

# Why It May Be a Good Time to Buy a House: 'Real' Mortgage Rates Improving

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Sales of previously owned homes rose 11.4% during the third quarter while median prices fell 11.2%, according to [a report released Tuesday](#) by the National Association of Realtors.

"The market is clearing," says our guest, [Liz Ann Sonders](#), chief investment strategist at Charles Schwab & Co. "In a lot of cases the best sales are coming in areas where the price declines have been the most severe."

Not surprisingly many buyers were lured into the market by falling prices, with so-called distressed sales (foreclosures and short sales) accounting for 30% of activity, according to the NAR. "When the pricing metric gets so enticing, it stimulates demand," she tells Aaron and Henry.

Just seasonal demand? While some bears argue recent sales gains reflect seasonal warm-weather buying, Sonders doesn't see another giant leg down in prices coming. "It's hard for me to envision a scenario where across the board we're looking at another 25% to 30% drop in housing prices," she says.

Of course the real question here is: What's your real mortgage rate? That's your borrowing costs plus the appreciation or depreciation of your home, [as she explained here](#).

"The real mortgage rate is improving," Sonders says. Values are "falling at a less rapid pace. That math is starting to look a little bit better."

- *Courtesy of Yahoo!Finance on-line*