

BiggerPockets
Market Intelligence

WHAT MORTGAGE IS BEST FOR ME?



Why Are Mortgage Rates So Important?




Interest rates on mortgages are one of the biggest factors in housing affordability. Because most properties are purchased with debt, the cost of financing a home loan can have major impacts on individual buying behavior and the housing market as a whole. For the average homeowner, mortgage rates can be the determining factor in “how much” house they can afford to buy. For real estate investors, mortgage rates can make or break a deal!

The Cost of Debt

Assuming a 30-year fixed rate mortgage, a \$400,000 loan on a property with an 8% mortgage rate would cost \$2,935. If, for example, mortgage rates dropped 3.05%, the buyer’s monthly principal and interest payment would also drop by \$800 per month (not factoring in taxes or insurance).

Loan 1 
Loan amount: **\$400,000**
Mortgage rate: **8.0%**
Monthly payment
(Principal and Interest): **\$2,935**

Loan 2 
Loan amount: **\$400,000**
Mortgage rate: **4.95%**
Monthly payment
(Principal and Interest): **\$2,135**

As seen in the example above, for a given house lower interest rates mean lower monthly payments.

Lower interest rates can also increase spending power. For example, if rates fell from 8% to 4.95% the buyer could buy a property that is \$200,000 more expensive, while keeping monthly payments the same.

House 1 
Loan amount: **\$400,000**
Mortgage rate: **8.0%**
Monthly payment
(Principal and Interest): **\$2,935**

House 2 
Loan amount: **\$600,000**
Mortgage rate: **4.95%**
Monthly payment
(Principal and Interest): **\$2,935**

Unfortunately, you may have little control over the mortgage rate you’re offered, as mortgage rates are determined by a combination of macroeconomic conditions. But, there are a few things you can do

- **Shoot for as high a credit score as possible**
- **Use points to buy down your rate**
- **Negotiate with lenders**
- **Borrow less with a larger down payment**
- **Ask for rate buy downs in the form of seller concessions**
- **Learn to understand and predict rates and the direction of the housing market at Dave Meyer’s workshop!**

Which Mortgage is Best for You?

As a real estate investor, there's a high likelihood that you won't be purchasing your properties in cash. Because of that, it's important to understand the loan products available to you—including which best suits your needs.

There are several factors that go behind which financing is available to you, including:

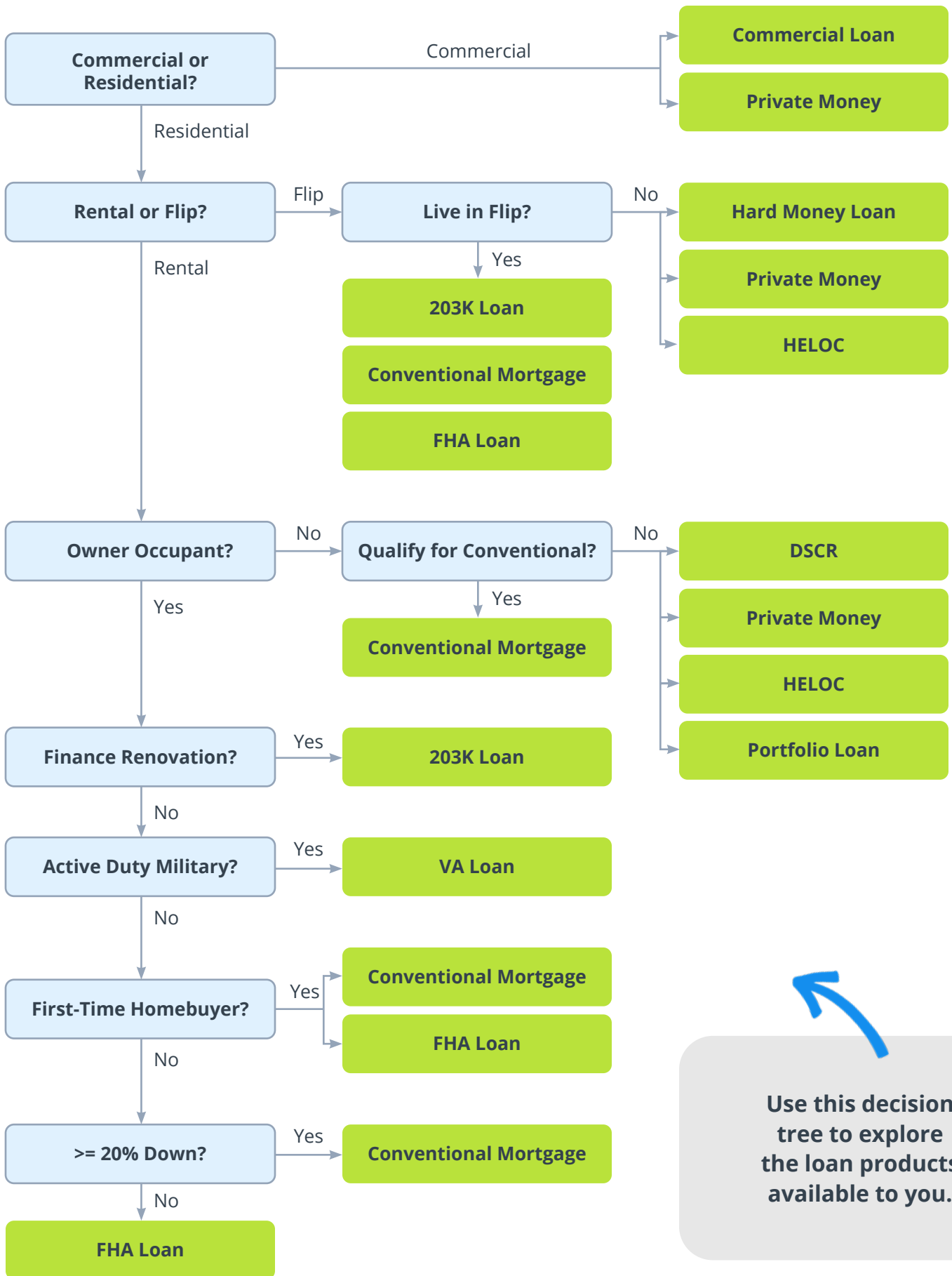
- **Your strategy type (e.g., long-term rental, flip, BRRRR)**
- **How much capital you have**
- **Whether you are investing commercially (5+ units) or residentially (<4 units)**
- **Whether you will live in the property**

Use the decision tree on the following page to highlight which loan products make the most sense for your position.

Deciding how you will finance a property is one of the biggest pain points for real estate investors. You might have more options available to you than you think, and every type of financing has its own pros and cons, so be sure to tune into Dave Meyer's LIVE workshop on picking a market, on March 28th, 2024 at 2:00 PM EST to discuss these factors in depth!

And don't forget to attend Dave Meyer's LIVE workshop on picking a market, on **March 28th, 2024 at 2:00 PM EST!**





Use this decision tree to explore the loan products available to you.

Take Your Market Research Skills to the Next Level!

Join expert host Dave Meyer for a virtual live workshop to pick up exclusive tips and insights about how to predict the direction of mortgage rates to plan your investments, and discuss what financing products make the most sense for your investment case.

MARCH 28, 2024 | 2:00 PM EST

This event is only for [BiggerPockets Pro Members](#). Don't worry, you can use the code

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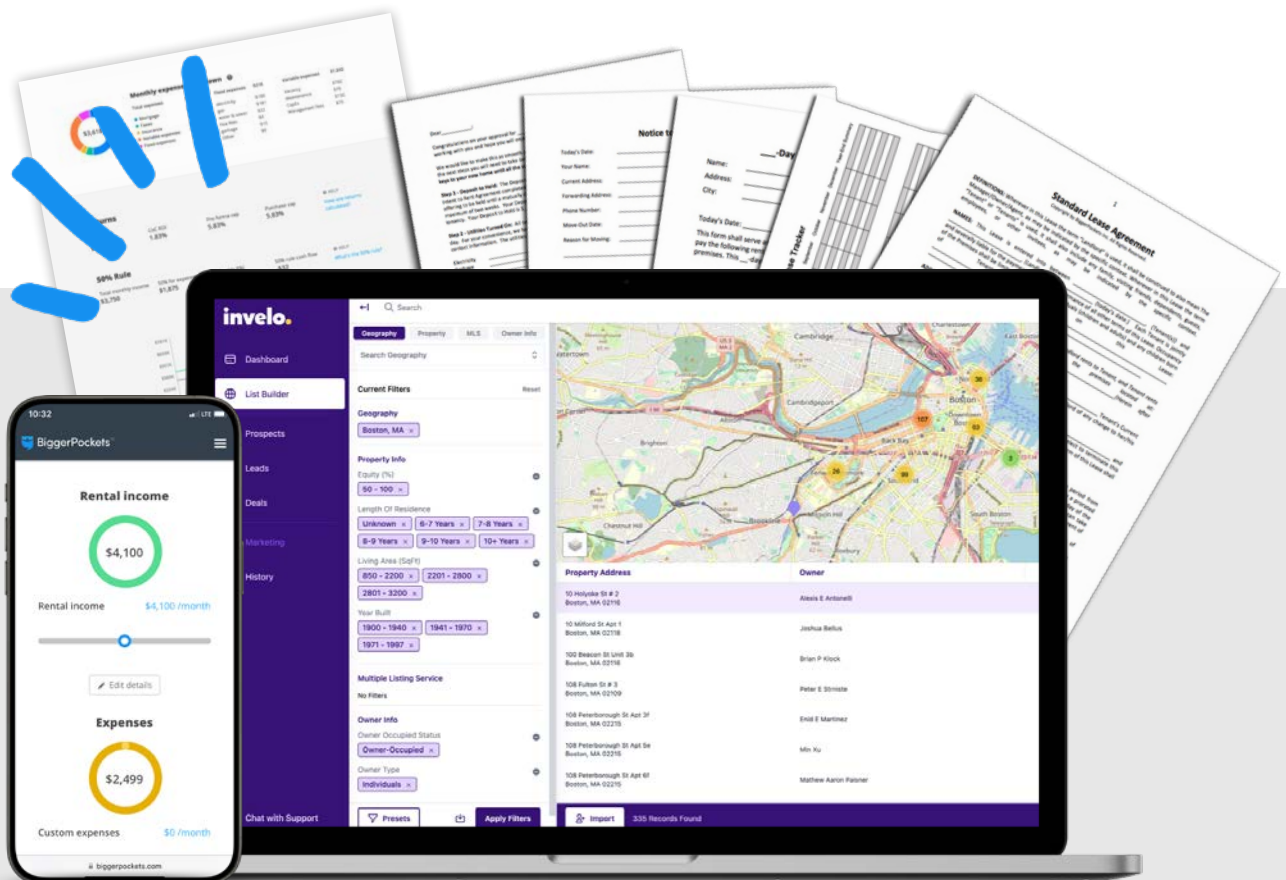
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