



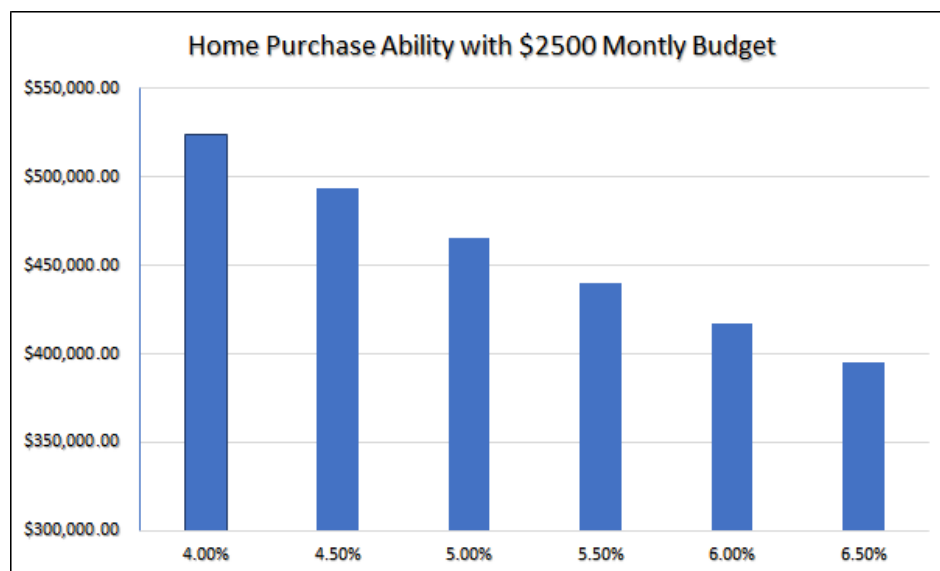
COSTS OF WAITING

The impact of interest rate increases

The Federal Reserve had 3 interest rate increases in 2017. In this January's Fed meeting all signs continued to indicate further interest rate increases in the near future. Home buyers must consider the impact of these increases by looking at both the increased costs to the borrower and the reduced capacity to buy.

Debt to Income Table			
*annual income of \$100,000			
Interest Rate	Loan Amount	Principal and Interest	Debt to Income Ratio
4.00%	\$500,000	\$2,387.08	36.44%
4.50%	\$500,000	\$2,533.43	38.20%
5.00%	\$500,000	\$2,684.11	40.01%
5.50%	\$500,000	\$2,838.95	41.87%
6.00%	\$500,000	\$2,997.75	43.77%
6.50%	\$500,000	\$3,160.34	45.72%
*The table above assumes the family will pay a total of \$650 in taxes and insurance on subject property. It also assumes that the family has no existing debt. The maximum allowable DTI for many products is 43%.			

The table above shows the impact of cost of funds in an increasing interest rate environment. With conventional interest rates already trending in the mid 4's, buyers have already lost some of the capacity from just 6 months ago when rates were 4% or below.



The chart above shows the declining loan capacity on a fixed budget of \$2500 per month. As you can see, a family's loan amount would decrease from \$523,653.10 at 4% to \$419,979.04 at 6%, a 20% reduction in buying power.