



Rate vs. Price- A Case Study

Conventional wisdom may not offer the only solution to a financial obstacle

Most would believe the true cost of a home is defined by its sales price. Upon further investigation, though, we can see that the true cost of a home is the cumulative payments we make to our mortgage over time.

“We help our clients evaluate their borrowing options in the context of an overall financial plan. We investigate the short and long term impacts of each option to uncover the most appropriate borrowing strategy for their individual situation.”

The Bottom Line

The clients wanted to purchase a new home which was listed at \$269,000. In order to afford the payments they planned to offer \$244,000 and invest \$60,000 towards the down payment and closing costs.

The seller was not willing to accept a \$244,000 offer. The clients were unable to qualify at a higher price under normal circumstances and feared they would lose the house. We were able to show them an alternative strategy in which they would qualify at the full asking price of \$269,000. It required the seller to fund an \$11,000 interest rate buydown which reduced the rate by nearly 1%.

	Before:	After:
Sale Price	\$244,000	\$269,000
Loan Amount	\$189,000	\$209,000
Interest Rate	5.375%	4.50%
Monthly payment	\$1058	\$1059

Although the sales price with each situation differs by \$25,000, the true cost of the home remains nearly the same over time. Reducing the price was not an option for the seller and the buyers did not qualify at full asking price under typical borrowing terms.

The Advisor

Mike Winesburg is a Certified Mortgage Planning Specialist® and licensed financial advisor.

The Challenge

Clients found their dream home but feared they wouldn't be able to afford it unless the seller agreed to significantly reduce the price. The seller was unwilling to reduce the sales price to the level requested.

The Solution

We designed a mortgage plan that called for the seller to fund an interest rate buydown for the buyer.

The Result

Although the seller netted less than their full asking price, this strategy allowed them to take home \$14,000 more than they would have otherwise. And, the buyers were able to afford their dream home and qualify for the mortgage. This was a win/win situation for everyone involved.

Mike Winesburg, CMPS®, CRMS®, CLA®

2100 Market Street | Wheeling, WV 26003

304.232.9100 | mwinesburg@mc-ws.com

McKinley Carter is an SEC-registered investment adviser with its principal place of business in the State of West Virginia. For information pertaining to McKinley Carter's fees and services, please contact McKinley Carter for a copy of our disclosure statement as set forth on our Form ADV. For information pertaining to our registration status, refer to the Investment Adviser Public Disclosure web site (www.adviserinfo.sec.gov). The information contained herein may not be suitable for everyone. Investing in the financial markets involves the risk of loss. Not all clients will qualify for the programs described.