

The Potential Cost of WAITING TO PURCHASE A HOME

Example #1:

WAITING TO SAVE UP A HIGHER DOWN PAYMENT

The buyer waits 1 year to save up a bigger down payment on a \$600,000 home in order to put down 10% instead of 5%, but in that same time span, interest rates go up by 1%.



\$570,000 Loan
5.5% 30 year fixed rate
\$3,236.40/month P&I payment



\$540,000 Loan
6.5% 30 year fixed rate
\$3,413.17/month P&I payment

ANALYSIS: Even though the buyer put down an extra \$30,000 on a \$600,000 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 this \$600,000 home price lowers by 10% to \$540,000. The buyer has saved enough for a 5% down payment. In this same time span, interest rates go up by 1%.



\$570,000 Loan
5.5% 30 year fixed rate
\$3,236.40/month P&I payment



\$513,000 Loan
6.5% 30 year fixed rate
\$3,242.51/month P&I payment

ANALYSIS: If prices go down, 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/