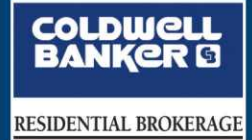




# REALITY CHECK: THE TOP 10 REASONS TO CONSIDER BUYING NOW



Housing is a key driver of the economy and continues to be a strong long-term investment for most American households. In fact, homeownership is how many American families begin to accumulate wealth, according to studies by the National Association of Realtors® (NAR) and the United States Federal Reserve Board.

So why are some people holding off on buying a home in today's market? Some chalk it up to a hope that interest rates will fall further. Others hope that home prices will continue to fall.

Right now there are several key reasons that make it a good time to buy. But that won't last forever and buyers need to be aware of the pitfalls they may encounter should they wait. Here are the Top 10 Reasons to Consider Buying Now.

**1. FHA New Downpayment Requirements.** Effective October 1, 2008 the following changes will take effect:

- The minimum cash investment (or equivalent) for FHA loans will be increased to 3.5% (currently 3%)
- The parameters under which non-profit entities can offer housing down payment assistance could impact seller funded assistance programs such as Nehemiah, AmeriDream, Genesis, etc. With the related FHA proposal still pending comment, a final ruling on this subject is expected in October.
- The required cash investment may be borrowed from a family member. Any lien for repayment must be subordinate and the total liens may not exceed 100% of the value of the property plus the appraisal, inspection and other fees.

So if you are hoping to take advantage of FHA loans and seller assistance programs, you will need to act quickly.

**2. Despite fluctuations, current financing rates are allowing you to get more for your money but it won't last forever.** An increase in interest rates, even by just a quarter of a percent, will decrease affordability of homes; so much so that you may not be able to afford the home that you want today and you may have to purchase less than you might want or need. Just take a look at the following examples as reported by Coldwell Banker Home Loans:

## FHA Loan Example

Purchase Price	\$500,000	\$500,000	\$500,000
Down Payment (3%)	\$15,000	\$15,000	\$15,000
Loan Amount	\$485,000	\$485,000	\$485,000
<b>Interest Rate</b>	<b>6.5%</b>	<b>7%</b>	<b>7.5%</b>
Monthly Payment	\$3,067	\$3,227	\$3,391

## Conventional Loan Example

Purchase Price	\$500,000	\$500,000	\$500,000
Down Payment (10%)	\$50,000	\$50,000	\$50,000
Loan Amount	\$450,000	\$450,000	\$450,000
<b>Interest Rate</b>	<b>6.5%</b>	<b>7%</b>	<b>7.5%</b>
Monthly Payment	\$2,844	\$2,994	\$3,146



As you can see, if interest rates inch up, even by just a ½ percent, you could potentially price yourself out of the market.

Important to note, too, is the fact that in the last month, interest rates have begun to climb. In fact, according to Bloomberg's June 27, 2008 article entitled **Homes Less Affordable as Prices Fall, Rates Rise, Zillow Says**, "Monthly payments on 30-year fixed mortgages are 6 percent to 10 percent higher in 41 of the top U.S. housing markets than they were two

months ago." The article also reports that "Rising mortgage rates are driving up the cost of buying a house even as prices fall, making property more expensive across the U.S., according to a new study by Zillow, an online provider of home valuations." What does this mean for you? If you want your purchasing power to remain strong in today's market, you may want to consider acting now, before it is too late.

If you're waiting for interest rates to drop more, you may want to reconsider. **Realty Times'** June 19, 2008 article entitled **Real Estate Outlook: Buyers Off the Sidelines** reported, "The Federal Reserve is signaling that it's worried about inflation—the Consumer Price Index took a jump last week as well—and the Fed may not cut rates again for a long time."

**3. Real estate is a strong, long term investment.** Many buyers are concerned about falling prices and the possibility of paying too much for their home. But it must be remembered that real estate is not the stock market and the purchase decision should be made for the long term. Just look at how our market has fared over the last 8 years, according to the California Association of Realtors (CAR) and DataQuick:

## Single-Family, Condos & New Homes

County	2000 Median (June)	2008 Median (June)	% Increase Since 2000
San Diego	\$225,250	\$370,000	+64%
Riverside	\$141,750	\$275,000	+94%
Palm Springs/Lower Desert	\$157,500	\$315,000	+100%

**4. In order to build wealth, you should consider having real estate in your investment portfolio.** Many people choose to invest their money in the stock market. And while stocks can be a lucrative way to improve your financial situation, there is another, arguably better, method. Stability is key to building wealth, and in most cases, stocks don't compare with the stability of real estate. When you purchase real estate as an investment you can potentially get more for your money.

**5. Today's market may offer a particularly good opportunity to buy investment properties.** While the recent slowdown in the



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housing market has softened prices for home sellers, it has also resulted in an unusually good opportunity to buy rentals and other investment properties. Inventories of homes for sale have climbed steadily over the past two years, which has put downward pressure on prices. In particular, the large number of bank-owned properties, or REOs, has resulted in an increased inventory. Banks are not in the real estate business and are usually anxious to get the properties off their books. As a result, many properties that are REOs are selling at discounted prices.

**6. The potential benefits of real estate as compared to stock.** With stocks, \$200,000 will buy you exactly \$200,000 worth of stocks, no more, no less. However with real estate, that same \$200,000 can, if you qualify for the necessary financing, enable you to buy a home that is priced at approximately \$1,000,000. If both of these investments increase in value by 10% you will have only a 10% return on your stock money and a 50% return on the money you invested in real estate, less any costs and expenses of real property ownership.

**7. There are a lot of homes to choose from right now.** The large supply of homes on the market clearly favors buyers and it should take several months to draw the inventory down. Regardless of price range, in most markets, there are plenty of houses from which to choose. There's a great selection of attached homes, condos and townhouses, too. You have many options. When resale inventories are low, buyers are forced to make compromises.

But while that news is good, like most reasons to buy now, it won't last forever. **CNNMoney.com's** June 24, 2008 article entitled, **On the Path to a Housing Rebound** reported, "The news that housing starts have fallen to their lowest level in 17 years sounds like one more reason to be depressed about the shrinking value of your home. In fact, it's an almost certain sign that the path of a housing recovery is finally in sight."

**8. Homes are among their most affordable since 2004.** Home prices have dropped so quickly and so far that valuations—the differences between what a home should cost and its actual prices—are the lowest they've been since 2004, according to March 5, 2008 CNN article entitled **Housing: Best time to buy in four years.** The article said, "The Cleveland-based bank National City Corp, together with financial analysis firm Global Insight, revealed Tuesday that more than 88% of the 330 housing markets surveyed showed price declines and improved affordability during the last three months of 2007." The article went on to report a quote from National City's chief economist, Richard DeKaser, noting "Housing valuations are almost back to long-term norms." He called current affordability "the best in the past four years."

**9. Inflation may be on the horizon.** The litany of bad news has hit all sectors of our economy—from falling home prices, rising food and energy prices, the credit crunch and a deteriorating labor market. According to **Realty Times'** June 25, 2008 article entitled **Realty Viewpoint: More Signs Housing Nearing Bottom**, "Home prices have receded while consumer prices for food and gas have doubled since 2004." The article went on to report that, "The stock market has lost trillions in gains. The DOW has dropped from over 14,000 points to below 12,000 for the first



time since 2006. The only thing that isn't down is unemployment, up to 5.5 percent from 4.5 percent this year."

If history is any indicator, with this news comes the likelihood that the Fed will look to increase interest rates as a way of combating the inflation pressures.

**10. The market may be changing!** While pundits have been calling for a bottom for months, the fundamentals suggest we're close. Home sales increased 18.1% in May in California compared with the same period a year ago, according to CAR.

Furthermore, CAR recently reported "Home sales exceeded 400,000 last month for the first time since early 2007. While this is a welcome sign for the market, it was due in part to the large share of distressed homes for sale in many parts of the state," said CAR President William E. Brown. "Sales also rose above their year ago levels for the second month in a row after 30 consecutive months of year-to-year decreases. The lower prices associated with distressed sales along with favorable interest rates both contributed to higher sales levels."

Finally, **Realty Times'** June 19, 2008 **Real Estate Outlook: Buyers Off the Sidelines** reported "The Mortgage Bankers Association of America reports that in its national survey last week, applications for new, conventional loans to buy houses jumped by eleven percent—and applications for FHA insured mortgages were up by seventeen percent!" The article went on to report that, "With home prices sharply discounted in many of the former high-flying boom markets, and down slightly in many other areas, smart buyers are recognizing that it's time to make their move."

As you can see, for the first time in a long time, buyers are in the driver's seat. At least for now, in most markets, you can get a great value on a home. But this favorable market may not last forever and if you intend to buy a home, now may be the best time to enter the real estate market.

If you are ready to learn more about the opportunities available to you in today's housing market, please contact me today. I am a professional Realtor® who can help you analyze your position in today's market. If you need to sell your home—even if you have to discount it based on the current marketplace—together we can look at your total equity position to determine the best steps based on today's market conditions.

I would be happy to help you make a good, sound decision. Please contact me today.

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