

To Refinance or Not To Refinance?

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While giving his son, Laertes, some fatherly advice in William Shakespeare's "Hamlet," Polonius makes it clear that he doesn't approve of spending beyond one's means. "Neither a borrower nor a lender be; For loan oft loses both itself and friend, And borrowing dulls the edge of husbandry," he cautions.

In today's world, however, it's difficult to avoid borrowing on credit altogether, particularly when buying a home. The good news for homeowners, though, is that average mortgage interest rates are lower than they have been in years, making now a prudent time to refinance a mortgage.

The latest figures from Bankrate.com show that as of December 16, 2011, the average national interest rate for a 30-year fixed-rate mortgage was 3.92 percent. That's nearly four percentage points lower than three years ago, when the average rate hit a high of 6.51 percent on July 23, 2008. Since that time, Federal Reserve policies have spurred a fairly steady decrease in interest rates. For people with the ability to borrow, these policies are aimed at helping them do so affordably.

In September 2010, I took advantage of the decline in rates by refinancing to a 30-year fixed-rate mortgage at 4.625 percent. Now that rates are even lower, I am currently refinancing to a 30-year fixed-rate mortgage at 3.875 percent. I'm sticking to my original payment schedule and using my interest rate savings to pay down principal. If you can afford to do the same, refinancing will reap even more savings for you.

Although interest rates don't appear to be rising anytime soon, nothing is set in stone, which may make now the best time to seize the opportunity to refinance. Even Polonius would probably agree it's a wise financial move.

