



Costly Home-Buying Mistakes To Avoid





Mistake 1:

Skipping Pre-Approval



Cost of mistake:

Up to **10% of the property's price**. On a \$400,000 loan, this could mean up to \$40,000 extra.



Why:

Obtaining a [pre-approval](#) gives you a clear budget and strengthens your position when negotiating with sellers. Skipping this step could limit your market opportunities and result in higher interest rates.



How to avoid:

Obtain pre-approval before you start looking for a home.





Mistake 2:

Forgoing Property Valuation



Cost of mistake:

You risk overpaying for your property, which is a common issue in the fluctuating Australian market.



Why:

A proper valuation ensures you're paying a fair price for the property and are not just being influenced by your emotions. [Valuation](#) costs can range from \$350 to \$900, but consider this an investment that will help you make an informed purchasing decision.



How to avoid:

Ensure a professional valuation is conducted to guide your offer, a critical step for navigating price negotiations.





Mistake 3:

Waiving Contingencies



Cost of mistake:

You lose your deposit.



Why:

In an attempt to make offers more attractive, buyers sometimes waive [cooling-off periods](#) and [finance clauses](#) – protections that can save you from losses.



How to avoid:

Never waive these contingencies without thorough consideration and professional advice.





Mistake 4:

Not Linking Offset Accounts



Cost of mistake:

Long-term cost of paying interest on the total loan balance, rather than the reduced amount from having an offset.



Why:

An offset account is a personal transaction account linked to a home loan. The more money you have in the account, the less interest you pay on your mortgage.

For instance, with a home loan balance of \$300,000 and an offset balance of \$50,000, you'll pay interest on only \$250,000.

An offset account can generate hundreds of thousands of savings over the term of the loan. Failing to link your offset account could mean missing out on these savings.



How to avoid:

Talk to your mortgage broker to ensure your offset account is properly linked to your mortgage. This step is crucial for leveraging your savings to reduce interest payments over time.



Mistake 5:

Neglecting To Automate Payments



Cost of mistake:

\$10-\$20 monthly or **1-2%** of the loan amount in [late fees](#).



Why:

Late payments can incur fees and negatively affect your credit score, hindering future financial opportunities.



How to avoid:

Set up a direct debit for your mortgage payments.





Mistake 6:

Misunderstanding Broker Fees



Cost of mistake:

Unanticipated fees ranging from **\$500 to \$3,000**.



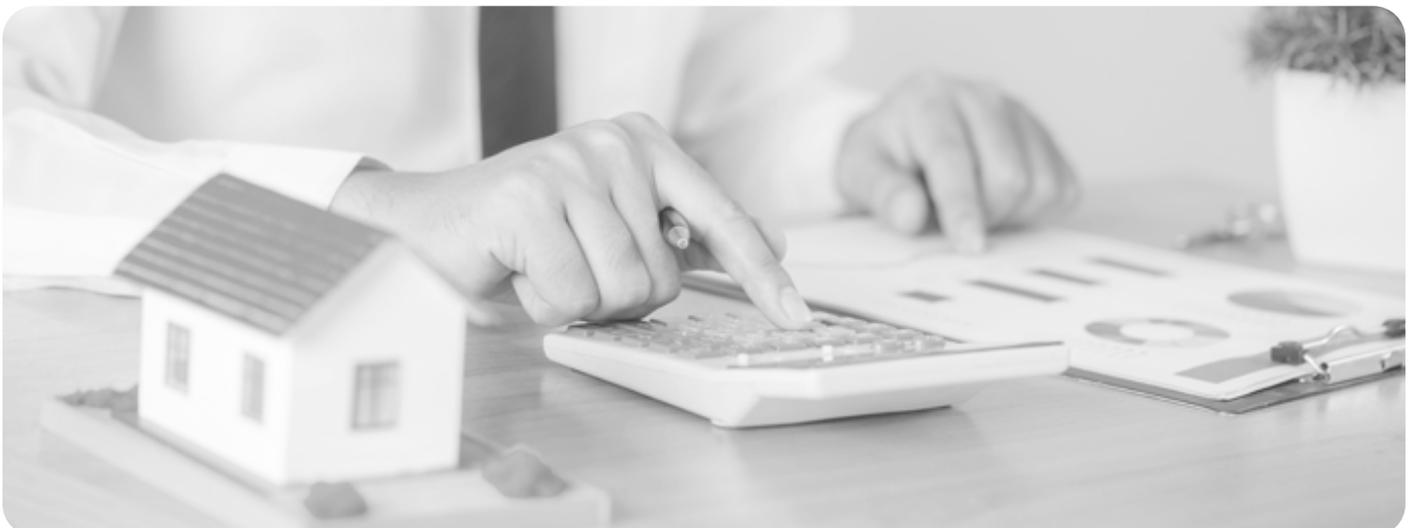
Why:

While mortgage broker services are often free, certain conditions may incur fees. If the loan application is exceptionally complex, such as cases involving extensive investment properties or complex financial situations, this may result in brokers charging fees for their services. Another common reason could be if the loan amount is small, typically under \$300,000. Understanding these scenarios can help you budget effectively.



How to avoid:

Discuss potential fees with your broker upfront. This clarity ensures you understand the services provided and their costs.





Mistake 7:

Overlooking The Comparison Rate



Cost of mistake:

Neglecting the comparison rate can result in underestimating the loan's cost, including various fees and charges.

For example, for a \$400,000 loan, a base interest rate of 6.05% might seem appealing, but a comparison rate of 7.15% would reveal additional expenses beyond the initial rate.

This oversight could lead to **\$104,760** in additional costs over the life of the loan.



Why:

The comparison rate provides a more accurate reflection of the loan's cost, including the interest rate and additional charges like account maintenance or annual fees. By focusing solely on the base interest rate, you might miss hidden costs that could affect your financial situation.



How to avoid:

Get your mortgage broker to explain the comparison rate, and always consider the comparison rate when evaluating loan options.



Mistake 8:

Skipping Building And Pest Inspections



Cost of mistake:

Potential renovation costs between **\$63,000 and \$72,000**.



Why:

While it might seem like an area to save on upfront costs, forgoing a building and pest inspection can lead to expensive renovations down the line. An inspection charge of \$500-\$550 is a small price to pay for peace of mind about avoiding potential disaster.



How to avoid:

Allocate funds for comprehensive building and pest inspections. Here's a guide on [How To Do A Property Inspection Before Buying](#).



Keep The Momentum Going

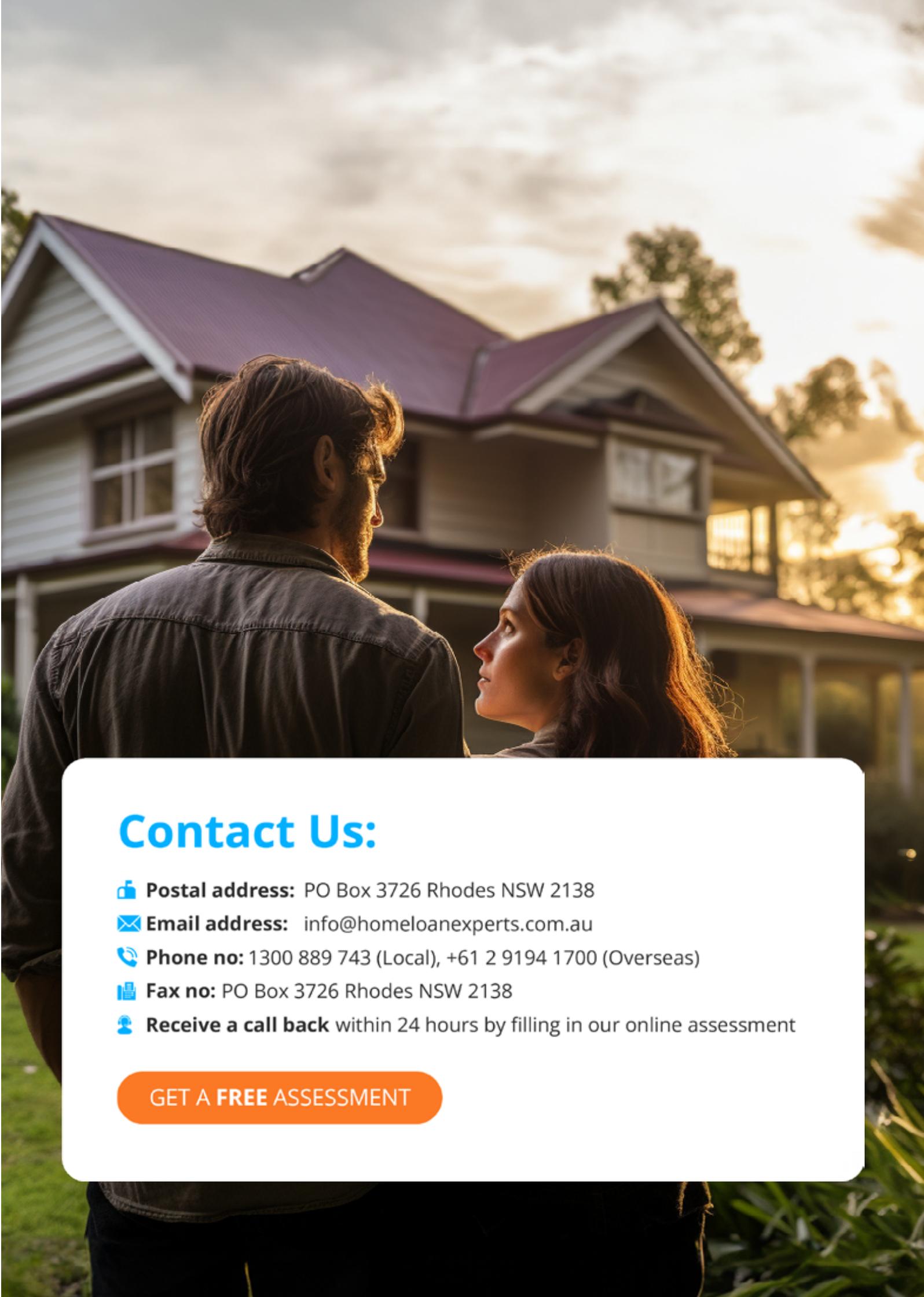
You've taken the first step by learning about costly mistakes. Now, let's leverage this momentum and build a winning plan with one of our dedicated mortgage brokers, who care about your success. We'll discuss your goals, address challenges, and create a personalised strategy to secure your dream home.

Talk To An Expert

Our mortgage brokers have access to a vast network of lenders, allowing us to find the fit for you. Beyond the interest rate, we're passionate about guiding you through everything.



Call us on **1300 889 743** (+61 2 9194 1700 if you're in overseas) or

A man and a woman are standing in a grassy area, looking towards a two-story house with a purple roof. The scene is set during sunset, with warm, golden light illuminating the sky and the house. The man is in the foreground, seen from the back, and the woman is next to him, looking towards the house.

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 **Receive a call back** within 24 hours by filling in our online assessment

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