A Message from the President of the Youngstown Columbiana Association of REALTORS®
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A MARKET DROP MEANS ITS TIME TO REFINANCE YOUR HOME

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The temperatures weren't the only things that dropped this past week. The growing threat of coronavirus spawned a sickness to the stock market that had it looking for its own vaccine to stop the bleeding. The three major indexes posted their worst percentage drops over a one-week period since the financial crisis in October of 2008. How bad was the stock market last week?

The DOW dropped 12.4%, and if that wasn't bad enough, it saw it's worst one-day point drop in history. The S&P dropped 11.5% and the Nasdaq fell 10.5% as well. Last week was definitely one of those weeks where your money would've been better going to the mattresses.

However, the darkest clouds always produce the brightest rainbows. While the market is rebounding this week, you may be wondering what you can do to get back some of what was lost. If you are a homeowner, one of the easiest solutions to help you deal with the volatility of the market can be found in refinancing your home.

LOW RATES ARE A GOOD THING
Interest rates continue to be at an all-time low for home buying. Historically, a good rule of thumb is to investigate refinancing if you can reduce your rate by at least 2%. Some lenders, especially in today's competitive environment, suggest a 1% savings is enough of an incentive to refinance your home. With interest rates on a 30-year mortgage currently at 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
Another way to take advantage of aggressive interest rates is 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.

GET A BIG BREAK (ON TAXES OR DEBT)
Another way refinancing your mortgage can help ease the tension from a volatile investment market is by providing you with a break on your taxes or by consolidating your debt. Interest you pay on you home is a tax deduction, as I highlighted in my January column about preparing for taxes. If you missed it, don't worry. We'll be talking more about this in April before Uncle Sam comes calling for his share of your pie. However, lower interest rates help homeowners with paying some of their bills and expenses. Many homeowners tap into the equity they have in their house to cover expenses, such as remodeling the home

or putting a kid through college. Refinancing adds value to the home that can then be used towards borrowing money against the home for other purposes. This is a very slippery slope, though, as it lends a false sense of security of financial security. Remember, you have to pay that back!

As we watch the markets rebound from last week's plunge, we are reminded of the volatile nature that is our investments. 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.

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