

The

Alpha-Omega Dispatch



December, 2008

VALUE

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Seasons Greetings from Grace Title

Greg Gary, Pat Clark and the entire Grace Title, Inc. staff want to thank you for your continued support throughout the 2008 year. We are all experiencing a trying market, but will continue supporting each one of you in the year to come.

We are excited about the 2009 year and have been working on some new and exciting ventures for the coming year.

Have a safe and Happy Holiday Season. We look forward to a Prosperous New Year!

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Industry Talk...

Refinancing Your Mortgage

We talked to a mortgage expert on the pros and cons of refinancing in today's market

By [Lauren Young](#)

Applications for mortgage refinancing tripled in early December on news that the Federal Reserve will buy up to \$600 billion of mortgage debt. *BusinessWeek's* personal finance editor Lauren Young spoke to mortgage guru Keith Gumbinger of HSH Associates, a financial publisher, about the current refinancing climate.

How easy is it to refinance now?

You generally need to have an equity stake of at least 20% in your home. In the most challenged markets, you need much more. You don't need a flawless credit record, but you need a credit score of 720 to access the lowest interest rates. You must fully document income and assets, which is very different from a couple of years ago. Back then, you could walk into a lender merely breathing and they would say, "Great, here is your loan." Your debt loads relative to income have to be smaller now. At the height of the boom, those ratios—which include housing payments and other debts longer than 10 months—were as high as 55%. Now, you can't have a debt ratio higher than 43%.

Is there relief in sight for borrowers who want to refinance jumbo adjustable-rate mortgages but have been shut out of the market?

People got paranoid about adjustable-rate jumbo mortgages & mortgages that exceed \$417,000 & about a year ago. So many people have them, and there were worries people wouldn't be able to cover mortgage payments if they reset at higher rates. But now there has been a 180-degree turnaround. The rates on adjustable-rate jumbo mortgages are actually lower than fixed-rate jumbo mortgages.

What's New...

We wanted to thank everyone who attended our Customer Appreciation Night on November 13, 2008 Co-Sponsored by John Tankersley and his staff at Florida Insurance Specialists.

We will be having several Customer Appreciation Night's in 2009 and look forward to seeing you. We will announce them in future newsletters.

We would like to Congratulate Melissa Barry with Home Team Equity for being named the Winter Park Leadership Volunteer of the Year. We are very proud of Melissa!!!

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For example, the popular 5/1 jumbo adjustable-rate, which has an initial interest rate for five years and then resets annually, is 6.72%. The traditional 30-year fixed rate is 7.49%. So even if you want to get out of a jumbo adjustable-rate mortgage into a fixed-rate mortgage, now is not the best time to refinance. Ride it out, and you will probably save a few bucks if rates go lower.

Have closing costs shifted, too?

The costs haven't changed too much, but you might find the appraisal for your home will come in below what you are expecting. If you wish to challenge it, your lender may let you get a second opinion, but you will have to pay for it.

Considering that so many lenders have gone out of business, how do you work the system to your advantage?

Some lenders are more capital impaired than others, and their rates may be higher. My advice is to look across your marketplace, and leave yourself a sufficient amount of time to shop around. If you've worked with a mortgage broker in the past, keep in mind that mortgage brokers rely heavily on wholesale lenders [such as major banks and specialty finance companies], and those lenders have basically shut their doors and gone away. As a result, there are fewer funding sources for brokers. If you have a mortgage broker you trust, certainly engage them.

Mortgage rates have already fallen. Should homeowners wait for a new government program to push rates even lower?

If we crack 5%—which would be a 50-year historic low—and stay there long enough, there are many millions of mortgages that can be refinanced profitably. But the lenders' staffs are already very thin. If you have a target interest rate in your head, shop around now for a mortgage lender who will hold onto your application so the paperwork is ready to go if rates fall.

[Young](#) is a Personal Business editor for *BusinessWeek*

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