

10 Things You Shouldn't Do When You're Buying a Home

Home Buying Don'ts

Your home buying process is well underway. The sellers accepted your offer to purchase. The home is officially under contract and you're counting down the days to closing. The lender pre-approved you, so buying the house is a sure thing, right?

Not quite. Nothing is certain until the keys are in your hands. There are still major hurdles to get past before you close and your actions between now and closing can create headaches, slowdowns, and even stop the transaction.

1. Don't Make a Major Purchase

You've just found out your credit is A+. That's great news, because a new car would look fantastic in the driveway of your new home. But hang on--if you are depending on a mortgage to move in, you'd best wait until after closing to buy the car.

An increase in your debt to income ratio reduces the amount of monthly income available for your mortgage payment.

If you tack on a higher car payment, the bank might decide you cannot afford the home.

Using cash to purchase the car could also create a problem, since banks consider cash reserves when approving your mortgage. If you must make a major purchase before closing, talk to your loan officer before you do it.

2. Don't Change Jobs Unless It's Necessary

Lenders like to see a consistent job history. They aren't usually as nervous if you change jobs within the same field, but it's better to stay put until the keys to the house are in your hand.

3. Don't Give an Earnest Money Deposit Directly to a For Sale By Owner Seller

Your good faith deposit should go into a trust account. Some for sale by owner sellers don't understand that funds are to be applied to your expenses at closing.

I've heard many stories about sellers who spent the deposit money prior to closing. When the transactions didn't take place for valid reasons--such as financing or repair issues, the buyers had to fight for a refund.

Find an attorney or other neutral party who will hold the deposit for you until closing day and make sure your contract dictates what happens to the funds if the transaction doesn't close.

4. Don't Let Your Emotions Take Over

Keep a cool head during the entire home buying process, especially during and after an inspection. Be realistic. No home is perfect, especially older homes. It's not unusual for new owners to take care of some repairs themselves. Don't let the seller's refusal to do a small repair kill the deal on a home you truly love.

On the other hand, don't fall so much in love with the house that you'll buy it no matter what needs to be done--unless you're absolutely sure you can handle it emotionally and financially. Decide what type of repairs you can realistically tackle, then stick with the decision.

5. Don't Forget to Switch Utilities

That sounds simple, but you'd be surprised how many people forget to apply for utility service at their new home. Call the utility companies as soon as you have a contract. Find out how many days lead time they need to switch the service, then get back with them when you have a firm closing date.

Don't forget to discontinue services at your old home.

6. Line Up Your Hazard Insurance

A no-brainer, right? But it's another often-forgotten task that buyers scramble to take care of at the last minute. Before closing, your lender will want to see an insurance binder showing you have coverage for the new home. Get it as early as possible so that closing isn't delayed.

In some locations, additional types of insurance coverage might be necessary. Talk to your lender about insurance requirements well before the closing date.

7. Don't Become Best Friends with the Seller

I'll get some flack on this one. It's great to be friendly, but don't get into too many long discussions with the sellers, because personality conflicts often cloud judgments.

Remember, this is their home. You're no doubt excited about moving in, and if you didn't like the house you wouldn't have offered to buy it. But you'll make changes--everyone does. A casual statement about "ripping up that ugly carpet" might be hurtful enough to keep the seller from negotiating with you about repairs or other issues that crop up.

8. Don't Panic if the Appraisal Comes in Low

At least not at first. There are some things you (and your agent) can do to correct the problem.

9. Don't Go It Alone

If you're working with an agent, it's the agent's duty to track many of the day to day details that involve the lender, the seller, or the seller's agent.

10. Don't Ignore Lender Requirements

Know what is expected of you and take care of it. For instance, a Certificate of Eligibility is required to move forward on a VA loan. That's something you must handle yourself. Answer lender questions and provide required paperwork as quickly as possible--your closing depends on it.