

Why Buyers May Lose If They Don't Act Now

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Rising mortgage rates could have a big impact on the direction your buyers choose when shopping for real estate, economists warn. "Every time the interest rates go up, you eliminate a group of people who can no longer afford to buy a house," Don Frommeyer, a mortgage broker at Marine Bank in Indianapolis, told realtor.com®. "Some people may have to rent for a period of time until they make more money—or buy a smaller house."

To avoid further complications in their plans, your buyers may want to speed up their home search this spring, as interest rates are forecasted to move higher in the coming months. Forty-four percent of home buyers say rate increases likely will force them to settle for a smaller, less expensive home that requires a longer commute to their jobs, according to a realtor.com® survey. First-time buyers may be most affected by rising costs, as increasing home prices and interest rates price some out of the market.

Mortgage rates are at their highest levels in more than four years. The 30-year fixed-rate mortgage averaged 4.46 percent last week, according to Freddie Mac, and that's largely expected to increase since the Federal Reserve said it is likely to raise its short-term interest rates this year. That could prompt mortgage rates to move higher at least three times this year, starting this month.

"For the bulk of buyers, it's not going to kill their decision to purchase a home," Rick Palacios Jr., director of research at John Burns Real Estate Consulting, told realtor.com®. "If anything, it will get them off the fence by creating a sense of urgency." Higher rates are "a kick in the pants for you to start thinking seriously [about buying]."

Rate increases—even minor ones—can add up over time. Realtor.com® offers this example: On a \$300,000 house with a 30-year fixed-rate mortgage and 20 percent down payment, the difference between a 4 percent and 5 percent mortgage rate is \$142 a month. Calculated over the life of the loan, that is more than an extra \$51,000. "Buyers thought they could wait forever because rates were going to stay low forever," says Palacios. "They're starting to realize that if they're going to buy, they should probably buy now."

Home buyers who are concerned about rising rates may want to lock in with a lender, which guarantees the current rate for a set period of time. Still, don't let your clients linger on making a decision. It typically costs several hundred dollars to lock in a rate.

Source: "[Is It Last Call for Low Mortgage Rate? Why Home Buyers Should Act Now.](#)" realtor.com® (March 7, 2018)

