

# Why Now is Good Time to Buy!

By Beth Hornick  
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**Many potential home buyers** are waiting to finalize their decision to buy a new home. With news reports of falling home prices and increased foreclosures– it seems smart to wait. According to predictions from Freddie Mac, housing prices are predicted to drop approx 10% in 2008. BUT, if you pull out the “big 4” (California, Michigan, Nevada, and Florida)- the figures revises to less than a 5% drop. South Carolina and the Hilton Head area in particular, is an area with smaller drops in prices when compared to the national average.

Rates are now at near record lows with 30 year fixed rate loans hovering just around 6.00% for conforming loan amounts. Historical comparisons say rates typically drop about .25% BEFORE the election and RISE after .60% the election.

So, what is the best time to buy? Now, when rates are low? or wait till housing prices drop further? Many buyers seem to be emphasizing dropping housing prices. But, waiting for prices to fall can COST you money!

Here are two examples:

**EXAMPLE ONE**-Assume a mid level purchase price. These are the homes that should drop a MAXIMUM of 5%.

Current Price	\$300,000
Mortgage Amount (assumed 20% down)	\$240,000
30 year fixed rate of 6.0% P & I payment	\$1,438 per month
<i>Assumes a 20% down, 30 year fixed rate mortgage at 6.00% (6.043% APR)</i>	
<i>359 payments of \$1,438.91 and 1 payment of \$1,440.30</i>	

Assume 5% price drop	\$285,000
Mortgage Amount	\$228,000
30 year fixed rate of 7.00% P & I Payment	\$1,517 per month
<i>Assumes a 20% down, 30 year fixed rate mortgage at 7.00% (7.047% APR)</i>	
<i>359 payments of 1,516.89 and 1 payment of \$1,516.16</i>	

**An increase of \$80 per month- that's \$28,800 over the 30 years! A 10% loss in this case- the 5% housing price drop COSTS the buyer over 10%!**

**EXAMPLE TWO**- Assume a higher priced home. These are the homes that should drop a MAXIMUM of 10% (factoring in higher loss states– SC drops are predicted to be smaller)

Current Price	\$1,000,000	Mortgage
Amount (assumed 20% down)	\$ 800,000	
30 year fixed rate of 6.5% P & I payment	\$5,056 per month	
<i>Assumes a 20% down, 30 year fixed rate mortgage at 6.50% (6.513% APR)</i>		
<i>359 payments of \$5,056.54 and 1 payment of \$5,061.33</i>		

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Assume 5% price drop \$950,000  
Mortgage Amount \$760,000  
30 year fixed rate of 7.50% P & I Payment \$5,314 per month  
**An increase of \$258 per month- \$92,880 over 30 years! A 9.8% loss.**

*Assumes a 20% down, 30 year fixed rate mortgage at 7.50% (7.515% APR)  
359 payments of \$5,314.03 and 1 payment of \$5,314.45*

Assume 8% price drop \$920,000  
Mortgage Amount \$736,000  
30 year fixed rate of 7.50% P & I Payment \$5,146 per month  
**An increase of \$90 per month- \$32,400 over 30 years! A 3.5% loss.**

*Assumes a 20% down, 30 year fixed rate mortgage at 7.50% (7.516% APR)  
359 payments of \$5,146.22 and 1 payment of \$5,144.38*

Assume 10% price drop \$900,000  
Mortgage Amount \$720,000  
30 year fixed rate of 7.50% P & I Payment \$5,034 per month  
**A drop of \$22 per month- \$7,920 over 30 years. A 0.9% gain.**

*Assumes a 20% down, 30 year fixed rate mortgage at 7.50% (7.643% APR)  
359 payments of \$5,034.34 and 1 payment of \$5,040.59*

**In this example- housing prices would need to drop at least 10% before it would offset the predicted rise in rates. And 10% was the MAX decrease predicted!**

These assumptions also assume a maximum interest rate rise of 1.00% over today's rates. If rates rise higher or faster than predicted– the cost of waiting to buy will increase.

Another factor to consider is the increased inventory of homes available right now. Buyers have a larger choice of homes than any time in the recent past. But, what about all the foreclosures that the media says are coming up? Again, South Carolina and the Hilton Head area are predicted to have much lower rates of foreclosures than the national averages.

Also consider also what most foreclosed homes will look like. If a home owner does not have the money to make their mortgage payments– will they have the money to continue the necessary upkeep of the home? And in many cases– there may also be outstanding liens for real estate taxes or Association fees. Trying to negotiate with a lender to buy Bank Owned Real Estate can make the process more difficult and few if any repair items will be done. In many cases, foreclosures are not the best deal out there.

So what should a potential home buyer do? Buy now and save money!

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