



WHAT YOU NEED TO KNOW ABOUT

INTEREST RATES

rising

A GUIDE CREATED FOR HOME BUYERS



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WHAT DO RISING INTEREST RATES MEAN FOR HOME BUYERS?

It isn't new news that the real estate market has been crazy over the past few years. We experienced historic record low-interest rates that many homeowners were excited to take advantage of. This created an extremely high demand for houses and led to bidding wars and an extremely competitive market for home buyers.

In recent months, interest rates have begun to rise and the real estate market is slowly beginning to correct. So as a home buyer, you might think that now is the perfect time to buy a house...

Here is what you need to know about interest rates increasing and how it will affect you if you plan to purchase a home. For home buyers, this means that they can afford less house for the same amount of money. This is because when you take out a mortgage, your monthly payment is based on the interest rate of your loan and the principal amount borrowed. When interest rates go up, so does your monthly payment. Home prices are beginning to decrease, homes are staying on the market longer, and more price reductions are happening, but it's important to understand that higher interest rates will affect your home buying power. I created this guide to help educate you to understand what's going on and all of the options you have.

If you want to know more about the current real estate market and purchasing a home, please reach out! The best way to contact me is by phone at **815-260-3006**. I look forward to hearing from you soon!

Helping you find home



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HOW INTEREST RATES AFFECT YOUR MONTHLY MORTGAGE PAYMENTS

As you can see in the example to the right, when the interest rates rose from 4% to 7% the monthly mortgage payment increased over \$600.

Keep in mind this is just an example and type of loan, down payment, credit score, taxes, etc. will affect the your monthly payment.

The best way to know what price point you should begin your home search at is to get pre-approved by a lender. They will be able to give you an approval price range and monthly mortgage payment estimate so you be sure that you are shopping for homes that would be a suitable fit for your budget.

01

INTEREST RATES AT 4%

Calculator

Monthly payment | Purchase budget

Include taxes & fees

Home price
\$ 350,000

Down payment
\$ 12,250

Loan term
30-yr fixed

State
Credit score
700 - 719

Property tax (yearly)
\$ 4,375

Home insurance (yearly)
\$ 1,225

Private mortgage insurance (monthly)
\$ 279

Homeowners association (monthly)
\$ 0

Total monthly payment
\$ 2,358

Loan
\$1,612

Taxes & fees
\$746

02

INTEREST RATES AT 7%

Calculator

Monthly payment | Purchase budget

Include taxes & fees

Home price
\$ 350,000

Down payment
\$ 12,250

Loan term
30-yr fixed

State
Credit score
700 - 719

Property tax (yearly)
\$ 4,375

Home insurance (yearly)
\$ 1,225

Private mortgage insurance (monthly)
\$ 279

Homeowners association (monthly)
\$ 0

Total monthly payment
\$ 2,993

Loan
\$2,247

Taxes & fees
\$746

FINANCES

Before you officially begin your home search, I always recommend to begin with talking to a lender and getting pre-approved. A lender will be able to answer all of your questions regarding finances and give you a clear understanding of the exact price range you will be pre-approved for and an estimate of the expenses to expect.

Questions to ask when interviewing potential lenders...

- What is the best type of loan for me?
- Do I qualify for any special discounts or loan programs?
- What interest rate can you offer?
- When can you lock in my rate?
- What fees can I expect from you?
- What are my estimated closing costs?



FINDING YOUR HOME

MY RECOMMENDED LENDERS

LOCAL MORTGAGE LENDERS

Please feel free to reach out and interview some of the lenders that I know and trust.

Cindy Allen, First Centennial Mortgage



(630) 542-3383 Cell

c.allen@gofcm.com

2471 W. Sullivan Road, Aurora

John Horton, A and N Mortgage Services



(630) 915-5288 Cell

horton@anmtg.com

1945 N Elston Ave, Chicago, IL

Vincent Viriyakul, HomeTown Lenders INC.



(312) 218-0989 Cell

hdamortgagedude@gmail.com

1754 N. Washington St., Suite 128B Naperville, IL

THE RACHEL SMITH EXPERIENCE

OUR PROVEN HOME BUYING TIMELINE

OUR SIGNATURE PROCESS

STEP ONE

Meet with a Professional

Before you even begin the home buying process, I suggest that you sit down with a lender and get pre-approved. Together, you will determine the best mortgage type for your situation, as well as how much house you will be able to afford. Be sure to get a pre-approval letter before leaving.

STEP TWO

Pre-Approval

After you have met with your lender, we can sit down and discuss the type of home you're looking for. We will discuss style, price, location, and any other features that you find important for your home.

STEP THREE

Search and Showings

Now the fun part! I will set you up on a custom client search that will send you every available home that meets your criteria for your home. From there, I will schedule showings and we will go view the homes that you are interested in.

STEP FOUR

Make an Offer

After finding the right home, we will discuss important factors and criteria needed to submit in a strong offer. We will discuss offer price, inspection time period, financial contingencies, etc.

STEP FIVE

Negotiation and Contract

The seller will have the opportunity to accept, reject or counter your offer. I will help you understand all the terms of the contract to decide the best course of action for securing your home on terms that work for you.

STEP SIX

Escrow

You will deposit to agreed upon earnest money. You will schedule any inspections during the time period negotiated in the contract and we will negotiate any repairs requests you would like to make with the seller.

STEP SEVEN

Final Details

The mortgage lender will typically order an appraisal to determine the value of the home. I will educate you on your rights as a buyer and will offer you alternative routes to take if the appraisal should come back low in value.

STEP EIGHT

The Closing

After your loan has been processed you will receive the clear to close from your lender. We will perform the final walk-through before closing. After you sign the documents, it's time to celebrate because your home purchase is now complete!



THINGS TO KEEP IN MIND

1

INTEREST RATES ARE PREDICTED TO RISE

If the interest rates continue to climb, it could affect the cost of your home loan. As interest rates rise, so does the cost of borrowing money. This means that you may have to pay more back over time or take out a larger loan to cover the purchase price of your home.

2

INTEREST ON RENTING IS 100%

While it can seem intimidating to consider buying a home with increasing interest rates, it is important to remember that the interest rate on renting is 100%. This is money spent towards paying someone's mortgage as opposed to the opportunity to begin building equity in your own home.

3

DON'T PURCHASE AT THE TOP OF YOUR BUDGET

Along with all of the benefits of homeownership also come new responsibilities. Expenses like property taxes, maintenance, home repairs, and home improvements can add up. Be sure that your monthly payment isn't at the top of your budget so you can afford the news costs.

4

IT'S IMPOSSIBLE TO TIME THE MARKET

I always recommend looking at your own unique situation, your finances, goals, and desires to make a decision that works for you. The market is ever-changing so rather than try to time the market, make a decision that works for you.

THE TRUE COST OF RENTING

The cost of renting can add up quickly. Use this chart to help you understand how much you will be spending over time at your current rent rate.

IF RENT IS	1 YEAR	5 YEARS	10 YEARS	15 YEARS
\$700	\$8,400	\$42,000	\$84,000	\$126,000
\$800	\$9,600	\$48,000	\$96,000	\$144,000
\$900	\$10,800	\$54,000	\$108,000	\$162,000
\$1,000	\$12,000	\$60,000	\$120,000	\$180,000
\$1,100	\$13,200	\$66,000	\$132,000	\$198,000
\$1,200	\$14,400	\$72,000	\$144,000	\$216,000
\$1,300	\$15,600	\$78,000	\$156,000	\$234,000
\$1,400	\$16,800	\$84,000	\$168,000	\$252,000
\$1,500	\$18,000	\$90,000	\$180,000	\$270,000
\$1,600	\$19,200	\$96,000	\$192,000	\$288,000
\$1,700	\$20,400	\$102,000	\$204,000	\$306,000
\$1,800	\$21,600	\$108,000	\$216,000	\$324,000
\$1,900	\$22,800	\$114,000	\$228,000	\$342,000
\$2,000	\$24,000	\$120,000	\$240,000	\$360,000



Understanding whether you should continue renting or decide to purchase can be tricky. I'd love to help guide you through my signature process to help you decide what's best for you.



"Real Estate is not simply a job for me, it is my passion. I am dedicated to helping each and every one of my clients achieve their real estate goals and have an exceptional home buying experience."

-STEPHANIE ZENTMYER



I hope this guide gives you a better idea of what rising interest rates mean for you. Whether you have all intentions of buying a home this week, next month, or in 5 years or are just curious about the current real estate market, I am here to be a resource for you.

As a local native of Plainfield combined with my 8 years of real estate experience, I am prepared to help you navigate this tricky market and purchase your home in the quickest amount of time, for the lowest amount, and with the least amount of stress.

Please know that I am always available to answer any questions about the real estate market or help in any way. If you have any questions about your guide, give me a call!

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YOUR BROKERAGE NAME

SHOULD YOU RENT OR BUY?

