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The human side of real estate.

Why it makes sense to purchase a home before interest rates rise

Here is an example of how different interest rates impact the monthly cost of a home.

You must combine the mortgage interest rate with the amount of the loan to determine the total expense of financing a home.

ASSUME A 30 YEAR FIXED RATE MORTGAGE

PURCHASE PRICE	$150,000.00	$200,000.00	$300,000.00
Down Payment (20%)	$ 30,000.00	$ 40,000.00	$ 60,000.00
Loan Amount	$120,000.00	$160,000.00	$240,000.00
Monthly Payment if:			
Base Interest Rate is 4.00%	$ 572.00	$ 763.00	$ 1,145.00
Interest Rate is 4.25%	$ 590.00	$ 787.00	$ 1,180.00
Interest Rate is 4.50%	$ 608.00	$ 810.00	$ 1,216.00
Monthly Difference @ 4.25%	$ 18.00	$ 34.00	$ 35.00
Annual Difference @ 4.25%	$ 216.00	$ 288.00	$ 420.00
5 Year Difference @ 4.25%	$ 1,080.00	$ 1,440.00	$ 2,100.00
30 Year Difference @ 4.25%	$ 6,480.00	$ 8,640.00	$ 12,600.00
Monthly Difference @ 4.50%	$ 36.00	$ 47.00	$ 71.00
Annual Difference @ 4.50%	$ 432.00	$ 564.00	$ 852.00
5 Year Difference @ 4.50%	$ 2,160.00	$ 2,820.00	$ 4,260.00
30 Year Difference @ 4.50%	$ 12,960.00	$ 16,920.00	$ 25,560.00

You could decide to wait to purchase a home until the price comes down. However, if interest rates increase in the near future, it probably makes more sense to purchase now!