



BUY NOW OR WAIT?

Home Price \$200,000
Interest Rate 6.0%
Payment \$1,199

SCENARIO 1:

Home prices decrease by 5%
Interest rates increase by 0.5%

Home Price: -5% \$190,000
Interest Rate: + 0.5% 6.5%
Payment \$1,201

SCENARIO 2:

Home prices decrease by 10%
Interest rates increase by 1.0%

Home Price: -10% \$180,000
Interest Rate: + 1.0% 7.0%
Payment \$1,198

FIGURE 47 Even a slight increase in mortgage rates can offset a significant drop in home prices. There is little to gain in this scenario and much to lose if home prices rebound or rates jump.