

With increasing interest rates, buyers have been losing buying power.

Below are the principal and interest payments on a \$450,00 loan amount beginning with an interest rate of 3% and continuing to 7.5% in .25% increments. Taxes and insurance are on top of these amounts and depend upon the house price and down payment.

The actual mortgage payment will be higher

If a buyer recently qualified for a home at 3% with a \$450,000 loan amount and now they have to qualify at 5%, they will be paying an additional \$518.48 per month for the same loan and now may not qualify for the loan, requiring an adjustment of some sort. This equates to an increase in payment amount of 27.33% as interest rates moved from 3% to 5%. **(Blue column on far right)**

Will we see 7.5% interest rates? Hopefully, not any time soon!

Loan amount	Term	Interest Rate	Principal & Interest payment	Incremental Difference	payment increased by this amount	Percent increased
\$450,000	30 yrs	3.00%	(\$1,897.22)	in payment	from 3%	payment
\$450,000	30 yrs	3.25%	(\$1,958.43)	\$61.21	\$61.21	3.23%
\$450,000	30 yrs	3.50%	(\$2,020.70)	\$62.27	\$123.48	6.51%
\$450,000	30 yrs	3.75%	(\$2,084.02)	\$63.32	\$186.80	9.85%
\$450,000	30 yrs	4.00%	(\$2,148.37)	\$64.35	\$251.15	13.24%
\$450,000	30 yrs	4.25%	(\$2,213.73)	\$65.36	\$316.51	16.68%
\$450,000	30 yrs	4.50%	(\$2,280.08)	\$66.35	\$382.87	20.18%
\$450,000	30 yrs	4.75%	(\$2,347.41)	\$67.33	\$450.19	23.73%
\$450,000	30 yrs	5.00%	(\$2,415.70)	\$68.28	\$518.48	27.33%
\$450,000	30 yrs	5.25%	(\$2,484.92)	\$69.22	\$587.70	30.98%
\$450,000	30 yrs	5.50%	(\$2,555.05)	\$70.13	\$657.83	34.67%
\$450,000	30 yrs	5.75%	(\$2,626.08)	\$71.03	\$728.86	38.42%
\$450,000	30 yrs	6.00%	(\$2,697.98)	\$71.90	\$800.76	42.21%
\$450,000	30 yrs	6.25%	(\$2,770.73)	\$72.75	\$873.51	46.04%
\$450,000	30 yrs	6.50%	(\$2,844.31)	\$73.58	\$947.09	49.92%
\$450,000	30 yrs	6.75%	(\$2,918.69)	\$74.39	\$1,021.47	53.84%
\$450,000	30 yrs	7.00%	(\$2,993.86)	\$75.17	\$1,096.64	57.80%
\$450,000	30 yrs	7.25%	(\$3,069.79)	\$75.93	\$1,172.58	61.80%
\$450,000	30 yrs	7.50%	(\$3,146.47)	\$76.67	\$1,249.25	65.85%

Disclaimer: This information is for educational purposes only and should not be used to estimate or calculate your specific mortgage amount.

Another way of looking at the loss of buying power for buyers is to chart the decrease in the loan amount related to a set payment as interest rates rise.

If a buyer qualified for a payment amount of \$1,897.22 at a 3% interest rate, this chart shows the new, lower loan amount as interest rates rise using this constant payment amount.

The blue column at the far right shows the percentage decrease in their buying power. As interest rose from 3% to 5%, buyers lost 21.46% in buying power. Moving forward, this has the real possibility of causing a slow down in the market, a leveling off of prices or even a pull back in prices - not a prediction but an observation.

However, Cal Poly Humboldt could keep the pressure on housing prices as they build out for the increased enrollment. In the meantime, we'll keep our eye on the trend.

Constant principal & interest payment	Term	interest rate	Loan amount that can support with rising interest rate	Incremental Difference in loan amount	Buyer's loan decreased by this amount from the 3% interest rate	Percent decrease in Purchasing power as rates rise
\$1,897.22	30 yrs	3.00%	\$450,000			
\$1,897.22	30 yrs	3.25%	\$435,935	\$14,065	\$14,065	-3.13%
\$1,897.22	30 yrs	3.50%	\$422,501	\$13,434	\$27,499	-6.11%
\$1,897.22	30 yrs	3.75%	\$409,664	\$12,837	\$40,336	-8.96%
\$1,897.22	30 yrs	4.00%	\$397,394	\$12,270	\$52,606	-11.69%
\$1,897.22	30 yrs	4.25%	\$385,661	\$11,733	\$64,339	-14.30%
\$1,897.22	30 yrs	4.50%	\$374,437	\$11,224	\$75,563	-16.79%
\$1,897.22	30 yrs	4.75%	\$363,698	\$10,739	\$86,302	-19.18%
\$1,897.22	30 yrs	5.00%	\$353,417	\$10,281	\$96,583	-21.46%
\$1,897.22	30 yrs	5.25%	\$343,572	\$9,845	\$106,428	-23.65%
\$1,897.22	30 yrs	5.50%	\$334,141	\$9,431	\$115,859	-25.75%
\$1,897.22	30 yrs	5.75%	\$325,104	\$9,037	\$124,896	-27.75%
\$1,897.22	30 yrs	6.00%	\$316,440	\$8,664	\$133,560	-29.68%
\$1,897.22	30 yrs	6.25%	\$308,131	\$8,309	\$141,869	-31.53%
\$1,897.22	30 yrs	6.50%	\$300,160	\$7,971	\$149,840	-33.30%
\$1,897.22	30 yrs	6.75%	\$292,510	\$7,650	\$157,490	-35.00%
\$1,897.22	30 yrs	7.00%	\$285,166	\$7,344	\$164,834	-36.63%
\$1,897.22	30 yrs	7.25%	\$278,113	\$7,053	\$171,887	-38.20%
\$1,897.22	30 yrs	7.50%	\$271,336	\$6,777	\$178,664	-39.70%

rounded to nearest dollar

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