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IS NOW THE TIME TO REFINANCE?

Interest rates on 30-year fixed mortgages hit a record low.

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Mortgages are cheaper than ever. Economists and real estate analysts who predicted lower interest rates were not disappointed; the earliest numbers from 2012 have reached an all-time low, leading a number of homeowners to consider their options.

On January 12, interest rates on 30-year FRMs dropped to 3.89%. That was the third record-breaking week in a row, and the sixth week that rates were below 4.00%.

Interest rates are down across the board, as well: Freddie Mac is reporting 15-year FRMs are down to 3.16%, while 5/1-year ARMs and 1-year ARMs were down to 2.82% to 2.76%, respectively.^{1,2}

Lower rates could lead many to refinance. If you're considering it, you certainly wouldn't be alone in seizing the day; for the week of January 13, the Mortgage Bankers Association reported an increase of mortgage loan applications up 23% last week, with refinancing efforts up 26.4%.³

Keep your eye on the big picture, though. While it might seem to your advantage to take your interest rate down a few percentage points, you need to know the answers to these three questions: 1) How much will you really save per month? 2) What are the lender points and fees? 3) How long will you be living in your current home?

For example: Knocking off a hundred dollars or more from your monthly payment might seem like a great idea, but how long are you planning to stay in your current home? As part of your agreement, your mortgage company could add a lender point (potentially thousands of dollars) and hundreds more in fees, making a refi short-sighted if there's a new house on your horizon.

On the other hand, if you're planning on staying in your home for several years, a refinance has the potential for big savings. If you're moving to a 15-year loan from your 30-year loan (or vice-versa) or from an Adjustable-Rate Mortgage into a Fixed-Rate, a long-term homeowner has a different scenario to consider.

Rates won't stay low forever. There's no way to tell how long the trend will continue. An April 2010 headline in the *New York Times* proclaimed "Interest Rates

Have Nowhere to Go but Up.” At that time, the average rate for a 30-year fixed mortgage was 5.31%. By January 2011, the rate had fallen to 4.71%.^{2,4}

Where advantageous rates are concerned, what comes down usually goes up. While you do have time to get on board with these low rates, nobody knows when they might take off again.

Consider your next move carefully. Refinancing may be an option, but it’s always a good idea to be fully informed before making such an important financial decision. Work with a qualified mortgage specialist to determine your options for refinancing, and then speak to your financial consultant for the big picture on how such a move might affect your financial future.



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