

BoeKnows Real Estate

Your Questions from Real Estate Buyers, Sellers, & Agents

By Patti Boe

Q. Prices are down, but what about interest rates on residential and commercial properties now? In the next 3-6 months? What role does the Federal Reserve play in this?

A. This is actually 4 questions. I interviewed several residential and commercial mortgage bankers: **Residential rates** on full documentation loans will be volatile – up and down. Catch them down, but don't wait too long, or they may not come down 3-6 months from now. Stated income loan rates (business owners, consultants, and self-employed) will continue to go up, so buy now if you were planning to buy in the next few years, or your only choices may be seller-financing or trades. Either way, for residential loans, smart buyers are taking advantage of sellers who don't want to go into the Fall with their properties still for sale. For sellers, this is a good time to offer to pay points for buyers. Seller carry-back is always attractive to buyers, especially now.

Commercial rates are excellent, even lower in some cases than residential rates. But, I was cautioned again about waiting too long. There are no guarantees rates won't be much higher 3-6 months from now. It may be the time to use a commercial loan when buying that "mixed-use" property instead of a residential loan that we always preferred in the past.

The really complicated and loaded question revolves around the Federal Reserve. I will say that when I have asked over the years, only a tiny percentage of people know anything substantial about the "Fed". This includes bankers, MBA's, economists, and real estate agents. I remember tales from my dad (who went through the Depression as a child) that that the Fed was mysterious and shrouded in excessive secrecy. Even today, try to Google "federal reserve" and see what comes up. I looked at Wikipedia and was astonished at the negativity surrounding the Fed's history, power, influence on the IRS, complete autonomy from the government, and today's opacity. Critics argue that such secrecy leads to greater market volatility because the markets must guess, often with only limited information, about how the Fed is likely to change policy in the future. The jargon-laden fence-sitting opaque style of Fed communication has been called "Fed speak". Economists such as Ludwig von Mises contend that the Fed's operation amounts to a spurious manipulation of the money supply that has led to or made worse some boom/bust cycles over the past century.

I won't go into details of the outspoken Fed critics displayed in the Wikipedia article but will leave the topic by saying that this was mild compared to other examples showing in a **"federal reserve" keyword Internet search.** Please look for yourself. My job here is not to promote Federal Reserve change, but to encourage all of you who want to purchase a residential or commercial property to do so now if you plan to have a mortgage. There are some awesome properties here in Santa Cruz. There are also great prices, and - when we look back from the future – some very low loan rates. Remember when a 12% interest rate looked good?

Please send comments or questions for my blog (patti@pattibo.com) so we can all discuss your ideas. Enjoy our fabulous Beach City and please call 345-8040 if you want income, vacation, commercial property, or a primary residence. See my 6 new beach listings on PattiBoe.com. Enjoy!

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