

## Low mortgage rates present opportunities

Mortgage interest rates are at historic lows. You've probably been hearing about that in the news, but have you also heard that some of the recent rates haven't been seen for decades?

For example, rates for 30-year fixed-rate mortgages have been hovering below 5 percent for most of this year, dipping to 4.74 percent on average in June according to Freddie Mac.

To put that in perspective, here are some annual average interest rates from Freddie Mac's records for 30-year fixed-rate mortgages from past years:

- In 2005 the rate was 5.87 percent.
- In 1995 it was 7.93 percent.
- In 1985 it was 12.43 percent.
- In 1975 it was 9.05 percent.

And many homeowners will remember the period of time in the early 1980s when rates soared and the annual average fixed-rate 30-year mortgage rate for one year, 1981, was 16.63 percent.

For homebuyers today, the low rates present wonderful opportunities since they make ownership more affordable. Combined with the large number of attractively priced homes on the market, many people are finding that buying a home now is a very wise decision.

These low rates impact the principal and interest amounts

due in monthly mortgage payments. As a simple example, the average sale price for homes in the Kansas City area is about \$160,000. Buyers who take a 4.75 percent 30-year loan with a 20 percent down payment can expect their monthly principal and interest amounts to total approximately \$670. A loan with similar terms, but a higher 5.75 percent interest rate, would have monthly principal and interest amounts totaling about \$750 - a monthly difference of \$80.

And importantly, over years of ownership the amount a borrower can expect to pay in interest alone is significantly reduced with a lower mortgage rate. On the other hand, it's also significantly increased at higher rates. While nobody can predict the timing, it's widely believed rates will increase to more normal levels as the economy continues to improve.

There are several things to consider regarding the cost of homeownership in addition to monthly payments. One of them is the deductibility of mortgage interest on our federal taxes. The mortgage interest deduction helps make homeownership more affordable for millions of Americans, so preserving it is one issue Realtors consistently address with our legislators in Washington, DC.

That's just part of the work Realtors do as advocates for the

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rights of private property owners. Serving as advocates for property owners is a role we play at local, state and national levels. And while it's less visible than other work we perform as we represent buyers and sellers, it's very important. Realtors are proud of the results it produces.

How all of this could impact you depends on your individual circumstances, of course. You need to be aware of the benefits and costs of homeownership and make choices for the long-run.

Members of the Kansas City Regional Association of Realtors invite you to get the details about buying a home at this historic time of low mortgage rates. Call a Realtor to learn more.

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