

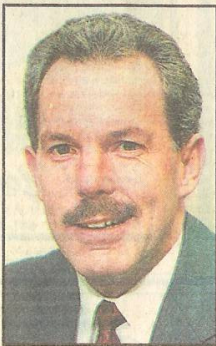
# HOME

## & Real Estate

January 9, 1994

A special publication of the ADVERTISING Department, The Oregonian

### ASK THE EXPERT



#### Is it too late to refinance my mortgage?

By **RICHARD ANDERSON**  
1994 President  
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**Q:** *I'm the last one on my block to consider refinancing? Is it too late?*

**A:** Despite a recent rise, rates are still in the lowest range that we've seen in 25 years. It's never too late to refinance if it accomplishes your financial goals.

For example, you may want to pull out equity, reduce your monthly payment, or shorten the term of your existing loan to save interest. Approximately 50 percent of homeowners have interest rates higher than today's rate, so there are still people who should consider refinancing.

**Q:** *What conditions make refinancing a sound financial decision?*

**A:** Take a long-term view rather than looking only for the lowest rate. Figure out how long it will take to make back the cost of refinancing.

For example, on a 30-year loan in the amount of \$50,000, you would save about \$106 on your monthly mortgage payment if you reduced the interest rate from 10 percent to 7 percent. Let's say the refinance cost a total of \$2,500. That means the cost to refinance will be paid back in two years.

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## Expert: Refinance not for everyone

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1994.

After that you're money ahead. (Divide the cost of refinancing by your monthly savings to determine how many months it will take to pay back the cost.) For smaller reductions in interest rates, it may take longer to pay yourself back. Consider how many more years you plan to be in your home.

**Q:** *Do you think mortgage interest rates will rise or fall in 1994? Why?*

**A:** I don't think we'll see drastic changes next year. Rates should stay between 7 and 7½ percent. The overall strength of our economy and the lack of inflation will prevent rates from wild swings.

**Q:** *What financial instruments best reflect changes in interest rates?*

**A:** For current rate information, the chart in Sunday's Oregonian is a good reference. While nobody can guarantee exactly what the future holds, we can predict interest rate trends by looking at the inflation rate. In periods of high inflation, interest rates are also high. I expect inflation to be in the moderate range of 3 percent in

**Q:** *Is free refinancing a good deal?*

**A:** When consumers refinance without paying fees up-front, the costs are built into a higher interest rate. This could be a great deal for a homeowner planning to move within a few years. Over time, however, it will be a more expensive loan. Be sure to compare carefully.

**Q:** *How long can I expect the refinancing process to take?*

**A:** The volume of refinancing activity has certainly had an impact on processing time; plan on it taking 60 days or less. Ask for a list of paperwork you need to bring to a loan appointment. You can help speed up the process by coming prepared.

Richard Anderson is the 1994 president of the Oregon Mortgage Bankers Association. The OMBA is a network of real estate finance professionals actively involved in legislation concerning the industry and in continuing education for its members. Anderson also is senior vice president of residential loan services at First Interstate Bank and is a certified mortgage banker.