

Miscellaneous real estate facts WINTER 1983
Volume 1, Number 2
WINTER 1983

What's Really Happening?

As the interest rates on home mortgages have dropped this past three months, the numbers of potential buyers who now qualify for new mortgage loans has increased sharply. With this situation, we are beginning to see "SOLD" signs appearing where "FOR SALE" signs have been in place for a long time. This trend is going to continue as long as interest rates remain at current levels or lower.

In September 1982, FHA and VA interest rates were at 15 ½%. Recently they have been at 12%! To give you an idea of the difference in monthly payments between two rates, I have taken a typical \$89,500 FHA loan (which is the maximum amount obtainable) and given the monthly payments on each)

Continued on Page 2

Did You Know?

Snider Bros. merged with Merrill Lynch Reality... giving us the largest percentage in the market of sellers choosing us to sell their homes!

Real Estate's "Believe It or Not!"

Background: Sara and Alan want to purchase Ms. Myra's house. They've applied for a mortgage loan. The bank told them that they could only have the loan if they buy and settle the new house within 60 days.

Continued on page 3

What's Really Happening?

Continued from page 1

\$89,500 @ 15 ½%		\$89,500 @ 12%
\$1167.56	principal & interest	\$920.63
83.33	real estate taxes	83.33
16.67	household insurance	16.67
\$1267.56	total house payment	\$1020.63

As you can see, the difference for ONE MONTH on the SAME LOAN AMOUNT due directly to the INTEREST RATE is \$246.93!!

Depending on the personal financial obligations of the particular buyer, an income of between \$33,000 and \$36,00 could qualify the buyer for an \$89,500 loan at 12%. At 15 ½% the same individual would have to have an income of \$40,000 to \$44,000 to qualify for the same \$89, 500 loan.

As you can see from these figures, this eliminates a lot of first time buyers whose incomes are not great enough to handle the payment at the higher interest rates. A tangential problem is that the houses that are affordable at the higher interest rates may not meet the buyer's physical space requirements and aesthetic needs.

You may think that your home is not in the price range of the first buyer – and that the person who will buy your home will probably have a home to sell. If they are “moving up” to your home, their current home is probably in a lower price range. As activity increases in the lower price range, it creates activity all the way up the scale.

How long will interest rates remain at current lower levels? This is a most difficult question. Most experts predict that it will last only a few months. As the Federal Government borrows money to offset the large deficit, the rates are expected to creep back up again.

If you are considering selling or buying in the next year or so, it may be worth your time to investigate the possibility of doing it a little earlier.

Many people postpone until the SPRING to buy or sell, but the seasonal aspects of buying and selling have almost disappeared in the past 3 to 4 years. The bulk of sales take place when the mortgage interest rates are at a level that enables the majority (of those who are interested in making the dream of home ownership a reality) to qualify for loans.

If you're interested in determining how your personal situation would be affected were you to buy or sell, please feel free to call me with no obligation.