

5 TIPS TO COPE WITH **RISING** INTEREST RATES

All of us in the real estate business are feeling the effects of The Fed raising interest rates to combat inflation. As a real estate agent, you've probably had a few buyers who put their home search on pause and others who have reconfigured their expectations. Mortgage interest rates are now hovering around 5.5% for a 30-year fixed, a spike from 3-4% rate a buyer could have landed earlier in the year. We agree, it's not fun! Fortunately, there are several ways to navigate this problem. Here is a brief guide on what to do when real estate interest rates rise.

The real estate market is still robust, despite the rising interest rates. Ideally, realtors can retain as many of their buyers as possible by doing the following:

1 » GET YOUR BUYERS PRE-QUALIFIED AGAIN

The rising interest rates are reducing buyers' purchasing power. Buyers' previous pre-qualifications (before the rates rose) don't match their current purchasing power, so it is necessary to get them pre-qualified again.

2 » UPDATE SEARCHES TO REFLECT PURCHASING POWER

Many of your buyers likely had zeroed in on their desired properties before the interest rates rose. Unfortunately (unless your buyer is paying cash) the cost of those desired properties has likely increased to reflect the higher interest rates, potentially locking out previously qualified buyers. The inconsistency of interest rates and their effect on buyers' monthly mortgage payments necessitates that you as an agent run up-to-date MLS searches to reflect their current purchasing power.

3 » PRIORITIZE RESALE HOMES

Many home buyers prefer new construction homes because they are slightly customizable. However, new construction homes usually take months to complete, leaving the waiting buyers vulnerable to further interest rate fluctuations. Many experts predict further hikes in interest rates which would further reduce your buyer's purchasing power.

Buyers can avoid future interest rate hikes (and a further decline in their purchasing power) by buying as soon as possible, and it is in your (and their) best interests to educate them. Ideally, realtors should prioritize resale homes and new construction homes nearing completion.

4 » CONSIDER AN INTEREST RATE LOCK PROGRAM

An interest rate lock program is the ideal solution to future interest rate hikes. Essentially, it is a program that enables potential homebuyers to secure fixed interest rates before closing a contract on their desired homes – the rate will not increase even when the prevailing rates continue rising. Buyers can opt for a float-down option, meaning that the lender will reduce their fixed interest rates if the prevailing rates decrease. Realtors can find and partner with lenders offering this program on their clients' behalf. However, this option only works if the buyer plans on buying a home soon (ideally, several months after securing the fixed interest).

5 » HIGHLIGHT THE LOW COMPETITION

An increase in interest rates lowers the demand for real estate properties, reducing competition among buyers. Be sure to reach back out to buyers who were frustrated with the high competition last summer, letting them know that the market has shifted and now is a great opportunity to find their dream home. Don't forget to mention that interest rates will keep rising to create a warranted sense of urgency.

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