuying decision.

The Origin of This Book

Throughout the past 20 years I've taught graduate and undergraduate college courses in real estate; professional education programs for Realtors®, home builders, and mortgage loan officers; and STOP RENTING NOW!™ seminars that are directed especially toward first-time homebuyers. In these courses, one of the most favored classroom topics has been "How to prevent mistakes in homebuying."

Although just about everyone knows that real estate, particularly home ownership, stands out as one of the best ways to build personal wealth, a growing number of people also realize that successful homebuying doesn't occur easily. It requires education. Shopping for a home, negotiating, arranging financing, and qualifying to buy have become much more complex. There are many ways to get bamboozled. Naturally, then, learning about the mistakes of others has proved to be a good prescription for a happy and profitable homebuying experience.

When I first began to discuss mistakes in homebuying with my classes, I relied on many of my own experiences (and mistakes). Over time, though, students were eager to broaden their knowledge and learn firsthand about the mishaps, misfortunes, and mistakes suffered by others. As a result, I incorporated "interview papers" into class assignments. To carry out these assignments, students interviewed Realtors, home builders, loan officers, recent homebuyers, and other people involved in homebuying and financing.

The students asked their interviewees to describe in concrete detail the homebuying mistakes that the interviewees had made themselves or

had seen others make. Next, the students wrote up their conversations and we scheduled a class session or two to discuss what they had learned.

These classroom discussions became quite popular. As a result, many students suggested that they would like to see the most common (and costly) mistakes I've collected brought together in a book. Fortunately, John Wiley & Sons, Inc., and senior editor Michael Hamilton agreed. In this book we've aimed to help you benefit from the experiences of hundreds of people who have been involved in homebuying. Read through these stories and apply the lessons to your own situation. You'll enjoy a more profitable and more satisfying homebuying adventure.

¹To protect the privacy of individuals, in many instances I've changed names and specific identifying facts. But all told, these experiences are real.