

Your Real Estate Tekspert *Emily Bernardi*

Specializing in Technology for Today's Market



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Is Now is the Time to Buy a Home?

Why Buy a Home Now?

Financial Reasons

Home prices and interest rates are very low right now, making a house payment lower than rent in many cases. Whatever you are currently paying for rent, it is money that is simply spent, never to return to you again. On a home mortgage, instead of spending money on monthly rent, you are paying off a loan used to purchase the property. With each monthly payment, the loan balance goes down, and the equity in your property goes up. The monthly payment goes toward buying an asset that will go up in value.

Besides the shelter that is provided, you get to keep an appreciating asset. By buying a home now, you will own an asset that will go up in value as inflation causes the general price level of everything to rise.

The tax savings from mortgage interest can be huge. If you are currently paying \$1,000 per month to rent your apartment, that same amount applied to a mortgage loan payment would result in a nearly \$12,000 tax deduction (in the first few years of a conventional mortgage, nearly all of the payment goes towards interest, and very, very little goes toward paying off the loan. The interest is tax deductible).

Personal Reasons

Enjoyment - Another reason you should purchase a home is for the enjoyment it will bring you and your family. You should buy a home that you will love living in! Usually the first house you buy will not be the home you live in the rest of your life. Sometime it is mainly to build equity to buy what you really want later. But you should chose a first home that you will enjoy and in a neighborhood that you would like to live in.

Privacy - When you own your home, nobody is entitled to enter without your permission. It is your personal space on the planet that you have final say over. Your home is your private

sanctuary for you and your family.

Freedom - Being a homeowner provides the freedom to do virtually anything that is legal to do on your property. You do not have a landlord telling you what you cannot do. You can change anything you want to make your new home more personal and enjoyable.

Though we are currently in an economic downturn, many financial experts assert it could not be a better time to buy a home. If you're debating turning from renter to homeowner, here are some things to consider before taking the plunge.

Why buy a home during a recession

It's a buyer's market.



Prices are lower today than they have been for years, so potential home buyers may be able to capitalize on the opportunity of snatching up their dream home at a price that would have never been reasonable previously.

Interest rates are at an all-time low.

Your monthly mortgage payments may be easier to handle thanks to interest rates currently being incredibly low. To get the lowest rate possible, look for a mortgage broker in your area who can help you find the best deal that fits your income and credit history.

You can start to build equity.

Owning a home is one financial milestone that most of us strive for. If you have the financial liquidity (and security) to buy a home, this may be an ideal time for you to get into the real estate market and thus increase your portfolio of assets.

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Read the financial section of any major newspaper, and you're likely to find discussion that most signs point to a housing market which is continuing to spiral downward. If the recession is prolonged, prices may continue to drop even lower.

Some home buyers are holding off on their purchases as a result of wanting to see what will happen in the next few months to the next couple of years. But how do you know when we are at the bottom? You don't until prices start going up again.

Though interest rates are at their lowest, there is always a chance of them going up again. In fact, since the U.S. is printing so much money in order to control inflation, interest rates are bound to rise along with it. If you do buy a home now, and obtain a fixed rate mortgage, you will likely be in a better position to handle rising interest rates as opposed to the home buyer who negotiates a variable rate mortgage; in this case, once interest rates rise, your monthly mortgage payments will, too.

When shopping for a home, the natural tendency of any buyer is to want to pay the lowest price possible. It's important to keep in mind, however, that the sales price is not the only factor that determines what your monthly payment will be. In fact, the impact of higher interest rates can easily nullify any benefit of waiting for a lower price.

Should I Rush to Buy?

While you may have heard discussions in the media about the decline of property values in many markets, the rate of decline appears to be stabilizing.

That being said, it would not be

unreasonable for you to want to hold out for an additional decline of 10%, hoping to capture the best possible price. However, as property values have declined in many areas to 2003 levels or lower, waiting longer to pull the trigger could be a mistake. Many markets are reporting that lower property values have been bringing out investors and the result has been multiple offers on many properties. Properties priced correctly are not declining and, in fact, are creating a lot of interest.

Interest Rate Complacency

The problem is that many home buyers have been lulled into a sense of complacency because of extremely low interest rates. Since the Federal Reserve initiated its program of buying mortgage-backed securities, which control the rates people pay for their home loans, rates had been range bound, bouncing between 4.50% to 5.00% for a 30-year fixed-rate loan.

But do not be confused by this. These rates are artificially low! Historically, interest rates have been above 6.00%. And any rate obtained below this number is a great deal, especially on homes with price tags from 2003!

Markets are Unforgiving

The last two weeks of May showed just how unforgiving the markets can be for people who choose to procrastinate. In just five days, interest rates from many lenders increased anywhere from .50% to 1.00% as fixed-income investors demanded more for their money.

For anyone who was waiting for prices to drop even more, a 1.00% increase in your interest rate would bring a higher monthly principal and interest payment on a home, even if the

price of that same home had fallen an additional 10% in value.

If you're waiting for home prices to fall even lower, be aware that while holding out for a lower price may help you win the battle, you could lose the war in terms of monthly payments and overall affordability. With the

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Federal Reserve scheduled to end its buying of mortgage-backed securities this year, rates only stand to go higher for those that wait. In fact, interest rates are already on the rise and could go higher from here.

Clock is Ticking on Free Money

If you, or someone you know, is planning on purchasing a home this year, be aware that you must take possession before 12/01/2009 to be eligible for a tax credit of up to \$8,000. In a survey conducted in March by Move.com, nearly 50% of home buyers are currently unaware that this free money exists in the marketplace. And since over 50% of all buyers are first-timers in today's market, this could impact a lot of people.

Timing the "Bottom of the Market" is... just not possible !

