

10 MOST COMMON MISTAKES MADE BY SELLER & BUYER

RE/MAX ESCARPMENT
REALTY INC., BROKERAGE
INDEPENDENTLY OWNED & OPERATED



BY: FRANK SALVATORE



MISTAKE

Avoid the 10 Most costly mistakes made by Sellers

- 1) **Listing with the sales person who comes in at the highest List price.** *Experts call this “Buying the listing” and then beating you up on price week after week.*

- 2) **Listing with the sales person who offers the lowest commission.** *(if the Agent cannot stand up for their own self worth how can they possibly stand up for you and the price that is set for your home)*

- 3) **Overpricing your home.** *The wrong price attracts the wrong buyers and the right buyers won't see it.*

- 4) **Not “staging” your home.** *The benefits of staging your home and removing clutter often results in a quicker sale and a higher bottom line.*

- 5) **Hiding known existing flaws.** *Failing to disclose any” known” existing flaws prior to listing a property could result in a potential law suit well after the deal is closed. Know the difference between **Latent and Patent defects**.*

- 6) **Not reviewing your existing mortgage documents.** *It is imperative to find out what your” discharge penalty” is before selling your home or whether or not your mortgage is portable. Surprise! The last thing you want is to find out your \$10,000 short on your closing costs.*

- 7) **“Trading up” in an “Up Market”.** *Most people wait to buy a bigger home after the market has gone up 10% or more. Be well advised that the bigger home you now want to buy has also gone up 10% or more. See e.g. A) below*

A) Trading Up in an Up market.

Value of existing home	\$200,000
Market Increase 10%	<u>20,000</u>
Sold for	\$220,000

New home Value before increase	\$400,000
Market increase 10%	<u>40,000</u>
Purchased for	\$440,000

The seller gained \$20,000 on selling their existing home but lost \$40,000 when upgrading to the larger home resulting in a net loss of \$20,000.

8) “Trading down” in a “Down market”. *When down sizing in a down market you are losing more value to your existing home than you can hope to gain with the purchase of the smaller home. See e.g. B) below*

B) Trading Down in a Down market.

Value of existing home	\$400,000
Market drop 10%	<u>40,000</u>
Sold for	\$360,000

New home Value before decrease	\$200,000
Market drop 10%	<u>20,000</u>
Purchased for	\$180,000

The Seller lost \$40,000 on selling their home in a down market and saved \$20,000 when buying the smaller home. This still resulted in a net loss of \$20,000.

The Perfect Home buying Scenario

C) "Trading up" in a down Market.

Value of existing home	\$250,000
Market drop 10%	<u>25,000</u>
Sold for	\$225,000
New Home Value before market drop	\$500,000
Market drop 10%	<u>50,000</u>
Purchased for	\$450,000

Upgrading in a down market is not a "typical buying trend" however it is a smart investment. Although the seller in this case lost \$25,000 when selling their existing home they saved \$50,000 when buying the upgraded home resulting in a net gain of \$25,000.

9) Not researching your Sales Representative. *Know who you are working with before the sign goes on the lawn. Find out if they are part time or full time. Is this a hobby for them or are they dedicated to achieving results? Are they easily accessible? Do they possess all the tools, and negotiating skills required to help with the sale of one of your most valued assets? Google your sales person or visit the RECO website before hiring them. You may be surprised what you discover.*

10) *And finally the tenth most costly mistake made by Seller's is; Not listing with;*

FRANK SALVATORE, "FOR SALE", "IT'S IN THE NAME"

All kidding aside you will not find a harder working, knowledgeable and experienced person to work with when buying your next property

Avoid the 10 most costly mistakes made by Buyer's

1) Not getting pre approved “properly” before you start looking. *Many lenders will only do a basic pre approval for the buyer and the buyer may later realize that they can not afford to buy the home they just purchased because the lender failed to do a credit bureau.*

2) Not getting the Property Inspected by an Experienced Qualified Building Inspector. *Many buyers want to save costs by getting an Uncle or friend to inspect the property. Be well advised that when using an inexperienced or unqualified inspector who is not insured that person may be liable for any damages made during the inspection and also for any wrong or misleading comments or recommendations given to the buyer.*

3) Not budgeting for closing costs. *Mortgage Lenders and Real Estate sales people may assume that the buyer is aware of the **closing costs**. If the buyer has not budgeted for closing costs there may be a shortfall of funds on closing and the deal may not close resulting in damages being awarded to the Seller.*

4) Using an “out of town” sales person. *A sales person who is not familiar with the area that the buyer is purchasing in could be a recipe for disaster. There may be environmental or social economic issues that face the area that may become known to the buyer after the sale that the buyer is unwilling to accept.*

5) Racking up debt before closing the deal. *Many buyers go on a spending spree and purchase furniture, lease a new car or go on vacation and incur enormous debt before closing the deal. If the Mortgage lender pulls a Bureau right before closing this may result in the lender discovering that the buyer's “**TDS and GDS ratio's**” have changed resulting in an unqualified buyer. The lender may refuse funds and the Seller's will most likely sue the buyer for damages.*

6) Buying in a really poor location. *As the saying goes “Location”, “location” “location”. Many homes in very poor locations are purchased at discount prices, are totally renovated from top to bottom and then re sold. Be careful not to fall too much in love with the décor and paint colors and completely overlook the area and the price being paid.*

7) Not doing a “History Search” on the property you are buying. *With today’s technology not only can your Sales Representative find out when the home was last purchased, it is also wise for the buyer to “Google” the address to see if any hits come up that reveal past criminal activity, deaths, suicides etc.*

8) Not understanding how RRSP down payment works. *Not saving enough or not knowing how **RRSP programs** work could be costly in an inflating economy. You may want to buy a home now but are required to keep your borrowed RRSP funds locked in for 90 days prior to **“buying your first home”**. If interest rates are on the rise and your not approved properly the mortgage may cost more than expected.*

9) Not researching your Sales Representative. *Know who you are working with before you get in their car and look at property. Find out if they are part time or full time. Is this a hobby for them or are they dedicated to achieving results? Are they easily accessible? Do they possess all the tools, and negotiating skills required to help with the purchase of one of your most valued asset? Google your sales person or visit the RECO website before hiring them. You may be surprised what you discover.*

10) And finally the tenth most costly mistake made by Buyer’s is;

Not Hiring;

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