

5

Mistakes to avoid when buying a beach home



Jamie Harrington
Vacation Lending Expert

MISTAKE

01

Not identifying the purpose of your beach home before buying.

Vacations can be misleading! When you're in "vacation mode", you may be enjoying your time so much so you decide you want to buy a home there. That's what I like to call an emotional decision! Unfortunately, some emotional decisions at this capacity can lead to even bigger mistakes.

Once you have your reasoning for buying a home nailed down, it becomes easier to find the right home at the right location for the right price. In my recent personal experience, my husband and I decided it would be our retirement home, which is now becoming our primary residence. We didn't need to look into school systems or renting potential since we had identified its sole purpose and those pieces didn't fit our situation.

Consider These Questions

Can I be flexible on my expectations?

Can I afford to buy a house like this one?

Will it be just for vacation use or will I live there full-time?

Will this become my retirement home?

Will I rent it out? If so, to just family and friends or open it to the public?

Is this an investment property? If so, is the income financially beneficial?

MISTAKE

02

Imagining all beach properties are the same.

Just like buying a home anywhere else, you need to establish the type of housing you're looking for and if it's realistically in your budget. The good news is that there are a multitude of options when it comes to the type of home for coastal living. You could look into getting a beachfront condo in a massive condotel or single-family home just a few blocks down from the beach.

Don't worry, I could picture it too—stepping out onto my massive back porch that overlooks the crashing waves with the sun beaming down at just the perfect angle. What a dream. No really, depending on your situation, that might just be a total dream—and that's okay! There are plenty of other options to satisfy your coastal living, they might just come with a little bit of walking.

Type

Am I open to being flexible on the housing type in order to live beachfront?

- ☐ Condo
- ☐ Single Family
- ☐ Townhouse
- ☐ Land
- ☐ Manufactured

Price

What does my ideal monthly spend to look like? Keep in mind, some communities will have HOA.

My total budget is:

\$

My monthly budget is:

\$

Amenities

Which amenities can I live without and which ones are non-negotiable?

- ☐ Waterfront
- ☐ Pool
- ☐ Commute
- ☐ Garage
- ☐ Utilities
- ☐ Views
- ☐ Bedrooms
- ☐ Outdoor Space
- ☐ Activities
- ☐ Size
- ☐ Other _____

MISTAKE

03

Thinking all beach living is the same.

When I was looking for my beach home, I had an overwhelming amount of options for beaches. I had to really start to analyze which beach fit mine and my husband's lifestyle/needs best. Not all beaches are the same, so it's important to pinpoint which beach is going to support the lifestyle you want, your current situation and ultimately, make you happy.

If you're looking primarily for rental income, you may want a more commercialized community. If a retirement home is your priority, you may want a more laid back and relaxed location. If you are still raising children, you may want a beach community that has top-notch school systems and a family atmosphere. Conduct extensive research, then select your beach town. Take a quick vacation to your finalists throughout the year so you can see the amount of traffic and tourism that takes place during the peak season.

For us, we chose the more laid back community of Cherry Grove Beach, SC. It's close to Myrtle Beach which is far more populated and short-term vacation oriented, but has lots of retail and service locations. Cherry Grove is just far enough away from Myrtle Beach to not be as congested, but we're still able to access Myrtle should we need to. In addition to making sure we'd have what we needed accessible to us, we went through the pros of Cherry Grove—such as lower tourist congestion, fewer high-rise hotels, more retirees, well-maintained properties—and ultimately decided this was the best option for us as a primary residence.



MISTAKE

04

Assuming you can't afford beach living.

Sure, beach living can get costly; however, if you're willing to live down the road from the beach and can wiggle on that insane dream house you're picturing, you might be surprised.

Keep in mind, the closer to the beach, the more expensive things start to get. I'll break a scenario down for you based on my recent purchase. My home is 3.5 blocks from the beach. Because of the location, my flood insurance is about \$500/year. However, if I had purchased a home right on the beach, it would've been ~\$25,000/year. Because I compared my realty vs. my ideal situations at the start of my process, I was able to quickly rule out that closer location due to the larger expenses. For me personally, I love being a few blocks away because I'm close enough to where I can walk to the beach, get some exercise and still be there in a matter of minutes—while saving thousands of dollars.

*Consider Your
Cost Options*



MISTAKE

05

Assuming you can't afford beach living.

Unless you are paying cash, you will need financing—and someone who is a trusted lender with experience. It's a surprise to some that not all financing, especially beach investment properties, are the same.

For example, if you're looking at a condo in a condotel, financing may be a little more challenging and have additional expenses than when you finance a single-family home in a residential community. You'll need someone who is a pro at what they do.

Let's dive deeper

Q.

How much down payment will you need and where will it come from?

Which loan types can you get to purchase a vacation home?

What will the monthly payment be and will you get credit for the amount of rental income you will produce with the purchase?

A.

Second homes typically require a minimum 10% down payment. Investment properties will need 15-20% down payment and there will be limitations on the sources of the down payment.

FHA and VA loans aren't available options when it comes to purchasing a vacation home. Typically your financing will be with conventional loan financing.

Interest rates are not the same for non-primary residences either so don't assume what you see online for current rates (typically bogus anyway) will apply to your beach house. When I purchased my house, I used a conforming loan product at 90% financing. When I sell my current home, I plan to reduce the principal and eliminate the mortgage insurance.

The most important thing to do is to consult with an experienced mortgage professional and get your financing lined up before you start house shopping and make an offer on one. It's only a recipe for disappointment if you don't know everything I just outlined before you start truly shopping. Another bonus to starting there? When you approach your real estate agent, you'll be prepared and ready to buy, so both of your time is spent wisely. Realtors must be cautious about who they bring into other people's homes and since you are not local, having a pre-qualification letter is your ticket in.

5 mistakes you should avoid when buying a beach home

.01

Not identifying the purpose of your beach home before buying.

A mind in “vacation mode” can put your heart in “buying mode”. Consider the following:

- Will it be just for vacation use? Or will I live there full-time?
- Will I rent it out? To whom (friends/family vs renters)?
- Will it primarily be an investment property? If so, is the income it's producing benefitting my financial standings?
- Will this become my retirement home?
- Can I afford to buy a house like this one?
- Can I be flexible on my expectations?
- Does this fit my lifestyle needs? (work, school, etc)

.02

Imagining all beach properties are the same.

There are a multitude of options when it comes to the type of home for coastal living. You could look into getting a beachfront condo in a massive condotel or single-family home just a few blocks down from the beach.

Ask yourself this:

- Am I open to being flexible on the housing type in order to live beachfront?
- What does my ideal monthly spend to look like? (Keep in mind, some communities will have HOA.)
- What amenities can I live without and which ones are non-negotiable?

.03

Thinking all beach living is the same.

Not all beaches are the same, so it's important to pinpoint which beach is going to support the lifestyle you want, your current situation and ultimately, make you happy.

Consider the following:

- Tourism
- Traffic
- Entertainment
- Atmosphere
- Accessibility
- Education, work, etc. needs

.04

Assuming you can't afford beach living.

Sure, beach living can get costly; however, location is key. Is your dream house on the beach within your budget, or is being a few blocks from the beach more realistic? Think about what compromises you might be willing to make.

.05

Not starting with a lender.

Unless you are paying cash, you will need financing—and someone who is a trusted lender with experience. It's a surprise to some that not all financing, especially beach investment properties, are the same. Let's dive a little deeper into it.

Down Payment

- Second homes typically require a minimum 10% down payment. Investment properties will need 15-20% down payment and there will be limitations on the sources of the down payment.

Type of Loan

- FHA and VA loans aren't available options when it comes to purchasing a vacation home. Typically your financing will be with conventional loan financing.

Monthly Payment

- Interest rates are not the same for non-primary residences as they are for primary residences.

Contact me today to learn more



Jamie Harrington

Sales Manager, VP
Homeside Financial, LLC
NMLS ID# 111660

(828) 229-7877
jharrington@gohomeside.com
jharrington@gohomeside.com



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*Contact me to chat more
about beach living today!*



Jamie Harrington

Sales Manager, VP
Homeside Financial, LLC
NMLS ID# 111660

(828) 229-7877
jharrington@gohomeside.com
jharrington.gohomeside.com

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