Is It Time To Refinance Your Mortgage?

By Robin Korn, VP, Membership Banking, American Express

(NAPSA)—According to the Department of Housing and Urban Development, a record number of Americans, more than 71 million, now own their own homes. And many of those Americans may be able to take advantage of the substantial savings of mortgage refinancing. With today's mortgage interest rates relatively low in most U.S. markets, you may be able to lower your monthly mortgage payments by refinancing your mortgage.

Refinancing at Internet Speed

For a fast, easy way to determine if refinancing may be right for you, consider using an online mortgage calculator like the one available at americanexpress.com/mortgages, where you can quickly compare mortgage costs and interest rates.

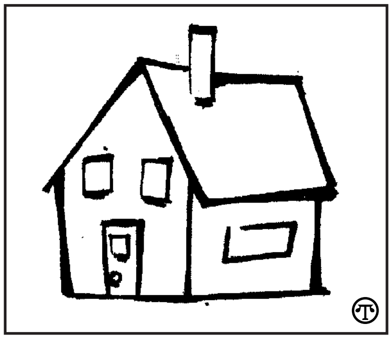
Many reputable mortgage lenders also offer loan applications and approvals online. Loan decisions can often be made on the same day you apply.

Here's a closer look.

Take Control of Your Finances

Traditionally, according to the Mortgage Bankers Association of America (MBAA), lenders have recommended refinancing when the difference between your existing mortgage rate and current interest rates is at least two percent. But, according to the MBAA, today's low-cost and no-cost refinancing options may allow for significant monthly savings, even when the difference is as low as one-half percent.

For example, if you have a $150,000 mortgage financed at 9 percent for 30 years, and refinance the full amount at 7.5 percent, your payments would drop from $1206.93 to $1048.82 per month. Over the life of your mortgage, according to American



Express' mortgage calculator, you'd save more than $56,000, not including closing costs and other refinancing expenses.

Refinancing in today's market may help you:

• **Change your mortgage term.** Refinancing may allow you to time your mortgage pay-off date to coincide with future events that can affect your finances, such as your retirement or the year your child will begin attending college.

• **Make Payments More Predictable.** Most homeowners have a mortgage that falls into one of two general categories:

• **a fixed-rate mortgage**, which locks in a fixed interest rate for the entire term of the loan, usually at least 15 years or, more commonly, 30 years. Fixed rate loans offer the stability of equal monthly payments and are often used by first-time buyers.

• **an adjustable-rate mortgage (ARM)**, which starts out with an interest rate that is usually lower than a fixed-rate loan, but then adjusts up or down periodically. The length of the loan varies from one year to 30 years.

If you have an ARM and are currently facing increasing rates (or if you'd just like the certainty of a fixed-rate mortgage), refinancing when fixed-rate mortgage interest rates are low may be a good idea. Depending on your particular situation, you may even be able to get a lower fixed-rate loan than the adjustable rate you're now paying.

Calculate Your Costs

To decide if refinancing your mortgage is a good idea for you, be sure to add up the total costs of refinancing. You'll want to include refinancing expenses such as closing costs and processing fees. Typically, you can expect to pay between 3 and 6 percent of your outstanding loan principal as closing costs, according to the MBAA.

Determine how many months it will take to recoup your closing costs by dividing your refinancing costs by your potential monthly savings. If you plan to stay in your home longer than the time it takes to recoup costs, refinancing will likely save you money.

Tips to Remember

When going through the refinancing process, be sure to also:

• **Know the tax consequences of refinancing.**

• **Consider a trusted brand for your mortgage.**

• **Consider the total "price" of the mortgage.**

• **Consider a second opinion.**

If you find that refinancing is saving you a significant amount each month, you may also want to consider consulting your financial advisor for tips on how to create a financial plan for your extra funds. An advisor can help you set up a plan that best fits your timeline, tolerance for risk and financial goals.

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