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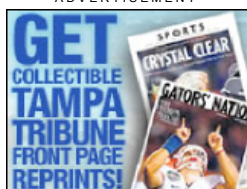


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Despite Rush To Refinance Mortgages, Many Don't Qualify

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By [SHANNON BEHNKEN](#) | The Tampa Tribune

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Melissa Morris knows that refinancing can sometimes save big bucks.

She refinanced two years ago to get out of a 14 percent adjustable-rate loan. She ended up with a 7 percent [fixed interest](#) rate and saved hundreds on her monthly mortgage payments.

Now, Morris is tempted to lock in rates, which most recently averaged 5.28 percent on a 30-year, fixed mortgage. With interest rates hovering near historical lows, she wonders whether she could get her payment even lower.

"I'm looking into it," she said. "Refinancing the first time worked out great."

Morris isn't the only one checking into refinancing. Refinance applications increased 15.8 percent in the past week, according to the Mortgage Banker's Association.

[Mortgage brokers](#) say curious homeowners are submitting applications to see whether they qualify for a low rate. Some [borrowers](#) are even snagging rates around 4.5 percent, plus points.

As interest rates slowly drop, more homeowners wonder whether they should refinance, too. Because rates aren't guaranteed to stay low, [financial experts](#) say it's wise for most homeowners to look into it. However, they caution, a lower rate isn't better for everyone and could actually end up costing some homeowners more money in the long run.

One big [sticking point](#) is qualification. In this credit-tightened market, homeowners need good credit, and at least some equity. In the Tampa-St. Petersburg area, homeowners lost about \$36 billion in [home value](#) in 2008, leaving many owing much more than their homes are worth.

Jane Floyd, of Diversified [Home Mortgage](#) in Tampa, said she can barely keep up with the refinance applications flowing into her office. She must turn most business away.

"Out of every 10 people I talk to, I can refinance about two," she said. "If a homeowner bought at the height of the market, they probably can't refinance now."

Most clients who don't qualify discover their current loan is already higher than the home's value. Others, Floyd said, can't document their income or don't have good enough credit.

As low as rates are, Floyd said, they've gone up some over the past few weeks and they fluctuate daily. In order to qualify for the best rate available a borrower needs a 740 credit score or higher

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available, a borrower needs a 17.75 percent credit score or higher.

Still, refinancing is a great option for some.

Mike Cosentino, one of Floyd's customers, recently refinanced and saved \$300 a month. He went from a fixed 6.25 percent interest rate to a 4.625 percent, 30-year fixed rate loan.

"That day — Dec. 17 — was the best rate I've seen," Floyd said, noting that Cosentino wasn't required to pay points, as some [borrowers](#) seeking ultra-low rates have.

He had to pay \$5,000 in closing costs, but he said it was still worth it because he intends to stay in the home long term.

"It loosens up the belt a little," Cosentino said. "And the best part is that it was so easy. Just a phone call to find out what I qualified for."

There's a quick way to figure out whether you should refinance, said Dan Serra, of Strategic Financial Planning in Plano, Texas. It's called a break-even analysis, he said, and is determined by taking the total closing costs for the refinancing and dividing it by the difference in the old and new payment.

For example, he said, a client recently refinanced out of a 5.6 percent rate to a 4.5 percent rate. The monthly payment went from \$1,865 to \$1,677 — a \$188 difference. The closing costs were \$6,700. Using the above formula, the homeowner would have to stay in the home 35 1/2 months to make up for the closings costs.

"It can be great and you can save some people a lot of money," Serra said. "It's still a little bit of a risk if you're not going to stay in the home. You have to consider not just the financials but the personal side as well."

Michael Isaacs, president and CEO of Residential Finance Corp., said the company's Tampa office has seen an influx of homeowners wanting to refinance out of adjustable-rate mortgages.

He said he advises anyone with an adjustable rate to lock into a low, fixed rate while they can.

"There's a lot of uncertainty about what will happen in the future," Isaacs said. "Also, a lot of people who qualify now might not qualify later."

Dale Vermillion, author of Navigating the Mortgage Maze, recommends consumers first figure out how much their home is worth. He suggests Web sites such as [www.cyberhomes.com](#) and [www.zillow.com](#). If you don't have equity, don't bother, he said.

Vermillion also recommends homeowners avoid refinancing for a longer loan term. For example, if you've been in your home five years and then refinance for a 30-year loan, you could end up paying more for the loan.

"The bottom line is that situation is the same," he said. "Homeowners should talk to their lenders and find out what the new payment and term would be."

Reporter Shannon Behnken can be reached at (813) 259-7804.

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