

A Good Time To Buy A House?

Contributed by Steve Gillman
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Of course, if you already have a home you might hesitate to move up to a larger one now. Given the number of people in over their heads on their mortgages, it makes sense to be cautious. But if you are hesitating because you don't want to sell your current home at these lower prices, think again.

Let's suppose you have a home that you owe \$90,000 on, which was worth \$180,000 just two years ago. Maybe values have dropped by 20% in your area of the country since then, so it's now worth \$144,000. It might seem that this is a terrible time to sell. On the other hand, if you had plans to move into a larger home at some point, this may be the best time.

For example, suppose a home you're looking at is selling for \$200,000. It would have likely cost you \$250,000 just two years ago. That's also what it will likely cost if you wait until your own house is back to a value of \$180,000. Does it really make sense to wait to get \$36,000 more for your home if it means paying \$50,000 more for the next one? Not at all.

Now, if you have the financial means, you might want to buy the new home now without selling your existing house. You can rent out your current house and wait for better times when you might get more for it. But if you need to sell to buy, now is the time.

Not since the Great Depression has there been such a steep decline in the prices of homes. You can call it a crisis, or as the federal regulators say, a "correction," but it's just as meaningful to call it a "sale," so yes, it's probably a good time to buy a house. Of course there is no guarantee that we have reached the bottom on prices, but at the very least you know you are paying substantially less than you would have a couple years ago.

What if you're a first time home buyer? Well, as pointed out above, it makes sense to buy something when it's on sale - including a house. In addition, interest rates are still low (as of late 2008). And although it's tougher to get financing now, this isn't all bad. You can feel safer knowing that banks and other lenders are no longer allowing borrowers to get mortgages they can't afford.

Houses on sale, interest rates still near all-time lows, and lenders no longer pushing mortgages that get you into trouble - this may be the best time to buy a house.

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