

The 10 Biggest Pitfalls of Buying a House or Condominium Unit

1. Not Hiring an Attorney to Represent You

Many buyers look at the high cost of buying a home, panic, and look for any place they can to cut costs. One option people think of is to skip having an attorney represent you. However, in the long run, this may cost you many times what the legal fees for representation will be.

Sometimes, nothing special comes up, and it may seem that the cost of having an attorney was not necessary. However, in many instances, the attorney will add great value for you in the transaction. The problem is that at the inception you don't know what will come up (and when or if that could pose a difficult problem). Also, an attorney can prevent problems from happening by providing attentive and problem-solving representation at the outset.

Remember, you are entering into one of the biggest transactions of your life. Be prudent and careful.

2. Having the Bank's Attorney (or another attorney) Review your Purchase and Sale Agreement after you have signed it.

This will not work. Having the bank attorney review a document that you have already signed will not do much to look out for your interests. Once you have signed a contract, it is almost always too late for the attorney to do anything or to make changes. To best protect your interests, you should hire an attorney who will not just *review* the Purchase and Sale Agreement, but *negotiate* it as well.

3. Not being attentive to the difference between a Mortgage Commitment and a Pre-Approval, the difference between a solid Mortgage Commitment and one that is riddled with contingencies.

A Pre-Approval letter and a Mortgage Commitment are very different. The Pre-Approval letter is generated after a cursory look into your finances. It is not binding, and you can still fail to get the loan you want. The Mortgage Commitment is generated after a thorough investigation of your financial and employment status by your lender. However, it is often generated subject to contingencies. It is your own lawyer's role to review the Mortgage Commitment prior to the expiration of the contingency date to make sure that all contingencies stated in the letter are met (or can be reasonably met). Otherwise, you may have a nasty surprise days (or hours) before your closing, when you find out the funds are not there for you to make the purchase.

4. Not getting a home inspection

Home inspections can reveal a lot about a property, including structural problems and potential issues with appliances and heating equipment. Foregoing this can mean great expense to you once you purchase the house. It is well worth the cost, even if you walk away from the transaction.

5. Not Reviewing Condominium and its Documents Carefully

One of your attorney's jobs is to carefully review the Condominium Documents and finances. If you own a pet, your attorney will look carefully for language about whether or not pets are permitted, and if Trustee permission is required to keep a pet, your purchase should be contingent upon getting that permission in writing, especially if Fluffy is a beloved member of your family. If you are in a condominium

that provides parking spaces (especially in towns without on-street nighttime parking), it is important for your attorney to assess the validity of your parking rights. The status of the finances of the Condominium is very important for you. Your attorney will track down special assessments (past, present, and future) and report to you on the physical condition of the Condominium as evidenced by the expenditures of the association. This is very important so that you will know what you are getting into when you purchase a condominium unit.

6. Letting your mortgage contingency date slide

For most Buyers, the deposit you put down at the time you sign the Purchase and Sale Agreement is a significant part of your savings. If you do not adequately monitor the mortgage commitment date, you could lose your deposit. This is a function that your attorney will be very attentive to.

7. Not making the funds you need at closing liquid early enough

The funds buyers need for the closing must be brought to the closing in the form of good funds. That means either a wire transfer to the closing attorney's account or a bank check or certified check. If you scramble to get money out of your retirement account or securities account at the last minute, you may not be ready at closing time, and if you are not ready, the Seller has the right to hold you in default and take your deposit as liquidated damages. Be ready and prepared. Talk with your lawyer about what you will need, and stay in touch with your lawyer during the weeks before the closing.

8. Buying a Foreclosure Without Doing Your Homework or Being Comfortable with the Risks

It's very tempting in this market to try to save money by buying real estate at foreclosure. However, there are many risks in buying foreclosed property. They are sold in "as is" condition, and may have people living in it that you will need to evict. You may not be able to inspect the property before you buy it. There may be liens on the property, some of which the property will be subject to after your purchase. Your financing will need to be as airtight as possible before you bid at the auction. Legal representation in this process will be money well spent.

9. Not Doing Your Homework on Basements

There are three major issues about basements: radon, water problems, and living space. If the property you are buying includes a basement or is a basement condominium unit, have a radon test done. Look for evidence of water leaking into the basement, and what kinds of mitigation devices are present. Also, if you are purchasing a property with basement living space or basement bedrooms, it is crucial for your lawyer make sure that the basement rooms constitute legal living space, and that the basement bedrooms are legal bedrooms. Illegal living space and/or bedrooms reduce the value of your property when it comes time to resell, and illegal bedrooms are a significant hazard in the event of a fire.

10. "Back to Back" Closings

If you can afford it, buy first and then sell on another day. "Back to back" transactions (selling and buying in the same day) are very difficult and stressful. But if you need to buy and sell on the same day, your attorney can help you by arranging (if possible) a Use and Occupancy Agreement so that you can stay in your original property for a few days before moving into your new one.