IS IT TIME TO REFINANCE YOUR MORTGAGE?

TOP REASONS TO REFINANCE

1) LOWER RATE
2) SWITCH FROM ADJUSTABLE TO FIXED RATE
3) REPLACE HELOC WITH FIXED RATE
4) CONSOLIDATE DEBT AND REDUCE PAYMENTS
5) CASH OUT FOR HOME IMPROVEMENT, COLLEGE ETC
6) REMOVE SPOUSE FROM LOAN (DIVORCE)

Mortgage rates still near all-time lows and many people are trying to decide whether or not to revisit their existing home financing. How do you decide if it makes sense to refinance? The old adage that you need to reduce your rate by 1% to make it worthwhile is overly simplistic and can lead homeowners to make the wrong decision.

STEP 1: WHAT IS THE RIGHT MORTGAGE PRODUCT FOR YOU?

Mortgages come in many varieties including fixed, adjustable, and interest only. A fixed rate is the safest but it is also the most expensive, as there is a premium paid for the fixed rate feature. Before deciding which product is best for you consider the following:

1. How long do you plan to stay in your home?
2. Do you need to reduce your payments while kids are in college?
3. Do you expect to have kids and move to a bigger home in a few years?
4. Do you plan to retire and move within the next few years?
5. How predictable is your income? Is it likely to increase or decrease?

A 30 year fixed loan can be obtained for about 3.875% these days. Adjustable Rate Mortgages (ARM's) can be obtained for as low as 2.75% on a 5 Year ARM and 3.25% on a 10 year ARM.

Many people are afraid of adjustable rate and interest only products due to the bad reputation they received from the most recent recession. While they are not a good fit for everyone, consumers should understand they are paying a substantial premium for selecting a 30 year fixed rate mortgage. You may be better off saving money on your mortgage and placing it elsewhere.

COST OF DIFFERENT MORTGAGE PRODUCTS

TYPE OF MORTGAGE	LOAN AMOUNT	RATE*	APR	PAYMENT
30 Year Fixed	$1,000,000	3.875%	3.924%	$4,702
10 Year ARM	$1,000,000	3.25%	3.175%	$4,311
7 Year ARM	$1,000,000	3.00%	2.973%	*$4,216*
5 Year ARM Interest Only	$1,000,000	3.125%	3.097%	$2,604

*Rates are based on many factors including but not limited to LTV, type of property, FICO, Location & transaction type and are subject to change without notice

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STEP 2: HOW MUCH WILL IT COST TO REFINANCE?

The cost of refinancing varies drastically depending on a number of factors such as the location and type of property. To get an accurate estimate of all your closing costs please call or email me to receive a detailed breakdown of your specific scenario.

STEP 3: HOW LONG WILL IT TAKE TO BREAK EVEN?

Now it's time to do the math. How much are you paying now and how much can you save by refinancing? If you can break even in year or and you plan to stay in the home longer than that, it might make financial sense to refinance.

If you have an ARM that is close to reaching the end of the fixed rat period you might consider switching to a fixed to avoid a rate increase, even if there are no initial savings. With fixed rates at historic lows and talk of the fed increasing rates this could be an ideal time to do so.

NOTE: I am now licensed in Florida and California

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