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Buyers can find benefits by making home purchase in current market

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We've all seen numerous negative reports on the current home-selling market. Those news reports have motivated many prospective home buyers to hold off with a purchase of a home until good times return.

For the sake of achieving a balanced perspective, consider the following reasons for taking action now to acquire that needed home.

In recent months, a record number of homes have been added to the for-sale inventory. That translates to a wide selection of available homes, making it more likely you can find the ideal residence in precisely the right location to meet your needs and tastes. Once the home sale slump is over, that selection base will dwindle.

Since there are many properties on the market, sellers are willing to negotiate price and terms. Current prices are generally near the bottom of the cycle, according to several analysts.

The days of "bidding wars" are over, at least for awhile. You can now take your time in finding the right home and negotiating the purchase, without fear of another buyer quickly entering the scene and snatching the property from your grasp.

Mortgage financing is still available at low interest rates. At this writing, rates for a 30-year fixed-rate mortgage have dipped below the 6 percent level. True, it's tougher to qualify for a loan today, but if you have good credit and a decent "credit score," you should have no problem in obtaining financing with favorable terms.

If you do encounter problems in obtaining a conventional mortgage, you have other options. In some cases, the home seller owns the property free and clear (no debt) and may be willing to carry the financing himself at a negotiated interest rate. Or if you lack the usual 20 percent cash down payment, the seller may be willing to carry back a portion of that amount as a second loan on the property.

If these possibilities fail, you might arrange a temporary lease-to-own transaction with the seller. This way, you would lease the property for a short specified time period, then purchase and acquire title to it. Usually with this arrangement a portion of each lease payment goes into a special account and is credited toward the eventual down payment.

Yet another option is to lease the property with a choice to purchase. This gives you the non-mandatory right to purchase the property at a later date if and when you are in a better position to handle the purchase. A portion of the payments are sometimes credited toward the down payment, and the price and terms are specified with the original agreement.

There are other possibilities, such as a "contract of sale" purchase. The bottom line: For some buyers, this is a strategic time to look for and acquire a home.

Q: Will housing bottom out this year?

A: David Seiders, chief economist for the National Association of Realtors, made this recent statement about the market prospects for this year: "I think the best bet is that 2008 will be the year we will be looking at the bottom for various components of the housing market." Seiders said his forecast is based on several assumptions -- the economy avoids recession, Congress passes key reforms to address the subprime lending crisis, and the central bank remains ready to step in if needed to keep the economy moving forward.

Jerry Howard, executive vice president of the National Association of Home Builders, said this:

"We are in a downtime and many markets have been overheated and are now undergoing a natural correction. But all housing is local. The reason we think the market will stabilize and come back is because many smaller markets that did not experience overheating are still performing at a relatively healthy level. If you balance those markets against those that are undergoing major correction, we see a solid recovery down the road."

Q: What type of lender do Realtors usually recommend?

A: An increasing number of real estate brokers and sales associates are changing the way they recommend mortgage lenders to their home buying clients, according to results from a survey taken by Campbell Communications.

The study questioned agents about how the ongoing mortgage crisis has impacted the home purchase market. It also asked agents to rate individual lenders on their performance in the current environment.

Most agents appear to favor lenders owned by their own brokerage firm over large national lenders. Surprise-surprise. About 40 percent of respondents indicated they have modified their mortgage recommendation practices in light of the shake-up in the industry.

Among those altering their practices, the most common change was to more frequently recommend their company's "preferred mortgage provider."

That trend is in sharp contrast with past surveys of real estate agents conducted by Campbell Communications that showed very little loyalty to in-house or affiliated lenders.

Recommendations for a lending firm provided by brokers is fine and should be considered, but home buyers should also compare offerings from several lenders. In some cases, a broker's in-house mortgage lender is the worst choice of available lenders in the local market.

Q: Are more or less homeowners now refinancing?

A: At last report, applications for refinance mortgages are rising sharply. Apparently more homeowners are taking action to refinance their existing mortgage before interest rates rise further.

At this writing, the number of refinance loan applications increased by 32 percent over the previous week. The refinance share of mortgage activity increased to 57.7 percent of total mortgage applications, compared with 50.9 percent the previous week, according to a report from the Mortgage Bankers Association.