

SOUND OFF *Patty McManus*

What do low interest rates mean to local real estate?

The most beneficial aspect of low interest rates is that it enables homeownership for almost anyone. In most cases, someone who is renting can become a homeowner and have monthly payments equal to or less than their current rent payment. In addition, mortgage interest and property taxes are tax deductible, leading to further savings.

There are also loan programs available that require little or no down payment, further enabling a purchase. For example, a \$250,000, 30-year mortgage at 4 percent interest would translate to

a monthly mortgage payment of \$1,066. If the property taxes are \$4,000 per year, that would leave a new homeowner with a total monthly payment of \$1,528.33 (this figure does not include private mortgage insurance and homeowner's insurance).

In my opinion, there are only two reasons for someone to rent in the current market — those who are not sure they will be remaining in the area for more than two years or those who are in credit repair.

For current homeowners who are looking to move to a larger



home, lower interest rates could potentially keep their monthly payment around the same amount, but they would have a

larger home. For example, if the current residence has a 30-year mortgage for \$250,000 at a rate of 5.5 percent, the current payment would be \$1,420. If that homeowner took a mortgage on a more expensive property and applied for a mortgage of \$300,000 at a rate of 4 percent, the new mortgage payment would be \$1,434.

For current homeowners who are looking to downsize, the lower interest rates would enable them to keep some of the proceeds from the sale of their current home for other purposes and still have a manageable monthly payment,

thereby leveraging their equity. Overall, lower interest rates are good for the local real estate market. However, the rates will rise again which will further stimulate the market because the buyers want to get in to their new home before the rates climb higher.

All in all, it is a great time to buy. Low interest rates and low purchase prices for real estate can translate in to a high return in the years to come.

*Patty McManus, Winthrop, MA
Sotby's International Realty
patty@pattymcmanus.com
(978) 733-3966*