Geier Financial Group

Keeping you ahead of the game!

Client Services Department

FEBRUARY ISSUE

This month we are shining the spotlight on our Client Services Department . Cate Holland, Erich Imphong, and Marcia Chandler are the dynamic trio responsible for helping our client's with several aspects of their lives. They bring an unparalleled level of customer service to our clients while always wearing a smile. Their scope of work includes but is not limited to the following:

- Acting as coordinator of real estate purchases/sales/refinances
- Acting as coordinator for auto purchases/sales/leases
- Filing and tracking auto registrations & titles
- Reviewing & tracking P&C insurance as well as health insurance
- Credit report reviews and maintenance

Please give us a call should you be interested in any of these services.
We are always here for you!

Rates are low and refinancing is on a lot of people's minds. We have attached an article relating to refinancing and what goes into figuring out whether it is the right move for you.

Time to Refinance?

Fixed-rate mortgages are at record lows, but not everyone qualifies to reap the rewards.

By Pat Mertz Esswein, Associate Editor, *Kiplinger's Personal Finance*
January 26, 2009

Between the housing slump and the credit crunch, mortgage lenders last year were as underworked as the Maytag repairman. But now business has picked up nicely, thanks to rates that recently dipped to around 5% on a 30-year fixed-rate mortgage. If you currently have a loan with a rate higher than, say, 6% or an adjustable-rate mortgage ready to reset, this could be the time to refinance.

Despite the Federal Reserve's efforts to thaw credit and nudge mortgage rates lower by cutting short-term lending rates, fixed mortgages stayed in the 6% to 6.5% range for much of 2008. But just before Thanksgiving, the Federal Reserve announced that it would purchase $100 billion of mortgages from Fannie Mae, Freddie Mac and the Federal Home Loan Banks, and $500 billion of mortgage-backed securities backed by Fannie, Freddie and Ginnie Mae.

That moved the markets to bid up bond prices, which lowered mortgage rates dramatically. In mid December, the Fed lowered rates again and announced plans to pump money into the system, including buying large quantities of mortgage-related bonds and longer-term Treasury bonds. By mid January, rates briefly fell below 5%.

No need to rush to your bank or broker. The 30-year fixed rate on a conforming loan (less than $417,000) will run "in the low 5s" through the first half of 2009, says Keith Gumbinger, of financial publisher HSH Associates. A few factors are keeping rates low: The economy is still slow, inflation is waning and the Fed’s mortgage-buyback is still getting under way. "How long the malaise is in place matters a lot to this forecast," he says.

Will a refinance repay?

If you have a fixed-rate mortgage and think you'll save money by refinancing, run the numbers using the calculators at http://mortgageprofessor.com. If you don't plan to stay in your home long enough to recoup the cost of a refinance, it's probably not worth it. Closing costs typically run 2% to 4% of the loan amount ($4,000 to $8,000 on a $200,000 loan).

If you have an ARM about to reset, the math is trickier. The indexes that underlie rate resets on ARMs have dropped along with the 30-year fixed rate. If you have an ARM tied to the one-year Treasury index and were due for a rate reset in mid January, you could have anticipated a new rate of 3.25% (a one-year Treasury index value of 0.43% plus a typical margin of 2.75 percentage points).

The London Interbank Offered Rate (LIBOR), which rose to record highs this past fall as banks kept a tight rein on lending, hasn't been so tame. In early January, an ARM based on the one-year LIBOR could have reset at 4.25% (an index value of 1.92% plus a margin of 2.25 points).

Some loans have a downward as well as an upward cap on adjustments. ARMs with an initial fixed-rate period of three years that then convert to a one-year ARM typically have a cap of two percentage points -- that is, each adjustment can't exceed two points. ARMS with rates fixed for the first five, seven and ten years typically have a cap of five points on the first adjustment and two points thereafter.

Before you shop, check your mortgage contract to see what index your ARM is based on and the margin that's added to get your full rate. To find the current index rate, visit www.hsh.com. With the latest loan info and the balance of your mortgage (check your latest statement), you can estimate your new payment (see our How much will my mortgage payments be? Calculator found at: http://partners.leadfusion.com/tools/kiplinger/home02/tool.fcs.

If your ARM is tied to a Treasury index, you may want to refinance sooner than later. Gumbinger says that Treasury indexes probably won't go much lower than they already have and will probably begin to rise as 2009 rolls along and the financial markets start to return to normal. On the other hand, the LIBOR still has some room to decline, so you may want to sit tight through this reset.

What about jumbos?

Opportunities for borrowers with jumbo mortgages (more than $417,000) aren't as attractive. In mid January, HSH reported that the average 30-year fixed rate was 5.32% on a "conforming" jumbo and 6.72% on a traditional jumbo.

What's the difference? For 2009 in 59 metro areas, Fannie Mae and Freddie Mac guarantee loans worth up to 115% of the metro area's median home price, up to a maximum of $625,500 (the limit is higher in Alaska and Hawaii). Anything below that limit is conforming, and anything above it is traditional.

Will you qualify?

You'll have to meet tougher lending standards to qualify for a new mortgage. Victoria Johnson, a mortgage broker in San Diego, says you must be prepared to provide full documentation for two years' worth of income and reserves. The traditional debt-to-income ratios apply: your housing expenses shouldn't exceed 28% of your monthly pretax household income, and your total debt payments shouldn't exceed 36%. (Lenders may consider compensating factors -- for example, if you've been working for a long time and have savings and investments that you can tap if you lose your job.)

Most lenders will require you to have a minimum of 5% to 10% equity in your home to refinance into a conforming loan and 15% to 20% if you want to take out cash (10% to 15% equity to refinance into a conforming jumbo and 20% to 25% if you want to take out cash). The more equity you have in your home and the better your credit score, the better your rate.

Borrowers with less-than-stellar credit scores or who have as little as 3.5% equity may qualify to refinance with FHA. Those who are already delinquent on their mortgage payment, or who soon may be, should check out FHA's FHASecure and Hope for Homeowners programs found at:
http://www.kiplinger.com/features/archives/2008/12/www.hud.gov/foreclosure/index.cfm.