

## Tackling Interest Rate Worries

The days of historically low numbers are over — for now.

Government officials attempted to get a better handle on inflation by raising interest rates. Unfortunately, that is taking direct aim at the homebuying power we've all enjoyed for so long. So, now more than ever, it's important to follow these changes in order to determine when it's the right time to purchase. Schedule a meeting with a professional to examine how your individual rate may be impacted because of personal debt or spending. Then, if you've found just the right property, be prepared for an interest rate that's several ticks higher than it was a few years ago.

### UNDERSTANDING INTEREST RATES

The Fed pushed interest rates to artificial new highs, but as the economy improves, those numbers will eventually begin to go down. Should they fall even a single percentage point, your monthly mortgage may be nearly 10% less. Those who borrowed at 3% on a \$250,000 home, for instance, would pay \$1,297, or \$134 less per month than another homebuyer at 4% interest on the same property, according to



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OpenDoor.com. Beyond these obvious savings, lower interest rates also allow interested buyers to purchase larger properties with bigger price tags without adding to their monthly payments.

### WHAT CAN YOU AFFORD?

The calculus on affordability involves a complicated mix of purchase price, down payment, credit score and property taxes. Those with smaller down payments, for instance, may be required to purchase private mortgage insurance, adding another monthly expense. NerdWallet.com is among

those who try to sort these things out with an affordability calculator which provides a ballpark estimate so that potential buyers can get a general sense of their prospects.

Enter what you earn on a monthly basis, how much you'll be putting down, your debts, and the interest rate. Be aware, however, that the final number these calculators spit out is only an estimate. These figures can be particularly unreliable if the inputted information is not complete and accurate. You may also need to do some advance research into local insurance premiums and

taxes in order to get the most complete picture.

### MAKING THE BEST CHOICE

Even with a more favorable interest rate and bank pre-approval, understand that no one is given a blank check to purchase their dream home. Buyers are only cleared to borrow up to a specific figure. Keep in mind, too, that lenders do not factor in key related expenditures when making their determinations, including the cost of any needed repairs, new appliances and regular maintenance. Those approved

for a second home will also need to be aware of hidden costs like traveling to the property, or different insurance requirements. If you sign up for an adjustable-rate program, lenders also do not influence market changes over the life of your loan. So take the largest, most complete look at your finances before buying any property. Leave plenty of financial space for other expenditures, and don't forget about any long-range goals you may have. You don't want everything tied up in a house note, for instance, when you're trying to save for a child's college tuition.



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### REAL ESTATE 101



### Renovation Help From Uncle Sam

Certain home improvement projects may be financed through the Federal Housing Administration's Section 203(k). These include changes to eliminate hazards around your home, improvements made to the septic system or plumbing, replacement of floors and roofs, and improvements made outdoors that help with accessibility.

### HOMEWISSE GLOSSARY

**Real estate broker:** a middle man or agent who buys and sells real estate for a company, firm, or individual on a commission basis. The broker does not have title to the property, but generally represents the owner. **SOURCE:** Illinois Real Estate Lawyers Association

# AD SPACE