

Housing Market: Time To Buy Or Buyer Beware?

This past week, new data was released by the [United States Census Bureau](#) with regard to homeownership statistics. Not surprisingly, the statistics show that homeownership rates have hit their lowest level in over 15 years, well before the housing bubble burst and the mortgage crisis ensued.

Irresponsible lending fueled by Government incentive/intimidation helped push [homeownership rates to almost 70% in 2005](#). This artificially inflated number was the product of high risk mortgage loans to borrowers who could not afford the homes they were purchasing. Since then, home values have plummeted and financial hardship has struck. Many homeowners have watched the equity in their homes disappear or worse, are facing foreclosure.

Is one man's loss another man's gain? Is it truly a "good time to buy" like the experts are saying or are we on the brink of further collapse?

Is it a Good Time to Buy?

As the statistics indicate, homeownership rates keep falling. Basic laws of supply and demand say that with homeownership rates falling, home values will continue to fall. So yes, if you are looking for a bargain, now might be the time to find it.

In addition, [mortgage interest rates have hit record lows](#), reaching their lowest levels since long-term mortgages began in the 1950's. The average interest rate on a 30 year loan is now 3.84% which is very enticing.

As homeownership rates fall, the number of renters and the cost of renting continues to rise. So, when you combine declining home values with declining interest rates and factor in the rising cost of rent, it seems logical that it is time to buy, right?

Well, not so fast.

Is Further Decline Imminent?

According to [CoreLogic](#), an independent analytics and service company, more than 1 million Americans who have mortgaged their homes within the previous two years are now "under water." The statistics place the blame on Federal loans that require only a small down payment. These types of loans are still being given why?

The housing market is showing no signs of improvement and based on these statistics, is still in decline. With the exception of certain pockets around the country, home values continue to fall and as a consequence, [foreclosures](#) will rise. According to the U.S. Federal Reserve, approximately 12 million Americans have negative equity in their homes. Of those 12 million, 3 million borrowed through [Federal Housing Administration \(FHA\)](#) backed loans.

Without taking statistics and studies into account, from personal experience, I see no end in immediate sight. In my daily dealings with clients and mortgage banks, I see only a continuing decline in home values accompanied by a slight increase in [foreclosures](#).

Reality Check. It is a Good Time to Buy if and Only if it is a Good Time to Buy.

Sounds silly, but it is what it is. If you are a potential homebuyer enticed by that dream home that is being offered at a bargain basement price, tread carefully. If your rent is rising due to increased demand and you feel as if you are paying as much as it would cost to own, be cautious. In addition, do not jump into a mortgage contract just to secure that record low interest rate.

It is important that we return to the basics. Evaluate your personal finances and disregard your credit score. Make sure that you have enough income to carry a monthly mortgage payment in addition to all of the other expenses that accompany homeownership. If the mortgage payment is more than 35% of your monthly net income, you can't afford it.

Also, [do not look at your new home as an investment](#). It is probably your most valuable asset and it is a place to live, but it should not be viewed as a profit making venture.

So, assuming that you can afford to buy a home, yes, this can be a great time to get in and find great value. On the flip side, you need to be extra careful, objective and make the best decision for yourself and your family. Don't get sucked in and avoid the enticement that created this financial crisis in the first place.