

The **POTENTIAL COST** of Waiting to Purchase a Home

The decision to buy a home requires financial and emotional choices. It depends on your job security, lifestyle and commitment to a neighborhood or location. Some renters who want to become homeowners worry about high housing prices, the lack of affordable homes and the possibility of rising mortgage rates, all of which may encourage them to put off buying.

Sometimes buyers wait, hoping the hefty price tag will drop or to save up a larger down payment. But during that waiting time, interest rates can potentially rise several basis points or, worse, both the home's price and interest rate increase, sometimes adding several hundred dollars to the monthly mortgage payment. See the examples below.

EXAMPLE 1: WAITING TO SAVE UP A HIGHER DOWN PAYMENT

The buyer waits 1 year to save up a bigger down payment on a \$250,000 home in order to put down 10% instead of 5%, but in that same time span, interest rates go up by 1%.

\$237,500 Loan

4.0% 30 year fixed rate

\$1,215.01/month P&I payment



\$225,000 Loan

5.0% 30 year fixed rate

\$1,264.10/month P&I payment



ANALYSIS: Even though the buyer put down an extra \$12,500 on a \$250,000 house, their mortgage payment would actually be HIGHER because of the higher rate!

EXAMPLE 2: WAITING FOR HOME PRICES TO LOWER

The buyer waits until home prices go down by 10% on a \$250,000 home, but in that same time span, interest rates go up by 1%.

\$300,000 Loan

4.0% 30 year fixed rate

\$1,432.25/month P&I payment



\$270,000 Loan

5.0% 30 year fixed rate

\$1,449.42/month P&I payment



ANALYSIS: If prices go down by 10% but rates go up 1%, your mortgage payment would actually be HIGHER!

WHAT TO DO? Before you decide to hit pause and wait, seek the advice of a mortgage professional. A trusted lender can help educate you not only on available mortgage products, but also determine the financial impact of possible scenarios. A preapproval for a loan is an essential first step for potential buyers to understand their price range and the complete cost of owning a home.

As an additional resource, experiment with rates using the Rent or Buy financial calculator tool on Realtor.com: www.realtor.com/mortgage/tools/rent-or-buy-calculator/