

Is Buying a Home in Today's Economy a Good Idea?

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Let me say this right upfront. As a long-term investment, homeownership is STILL one of the best investments for individual households.

“Why” you may ask? After all, the headlines say the housing market is down and out, with defaults rising at an alarming rate, and mortgage markets so frozen that buyers can't get a home loan at any price.

The fact is that there is no 'credit crunch' for qualified buyers taking out a loan under \$417,000. Loans up to that amount are backed by government sponsored companies like Fannie Mae or Freddie Mac. There are a number of new home communities here in Northern Nevada that offer a great selection of homes below that price.

The majority of mortgage market turmoil that we hear about in the news is regarding the subprime market. The reality is that subprime makes up a very small percentage of the total mortgage business. A recent NY Times article cited that of a total of \$10.4 trillion in outstanding loans only about 13% of those are subprime loans.

What that means for the rest of us is that, if you have good credit, a job and steady income, you will find there is still plenty of mortgage credit to be had at good rates. For well qualified buyers, rates are running at about 6.5 percent, which is a very good on a historic basis. Looking back to 1984, fixed rate mortgage interests were as high as 14.75 percent. Even just six years ago, interest rates ranged from 8 to 8.5 percent. A half-percent rate difference on a \$200,000 mortgage, from 6.5 percent to 7 percent, translates into an increase in monthly mortgage payments of \$66.00. Over a thirty-year mortgage, that's an extra \$23,926! When rates are this attractive, it just makes sense to buy!

Another thing to keep in mind is that there are a lot of homes for sale, more than there have been in a very long time. That means you have a great selection from which to choose and should

have no problem finding exactly what you're looking for — and, you're in very good position to negotiate a good deal.

What buyers need to realize is that housing markets, like all markets, inevitably have their ups and downs. And homeownership has a track record that is virtually unmatched by any other purchase in terms of its real benefits. The long-term fundamentals for housing remain positive. One more thing to consider: To make the argument that prices will keep going down, you have to believe that the cost of building a home is going to go down. That won't happen. Land, material and labor costs will only keep getting higher. So the price of new homes will increase overall, and the price of existing homes, due to market competitiveness, will go up as well.

A home should first and foremost be a place in which to live and raise your family. Too many people in the recent past got carried away with the idea of making a quick buck by purchasing a home or condo and then reselling it right away at a profit. Those days are long gone.

The bottom line is this: if you are looking for a place to live and for a solid *long-term* investment, now is a good time to buy a home.

To find a local builder or lender be sure to visit the Builders Association of Northern Nevada's website www.thebuilders.com or call (775) 329-4611.