Refinance Boom Helps Homeowners
Low Interest Rates, Rising Home Values, Government Programs Lowering Mortgage Payments and Increasing Employment

By

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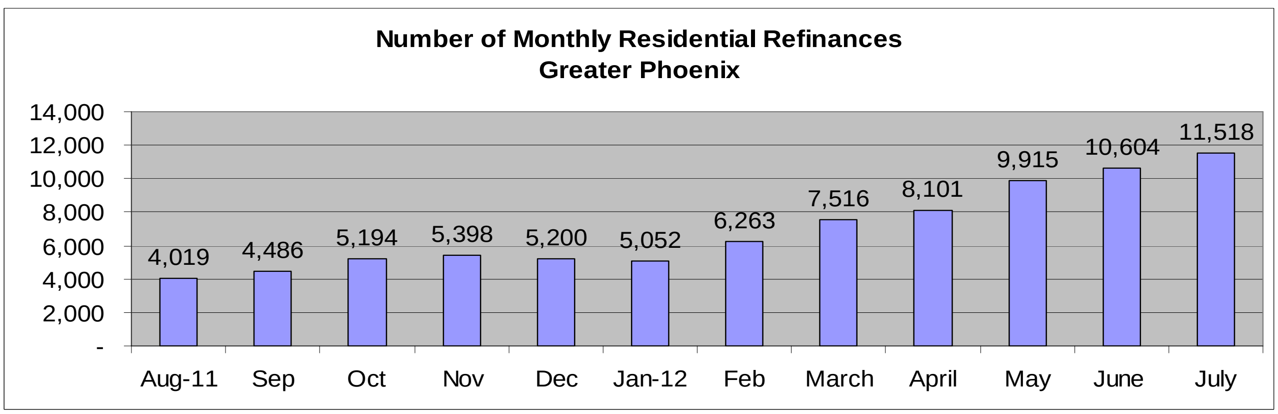
The refinance boom is lowering monthly mortgage payments for some homeowners by lowering their interest rates and is causing mortgage companies and title and escrow companies to hire more employees to meet the refinance demand.

Phoenix Business Journal reporter Kristena Hansen reports on the refinance boom.

http://www.bizjournals.com/phoenix/news/2012/08/30/phoenix-in-midst-of-mortgage-refinance.html?page=all

Number of Monthly Refinances in Greater Phoenix

Refinance closings have went up every month since January. July refinances were 11,518 or 128% higher than the 5,052 refinances in January. A refinance is when a borrower pays off their mortgage with a new mortgage.



Information from CoreLogic Marketrac analyzed by Fletcher Wilcox, Grand Canyon Title

A Wave of Refinances

Events leading to the recent boom in refinances is a combination of low mortgage rates going lower and home values going higher, at about the same time two government refinance programs kicked-in.

The Two Government Programs

The two government programs are the Home Affordable Refinance Program known as HARP and the FHA Short Refinance program often referred to as an FHA streamline refinance. The HARP program started in mid-March, but most mortgage companies had to work out details, so it didn't take off right away -- while mortgage companies were figuring out how HARP was to operate, interest rates continued to drop. The FHA streamline program started this June about a month before interest rates hit their all time low.

HARP allows some underwater homeowners to refinance into a new mortgage with a lower interest rate, therefore reducing their monthly mortgage payment. The requirements for HARP are the mortgage must be owned or guaranteed by Freddie Mac or Fannie Mae, the current loan-to-value (LTV) ratio must be greater than 80%. And the borrower must be current on the mortgage at the time of the refinance with a good payment history the last 12 months. Some lenders will have their own overlays or criteria which may be more stringent than the HARP guidelines. For more information on HARP go to Harp eligibility http://www.makinghomeaffordable.gov/programs/lower-rates/Pages/harp.aspx

The FHA streamline refinance lowers the upfront mortgage insurance premium and reduces the annual premium for certain FHA borrowers. The borrower must be current on their existing FHA insured mortgage. And the FHA insured mortgage had to be endorsed on or before May 31, 2009. The Department of Housing and Urban Development estimates that the reduction in mortgage insurance premiums along with current interest rates will save the average FHA borrower $3,000 per year or $250 per month. Some lenders will have their own overlays or criteria which may be more stringent than the HARP guidelines. For more information go to http://portal.hud.gov/hudportal/HUD?src=%2Fpress%2Fpress_releases_media_advisories%2F2012%2FHUDNo.12-045#.T1Z0-TkNnh4.email

Tim Potempa a loan officer with Nova Home Loans in Phoenix said he is seeing an average saving of $250 per month on FHA streamlines he is closing. He also has been refinancing FHA loans that were made after the May 31, 2009 cut off date, and he said he is seeing a reduction in the monthly payment between $100 and $150 per month.

Interest Rates

In July 2012 the interest rate for a thirty year fixed mortgage hit the all time low of 3.49 percent and the interest rate for a fifteen year fixed mortgage averaged 2.80 percent according to Freddie Mac. Last week Freddie Mac reported fixed mortgage interest rates went up for the fourth consecutive week http://freddiemac.mediaroom.com/index.php?s=12329&item=132108 Even with a tick up, thirty year fixed rates are not very far from their recent all time low. On August 23, they averaged 3.66 percent compared to 4.22 at this time last year. Fifteen year mortgages averaged 2.89 percent compared to 3.66 percent last year at this time.

Refinance Trends in Greater Phoenix: An Informal Survey of Refinance Closings

I called escrow officers at Grand Canyon Title Agency, Inc. and did an informal survey asking them what type of refinances are they closing. Grand Canyon Title has eighteen offices in Greater Phoenix and is number four in market share and is number one in market share amongst privately held companies. The results were lots and lots of HARP and FHA streamline refinances in addition to non-HARP and non-FHA refinances. What we are seeing on non-HARP and non-FHA or conventional refinances is a mixture. While many borrowers are refinancing from a thirty year fixed mortgage into another thirty year fixed mortgage some are not. One of our lender clients is closing loans with borrowers in which the borrowers are taking advantage of low interest rates refinancing into fifteen year fixed mortgages from a thirty year fixed mortgages. Some of these borrowers to improve their LTV have had to bring in cash anywhere from $10,000 to $30,000 in order to complete the refinance.

Some borrowers are refinancing into twenty year fixed mortgages. One borrower refinanced into a ten year fixed mortgage at 2.85%. While most of the refinances are fixed mortgages there are a few variable rate mortgages. The variable rate mortgages tend to be for higher loan amounts. And we have seen the comeback of some HELOCS. A HELOC is a home equity line of credit loan.

Some borrowers are reducing their monthly mortgage payments from $400 to $500 per month with one borrower saving $800 per month by refinancing from a 7.5 interest rate into a much lower rate.

Rising Property Values and a Cash Out Refinance One Year Later

With rising home values in Greater Phoenix there have been some cash out refinances. Robyn Robertson of Suburban Mortgage, Inc. in Scottsdale a year ago was checking home values for a client that wanted to refinance. Her client purchased the home in 2009 with a twenty percent down payment. A year ago the value of the home was the amount of the loan, so they could not refinance. Over the last year Robertson would research the value of her client's home. She saw the value starting to climb. Recently with the continued rise in home values in Greater Phoenix the client refinanced with a lower interest rate and took out a higher loan amount pulling out $20,000 for a home upgrade. Even with the new higher loan amount the decrease in the interest rate made the client's monthly mortgage payment less than before. Robertson said she is seeing people who could not qualify, now qualifying.

More Refinances, More Demand for Skilled Workers

The doubling of refinance closings since January has caused many mortgage companies and title and escrow companies to increase their hiring. April Miller of Advantage Staffing in Phoenix specializes in staffing for mortgage and title and escrow industries. She said she cannot find enough qualified people to meet the demand. She said compared to last year at this time the need for mortgage and escrow personnel is the difference between night and day. Joe DiGiovanni of Corporate Job Bank in Tempe, AZ said two years ago the demand for mortgage employees in their direct placement business was two or three people per month. Today it is between 12-15 people.

Greater Phoenix is defined as the cities in Maricopa County, AZ.