

Client Newsletter

When is it Time to Refinance?

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As you see interest rates falling, and you get multiple solicitations from companies wanting you to refinance, how do you know if it is the right move?

So many factors weigh in on the question. When does it make sense to refinance? The most common answer is probably “if your rate drops one percent or more”. But does this really make sense, especially in today’s market where values are at a significant low compared to just a few years ago. Let’s see if we can dive in and make sense of it.

The number one way to know if the refinance makes sense is if you can recover your costs in a reasonable amount of time. We will start with the simple math. If a loan costs \$3600, and you save \$100 a month, it will take you 36 months to recover your costs. These costs exist whether you pay for them out of pocket, or you finance them back into a new loan. So don’t think just

because it is all in the loan, there are no costs associated with your loan.

Most experts will agree that if you are able to save enough money each month to “pay back” your closing fees within three years, it makes sense to do it. But there are some conditions associated with this thought:

1. How long are you going to live in the home? If you plan on selling shortly, it may not make sense to refinance.

Conversely, if you pretty much expect to live there for 15 more years, and it takes 5 years to break even, it may make sense to refinance.

2. How much longer do you have on the current loan? If you only have a few years left on your mortgage, you might opt to just pay it off. Otherwise, consider a refinance at a shorter term, like 10 or 15 years.

cont. pg.2



Rate Update

Rates are reaching all time lows. Take advantage of these great rates. Even if you think you or your property won't qualify, call us. We may have a program that works for you.

We can even process a loan and wait for the rates to reach your dream number.

PROGRAM	RATE	APR*
30 YR Fixed	4.375%	4.518%
15 YR Fixed	3.990%	4.249%
FHA 30 YR	4.500%	5.475%

*APR is based on a 300,000 loan amount with an impound account on an owner occupied property with 80% LTV on a purchase and rate or term refinance or 60% max LTV on cashout refinance. As of 7/7/2010

Not all interest rates apply to all clients. Call for a quote.

What's New



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Social Networking

As we attempt to find ways to let you know about incredible interest rates or programs that can help you out, we came across a new concept in marketing. It's called social networking, and I think it will catch on. (Just kidding) But seriously, we are now on Twitter, Facebook, LinkedIn and Digg as a company. Get updates to the market when they happen.



If you haven't experienced the social networking sites, don't worry they are easy and pretty fun. You can find old friends, college roommates, or old military buddies. The sites

Cover Story

3. Does it change your finances enough to make a big relief to your outgo? Sometimes you just have to do something to get your monthly budget under control. If \$70.00 a month saved means you can afford to pay other bills, then you might consider a refinance.

4. Are you dropping the term of your loan? If you are going from a 30 year mortgage to a 15 year loan, you won't be saving a monthly amount as much as you are saving on overall payments. This is a great example of when saving nothing, or even paying more each month can make sense to refinance.

Should you use an adjustable rate mortgage (ARM) if you do refinance? Well this is a tricky question. I am guessing about half of you are saying "no way" and the other half are thinking of reasons why an adjustable rate makes sense. The first answer I would give is "if you are uncomfortable with an ARM, don't do it." The second answer that comes to mind is "if you are comfortable with an ARM, don't do it." No, this isn't a typo. There are very

we subscribe to, we believe, are the most family friendly sites.

Visit www.redwoodfs.com/network.html to sign up under your favorite social networking site.

A New Website

We have a new site dedicated to reverse mortgages. You can get all the information you need without any distractions. There are articles and information that will educate you throughout the process. We also have some helpful links to areas of interest.

There is a blog that will allow you to comment or ask questions on the current reverse mortgage topics. Visit: www.RedwoodReverseMortgage.com and let your friends know about it please.

few situations when an ARM makes sense. Interest rates are so low, why would you ever want to risk them going higher on you? Look at the rates on page 1 of this newsletter. Are you really willing to gamble a variable rate loan instead of taking these fantastic fixed interest rates? Now here are the exceptions: If you are looking for a line of credit that you can draw on and repay then draw again, an ARM might be your only option. Reverse mortgages are sometimes done as ARM's because you may wish to get a monthly income or a line of credit.

If you have a topic that you would like to hear about or ideas that you think our other clients could benefit from, please let me know. You can reach me at (541) 471-1900 or by email at davidp@redwoodfs.com.

Have a great summer!

Homebuyer Tax Credit Extended

It has almost passed all the channels necessary. The President still has to sign it, but it looks like the extension will be until September 30th. Read on to see what the IRS has to say.

In the IRS' own words, (I clipped this from their website):

For qualifying purchases in 2010, you have the option of claiming the credit on either your 2009 or 2010 return.

Deadlines:

You must meet the required deadlines to be eligible to claim the credit. For other information on eligibility requirements, see our questions and answers.

You must have bought — or entered into a binding contract to buy — a principal residence on or before April 30, 2010.

If you entered into a binding con-

tract by April 30, 2010, you must close (go to settlement) on the home on or before Sept. 30, 2010 (recent legislation extended the June 30 deadline previously in effect).

So, if you are in a contract and can close before Sept 30th, you have a chance of getting the home buyer tax credit. If there is anything we can do to help, just let us know.

Market Update

	2010 YTD	2009
Highest Price Sold	\$1,200,000	\$1,535,000
Lowest Price Sold	\$20,000	\$47,900
Ave. Sales Price	\$202,365	\$217,859
Median Sales Price	\$130,000	\$185,000
Ave. Days on Market	137	127
# of Homes Sold	407	793
Total \$ Sold	\$82,362,392	\$172,762,369



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Purchase Tips

Today's tip addresses using your credit after you apply for a loan. What we commonly see is someone getting excited about the fact they are buying a home, and they tend to go out and do some celebratory spending. I am not talking about going to dinner. I am talking about buying all new appliances and charging them. I have even seen some go out and buy a new car.

Here is the problem: Once you are approved, you are approved at the snapshot moment when your credit was pulled. Your debt ratio is factored off your current income and debts. If you go out and open a

Sears account and spend some credit, you have changed your snapshot and could stand to be denied. Any change in credit gives the lenders the ability to deny your loan. This also applies to existing credit. If you had \$5000 available



on a card, and you spend \$2500 on "happy spending", your minimum payments have changed. This means your debt ratio went higher and now requires a new approval. You might wonder how they will know if you are already approved. The lender will almost assuredly pull a new credit report just before they send out loan docs to be signed. If it has changed, you put your deal in jeopardy.

The best advice I can give you is: just don't purchase anything until your loan is closed and you have the keys to your new home. Normal monthly expenses are excluded from this statement, but it does include spending your savings. That will deplete your reserves, and that is a concern to a lender. If you need to spend on something that is "extra", whether it is credit or cash, just take a moment to call your loan officer and see if it will have any impact on your deal.

FREE

TOP 3 ONLINE FREEBIES

1. SEARCH MLS

See what is on the market the same way Realtors do!

2. FORECLOSURE LIST

Want to see the best deals? Get our foreclosure list.

3. MARKET ANALYSIS

Curious on how much your home is worth? We will do a custom market analysis on your home, at no cost.

Bonus Savings

Our reverse mortgages now do not have a servicing fee on the average loan. This saves you a lot of money. Additionally, the fixed rate has dropped to an all time low. What this means to you is additional cash is available. On the average home it could mean as much as \$5,000 to \$7,500 more money to you, not to mention no more \$30 a month fee.

We also have a no origination fee offer. This can save you as much as \$6,000.

Want more information? Just pick up the phone and call your loan officer at (541) 471-1900 or toll free at (877) 339-6633.

No Cost Refinance

Is a no cost refinance free? Yes and no. Typically, a no cost refinance would be a loan that does not cost the borrower any money out of pocket or add to the current loan balance. So it does not cost the borrower any money per se, but it does cost in another way: interest rate. Here's how it works: By increasing the interest rate, the lender credits the borrower back for the higher rate. This credit is used to offset the closing cost, leaving a net result of a "no closing cost" loan.

How does this work for you? The advantage to a no closing cost loan is that if you can drop your rate even a small amount, it makes sense to refinance because it will drop your payment and not increase the amount owed. This can make it worthwhile to refinance even if you only drop the rate .125% (that's 1/8 of a percent). On a loan amount of \$250,000 that is almost a \$7,000 savings over the course of a 30 year loan, and it did not cost anything to do the loan.

Obama Refinance

Do you owe more than your house is worth? Many people fear that they can not refinance right now because the house will not appraise for enough to qualify. We may have a program for you that will allow you to refinance even if you owe up to 105% of the value. This program has even more than that to offer. It also has reduced income and credit requirements. Here's the catch: your current loan must be a Fannie Mae or Freddie Mac loan without mortgage insurance. It only takes a few minutes to check your loan to see if it qualifies for this special program. So give your loan consultant a call today, and be sure to ask about our no closing cost Obama refinance.