

When Interest Rates Go Down

Historically low numbers meant more buying power

Interest rates have ticked up as government officials try to tame inflation, and that can have a huge impact on home buying. Closely follow these changing figures to see when the time is right to buy — and remember that your individual rate can also be impacted by personal spending habits and debt.

HOW RATES WORK

Rates are artificially higher now, but could lower as the economy improves. If they go down a percentage point, your mortgage can in turn be nearly 10% less per month. The bill for those paying 4% interest on a \$250,000 home is \$1,431, according to Opendoor.com. At 3%, the payment would be \$1,297 — a change of \$134.

Monthly savings like these can help pay down other debt or quickly increase your savings. Lower interest rates also allow potential home buyers to afford a larger, more expensive property without adding to their mortgage payment.

CAN YOU AFFORD IT?

It can be difficult to determine how much you can afford because of the compli-



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REAL ESTATE 101

Changing Markets

The past few years have been a topsy-turvy rollercoaster ride for anyone in the housing market, whether you're a buyer or a seller. Years after the advent of COVID-19, things can still seem quite unsettled. Make sense of the market here: bitly.ws/BBYp.

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lators like those provided by NerdWallet.com offer a ballpark estimate to get the ball rolling. They also typically

allow customizations like property taxes and homeowner's insurance.

You'll have to enter your

monthly income, down payment amount, other debts and the interest rate. Just remember that these calculators provide only an estimate — and their accuracy depends on accurate and complete input details. That may require some research into local market taxes and insurance premiums.

SMART CHOICES

So, interest rates have gone down and you have a pre-approval from the bank. That isn't a blank check, since you'll only be cleared to borrow up to a certain amount. The Consumer Financial Protection Bureau also reminds buyers that lending institutions don't factor in other related expenditures — including the cost of maintenance, repairs and appliances.

You might be approved to purchase a second home, but that doesn't factor in travel to get there or specific insurance concerns. Lenders also can't account for market changes, should you sign an adjustable-rate mortgage. So look at the larger financial picture before you buy, making sure your potential mortgage leaves plenty of room for other expenses. Take into account longer-range goals too, like saving for your children's college expenses or for your retirement.



mortgage interest rates

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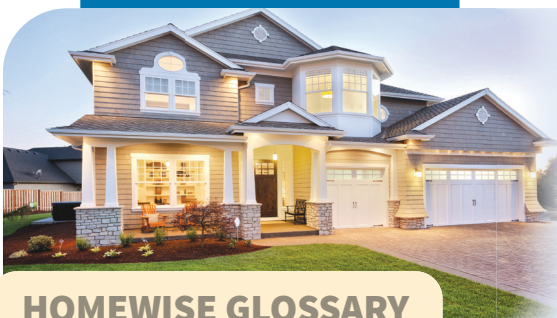
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HOMEWISE GLOSSARY

Balloon: A mortgage where there are payments over a period of time but the final payment is a lump sum which is quite large compared to the previous payments. SOURCE: MLS.com

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