

# Homebuying, Refinancing; The Rules of the Game

Should you buy a home now? Refinance now? Sit tight or move forward? Even when rates are rising, the rules of the game remain the same.

If you are thinking about buying a home or refinancing, you should consider the various options that are available, assess your lifestyle and financial situation, and then choose the plan that best suits your needs.

In order to make the process of buying or refinancing a house more affordable and more convenient, here are some helpful hints to keep in mind as you make your decisions.

**SEEK PROFESSIONAL ADVICE.** Although friends and neighbors are helpful, the best source of information is a full-time mortgage originator at your local branch bank.

**COME PREPARED.** Walking into a bank fully prepared when applying for a loan will help expedite and simplify the application process. You'll need recent pay check stubs, the past two years' tax

returns with W-2s, the previous two months' bank statements, a list of creditors and account numbers, and the names, addresses and phone numbers of previous landlords.

**EXPLORE ALL THE ALTERNATIVES.** When talking to a lender, inquire about all the different programs that are now available through your bank. Consider the following types of loan programs:

1. **Adjustable Rate Mortgages.** For first-time homebuyers or those who do not plan to stay in their home for more than five years, an adjustable rate mortgage (ARM) is worth consideration. ARMs offer customers one, three or five years of a lower interest rate. Typically, an ARM has the potential to increase up to 2 percent a year thereafter, but can increase no more than 6 percent over the life of the mortgage. Many ARMs can also be converted into fixed-rate mortgages in the future; however, there may be conversion fees and certain requalifying terms.

2. **Balloon Mortgages.** Carefully consider balloon mortgages as another alternative to help

combat rising interest rates. This type of mortgage also carries lower interest rates than a 30-year fixed loan. The borrower pays periodic installments of principal and interest that do not fully amortize the loan. The balance of a balloon mortgage is due in a lump sum at the end of the term, which may be five or seven years. Some have refinance options at the end of the five- or seven-year term.

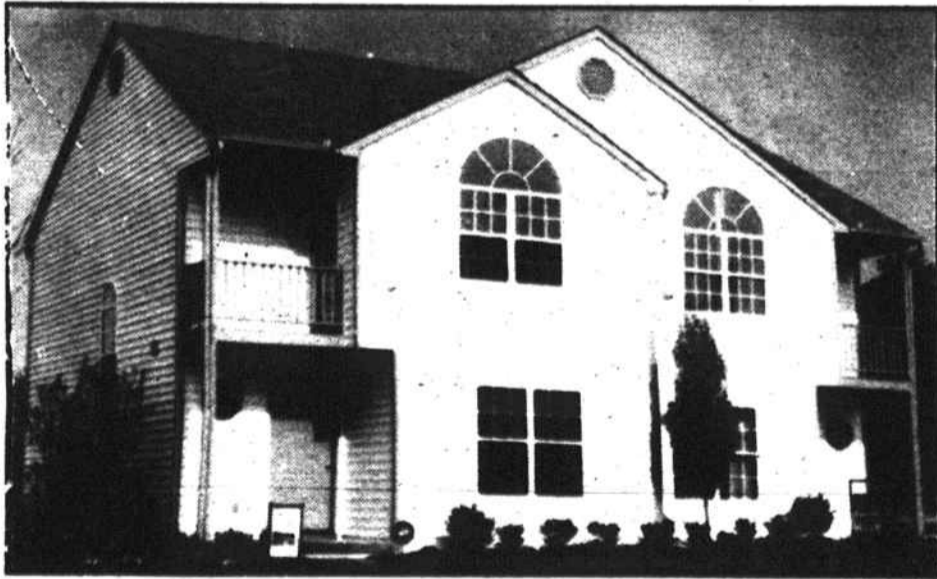
3. **Affordable Rate Mortgages.** You should also be aware of several affordable mortgage programs available to buyers with low to moderate incomes. Ask your bank about its affordable mortgage products or contact the Federal Housing Administration (FHA) or Veterans Administration (VA) for information regarding qualifications.

**REFINANCING.** Refinancing may still save you a significant amount of money if you plan to stay in your house for more than two years. If you can obtain a difference of 1.5 percent in your monthly interest rate, refinancing is worth serious

consideration. The average length of recovery in costs ranges from 18 to 36 months. Refinancing is also a good idea for borrowers who wish to consolidate their debts or pay off an equity loan. Consider an adjustable rate mortgage as an option—and get an even lower interest rate, thus saving you more money on a monthly basis.

**THE RIGHT DECISION FOR YOU.** The current fluctuation in markets and general economic jitters may cause potential borrowers to be skeptical about making major investments. Buying or refinancing a home is an important decision that requires careful consideration and research. But, if you get the right information and thoroughly discuss your options with a mortgage expert, you should be able to choose a mortgage product that is attractive, affordable and right for you.

— *Jane Bodenhamer,*  
Assistant Vice President and  
Mortgage Specialist,  
First Union National Bank



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