

Yes, It Still Makes Sense to Buy a House

If you bought a house in the early 1980s, you likely can't believe how low home loan rates are today. Federal Reserve records indicate the 30-year fixed rate was an astonishing 18.45% in October of 1981. Few borrowers took mortgages at that high rate, yet the *average* contract rate in November of 1981 was 15.8%. Those double-digit interest rates made home loans extremely expensive, and risky, 30 years ago.

The picture today is radically different, with home loan rates less than 5%—where they have been for many months. And, in another plus for house hunters, there are many houses for sale—meaning it is a buyer's market.

The weak economy understandably leaves some prospective homeowners reluctant to make such a big financial commitment. Some analysts even have gone so far as to pooh-pooh the desirability of owning a home anymore. They suggest that, since houses are not appreciating as they were four or five years ago, the investment is no longer prudent.

That's a short-sighted viewpoint. There still are many very sound reasons to buy a house:

- * Homes are affordable. Prices have come down about 30% from their peak, according to Standard & Poor's Case-Shiller Index, which tracks home prices in 20 big cities. Values have come down about 20% in some areas and as much as 50% in particularly hard-hit communities.
- * Home inventory is high. This means you can buy more house now than you could have at the peak of the housing market a few years ago. You have considerable leverage to negotiate the price of a house for sale.
- * Home loan rates are at historic lows. Again, this makes it possible to buy more house. Consider a home loan of \$120,000. At a 5% annual percentage rate (APR) on a 30-year mortgage, your monthly payment is \$644. The same loan at a 6.5% APR would come to \$758 a month.
- * You still qualify for a tax break on interest payments. While this benefit alone is not a good reason to buy a house, it does sweeten the arrangement if you itemize deductions.
- * You'll own it. You can design it, remodel it, and paint it any dang color you choose. You never have that freedom in a rental.
- * It's forced savings. You'll build equity, even if more slowly than in the past, in a house you own; rent money is just...well...gone.

The combo of low loan rates and low home prices is too good to pass up. If you're ready to explore your housing options, talk to a Commonwealth Credit Union loan officer in person or call at (815) 937-7447. We'll help you clear up the mixed messages about home owning and can even prequalify you for a mortgage. That way, you'll know exactly what neighborhood to start shopping in.