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Welcome. My name is Andrew Barron, and this is. Well… It Depends! The podcast where I address financial decisions that can't be answered with a simple yes or no. In this episode, I ask the question, should I buy a home now and refinance later? But before we begin, a short disclaimer. This is being recorded on January 21st, 2025. The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice.

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It is important to consult with a professional before making any financial decisions, as the strategies discussed may not be suitable for you specifically.

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Getting into it. Should I buy a home now and refinance later? Well… It Depends! First, let's talk about why you might want to buy now. The biggest reason is that housing prices don't wait. If you've been watching the market, you know that property values tend to rise over time, even if there are short term dips.

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Buying now locks in a price before it potentially climbs higher. Another reason, personal circumstances. Maybe you're tired of renting or you're ready to settle down in a specific area. Waiting could mean another year or more of paying rent, which is money you'll never see again. But let's be honest, right now, interest rates are high that can make your monthly mortgage payments steep.

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This is where the idea of refinancing later comes into play. You're betting that rates will come down in the future, letting you lower your payment down the road.

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Now, why might you wait? First, those high interest rates we just mentioned. If you buy now, you'll start with a high cost loan, and there's no guarantee rates will drop enough to make refinancing worthwhile.

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Second, your financial flexibility. A higher monthly payment might stretch your budget thin, leaving less room for savings, investments, or even unexpected repairs on the home you're purchasing. And let's not forget the market itself. Housing prices might stabilize or even drop in some areas. If that happens, waiting could mean snagging a better deal.

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But here's the kicker, refinancing isn't free.

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You'll face closing costs, which typically range between 2% - 5% of the loan amount. Plus, if your home value drops, you may not have enough equity to refinance at all. And there's always the risk the interest rates could stay high or even climb higher. Another thing to consider is that interest rates are likely to only fall in a bad economy.

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Well, that could bring refinancing opportunities. It might also lead to a decline in home values. Once again, if your home loses value, you may not have enough equity to qualify for refinancing, leaving you stuck with a high cost loan. Ultimately, your decision depends on your personal situation. Can you afford the higher payments now without sacrificing your financial stability?

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Do you plan to stay in the home long enough for refinancing to make sense? And how comfortable are you with uncertainty? These questions really matter.

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To recap, today we explored the trade offs of buying a home now versus waiting for better interest rates. We discussed a potential benefits of locking in home prices and the risks of starting with a high cost loan. And we covered the key factors you'll want to consider. Affordability, market trends, and your personal plans. If you're unsure, take the time to crunch the numbers,

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Talk to a trusted financial advisor and think about what is right for you, not just what's happening in the market. So to answer the question, should I buy a home now and refinance later? Well… It Depends!