

Home Buying On The Net; Ten Time Tested Tips to Avoid Disaster!

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The Home Buyer's Agent of Ann Arbor, Inc.

BACKGROUND:

The increased popularity of the Internet has made much of the home buying process easier. However, there are quite a few new problems and pitfalls with using the web.

Being the largest buyer's real estate company in the area has given us unique insight into how the internet has actually made some buying efforts more difficult for many homebuyers. Hopefully, the following report will keep you clear of the difficulties and help you be more successful in your home buying effort.

THE TEN TIME TESTED TIPS:

1. Don't think that you can shop for a home with just the web.

Seeing homes on the web and getting all that property information in your inbox has encouraged many buyers to wait too long to actually start looking seriously at properties. You really do need to see some real homes before you are able to properly evaluate properties from just the descriptions.

2. Be careful to whom you give your email address.

When you give a listing office or agent your email address and your housing preferences, you may be giving up some of your negotiation power.

We recently helped a couple who were looking for a nice clean home in Belleville, and they had to buy something right away. Their daughter was in high school and no other area was of any interest to them. Well, in their target price range there were only two homes that were a good match. If the listing agent had gotten an email request directly from the buyer with their specific needs, there would be no way we could have been as successful in the negotiation.

This is such an important method of real estate

marketing that recently a largest real estate conglomerate bought a web company for about 12 million dollars, just because that company had a database of about 4 million email addresses of real estate prospects along with their name and addresses.

Even more frightening, an attorney for the National Association of Realtors implied in a statement recently that at some point in the future a buyer may be obligated to pay a larger commission to a listing office just because the buyer visited the listing office's web advertisement for the property the buyer wants to buy.

Just so you know, we at The Buyer's Agent will never sell your email address, and there will always be a link at the bottom of any email series you get from us for you to cancel further emails.

3. Assume about 1/3 of homes you see on the web are already sold.

The reason? Many agents' web sites are months out of date. Many agents are intentionally leaving properties on their web pages and on realtor.com after they've been sold, just for the additional advertising.

In one recent case, a buyer had picked out 5 properties he wanted to see on realtor.com. When we checked, we found all 5 were actually sold!

One agent in our area had a home showing up as available to purchase 6 weeks after it had sold. But, after a formal complaint to the Board of Realtors, a Grievance Committee Review, and an Ethics Hearing, the agent and her broker claimed it was just a mistake. They were not punished at all.

Three days later another agent in the same office was doing the same thing again.

Frankly it is embarrassing to us that so many Realtors flagrantly waste the time of so many homebuyers by leaving their listings on the systems.

4. Be slow to disqualify a home based just on the web description.

Why? After years of working with many buyers and the internet, we have found something interesting. At any given price range, the homes that appear the best from the web descriptions are usually hiding the biggest problems. Think about it. The property description is a sales tool, not an objective information sheet. It usually only tells you the positive aspects of a home.

If we assume that most homes in a price range are worth near their asking price, you can see that the ones that look the best from the limited description must have something that makes them less desirable that is not being revealed.

One recent relocating buyer found this exact experience. Of the three homes which sounded the nicest from their description, one was on a busy street, one was across from a trailer park, and the third smelled so strongly of ammonia that they couldn't even get past the living room before they had to get out of the house.

5. Don't assume that a nice web page means the agent knows what they are doing or that they provide good service.

The agents who are the best at web page design are not likely to be the best at representing you as a homebuyer. In one case a fresh out of school real estate agent had a great, very custom web site. Well, it was no wonder. I found out the next week that her husband was a professional web designer. She (the agent) had no special qualifications for helping buyers and she left the real estate business shortly afterward. But, darn she had a nice web page!

6. Don't use the Internet to check your credit unless you are actually using one of the big three credit bureaus or MyCreditCoach.com.

The truth is your personal credit information is just too important to risk by giving it to a web based company

that may not be in business tomorrow. You are generally much safer sitting face to face with whomever is checking your credit. That is one reason buyer's brokerages, like ours, provide this service. Obviously you wouldn't want a traditional real estate company to check your credit because they may provide that information to a seller in some future negotiation. (Kind of like having a fox guard the hen house.)

The big three credit information repository companies are credible and you are probably safe with them. Experian, Equifax and Trans Union, all have some web presence. Other credit checking services are just too much risk.

7. In general, stay away from Internet based lenders. Using a web-based lender is possibly the riskiest part of a home purchase for many buyers these days.

One of the largest net lenders was iown.com. Twice we have had buyers use their service to get loans on home purchases (against our recommendation). In both cases the buyers had terrible experiences. These two buyers were fortunate compared to some.

When iown.com went out of business they left many buyers stranded, thinking that the loan was done until they came near closing and found the company neither answering email nor answering the phone.

Mortgage.com also went out of business recently and that created a lot of problems for buyers in their "pipeline". In their case, they didn't even offer a phone number to talk with a real person. Everything was done by email. You can imagine that can really stress a homebuyer.

Probably every title company in town has horror stories to tell about web based lenders.

We have recently made arrangements with a national lender to provide a high level of service, but still provide very competitive rates and fees. In fact as of this writing they are guaranteeing to beat other lender's packages by 1/8%.

See your purchasing agent for specifics.

NOTE: There are a lot of other reasons to be careful with lenders. We have a whole report titled "7 Insider Secrets Lenders Don't Want You To Know!" on the subject on our web site.

8. Much web information is wrong for our area.

There is a sea of real estate buying information on the web, much of it worthwhile. But about 5 or 10% of the information is wrong for our local area.

In one study of lender web sites roughly 40% of the information on closing costs was wrong for our area. Many of the mistakes were in amounts over a thousand dollars.

A basic strategy for qualifying web information is to only trust terminology and process information from companies in the state where you intend to buy. For web sites out of our area assume there are going to be regional differences in market, terminology, protocol, and process.

As a nationally ranked buyer's broker I have gotten dozens of questions via email about buying from people who are out of our area. Unfortunately, I usually need to reply that I can't answer because I am not qualified in their area. Home buying is a very regional business.

9. Don't limit your search for service providers to those with a web presence.

Once again you need to remember the limitations of who is on the web. There are many local companies and services that you will need during your purchase. Unfortunately many of those vendors don't have web sites for you to visit.

Two recent examples:

Up until this last year the most detailed and thorough home inspector in our market had no web site at all. Most inspectors still don't have sites. It is better to get a

recommendation from a buyer's agent or a trusted friend in the business.

Even now, the best basement contractors in our area have no desire to have a web presence. I videotaped a basement replacement last year so we could better explain some of the issues to our buyers. I thought some of the pictures from the video would make a very informative web site and I spoke to the contractor doing the work about this.

His response was that he didn't use a computer, and he really wasn't comfortable having a site up if he couldn't see it and understand it.

It does make sense if you look at it from his perspective. He has about a 10-month waiting list so he sure doesn't need additional business.

10. Don't email a question or inquiry to a real estate agent if you need a time critical response.

These days virtually all of the real estate agents in our market use computers and have an email account. However, some of them don't check their email for days at a time. One recent study indicated that the average wait to get a response back from a real estate agent was 3 days!

Even in our office we tell our clients "if you have a time critical message, use the phone." Our phone system pages us if there is a message so we can normally respond very quickly.

SUMMARY:

We have seen there are some serious problems with "web home buying."

The solution to all these issues?

Use the web for information, just don't count on it to make actual viewing, lending, and buying decisions.

The even better solution is to call our office early in your buying process to tell us your needs and find out how we can help you avoid a web home buying disaster.

Author's background

Jonathan Boyd has spent a great deal of time studying the home purchase process over the last twenty years. Along with purchasing nine Ann Arbor homes himself, he was also part of the team who brought Exclusive Buyer Representation to the Ann Arbor area sixteen years ago. He attended the Ann Arbor public schools graduating from Pioneer High in 1976. He holds a Bachelor's degree in Electrical Engineering from the University of Michigan.

Jonathan has earned the Certified Buyer's Agent (CBA) designation from the Buyer Broker Institute in Memphis Tennessee and has been awarded the Platinum Savings award from the national office of THE BUYER'S AGENT for saving his buyer clients over \$1,000,000! In 1999 he was the fourth Buyer's Broker in the country to be inducted into the Buyer's Broker Hall of Fame. He is a REALTOR and the Manager of THE HOME BUYER'S AGENT OF ANN ARBOR, INC. one of the largest exclusive buyer's brokerage firms in Michigan. He was selected by REALTOR Magazine readers in 2001 as one of the 25 most influential people in real estate.

Jonathan, during the spring of 1993, was a member of the working group (in the Michigan House of Representatives) which was responsible for developing the original Michigan Agency Disclosure Law (HB4269). The working group, under the leadership of Representative Joe Young Jr., operated under the authority of the House State Affairs Committee.

This report □ 2000,2004