

# Should I buy?

Is now a good time to buy a home? Many buyers feel the answer is, "Yes, but it depends..." Depends on what, you may ask? In home buying, as with any large purchase, there are several factors to consider.

## Interest Rates

Interest rates are still low. If they were the only factor to look at, now is a very good time to buy a home. Yet, a number of economic forces threaten to push interest rates up in the months and years to come.

And as mortgage interest rates rise, your purchasing power falls. For example, if you can afford \$1,265 per month at 4.5%, you can afford a \$250,000 home. But if rates

jump 200 basis points to 6.5%, then you can only afford a \$200,000 home. So if looking at interest rates alone, now is a very good time to buy. As with anything in the future, there are several factors that could drive interest rates up.

The Federal Reserve plays a huge role in interest rates. When the Fed eventually raises some benchmark rates, mortgage rates will go up. The Fed also has a large portfolio of mortgage securities to sell, which will also make rates go up. And, inflation needs to be a consideration. As inflation increases, interest rates will rise.

When will all these factors affect interest rates? There is no exact formula that can determine when. But odds show that with the factors listed above, interest rates will begin to rise.

## Price

If you think future interest rates are hard to determine, home prices are in the same

boat. And around this area, there are fewer houses on the market compared to recent years, which can also be difficult on those looking to buy.

As with any purchase, you will want to shop and compare. Is the home fairly priced relative to recent comparable market sales in the area for similar properties? Are there foreclosed homes or vacant homes in the neighborhood? Empty unstable neighborhoods have a higher risk of vandalism along with downward price spirals.

## Financing

Banks have tightened their lending requirements since the housing bubble burst. With tighter requirements it makes it harder to qualify for financing. Your credit history is more important than ever and banks may begin to require a larger down payment in the future. And depending on what type of risk you pose as a borrower, they might even demand a high interest rate.

## You

Another important factor when determining whether it's a good time to buy a home is your personal situation. A home should be viewed as a long-term purchase. And when you purchase a home, you hope you are financially better off down the road than you are today.

You also need to be comfortable with your financial situation. If you are worried about losing your job, then buying a home is not a good idea. Over the past few years, thousands of foreclosures were driven by job loss.

Know what you can afford. Don't stretch yourself to the point where you can not afford the mortgage payments. A good first step before looking for a home is to talk with a trusted mortgage lender to see what you can truly afford. And if you

## \*Buy

continued on page 12



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