



LOS ANGELES COUNTY
**CONSUMER &
BUSINESS AFFAIRS**

Refinancing During A Pandemic



LOS ANGELES COUNTY
**CONSUMER &
BUSINESS AFFAIRS**

Our Mission

To promote a fair and vibrant marketplace, we serve consumers, businesses, and communities through education, advocacy, and complaint resolution.

**Serving Los Angeles
County Consumers and
Businesses since 1976**

Foreclosure Prevention Program

- ▶ Chelo Jovellanos, Foreclosure Prevention Counselor
cjovellanos@dcba.lacounty.gov
- ▶ Ani Davtian, Foreclosure Prevention Counselor
adavtian@dcba.lacounty.gov
- ▶ Contact DCBA:
homehelp@dcba.lacounty.gov
dcba.lacounty.gov
(800) 593-8222

Agenda

- What Is Refinancing
- Factors You Should Consider When Refinancing
- Types Of A Refinance
- Consequences Of A Refinance
- Refinance Scams
- Questions



What Is Refinancing?

Refinancing is the replacement of your existing debt or mortgage with another debt or mortgage under different (more favorable) terms.

Acquiring a new loan to pay off an existing lender.

Only loans paid off before their maturity date.

Why You Might Want To Refinance During COVID-19

- ▶ Could save you money
- ▶ Provide you with extra cash
- ▶ Consolidate debt including junior liens and unsecured debt
- ▶ Change your loan type (adjustable to fixed-rate)
- ▶ May be used to remove another person from the mortgage (divorce, etc.)
- ▶ Lower monthly mortgage payments
- ▶ Low interest rates now due to the COVID-19 Pandemic
- ▶ 3.03% as of October 30, 2020



Factors You Should Consider When Refinancing



Market Trends (including current interest rates)



Your personal financial health (credit score)



Use the [mortgage refinance calculator](#) to calculate the payment for the interest rate and compare rates offered (see example)



Review your current “loan conditions” (loan docs, mortgage statements - how much is left to refinance?, current equity or the market value of your home)



Consider possible loan fees and any prepayment penalties for the new loan



If the new loan results in at least a 1%, and preferably a 2% decrease in your interest rate, refinancing may be worth considering

Mortgage Calculator

Using an online mortgage calculator, enter:

1. The amount of your loan
2. The term (30-year note)
3. The interest rate

Calculate the payment for each interest rate.

The lower rate saves \$628/mo.

Lower interest rate and shorter time result in reducing interest paid over loan's life : \$98,399

	Current Mortgage	Refinanced Mortgage	Refinanced Mortgage in a shorter period
Mortgage Amount	\$200,000	\$200,000	\$200,000
Term	30 year	30 year	20 year
Interest Rate	8%	2.969% (11/2/2020)	2.969% (11/2/2020)
Monthly Payment	\$1,468	\$840	\$1,106
Monthly Savings		\$628	\$362

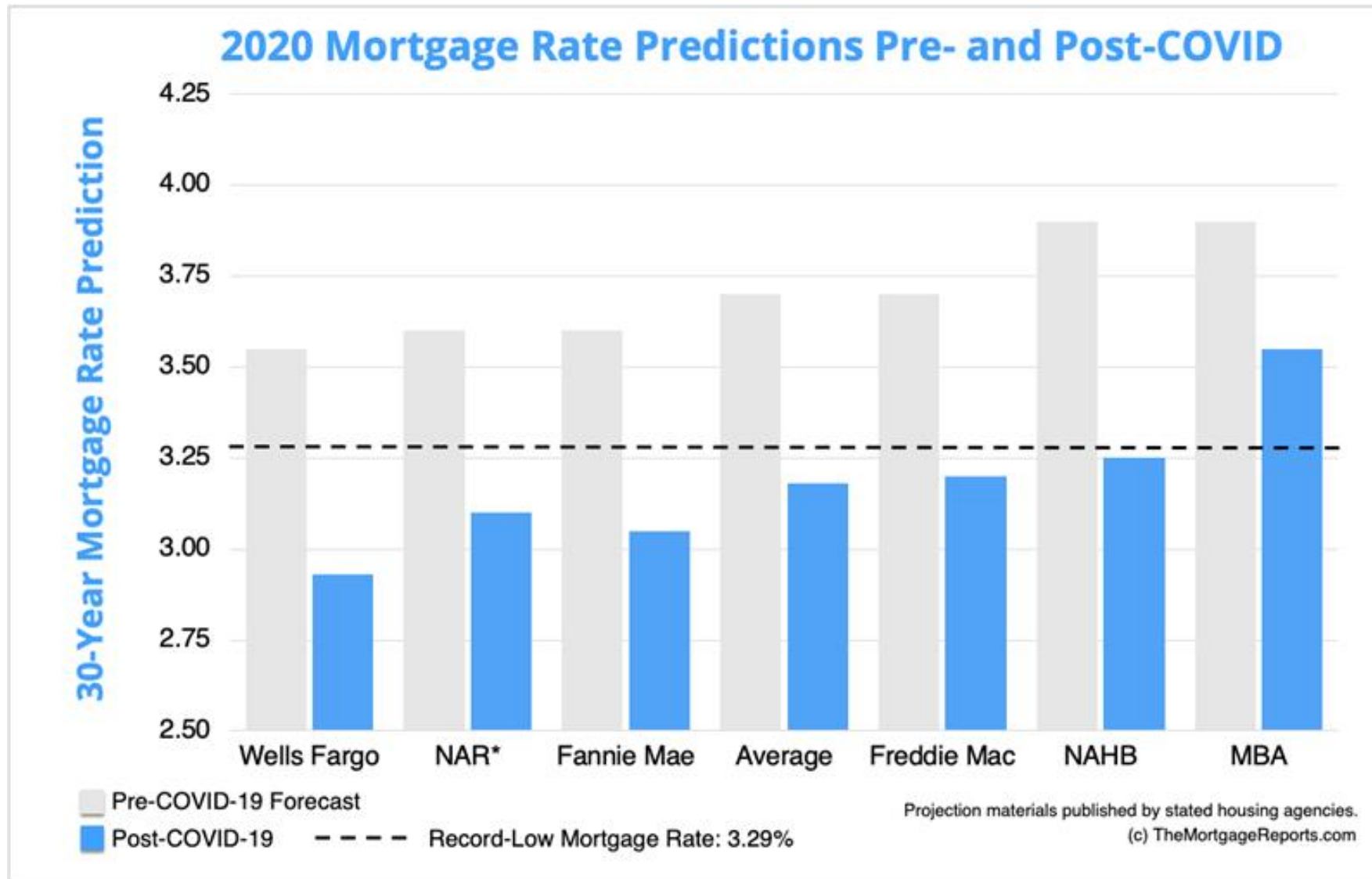
Refinancing for Different Property Types

Primary Residence	Secondary Residence	Investment Property
<ul style="list-style-type: none">• Lowest rate• Documentation to prove residence• Tax-deductible on mortgage-interest loans and mortgage insurance	<ul style="list-style-type: none">• Higher interest rate• Higher credit score to qualify• More requirements to qualify	<ul style="list-style-type: none">• Higher interest rate than for other properties due to higher risk the lender must take on• Most challenging to refinance• Guidelines to approve for refinancing are stricter

Shopping For A Refinance During A Pandemic

- ▶ At this time, rates are fluctuating quicker than usual
- ▶ Can be handled by two separate banks or by getting a new mortgage loan with the same lender
- ▶ Don't be afraid to shop around and compare each lender's current rates, availability and satisfaction scores





Agency	30-YR Mortgage Rate Prediction for Q3 & Q4 2020
Wells Fargo	2.93%
NAR	3.10%
Fannie Mae	3.05%
Average	3.18%
Freddie Mac	3.20%
NAHB	3.25%
MBA	3.55%

The Mortgage Reports:

<https://themortgagereports.com/65126/post-coronavirus-mortgage-rate-predictions-for-2020>

Starting Your Refinance: The Process

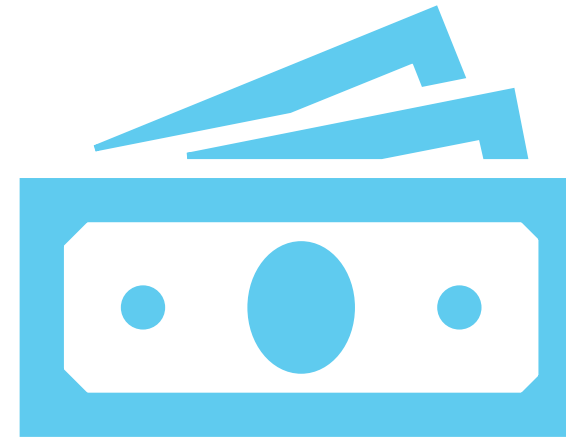
- ▶ **Application:** Some of the documents your lender might need include your:
 - Two most recent pay stubs
 - Two most recent W-2s
 - Two most recent bank statements
- ▶ **Locking In Your Interest Rate**
- ▶ **Underwriting**
- ▶ **Home Appraisal**
- ▶ **Closing on the New Loan (Escrow: Title Search, closing costs, disbursement of funds)**



What A Refinance May Cost You

Factors:

- ▶ Obtain quotes from multiple lenders
- ▶ Your home's value
- ▶ 2% - 3% payment expectation of the total value of the loan
- ▶ Fees
 - ▶ Discount points
 - ▶ Application fee
 - ▶ Attorney's fee (if in foreclosure)
 - ▶ Title search
 - ▶ Appraisal fee
 - ▶ Local fees
- ▶ In some cases, you can roll your closing costs into your loan



Discount (Mortgage) Points

- ▶ Fees to pay to reduce your mortgage interest rate and monthly payment
- ▶ Buying down the rate
- ▶ 1 discount point = 1% of the mortgage amount; lender typically cuts the interest rate by 0.25% → negotiable and depends on the lender, as mortgage rates fluctuate daily

How points change payments on a \$200,000 mortgage

Points	Cost of points	Principal and interest	Monthly savings and months to break even
0 points (5% interest rate)	\$0	\$1,073.64	
1 point to cut rate to 4.75%	\$2,000	\$1,043.29	Save \$30.35 a month; break even in 66 months
2 points to cut rate to 4.5%	\$4,000	\$1,013.37	Save \$60.27 a month; break even in 67 months

The Break-Even Point

- The time it will take to recoup the cash you used to refinance your loan

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Expenses:

Points	2	Cost of points	\$4,000
Application fee	\$500	Credit Check	\$25
Attorney's fee (yours)	\$25	Attorney's fee (lender)	\$350
Title search	\$50	Title Insurance	\$930
Appraisal fee	\$350	Inspections	\$100
Local fees (taxes, transfers)	500	Document preparation	\$250
Other	250	Total	\$7,330

Break-Even Point: $\$7,330 / \$628 = 12$ months or 1 year to break even

$\$7,330 / \$362 = 20$ months or 1 year and 8 months to break even

Types of Refinance Loans



Cash Out



Rate and Term



Consolidation



Home Equity Line Of Credit (HELOC)



Reverse Mortgage

Cash-Out Refinance Loan



BORROWING
MONEY FROM THE
EQUITY OF THE
HOUSE

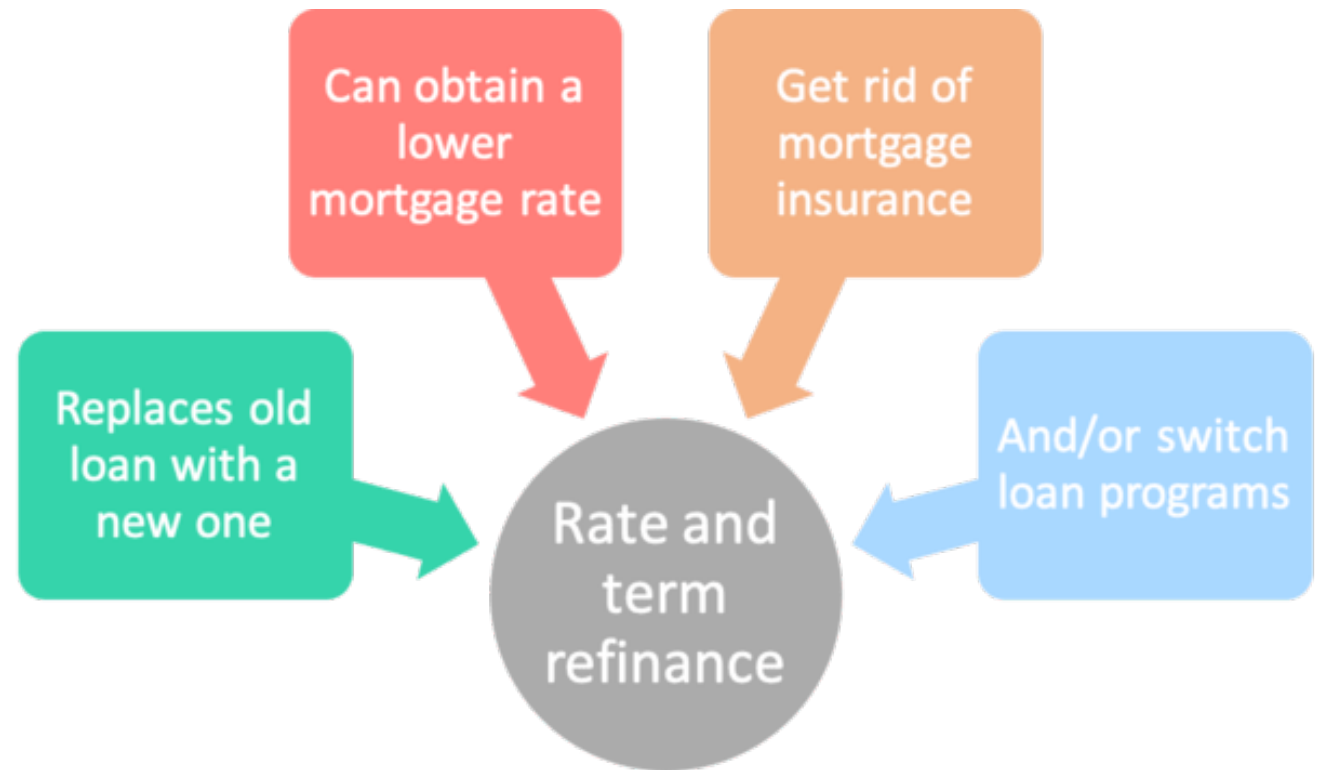


COMMON WHEN
THERE IS A RISE IN
THE EQUITY OF
YOUR HOME



Rate And Term Refinance Loan

- ▶ This type of refinancing is the most commonly used.
- ▶ This will pay off your loan with your current lender and allow you to pay a lesser amount with a lower interest rate.



Consolidation Refinance Loan

Consolidation refinancing involves taking out a new loan to pay off other loans.



Doing so will help the borrower pay off one loan instead of paying multiple loans.

Home Equity Line Of Credit (HELOC)

- ▶ A Home Equity Line Of Credit lets you borrow a fixed amount, secured by the equity in your home, and receive your money in one lump sum
- ▶ Your first mortgage can be refinanced with a HELOC
- ▶ Home equity loans have a fixed interest rate, fixed term and fixed monthly payment



Reverse Mortgage

A reverse mortgage is a mortgage loan, usually secured by a residential property, that enables the borrower to access the value of the property. To qualify,

- ▶ The borrower must be 62 years of age or older
- ▶ Must use home as principal residence
- ▶ Must either own the home or have a low mortgage balance
- ▶ Must not be delinquent on any federal debts



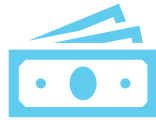
Consequences Of A Refinance



Restarts your mortgage clock



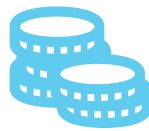
Extend the term of your mortgage



Requires good credit to get a lower rate



Running your credit will slightly lower your score



Could raise your monthly expenses



Could potentially owe more money



Refinance With Bad Credit

Less favorable
terms

Higher rates

Higher fees

Hard money
lenders



Refinance Scams

- ▶ Fake mortgage “relief” plans
(Mortgage Foreclosure Relief)
- ▶ Guaranteed rock-bottom mortgage
rates for a nominal fee
- ▶ Home Repair, Improvements and
Products Scam
- ▶ Debt Management Scam
- ▶ Identity Theft





Avoiding Scams And Getting Assistance

- ▶ Know the common scams
- ▶ Beware of upfront fees
- ▶ Beware of suspicious emails
- ▶ Contact your lender first about refinancing
- ▶ Research other lenders' information

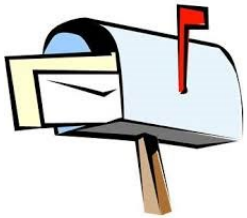


LOS ANGELES COUNTY
**CONSUMER &
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Contact

MAILING

Headquarters
500 W. Temple St. B-96
Los Angeles, CA 90012



BY PHONE

Consumer Services
(800) 593-8222



Multilingual Staff Available

Think you
have been a
victim of
fraud or
identity theft?

File

File a report with your local law enforcement agency

Commission

For the Federal Trade Commission

- File a complaint online
- Go Online: reportfraud.ftc.gov

Contact

Contact the local District Attorney's office

- 211 W Temple St. Suite 1200, Los Angeles, CA 90012
- Phone Number (213) 974-3501 Fax: (213) 974-1484

Regulatory Agencies

- ▶ Brokers- CA Department of Real Estate:
www.dre.ca.gov
- ▶ Finance Lenders, Banks or Credit Unions:
dfpi.ca.gov
- ▶ Federal Agencies - Office of the Comptroller of the Currency: occ.treas.gov
 - ▶ Federal Reserve: federalreserve.gov
 - ▶ Federal Deposit Insurance Corporation: fdic.gov
 - ▶ National Credit Union Administration: ncua.gov

