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# **Real Estate Financing - FHA Mortgage and First Time Home Buyers - RealEstateMarketingThisWeek.com**



<http://realestatemarketingthisweek.com/real-estate/the-old-rules-of-real-estate-financing-no-longer-apply-and-suz-e-ormond-should-know-that/> - The old rules no longer apply and Suze Ormond should know that. -

Part 7 - We have Dan Havey the author of Real Estates Future in the studio today.

Michael, I was just curious, back when I got into the industry many, many years ago there used to be a rule of thumb that if you were going to refinance you had to lower your interest rate by at least two percent and I know as time went along and products changed that really became unnecessary, but I am just curious in today's mortgage market it's a lot different than we were dealing with even two years ago. Is that still true that there is a 2% rule? What's going on now?

I happened to catch Suze Orman on television and she was talking about mortgages, the caller who called in to the program, the question became I believe similar to what Dan just asked, her comment was that basically if you're in 6% interest rate or above now is the time to re-fi. That is what she said, a blanket recommendation. I know a lot of people put a lot of credence into what she says, maybe you could speak to that, the lowest interest rates you've seen in your career, you have been doing this for a while.

I have, and they are. You know there was a lot of speak the last couple weeks about the Fed, the Fed funds rate by the way is the lowest it's ever been in history. As of this week the discount rate is to the point that banks are lending money to each other at nothing, the Fed funds rate for intrabank lending is at zero, the problem is the banks don't have any money.

To be serious about the refinancing, because it's a serious topic, I think people are starting to see their mail boxes filled with lots of advertising crap about refinance. I believe that doing the refinance is no different from doing a loan modification or buying a house, you need to sit down with the human being that's local, that you can know is a legitimate source. You're going to give all this personal information about you, your family, your kids, your Social Security number, you want to make sure you have somebody there that you know who's legit.

In regard to the old rule of thumb 2%, nothing could be further from the truth, and I will expand, but to the point of Ms Ormond that if you're at 6% or higher, that is a blanket statement and blanket statements never work. We just did a refinance for a guy who was at 5 1/2%, and it makes sense. Every situation is different, as far as how much do I have to lower my interest rate to make it work? It depends on the type of mortgage that you get.

The only type of loan to get today in December of 2008 is a 30 year fixed. I know that one of the things that was really interesting to me, and that you and I have referred clients to one another for several years, so we share a number of clients, were familiar with those families and those households, and this is Wednesday, on Monday and Tuesday of this week I've had seven phone calls from clients who you've already done loans for, refinances for, asking if this is the time to refinance a loan that is only a couple years old.

And I know in several of those cases the answer is yes you're actually helping families right now with that process. I am and we do. To answer the question, you need to determine what the payback term is, in other words when your refinance is done it's a new loan, there's the title insurance, appraisals, lots of different things may need to be done, not in every case, but in most cases there are costs associated with that. The cost has to be offset by the amount of savings. It's a breakeven analysis.

Absolutely it is, the shorter the breakeven the better the loan. I am working on a case right now which is going to be done in the next couple of days where the guy lowered his interest rate by an 1/8 of a percent and it made sense for him. It's not for everybody, 2 percent or lower, 2% is significant, now you're talking about really significant savings in terms of cash flow... <http://realestatemarketingthisweek.com>

Duration : **0:6:31**

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