

6 Lessons Learned By A First-Time Physician Homebuyer



[Editor's Note: This is a guest post from regular reader Matthew Pirotte, MD, who you can follow on Twitter (@MJP_MD). This post details his personal experience with his first home purchase and the lessons he took from it. The more you can learn from the mistakes of others, the fewer mistakes you have to suffer through on your own. We have no financial relationship.]

My wife and I just closed on a condo. We are very happy with our purchase and feel like we got a great deal in a place we really want to live. Getting here was a long, winding, and generally unpleasant road. What I'd like to do in this post is lay out some practical lessons I learned along the way. There are tons of good stuff out there about shopping for mortgages and affordability and I'm not going to rehash that. Just for reference we were shopping in the city of Chicago (we both work in the city and so wanted an easy commute) and our final price range was about 1.5x our gross annual salary (well within the 2X maximum WCI guideline.) We ended up buying a place that met both those conditions. Here is what I learned.



The Windy City

1 Real estate agents are salespeople, not your new best friend.

While there are good agents and bad ones, they all have exactly similar pitches: “I know the market better than anyone,” “I get listings no one else gets,” “I’m the most responsive,” “My company is the best.” We had a terrible experience with our first 2 agents. The first was just far too busy, working with probably 8-10 people who were seriously house hunting as opposed to just keeping a toe in the water. We were regularly told we could not go look at properties because she was busy with other clients. We fired her after she spent the day we were making an offer partying at a sports event and finally picked up her phone at 9pm tipsy.

We found a second guy who seemed great, he gave us the pitch above (“I get listings no one else gets”), told us he would never treat clients like the first agent did, and proceeded to send us a list of totally generic listings many of which were FAR outside our geographical area and price range. When we asked him about it he got defensive and said, “I don’t have time to sort through all these properties for you, that’s your job.” See you later bro! Another agent expressed frustration that we were not looking to spend more money (music to my ears as a faithful WCI devotee!) Late in the process we finally found John, whose pitch was actually true and who we loved. My advice: if you are at all uncomfortable with your agent, fire them immediately and find another, it won’t be hard. Don’t be

afraid to lay out what you want and tell them that if they can't or don't provide it you will be looking elsewhere. Be really careful about recommendations. Most people will love or hate their agent based on how quickly they found a place, not based on things that really matter if you're in for a long search.

2 There are two or three things about your market that you don't know but need to

In Chicago, there is a huge problem with a shoddy construction material that is now illegal (cinder block.) Some agents will blow this off because your leaking basement 2 years into your new purchase doesn't affect their commission. Schools are also a big deal here as there are a wide range of public school options; some rival private schools while others really struggle. There is a neighborhood here which is not particularly fun or trendy where property values are really high because of an amazing public grade school. We also had it pointed out to us that a beautiful third floor walk-up that seemed like a sun-drenched aerie would turn into a nightmare as soon as carrying a baby and stroller up three flights of stairs was in the picture. In your area it may not be cinder block or schools, but there are things about the market you would do well to figure out. If something seems below market rate, it is so for a reason, you are not just getting lucky! This is one of the areas where I think a good real estate agent can be really helpful. I would ask them explicitly – what do I need to know about this market?

3 You have to walk through the properties

It sounds really simple, but we were consistently shocked by how misleading the website pictures could be. Wide angle lenses could turn a cramped [shotgun-shack](#) style living room into an expansive great area. A place that looked luxuriously elegant online was dingy on the walk through. On the flip

side, places that just hadn't been decluttered for pictures could clearly have potential. By the end of the process, we tried to walk through any place that met our criteria and became incredibly skeptical of website photos.

4 Securing your loan may be much more complicated than you thought

We did a physician mortgage loan and ended up with a great rate but a very frustrating process. The amount of documentation the lender wanted came close to what I considered a serious invasion of privacy. At one point I was on the phone with a credit rating agency who was calling a retail company to verify that I had not carried a balance (which of course I never had.) I had the fun experience of listening to two people whose identity I couldn't verify share my DOB, SSN, and credit card number. My mortgage loan officer went from someone I could get on the phone within an hour to a shadowy recluse who was evasive about simple questions. If you are thinking about buying a home in the next year or so just avoid anything that will generate a check on your credit score. I had stupidly opened up the aforementioned retail credit card because it was going to save me a couple hundred bucks on a few new suits and I figured I could use it once a year for a 10% discount when I bought dress shirts and socks. That retail card ended up requiring about 20 pages of documentation during the underwriting process. This was despite having what is basically a perfect credit score.



5 Do not become emotionally involved with a house until you are closing on it

The first place we put an offer in on did not pass inspection (see #2 re: cinder block.) We were DEVASTATED because we had already planned where our second kid was going to play – we don't have any kids right now so we were really going crazy. Tears were near the surface if not actually in evidence. The second place we offered on did not appraise for the asking price. We were disappointed but had learned our lesson. By the time we put our offer in on the last place we basically had no expectations. It was the right frame of mind because when it came time to haggle over final price we set a firm line and said to each other that if they refused we would just shrug and go back on the market. We had started to look at places more as a collection of positives and negatives rather than our future home. It sounds calculating but ultimately I think it's healthy. I went thinking this was going to be like finding my spouse (what do I love?) and ended up thinking about it much more like buying a washing machine (what is going to get the job done for my price range?)

6 It helps to be in a place you like already

I was a good dog and lived like a resident for 2 years out of residency. I paid off all my high interest debt, maxed out the retirement accounts, had a nice little cash reserve and a nice little brokerage account, drove a sensible car, and did not

accumulate any more debt. When we got married my wife and I moved into a nice 2 bedroom condo with on-site deeded parking, a big master suite, a huge kitchen etc. On balance I think this was a good financial move because it gave us the ability to walk away from places on our house hunt. We didn't hate where we lived (we loved it) and we didn't "have" to move. It put all the power in our hands. Could we have lived cheaper? Absolutely. Might it have forced our hand in our real estate search? I think almost certainly so.

So that was my experience: lots of negatives, a few positives. I would be very curious to see any comments about other people's experiences. Nothing feels better than turning the keys in a place you love. Now here's hoping the roof doesn't fall in....

Your turn readers. What did you do right and wrong with your first home purchase? Any lessons learned you can pass on to your younger colleagues? Comment below!