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# Need More Space?



If you're thinking about  
buying a home...

There is a large selection of homes to choose from.  
Prices are right and interest rates are low.  
And mortgages are readily available for qualified buyers.



To find out more, go to: [www.nahb.org/timetobuy](http://www.nahb.org/timetobuy)

# THE TOP REASONS you shouldn't wait to BUY A NEW HOME

1. **UNBEATABLE INVESTMENT.**

Even in down markets, over the long term home prices still appreciate more than the stock market.

2. **LOW INTEREST RATES.**

Rates remain at near-record lows; you can lock in a payment that fits your budget.

3. **AVAILABLE LOANS.**

Lenders are still eager to make loans to borrowers with good credit.

4. **GREAT SELECTION.**

With so many homes on the market, you can get the features you want!

5. **ENERGY EFFICIENCY.**

New homes have the latest environmentally-friendly, cost-saving, advanced technology materials and appliances.

6. **IT'S YOUR HOME.**

It's more than a house—it's a place to raise your family, make memories and call your own.



## ANSWERS TO COMMON HOME BUYING QUESTIONS

**Q: Shouldn't I wait until home prices go even lower to buy?**

**A:** No. Just as no one can accurately predict the peaks and valleys of the stock market (name one person who sold their tech portfolio in April of 2000), the same holds true for housing. If you wait for what you think is the absolute best deal, you could end up waiting for years. All the market fundamentals show that now is a good time to buy – prices are down, interest rates near historically low levels, and there are lots of homes to choose from.

If you buy now, you will not only be in the driver's seat during the buying process, you will also reap the gains of price appreciation. Remember, those who purchased homes in the early 1990s during the last big economic and housing downturn came out as big winners.

**Q: Doesn't it make sense to wait out the market until can I get the same price on my home that my neighbor got when he sold a year ago?**

**A:** No. It's always better to trade up in a buyer's market. While the value of your house has fallen, the prices of higher-end homes have also dropped. Here's an example:

Your neighbor sold for \$300,000. Let's say values in your area have dropped 10 percent, so you could get only \$270,000 for your home today. You have your eye on a move-up home that previously sold for \$500,000, but now is selling for \$450,000. If you sold your home today for \$270,000 and purchased the larger house for \$450,000, the difference in price would be \$180,000.

But if you waited to recoup the 10 percent value on your home and sold it at \$300,000, chances are the move-up home would also increase in price 10 percent to \$500,000. That's a \$200,000 price difference. So by selling today, you would actually save \$20,000.

**Q: Interest rates keep going down. Shouldn't I wait until they go even lower before I buy a home?**

**A:** Interest rates for 30-year, fixed-rate mortgages are currently below 6 percent and are extremely favorable for buyers. In fact, they are hovering near 30-year lows. But waiting to time the market is a dangerous game. Even those who follow the market for a living can't figure out when interest rates will bottom out. If they could, they would all be multi-millionaires.



And home prices don't necessarily move in unison with interest rates. So, if you decided to wait to purchase a home and the price dropped \$10,000 from where it is today, you could still end up losing money. How? If interest rates were to move up by a half-a-point during this period, the savings on the reduced home price would be more than offset by the higher monthly payment you would be making over the life of the loan.

**Q: I have \$10,000 to invest. Should I put that money in the stock market or buy a home?**

**A:** Purchasing a home is by far the best long-term investment. For example, say you use that \$10,000 to purchase a \$250,000 home, and the house appreciates a modest 3 percent during the first year. That means after one year, the house would be worth \$257,500 – a gain of \$7,500. By contrast, putting the same \$10,000 in the stock market and posting a similar 5 percent gain would only net a \$500 return on investment.

And don't forget the tax incentives. In most instances, all of the mortgage interest and property taxes you pay in a given year can be fully deducted from your gross income to reduce your taxable income. These deductions can result in thousands of dollars of tax savings, especially in the early years of the mortgage when interest makes up most of the payment.

**Q: I'm a first-time buyer and still can't afford the type of home that I want. Is it best to wait, keep renting, and hope that prices will get even lower?**

**A:** If you continue to wait, you may never be able to afford to get into the housing market. Even as home prices are currently moderating or falling, depending on where you live, rents continue to climb. When you buy a home, you are also purchasing price stability, knowing that you will pay the same monthly payment for the life of your 30-year, fixed-rate mortgage.

Once you become a home owner, you are able to take advantage of the tax deductions that homeownership offers, and you begin to build equity in your property.

With so many homes on the market to choose from, your best strategy may be to scale back expectations for your dream starter-home. After a few years, you can use those equity gains to sell your starter home and move into a bigger house. The sooner you make the jump from renter to home owner, the quicker you begin to create and build up wealth for your family.



## IS BUYING A HOME IN TODAY'S ECONOMY A GOOD IDEA?

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.

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.

Despite the turmoil in mortgage lending, 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 near historical lows.



Homeownership is still by far the single-largest creator of wealth for many Americans.

### **Homeownership's Real Value**

Here are a few examples of why, dollar for dollar, homeownership is a solid stepping stone to a future of financial security and the single largest creator of wealth for many Americans.

Over the long-term real estate has consistently appreciated, even through periodic adjustments in local markets in response to economic conditions. On a national level, home appreciation has historically increased 5-6 percent annually, report economists at the National Association of Home Builders.

Five percent may not seem much at first, but here's an example that will put it into perspective: Say you put 10 percent down on a \$200,000 house, for an investment of \$20,000. At a 5 percent annual appreciation rate, that \$200,000 home would increase in value \$10,000 during the first year. Earning \$10,000 on an investment of \$20,000 is an extraordinary 50 percent annual return.

In contrast, putting that \$20,000 down payment into the stock market and getting a 5 percent gain would only yield a \$1,000 profit.

### **Compared to Stocks**

Looking at it another way, over a longer period of time, if someone put \$10,000 into the stock market in 1996, the average annual S&P return would make that investment worth \$21,500 today—an increase of \$11,500. The median home price in 1996 was \$140,000.

Today, that same home would have gained nearly \$100,000 in value. Don't miss out on the benefits of homeownership.