

# Nab a real estate deal - while you still can

By Beth Braverman, staff reporter March 2, 2010: 10:30 AM ET

(Money Magazine) -- If you've been holding off on a real estate purchase, glimmers of a turnaround in the housing market may have you wondering if it's finally time to make your move.

While home prices remain low, they're no longer free-falling in most markets. Mortgages are historically cheap. And the sweet tax credit that was offered to new buyers last year has been extended to April 30 and expanded to include current homeowners too.

But for all the motivation to act quickly, buying right now is not a no-brainer. In some areas home prices may fall further. If you own a house now, it may take longer than you expect to sell it, and you may walk away with less cash than you thought.

"It's a good time to buy, but it's still a really difficult market," says Patrick Newport of IHS Global Insight. As the clock ticks toward the tax-credit deadline, answer these questions to decide whether it's time to get off the sidelines.

## **Can you really nab that tax credit?**

Current homeowners who sign a contract to buy a home on or before April 30 get a dollar-for-dollar reduction on their taxes of 10% of the purchase price of the home, up to a maximum of \$6,500 (first-time buyers can get up to \$8,000).

But according to the National Association of Realtors, buyers spend about 12 weeks home shopping before making an offer, so if you haven't already started looking, you may be pressed to meet the deadline.

Plus, to qualify for the full credit, your household income must be under \$225,000 if you're married and less than \$125,000 if you're single; repeat buyers must have lived in the home they are selling for five of the past eight years. The good news: Once you've signed the contract, you have until June 30 to close the deal.

## **How much could you lose by waiting?**

Besides the loss of the tax credit, the biggest game-changer facing buyers is a potential jump in mortgage rates. If the Fed moves ahead with its plan to stop buying mortgage-backed securities at the end of March, the rate on a 30-year fixed mortgage is expected to increase nearly a percentage point from today's 5.18% to 6.1% by the end of 2010, according to the Mortgage Bankers Association. On a \$300,000 fixed-rate mortgage, that's an extra \$174 per month.

But if home values are falling in your area, you don't have much to lose by waiting. If the house you want costs \$375,000 today and you put down 20%, you'd pay \$1,644 a month for a fixed-rate mortgage at 5.18%. Buy that same home for 5% less later on with rates at 6% and you'd only pay an extra \$65 a month. If prices plunge 10% or more this year ([as they are expected to in 12% of markets](#), according to Fiserv), you'll come out even or ahead.

To get a handle on the direction of your market, check [trulia.com](#) to see whether inventory levels are increasing, and visit [realtytrac.com](#) to find out whether foreclosure filings are still rising. A glut of properties and bank-owned homes means a recovery may not be in sight.

### **How quickly can you sell the home you now own?**

Even in markets that are recovering, sellers must price aggressively to make a fast deal.

"Everybody thinks their house is worth more than it is," says Dallas realtor Bruce Lynn. Before you sign a contract for a new place, ask a few agents to give you a realistic figure that will generate a quick sale. Can't bear to part with your home at that price? Waiting may be your only option.

Also keep in mind that, with the credit crunch not far in the past, lenders may not approve your purchase until you've sold your home. A delay in sale could also stick you with two mortgages, far outstripping any savings from the tax credit.

See if the sellers will let you put a contingency in the contract that negates the sale if you don't find a buyer -- it's a long shot but worth a try. If they won't, propose adding a kick-out clause that allows the sellers to keep their home on the market, but lets you either pull out or quickly move ahead with the deal if they get another offer.

While extra contract negotiations may be a hassle, the past few years have proved that a purchase decision shouldn't be taken lightly. "This may be the best time in history to buy a home," says Denver realtor Jeff Fogler, "but only if you can really afford it."