

Title:

Don't Be Scared By Interest Rates

Word Count:

544

Summary:

Let's look at what we have been hearing. That with rates up, homebuyers will pay thousands of additional dollars on their mortgages. For example, on a \$500,000 mortgage, an extra .5% in interest rate adds another \$160 a month to the payment.

Keywords:

Interest Rates

Article Body:

Let's look at what we have been hearing. That with rates up, homebuyers will pay thousands of additional dollars on their mortgages. For example, on a \$500,000 mortgage, an extra .5% in interest rate adds another \$160 a month to the payment. In thirty years, the increased rate costs \$57,000 more.

It's a bit more, but it is part of financing anything. Rates go up and down. That's how it works. Yes, rates have been steadily rising -- from RECORD LOWS. If you look at the last twenty years, you will see that mortgage rates are looking pretty good when compared to some of the highest years. You can still get a mortgage, even if rates go up.

You may not be able to afford the home you really wanted, but you can afford a home. What is the difference that half-a-point will make for you? Well, you might not be able to afford a \$300,000 mortgage, but you could a \$285,000 one.

The best thing that rising rates has done is emphasized the importance of making smart decisions when purchasing a home. Rule number one -- only buy what you can afford. This is increasingly important right now. Many homeowners have stretched themselves to get into homes that have record high appreciation. They now can't pay their adjustable-rate mortgages and can't sell for what they owe.

Buying what you afford isn't just a right now situation. When you are choosing an adjustable mortgage product, you have to look to see if you can afford the worst-case scenario of the highest possible interest rate. If you can't, you need a new plan or a new prospective home at a lower price.

You need to thoroughly understand all of the risks associated with different types of mortgages. There is fine print that can kill you. But what is causing most of the "payment shock" we are seeing this year is not in the fine print. You know that an adjustable mortgage will increase in interest rate. What you haven't done is sit down and see how that rate could increase your monthly payments.

You shouldn't be scared to go out and purchase a home or take out a mortgage right now. What you should be is wise. Make the right financial decisions for your family based on your budget, what you can afford and what the interest rate is right now. Buy what you can afford at a fixed rate and you won't have to worry about rates going up. If you find that you can't afford what you want right now at the given fixed rates, be assured that rates will go down eventually. Sit on your money and let it build up while you wait for the right time.

If you are looking on financing a major purchase, like a home or a car, take the time to educate yourself on all of the available options. Remember that everything is your decision. You aren't stuck with a certain rate, but you can jump into the wrong one. Interest rates will affect you and will affect your budget if you have substantial debt. You will have to make changes. But don't let these still historically low rates scare you into not receiving all of the advantages that owning a home can bring.