

## **PROTECT YOURSELF FROM COVID-19: REFINANCE YOUR HOME MORTGAGE**

By, Patrick Burgan



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Stop me if you heard this before: the growing threat of coronavirus spawned a sickness to the stock market that had it looking for its own vaccine to stop the bleeding. Sound familiar?

In my last article, I shared with you reasons how refinancing your home can help you mitigate the losses the stock market is delivering to all of us. However, in the wake of the beginning of what will be a very long and uncertain time combating this virus, refinancing your home now yields more than just dividends to stop the bleeding from the stock market. It may be the one thing you can do to help deliver financial peace of mind to help you stay afloat as COVID-19 begins to infect more than just our bodies.

### **LOW(ER) RATES ARE A GOOD THING**

The Fed cut rates AGAIN! This means interest rates are even lower than they were two weeks ago! If you are still trying to figure out if it is a good idea to refinance your home, let me remind you of a good rule of thumb in deciding when to investigate refinancing your home: if you can decrease your rate by at least 2%, it is a no brainer! In today's competitive environment and infectious environment where people are worried about being laid off and forced to collect unemployment, experts suggest a 1% savings is enough of an incentive to refinance your home. With interest rates on a 30-year mortgage currently averaging 3.375%, you can not only increase the rate at which you build equity in your house, but also lower your monthly payment to save. For example, let's say you bought a \$200,000 home at 5.25% over a 30-year mortgage. If you refinance that home at 3.375%, you lower your payment by almost \$300 per month, saving you \$80,000 over the course of the 30-year mortgage in interest!

### **SHORT TERM PAIN FOR LONG TERM GAIN**

Social distancing is something that may impede on our short-term freedoms but, in the long term, the actions we take over the next few weeks will pay dividends in getting us back to our normal ways of living. The same is true when you take advantage of aggressive interest rates to shorten the term of your loan. While traditional mortgages are 30-years in length, more and more people are switching to 15-year mortgages due to the low rates. While switching to a 15-year mortgage will bring little to no change to your current monthly payment, it does decrease the amount of time you have to wait to owning your home outright and not having a house payment.

### **BE A HOARDER (OF YOUR CASH)**

In this time, no one knows what is going to happen. Employers and businesses are being forced to close, putting more and more people, both hourly and salaried, out of work for a short time period. While the government is providing opportunities to help everyone get through this, refinancing your home can add

more money to your pocket by saving you cash that could be needed. Banks are also looking for ways to help people in need right now. Another way refinancing your mortgage can help ease the tension from a volatile time is by providing freeing up equity in your house that can be used for a Line of Credit or Home Equity Loan, should you need assistance over the next few months paying bills or healthcare costs that may arise.

As we watch every day the changes our entire world is going through to combat this virus, we are reminded of the volatile nature our economy, investments and finances are always in. While no one can predict the future or the trends of how the market will perform, taking advantage of elements such as low interest rates on home loans is a way to give you flexibility and comfort knowing you have a few more dollars under your mattress in case of a rainy day. Refinancing your home is one of the best ways to provide financial peace of mind in this unprecedented time we are all going through. Don't say I didn't tell you so....twice.

*Patrick Burgan is the 2020 President of the Youngstown Columbiana Association of REALTORS®*