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## The Mortgage Check-Up

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For many Americans saving money is a daily routine. Consumers want to know that they are getting the best prices, products, rates, and returns on their investments. A mortgage should not be overlooked when it comes to saving money and investing wisely. It is always a good idea to review your mortgage and make sure that you've got the right one. With changing financial markets, new products entering the market place as well as interest rate moves, money saving opportunities are always present. A mortgage check-up only takes a few minutes and can end up saving you tens of thousands of dollars. The first question to ask yourself is... Do I know what type of mortgage loan – or loans – I have? Additionally, do I know what my current loan balance is? Do I know what my interest rate is at the present time? Surprisingly, many consumers do not know what interest rate they are paying! Begin by finding your loan paperwork. If you cannot find your loan documents check the lender or closing agent. The document that will be most helpful to you is called the "Promissory Note" more commonly referred to as the "Note", which will be clearly labeled on the top of the form. The "Note" will tell you the amount of your original loan, the interest rate and the terms of your loan. If you have 2 mortgages you will want to locate the "Note" for each mortgage. If you have a fixed rate, you should compare the rate you have with current market rates. Please call for current market rates. To help determine if a refinance may make sense for you use the following formula:

Start with \$125,000 – and divide it by the current loan balance. This will determine the rate differential needed in order for it to make sense to refinance. For example, if the loan balance is

\$250,000 – Divide \$125,000 by \$250,000; the answer is 0.5. A rate improvement of .5, or half-of-one percent, is the minimum decrease in the rate for a refinance to make financial sense.

If you have a HELOC or second mortgage on your home, then you need to determine your average or "blended" interest rate. Here's how to determine your "blended" interest rate:

Take the rate on the first mortgage and multiply it by the remaining mortgage balance in thousands. Then do the same for your HELOC or 2nd mortgage, multiply the current rate by outstanding balance in thousands.

Example:

- 1st mortgage balance \$200,000 @ 6.00%:  $200 \times 6.00 = 1200$
- HELOC outstanding balance \$100,000 @ 9.75%:  $100 \times 9.75 = 975$
- Then add both answers together:  $1200 + 975 = 2175$
- Then divide that result by the combined mortgage balance in thousands:  $2175 / 300 = 7.25$
- This tells us the "blended" rate of the two mortgages is 7.25%
- If rates are one-half of one percent lower than 7.25% it could prove advantageous to refinance

However, it is important to note that getting a mortgage is not all about interest rates or low payments. Many companies inflate closing costs in order to offer you a lower rate. Working with a trusted mortgage professional who can explain your options and help you make wise financial decisions is always recommended. If you or anyone you know feel they could benefit from a mortgage check-up please contact me for a complimentary consultation. I appreciate your business.