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## 5 Secrets To Buying The Best House For Your Money!

### 1. Get "Pre-Approved" / NOT Prequalified-Big Difference

You want to get the best property you can for the least amount of money. Make sure you are in the strongest negotiating position possible. Price is the most important element in the negotiations, but the seller's confidence in you and your ability to actually "show him the money" may have a big impact on what the seller will accept as an offer if, in fact, he even will based on his concern for your perceived financial capacity. Often other terms, such as the personality or appearance of the buyer or the length of closing are vital to a seller too. So remove as much uncertainty as possible to make your offer look better

In years past, I always recommended that buyers get "pre-qualified" by a lender. This means that you spend a few minutes on the phone with a lender who asks you a few questions. Based on the answers, the lender pronounces you pre-qualified. Big deal. Times have changed Sellers and agents and now you will realize there is much uncertainty in such verbal statements. And here's why! None of the information has been verified!

Many times unknown problems can come to the surface! Some of the problems I've seen include recorded judgments, alimony payments due, glitches on the credit report due to any number of reasons both accurate and inaccurate, down payments that have not been in the clients' bank account long enough, etc., so the way to make the strongest offer today is to get "pre-approved".

This happens AFTER all information has been checked and verified. You are actually APPROVED for the loan and the only loose end is the appraisal on the property. This process takes anywhere from a day or two to a week depending on your situation. It's VERY POWERFUL and a weapon I recommend all my clients have in their arsenal for negotiating for getting their best deal.

### 2. Purchasing Options

Here is the classic real estate "chicken or the egg" dilemma. **a)** Buy your new home subject to the sale of your old home, **b)** risk the market and buy the new home with interim bank financing, then try to sell your current home later and time the sale for the purchase of your new home or **c)** keep your previous home and rent it out. Wow! What a lot to think about.

**A. Buy Subject to Sale.** If you're concerned that there is not a house on the market for you, then go on a window-shopping trip. You can identify possible houses and locations without falling in love with a specific house. If you feel confident after that then put your house on the market. You can put your offer in on a home you would like to buy

subject to the sale of your home. It really takes the risk out of your offer. The Seller will likely respond with a 24 or 48 hour time clause to keep other sale options open for his home in case your home does not sell for any reason on time. While there are many other subtle and not so easy to understand details of subject to sale offers, the bottom line is that you should not be left on the street if you have a good REALTOR to manage your sequence of events.

**B. Buy unconditional-sell later.** If you are financially secure so owning 2 homes at once will not cause you severe bleeding and stress or the market is so strong that you feel you can afford the risk and extra costs of not selling on time to pay for your new home, then go ahead. But realize that sometimes things change very quickly. That great price you felt you would get easily can suddenly go from great to not great and more important your home may not sell for sometime.

**C. Rent your home.** Revenue Canada has some very specific rules. You could borrow money and buy a rental and write off the interest. You could put a mortgage on your home and buy a rental and write off the interest on that mortgage. You CANNOT borrow money against your current home to buy another, soon to be principal residence, and write off the interest against your current home once you move out and rent it, because you borrowed the money to buy your new principal residence and therefore it is personal debt. Don't argue. Just move your head up and down or from side to side or all around then do the hokie pokie "cause that's what it's all about". Any income you receive from your home rental is taxable income. There may be a value to those who are financially able to buy without first selling. Depending on the type of market, property, seller and agents involved, the seller may take a lower price than a subject to sale since it gives the seller immediate certainty that may be important for him.

For most people the very thought alone of possibly have to pay for 2 homes no matter how minimal the risk would be stress wise unacceptable, forget the even if the bank said okay to interim financing. This particular consideration requires an extensive in person discussion with your spouse, REALTOR and banker.

Contingency sales aren't nearly as strong as one that comes in with a ready, willing and able buyer. But you can only do what is personally and financially prudent and there will be another home come up for sale that you will love. Patience and reality are important in your home search.

Another tactic is to make the sale "subject to seller finding suitable housing". Adding this phrase to the listing means that when you do find a buyer, you will have some time to find the new place. If you don't find anything to your liking, you don't have to sell your present home. Remember that your listing would be known as a contingent listing and would need to be announced to all agents to see the listing. They would be less likely to show your property for concern they may have their buyer fall in love with a home you might be unwilling to sell. As well most people want to sew their deal quickly so many clients would not want to bother with the risk of waiting to see what you would do eventually. Not a really strong way to proceed.

### **3. Play the Game of Nines or Ben Franklin Method**

Before house hunting, make a list of things you want in the new place. Then make a list of the things you don't want. You can use this list as a guide to rate each property that you see. The one with the biggest score wins! This helps avoid confusion and keeps things in perspective when you're comparing dozens of homes.

When house hunting, keep in mind the difference between "STYLE AND SUBSTANCE". The SUBSTANCE are things that cannot be changed such as the location, view, size of lot, noise in the area, school district, and floor plan. The STYLE represents easily changed surface finishes like carpet, wallpaper, color, and window coverings. Buy the house with good SUBSTANCE, because the STYLE can always be changed to match your tastes. I always recommend that you imagine each house as if it were vacant.

Consider each house on its underlying merits, not the seller's superficial decorating and staging skills.

#### **4. Don't Be Pushed Into Any House.**

Your agent should show you everything available that meets your criteria. When homes are selling quickly, if you see it, like it, can afford it and if it makes sense and you have looked around to know what you like, then go for it and start developing equity. But don't make a decision on a house until you feel that you've seen enough to pick the best one.

#### **5. Stop Calling Ads!**

Please note - ads are sometimes created to make the phone ring! Many of the homes have some drawback that's not mentioned in the ad, such as traffic noise, power lines, or litigation in the community. What's not mentioned in the ad is usually more important than what is.

For this reason, I want you to be very careful when reading ads. Remember that the person writing the ad is representing the seller, not you! The most important thing you can do is have someone on your side looking out for your best interests. Your own agent will critique the property with an eye towards how well it meets your needs and will point out any drawbacks you should know about. So whether you decide to work with me or not, pick an agent you feel comfortable with and enlist the services of that agent as a buyer's broker. Then you become a client with all the rights, benefits, and privileges created by this agency relationship, and you're no longer just another shopper.

Did you know that many homes are sold without a sign ever going up or an ad ever being put in the paper? These "great deals" go to those people who are committed to working with an agent. When an agent hears of a great buy, who do you think he's going to call? His client, who he has a legal obligation to work hard for, or someone who just called on the phone and said "keep your eyes open"? So to get the best buy property, I always recommend that you hire your own agent and stick with him or her.