## Ferdie J. Deering

JUL 15 1982

# It's Not the Cost That Breaks You

HOMEOWNERS and motorists used to say, "It's not the initial cost but the upkeep that breaks you."

That ought to be modified to read, "It's not the price of the house or car, but the interest cost that breaks you."

A dollar today will buy about what a dime would buy right after World War II. Back then you could buy a pretty good house for around $8,000. Recent reports say that the median purchase price for a house in Oklahoma City is $83,500, with monthly payments of $744 a month, which is about 10 times those of 35 years ago.

In those days, a new car cost $1,200 or $1,500 but a vehicle of comparable size now might cost $12,000 or $15,000.

Those increases in prices might not be so unbearable if interest rates had stayed the same, because incomes also have gone up at least 10 times in nearly every trade and profession.

A comparison of mortgage terms compiled by real estate experts was published in this newspaper July 1. It showed monthly payments on a loan of $100,000 at various interest rates and listed total mortgage payments over the life of the loan.

The tabulation revealed who is getting the big money in the housing business. It is the lenders, who might be mortgage bankers, savings and loan associations or individual depositors.

Suppose you are contemplating a 15-year loan for $100,000 to pay the balance on a house after cash down or trade-in.

If you could get that money at 6 percent interest your monthly payments would be $739 and total interest paid would come to $51,740. Interest would cost half as much as the loan.

If you obtained a loan for the same amount for the same period at 14 percent interest, your monthly payments would jump to $1,332, almost double. You would repay a total of $239,760, with interest amounting to nearly 1½ times the money borrowed.

If you had to pay 18 percent interest, your monthly payments would leap to $1,610 and you would pay $189,800 in interest.

The principle applies to purchases of automobiles and retail merchandise, although smaller amounts and shorter terms of repayment would reduce total outlays proportionately.

Economists have been debating whether saving or spending will increase as a result of income tax reductions that went into effect July 1. Merchants naturally are hoping for a boost in business, but with savers drawing the highest interest rates ever paid on deposits of various kinds the incentive to save is strong.

Desperate automobile dealers are offering cash rebates, high trade-ins and discounts to attract buyers. These are nice, but a purchaser can get these benefits and knock a bigger chunk off his total cost in interest on savings and savings on interest.

Merchants know that credit buyers often are bigger spenders than cash customers and many like to have charge-account customers. However, they will take cash when it is offered to them.