



RECORD LOW RATES: ONE OPPORTUNITY YOU DON'T WANT TO MISS!

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We've heard the financial news on CNBC, Fox Business and Bloomberg. Read it in the Wall Street Journal, Kiplinger and Barrons'... and listened to many of our friends relate their stories... and it's absolutely true: **MORTGAGE RATES HAVE NEVER BEEN LOWER!** What does that mean to each of us? We have an opportunity, now, to improve our financial situation with a strategy that will bring benefits for years to come.



For those who don't already own a home, but whose credit, income and assets qualify them to become home buyers, there has never been... and may never be a better time to buy. For those of us who DO already own our homes, and plan to keep them for two years or more, refinancing now to take advantage of what will likely be a temporary low point in interest rates makes more sense now than it ever has. It's a "win/win" situation that those in either of those groups should actively pursue, now.

Whether considering a home purchase or refinance, which loan products make the most sense? There is no one answer for all, but here are a few pointers. If the loan you seek is in the "conforming" range (in Oregon and SW Washington that means a loan that does not exceed \$417,000, the maximum

amount for "Fannie Mae" or "Freddie Mac" loans, supported by the federal government) and you plan to hold the property and the loan for three years or more, you'll almost certainly want a fixed rate, fully amortizing loan. These "plain vanilla" products are the most popular for good reason: they keep borrowers' payments down without the risk of the rising rates and payments that are associated with adjustable rate mortgages (ARMs). They allow you to afford your home, and sleep well, too. And that's a good thing!

As to the term of the fixed rate conforming loans, they range from 10 to 40 years, but the 15 year and 30 year mortgages remain the most common. They are also priced most favorably, since they are the products most often securitized by the agencies ("Fannie" and "Freddie"), and greater securitization = greater liquidity = lower rates. The shorter amortization period of the 15 year loans, lowering the bondholders' risk, causes those products to have even lower interest rates than the 30 year mortgages. But due to the shorter payback period, the amount of the monthly principal and interest (P&I) payment on the 15 year loan is higher. For example a \$400,000 30 year fixed rate loan at a note rate of 4.375% would have monthly P&I payments of \$1,997.14. That would compare with a 15 year loan at 3.875% with a \$2,933.76 P&I payment. Which is "best"? It depends on your own goal. If keeping your monthly cash flow low is most important, you would prefer the 30 year loan, saving you \$936.62/mo in outflow. But if reducing the interest you pay over the life of your loan was a higher priority, you'd opt for the 15 year. The sum of payments (180

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x \$2,933.76 versus 360 x \$1,977.14) would save you more than \$180,000 over the life of the loan, and could help you be debt-free sooner. If you are approaching retirement age, and hope to minimize monthly debt to get the most out of your retirement-period income, this could help.

So, if you're at an age around 50 – when retirement plans are being made – you may wish to switch from your current loan, refinancing to a conforming 15 year product. If your current loan is an ARM, that switch is particularly important, as you seek to lock in lower fixed rates while eliminating risk. And a switch from a 30 year fixed rate loan to a new 15 year note may save you money and prepare you for retirement with little squeeze on your current lifestyle. If your current loan was originally \$425,000 at 6.5% and your balance is now \$375,000, you could refinance at \$385,000 (rolling in your closing costs and impounds for taxes and insurance) on a new 15 year loan at 3.875%. Your P&I payment would only rise by \$136.95/mo, your payoff would be in 15 years, not 22, and you'd save nearly \$200,000 in interest over the life of the loans. Again, a good “win” and solid pre-retirement positioning.

Finally, is the fixed rate loan the best for everyone? Not necessarily. If you have a “Jumbo” loan (significantly higher than \$417,000), and plan to sell your home, move or payoff your mortgage in five to seven years, a Jumbo

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ARM may be your best solution. Since Jumbo rates have not dropped as low as conforming (because the federal government provides no support for Jumbo mortgage backed securities), the best Jumbo pricing is from “portfolio” investors – often major international banks – who prefer the investment timelines of the ARM products. These loans, like most favorably priced mortgages, are offered by strong, experienced mortgage brokers in your market. Rates on these loans

can be very low, consistent with the level of 15 year fixed rate conforming products, and are available with rates fixed for the first five or seven years. So, if that's your time-

line and your objective is lowering your monthly cash flow, those products may be the best bet for you.

So, where do you go to find the widest selection of different products that may meet your needs? To a well-respected mortgage broker with years of experience and multiple relationships that allow you access to the programs and rates of virtually all major banks and lenders. To find these brokers, ask your friends, or financial experts like those at The Partners Group, who are prepared to guide you on your road to financial success. The key is for you to take action, and do it NOW, while the opportunity to take advantage of the lowest mortgage rates EVER is still yours.

Tom Hendrickson, Oregon's 2009 “Mortgage Broker of the Year”, is the only lender to have served as President of both the Oregon Association of Mortgage Professionals and the Oregon Mortgage Lenders Association. He is the only active residential loan originator in Oregon to hold mortgage lending's highest professional designation: Master Certified Mortgage Banker. He is a preferred service provider to clients of The Partners Group.

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