

What Happens When Interest Rates Rise?

Here are some examples at different price points with FHA at 3.5% down payment and conventional at 10% down payment. Taxes and insurance are not included for this illustration but that is typically figured for example purposes at 3% annual cost for both taxes and insurance. The figures below are just principal, interest AND mortgage insurance premium. Figures are based on today's rates (November 17, 2010) and then adjusting for anticipated rates in the future. And purchase price points are shown below, not the loan amounts.

FHA	4.25% @ 0 + 0	5.25% @ 0 + 0
\$150,000	\$828	\$916
\$175,000	966	1069
\$200,000	1104	1221
\$225,000	1242	1374
\$250,000	1380	1526

You can see that the higher the price point, the bigger difference a 1% increase in rates means....varies from \$88 to \$146.

Conventional	4.5% @ 0 + 0	5.25% @ 0 + 0
\$150,000	\$754	\$815
\$175,000	879	951
\$200,000	1005	1087
\$250,000	1256	1359
\$300,000	1508	1630

On the conventional loan with 10% down payment, the differences run from \$61 to \$122/month with the higher the price point, the bigger the difference. We hope that you can use this to help in the buying decision. Now is the time to act...that real estate is still on sale and it is the "perfect storm opportunity" with lower house prices and historically low interest rates, both of which are rising or will be soon. Please contact us if you have a specific scenario you would like to discuss or if we can help you in any way. We may be contacted by calling or texting 214-755-3378, or email us at realestate@doanrealttygroup.com.