

Never Refinance Your Mortgage: True or False?

If you're a conventional thinker, you might be one of those people who feels the only mortgage for you is a traditional 30-year fixed-rate mortgage. Fine. But you may also think once the loan has been closed, you shouldn't have to think—or worry—about it ever again. But, like everything, times change, and if you're still treating your mortgage the old-school way, then you're probably in for a big surprise.

MYTH: YOU SHOULD NEVER REFINANCE YOUR MORTGAGE

FALSE! Sure, there are times when you should leave your mortgage alone, but there are also times when refinancing could reap lots of rewards. Managing your mortgage wisely should be a part of how you manage your assets.

Lowering Your Monthly Payment

One of the biggest reasons many people refinance is to lower their interest rate which, subsequently, lowers their monthly payment. Let's say you got a loan with an interest rate at 7.5 percent; your loan amount was \$100,000; and it's a traditional 30-year fixed. Your payment (without taxes and insurance) would be just under \$700. Now, let's say rates have dropped down to 6.5 percent. If you were to refinance, your payment would drop to about \$632. Now that you've refinanced, you're keeping nearly \$70 more in your pocket a month that you could use toward other bills or just extra spending money. Over a year, that adds up to \$840! Perhaps you can finally take that vacation to the Bahamas after all.

Refinancing from a Fixed to an ARM

Not interested in lowering your rate and payment? Fine. Let's say you have a home that you bought with a 30-year fixed-rate mortgage. But what if you have to move a lot? Many people in the military, for example, have to relocate themselves and their families quite often. This also goes for some people in sales-oriented careers where they get transferred often. Even if you don't have to move a lot, the average American family moves every seven to nine years. Keeping a 30-year fixed rate mortgage may not make as much sense in these types of situations as having a shorter-term adjustable rate mortgage (ARM), because the rates for a 30-year fixed are often higher, which means you're paying more. Why pay more when you don't have to?

Refinancing from an ARM to a Fixed Rate

Let's say you do have an ARM. Why would you need to refinance to a fixed-rate mortgage? Well, if rates are continually rising, you'd want to keep your rate from increasing too high. Otherwise, you face increases in your monthly payment. In this case, you'd want to refinance to a fixed rate to avoid rising rates and payments.

Getting Cash from Your Home

Whether you have a fixed or adjustable rate mortgage, there are times when it's prudent to refinance your mortgage. You might need to make home improvements or consolidate high-interest debt. Let's say there was a big storm that ripped through your neighborhood and now your roof is leaking. You realize you need to have the entire thing replaced. What do you do? Don't reach for that credit card, if you want to fix it. Credit cards carry higher interest rates than do mortgages and, unlike mortgage interest, you can't deduct credit card interest from your taxes. (Always check with your tax advisor.)

Or what if you went through a financially hard time and now you have thousands of dollars of debt racked up on your credit cards. How are you going to pay off those bills?



The better solution is to refinance your mortgage to get cash out of your home using your home equity. Essentially, you get a new mortgage to pay off your old mortgage and you have extra money (taken from your home equity) to pay for home repairs or improvements or to pay off your debt. Moreover, making home improvements has the added benefit of increasing your home value so that when you sell it, you can make a bigger profit. And paying off your debt can improve your credit so that when you need another loan, you can get better loan terms and lower interest rates. In fact, you could even use the money you get from your home equity to make a down payment on an investment home, thereby increasing your cash flow.

The truth is that everyone's situation is different and you have to judge whether or not it's right for you to refinance your mortgage. There are times it makes sense and times it doesn't. Even if you don't think you should refinance, it's wise to contact an experienced mortgage professional to find out for sure.

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Trouble Selling? It May Be Your Pet!

You're ready to move. Your house is on the market and you're sure it will go fast. But...it doesn't. People love it, but don't seem to want to come back for a second look. Why? What's wrong?

Maybe it's because you have pets

While you may think your dog or cat is a snugly, cute and lovable family member, your prospective homebuyer may think of that pet as a stinky, hairy, destructive nuisance. The bottom line — dogs and cats (and other pets) can actually make your home harder to sell.

So what do you do?

Experts often suggest that you put your pets in a kennel. Out of sight, out of mind. This is one of the surest ways to keep your house presentable while showing.

The potential problem with boarding your animals, however, is that in some regions of the United States, homes are selling slowly. At an average of \$20 a day for kennel fees, the costs can add up. Can you imagine if it takes six months to sell your home? That would be a kennel fee of \$3,600! Plus, most pet owners aren't comfortable with having their pets in a kennel for any where near that length of time.

If you don't want to spend a fortune on animal boarding and you don't like the idea of your pets being locked up indefinitely in a kennel, you do have other options. They just might require some extra work. Most importantly, you have to keep your house clean.

Get Out the Vacuum!

Vacuum every day, even twice a day. A house full of pet hair can be a huge turn off to non-pet owners. When vacuuming, pay careful attention to the corners and edges of carpeting. Unsightly animal hair can build up in these areas and may not always be picked up by normal

vacuum cleaners. Lint rollers come in handy for cloth furniture and other areas that are difficult to vacuum.

Avoid Basement Smells

There are two smells that can be particularly offensive to a prospective buyer when they tour your basement: must and mildew smells, which can signal a leak or flooding problem, and that stinky cat litter box. Few things are worse than a dirty litter box; it will send buyers running for the side door. Clean it daily! Keep that litter box at bay by keeping all pet waste out of it as much as possible, using cat litter with air

fresheners to control odor, buying the highest quality litter possible and touching up the litter box before each showing. You might even consider washing the litter box when replacing litter with soapy water and a small amount of bleach. This cuts down on bacteria and will keep smells to a minimum.

With dogs, the odors can be more subtle. Try boiling cinnamon in water for 30 minutes before your buyers arrive. Try misting water scented with lemon or orange on linens before ironing, or when you change your sheets. Also, consider using cleaning products with a lemon scent and wipe all surfaces before a showing, including window sills, walls and doors. If the smell of your pets is extremely strong, try bleach. While bleach is not a favored smell, most experts agree the smell of

bleach is better than the smell of someone else's pets.

Build a Temporary Pen

During your home showings, keep barking dogs or other distracting animals out of the house or buyers might have a hard time focusing on the home. Arrange for friends or family to take your dogs for a few hours. Or if you have to, take the dogs for a long walk until the showing is over. Having them at the house is the last choice and should be avoided at all costs. The last thing you need is a lawsuit when someone claims your dog bit them or a family member.

If you simply can't arrange to get your dogs out of the house, set up a temporary pen in your backyard. Your real estate agent will alert any other agents showing the home that your pet will safely stay in the pen. You can buy temporary pens for about \$200; this gets you a 6' x 6' pen that you can take with you when you move. Temporary pens keep pets out of the rest of your backyard and away from fresh landscaping.

Market Your Home to Other Pet Lovers

Perhaps the best piece of advice: Sell your home to another pet owner. Instead of trying to hide all evidence of pets, promote the fact that your home is "pet-friendly." Work with your real estate agent to market your home to other pet lovers.

With a little bit of planning, you can sell your home, even if you have pets. You have plenty of options for keeping your pets safe during showings, and with a bit more elbow grease, potential buyers don't have to be hit at the door with their presence. Get creative and your home still has a great chance of selling quickly.

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