



PersonalFinance: Good news for mortgage shoppers

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By Linda Stern

WASHINGTON Oct 7 (Reuters) - Don't look now but mortgage rates are really, really low -- practically at record low levels. Homeowners who still have adequate equity might want to jump on this and refinance one more time. Or start using their home equity line again. Or switch to a fixed-rate loan. Or give up on their plans to pay off their home quickly and stretch it out as long as possible.

It's all good news for homeowners (and would-be homeowners), especially because some new federal rules are kicking in which should provide some added protection to mortgage consumers. On October 1, the Federal Trade Commission started policing new regulations requiring more disclosures about rates and payment in mortgage ads. And in January, new rules requiring better, clearer closing cost estimates to into effect.

Here's what you need to know now if you want to jump on today's good rates.

-- They really are good. Typical rates listed on Bankrate.com this week are 5.1 percent for a 30-year fixed-rate loan, 4.58 percent for a 15-year fixed-rate loan, and 4.18 percent for a variable-rate loan. Some refinance rates and rates for borrowers with the best credit scores are even better. That means anyone with adequate home equity and cash flow should consider borrowing long, at fixed rates. Many economists see rising rates and inflation coming after the economy recovers; getting a lock on under 5 percent now may seem like very cheap money going forward.

-- Variable-rate loans are not a good bet, except in a few specific conditions. While their rates are extremely low right now, the prospects are good that those rates could rise and force higher minimum monthly payments down the road. A variable-rate loan might be a good choice for someone who is quite certain they will be selling their home before the rate starts to adjust, typically after the first five years. It might also be a reasonable choice for a pre-retiree who expects to put a lot of extra cash toward their principal over the next five years, so that the loan is effectively paid off before it starts to adjust.

-- Refinancing may make sense, and it may not. If you've already got a low-interest, fixed-rate loan and you are on track to pay it off in the next few years, you may never make back the closing costs with a refi. Or you may delay your "debt-free date" beyond when it's comfortable for you. Use an online calculator, such as the one at Mortgage-calc.com ([here](http://Mortgage-calc.com)) to see whether you'll pick up savings that are worthwhile.

-- It's easier to shop than it used to be. The first generation of online mortgage shopping websites were mainly mortgage brokers and had limited numbers of lenders behind them. The newer sites offer more mortgage choices and data while requiring less up front information from borrowers. You can get some very specific rate quotes (including closing cost and payment estimates) by checking Mortgage Marvel (www.mortgagemarvel.com) and Mortgage 101 (www.mortgage101.com/). Compare those rates with the ones you can get from the credit union you already belong to, the bank around the corner, and at least one large national lender.

-- Don't even try this if you don't have a good credit score. Lenders continue to be more picky than they used to be, and have generally raised standards for borrowers. If your credit history has been spotty, you may want to invest a few months in careful credit-card management to improve your history and your score. You can get your FICO score at www.myfico.com, for a fee. You can get a free approximation of your score at www.creditkarma.com.

-- Beware of the closing costs. Mortgage lenders are supposed to provide good faith estimates of costs including appraisal fees, title searches and the like that will be included in the full price of your loan, and to do that within three days of your loan application. But sometimes those prices change between the time you get that estimate and when you go to closing. After January, those good faith estimates will have to list charges by whether or not they can change, and by how much, between the estimate and the settlement. You may also be able to negotiate some of those items down, by choosing your own title search company or appraiser, for example.

-- Track payments. New advertising rules require lenders to offer borrowers the full payment stream they expect to be associated with the loan. That's good, for the long term. Many people got in serious mortgage trouble because they underestimated how much their monthly payments could go up when variable-rate loans readjusted. But the new rules also require lenders to base those future assumptions on current interest rates. In a falling rate environment, that would provide maximum protection to borrowers. But today, with rates at rock-bottom lows, those payment projections could be wildly understated. Buyer beware.

(editing by Gunna Dickson)

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