

3 Reasons to Refinance Your Mortgage!

There's no two ways about it: Mortgage rates are low right now. In fact, they're lower than they've been in decades, making this not only a great time to consider buying a home, but also an opportune time for homeowners to refinance. But is refinancing *always* the right thing to do? It depends.

When interest rates change in your favor, it's important to keep in mind your long-term personal finance goals. First, you'll want to take stock of your financial situation and reflect on where you want to be in the long run. With a clear vision of your needs and intentions, you can wisely consider some reasons to refinance, and clearly evaluate the decision in relation to your personal financial objectives.

Here are some great reasons to refinance:

1. Refinance Your Mortgage to Maximize Your Monthly Budget

By refinancing, you can usually lower your monthly payment. This means there's more money each month for you and your family to spend on other expenses. Maybe you have a life changing event approaching—such as a new baby on the way—or need to save for a new car. Whatever the case, refinancing is a great way to squeeze more juice out of your income.

2. Refinance Your Mortgage to Get Out of Debt

Debt such as credit cards and student loans are often at much higher interest rates than current mortgage rates. It's wise to shift your debt to a lower interest rate via your home's equity. With a cash-out refinance, for example, you can pay down those high interest credit cards, and you'll pay less interest to banks in the long run.

Understanding the Annual Percentage Rate (APR) of a Loan

A good tool to help you understand how loans may differ from each other is the Annual Percentage Rate or APR. The Federal Truth in Lending law requires mortgage companies to disclose the APR when they advertise a rate. It is designed to represent the true cost of the loan to the borrower, expressed in the form of a yearly rate. The purpose of the law is to prevent lenders from hiding fees and upfront costs behind low advertised interest rates.

However, the APR remains a confusing number for many. Even lenders admit it is confusing since it includes some, but not all, of the various fees and insurance premiums that usually accompany a mortgage. The rules for the calculation of this number have not been clearly defined, so APRs vary from lender to lender and from loan to loan, depending on which types of fees and charges are included.

Most do not recommend relying upon the APR as an indicator of a loan product's value. The APR calculation is based upon the assumption that you keep your loan for the entire period of the loan, say 30 years, which in reality may not be the true hold period for a borrower.

In addition, the APR model is flawed in that when a product is variable and tied to an index, the index is assumed to never change. This obviously is an invalid assumption that can lead again to a number, which in fact can not be compared, from one quoting source to another.

Finally, the APR won't tell you anything about balloon payments and prepayment penalties and how long your rate is locked for. So a loan with a lower APR is not necessarily a better loan. You can use APRs as a general guideline when discussing different types of loans, but you should not depend solely on the APR in choosing which loan is best for your needs.

With interest rates for 30-year fixed rate mortgages hovering in the 5-6% range, and the average consumer credit card rate hitting nearly 15%, shifting your debt could save you thousands of dollars in interest, depending on your current debt load. If your home has equity and you also have serious credit card debt, you'd be wise to look into refinancing!

3. Refinance Your Mortgage to Position Yourself for the Future

Maybe you're one of the lucky homeowners who is comfortable with your current payment, and are relatively debt free. Even so, the fact remains that rates are low. The government has spent large amounts of money to keep rates artificially attractive to stimulate the economy. If you look at rates over the past 20 years, you can see that—with the exception of a period in 2003—rates are lower now than they've ever been. But what goes down must come up, and rates are bound to creep back up as the economy recovers. Locking in a low rate now could pay off for years in the future. Right now could literally be the chance of your lifetime to get the lowest rate possible.

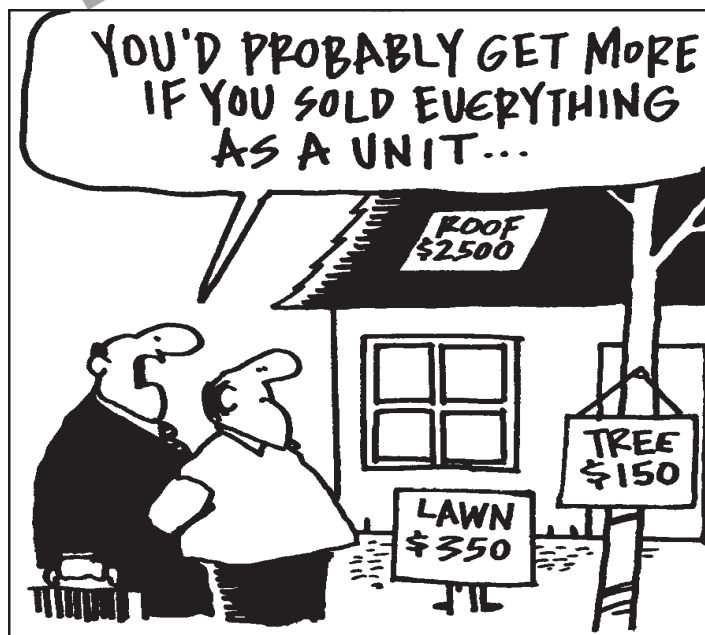
Keep it up! Whatever your hopes for your finances are, keep in mind that persistence, discipline, and smart decisions are your most important tools for success. And in your journey toward achieving your financial goals, don't forget that refinancing your mortgage to a lower rate can be a valuable tool in your personal finance arsenal.

For more information about possibly refinancing your home at a lower rate, contact our office today!



As most lenders will tell you, it is usually just as important to look at other factors.

To learn more about APRs and how they are calculated when considering different types of loans that are available to you, contact our office today.



14 MORE Suggestions for Stretching Your Budget!

1. Shop the Sales and Clip Coupons

Make this part of your shopping routine. Most local grocery stores post their weekly ads on their website. Before you go shopping, make your list based on the current week's sale items. Clip coupons of ONLY the items you regularly purchase. Don't purchase a new item JUST because you've found a coupon. This will help you stay focused on your budget.

2. Plan Out Your Holiday Spending Budget in Advance and Then Stick to It

Assign a reasonable spending amount for each person on your list. Consider splitting the cost of gifts with relatives, or getting more creative.

3. Give Fewer Gifts and Be More Creative About Them

Does every niece and nephew need Easter, Halloween and Thanksgiving Day gifts? Probably not. Send a card and maybe a small cash gift inside. If they're young, \$5 with a card is absolutely acceptable and thoughtful.

4. Take Public Transportation When Possible or Carpool

You can cut your gas budget in half if you carpool with co-workers and alternate drivers. Or, explore taking public transportation if your city offers it. Less wear and tear on your own vehicle will cost you less in the long run.

5. Seek Out FREE Family Activities

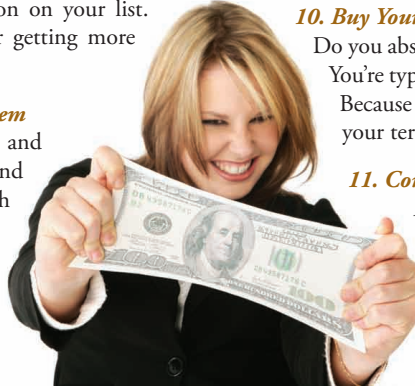
Check your local newspaper for free events at museums and other attractions. Go online to your local Chamber of Commerce or Parks and Recreation website for event listings. Vacation in lake spots with nature trails and plenty of room for outdoor activities.

6. Rent a Movie Instead of Going to the Theater

An evening at the movies (plus snacks) can run upwards of \$50-\$60 for a family of four. Renting a movie from your local library typically doesn't cost over a dollar. Even a movie from your local rental store won't run you over \$5—a much less expensive (and more comfortable) alternative. Make a night of it. Get microwave popcorn, soda and candy. The cost of your night should be less than \$15 total.

7. Vacation At Home

Taking time off for vacation? Who says you have to leave the state? Take a week with the family and spend it at home exploring local attractions. You'll



have a relaxing week without the stress of over spending.

8. Consider Raising the Deductible on Your Homeowner's and Car Insurance Premiums

You may be able to shave 15% to 20% off your annual premium.

9. Purchase as Much Insurance from the Same Company as Possible

Typically insurance companies will give you a discount for carrying more than one policy with their company. Add family members and combine auto and homeowner's insurance to maximize your discount.

10. Buy Your Next Car, Don't Lease

Do you absolutely HAVE to have a new car every two to three years? You're typically better off *purchasing* a car rather than leasing. Why? Because you don't have to worry about mileage and at the end of your term, you have something to show for your payments.

11. Consider a Used Car Rather Than a New Car

A new car instantly loses 10% to 20% of its value the minute you drive it off the lot. If you purchase a pre-owned or pre-leased vehicle, you'll save the depreciation *and* the car may even still be under warranty.

12. Find a Bank With Convenient ATMs

If you find yourself paying ATM charges from other banks because your bank never seems to have a convenient ATM location, switch. At nearly two dollars for every withdrawal, you're probably paying too much.

13. Cancel Unnecessary Channels on Your Cable Service, and Extend the Promotional Rate

Time to separate your needs from your wants when it comes to cable service. Do you *really* need three movie channels? Consider cancelling all additional movie channels that are not absolutely necessary. Also, if you received an "introductory rate" or some kind of a promotional rate when you first signed up for cable, and it's recently increased, put on your bargaining hat. Call your cable company and tell them that you're going to shop around for another service if they can't get you a lower rate. If they really want your business, they'll often try to find another promotion you can take advantage of.

14. Keep Your Checkbook and Other Accounts Balanced

It's easy to do with financial software like Quicken® or QuickBooks®. Or simply utilize Microsoft Excel spreadsheets to calculate your expenditures. You'll always know exactly how much you have and where it is.

...

From the Inside: "Are mortgage interest rates lower within 30 days of closing than 45 or 60 days?"

Generally speaking, the shorter your lock, the less it costs. If you want to lock your rate for a longer amount of time, it will usually cost more money because a lender takes on risk to guarantee that rate for you. So yes, generally a 30-day lock would be less, but 15 days would be even less. Less risk = less cost.

"I was wondering if it is a good idea to use my 401k for a down payment on a house?"

With all the financing options there are, taking money from a retirement fund is really not necessary. Your money is growing in your 401k and will continue to grow if left alone. You'll be glad you left it alone when you retire! Competitive financing options are still out there. If you've got any money outside your 401k, a healthy down payment will open you up to even more options. Your lender will ask you a lot of questions about income, assets and credit and then take the time to put together some options specifically designed for your particular situation.

"Buying a house...where do I start?"

First, you need to figure out what's important for you in a house. Create a

"nice to have" list and a "don't care about" list. In other words, make a list of what is important for you in a house. Are great schools a major factor in where you want to live? Is access to public transportation important? Nearby parks? Proximity to your job? Do you prefer urban, rural or suburban living? What isn't important to you? Once you have your list, then you're ready to start. For example, visit open houses in an area where you might want to live. You can walk through homes and get a feel for what's on the market. If you are ready to move forward after that, contact your real estate agent.

"How do I determine how much of a monthly payment I can afford?"

Knowing the answer to this question will help you find out your target home price. And don't forget to include in your home-buying budget expenses such as closing costs, appraisals, fees, etc. At this point, you really need to talk to your lender as soon as possible to get specific information. Overall, your credit score and income may be solid, but don't forget that there are four parts to getting approved for any mortgage: Income, credit score, assets and the property itself.

...