

# Super-low rates spur mortgage refinancing surge

***Homeowners keep mortgage lenders busy as 30-year loan falls to level not seen since 1953.***

By **Eileen Ambrose**  
THE BALTIMORE SUN  
Monday, Aug. 30, 2010

For anyone under the age of 57, mortgage rates are now the lowest they've been during your life.

This fact isn't lost on a growing number of homeowners who have started a new wave of refinancings.

The Mortgage Bankers Association reported this month that refinancing applications are up 26 percent during the past four weeks and account for about 82 percent of all mortgage applications. Not since May 2009 has the volume of refinancing applications been higher.

"We are extremely busy, and it feels good," said Charles DiPino Jr., a senior vice president at New Penn Financial, a mortgage banking firm in Columbia, Md. "The phones are ringing off the hook."

The calls started coming during the past month or so as rates continued to drop week after week. Mortgage giant Freddie Mac last week reported the average 30-year fixed-rate loan dropped to an average of 4.36 percent, a rate not seen since March 1953. (Dwight Eisenhower was president then, and the Academy Awards was shown on TV for the first time.)

Meanwhile, the 15-year fixed-rate mortgage hit a record low of 3.86 percent last week; a one-year adjustable-rate mortgage averaged 3.52 percent, more than a percentage point lower than a year ago, according to Freddie Mac.

"Rates continue to hit new lows because of the weak U.S. economic recovery and the concern that it could fizzle altogether," said Greg McBride, senior financial analyst with Bankrate.com.

But McBride and others advise against waiting to refinance in hopes that rates will fall further. If they do keep falling, that means the economy is getting even more anemic.

"You can win the battle and lose the war," McBride said. "You might lose your job and not qualify for the lower rate."

Refinancing to a lower rate, of course, can reduce your monthly payment. But some homeowners are refinancing to shorten the term of their loan, particularly baby boomers who don't want this debt hanging over them in retirement, McBride said. And some want to trade in the uncertainty of an adjustable-rate mortgage for the dependability of a fixed-rate loan, he says.

Amy Crews Cutts, Freddie Mac's deputy chief economist, said despite the uptick in refinancing applications, the numbers still aren't as high as they should be, given the record-low rates.

Homeowners could be having difficulty qualifying, Cutts said. It could be their creditworthiness has deteriorated. Or their incomes dropped because of a loss of overtime or they were forced to take new jobs that pays less, she says.

So who can qualify for these great rates?

"We're still in a very tight credit market," DiPino said. Homeowners with credit scores of 660 or 680 can qualify for refinancing, but the best rates are reserved for those with scores above 700, he says.

Also, generally if you don't have a certain amount of equity in your home — 20 percent for the very best rates — you might have to pony up more cash to get a new loan, McBride said. Homeowners' equity has fallen along with a drop in home prices or because they took money out of their house the last time they refinanced, he says.

Some homeowners, though, won't need that much equity in their homes to get super-low rates if they qualify for a streamlined refinancing program for loans owned by Freddie Mac or Fannie Mae, said DiPino, the mortgage banker. The program, which requires passing a credit check, is designed for those seeking a lower monthly payment, he says. In other words, you can't refinance to tap the equity in your home.

Of course, there are other factors to consider, such as how long you'll remain in the house, before determining whether refinancing is for you. But with rates these low, it's worth taking a look.

Should you refinance?

Mortgage rates hitting the lowest levels in decades have caused a rush of refinancing.

Check out calculators at [Bankrate.com](http://Bankrate.com) to see if refinancing is worthwhile. The refinance calculator can tell you how much you'll save and how long you must live in the house to recoup refinancing costs.

The FICO score estimator will give you an idea of your credit score. To qualify for the best terms, you'll need a score in the 700s.

**Courtesy of JB Goodwin**