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Managing Your Mortgage

As recently as 2000, rates for a 30-year fixed mortgage hovered around 8 percent—good but not great. But in the past month, they've dipped below 6½ percent, and the 2001 rate average is projected to be the lowest since Nixon was in office. As a result, notes real-estate lawyer Eric P. Gonchar, New York homeowners are "going through a refinance craze." Eric Gotsch, of Chase Manhattan Mortgage Corporation, reports staggering national numbers: "In December 2000, we originated $1.7 billion in retail mortgages. Last month, it was $7 billion."

• **HOW LOW CAN THEY GO?** Just before Thanksgiving, when rates spiked up from 6½ percent to about 7¼, a lot of homeowners thought they'd missed the refinancing boat. But, says Melissa Cohn, CEO of the Manhattan Mortgage Company, that sudden spike was based largely "on retail-sales numbers, which were mostly car companies giving everything away with zero-percent financing. Otherwise, the economy's still sputtering." Once the market wises up, she says, "rates will probably settle down into the sixes. Somewhere in the middle is reality." But, Gonchar adds, you shouldn't lie awake worrying about a tenth of a point: "You gotta remember—when I started practicing in 1987, the rates were 14 percent."

• **SHOULD YOU REFINANCE?** Only if the rate's at least a full point lower than your own. You should also figure out how long it'll take to absorb the refinancing fees. If refinancing costs $2,000 and the new rate will save you $100 a month, it'll be twenty months before you see a real savings. If you expect to move within a couple of years, why bother?

• **NOT GOING ANYWHERE?** If you're expecting to be in your apartment for a long time, you probably want to refinance with a fixed-rate mortgage, to lock in the rates before they go back up. (And they will. Someday.) If you can handle the bigger payment for a fixed-rate mortgage, notes Richland Equity Resources' Richard Russell, it's a good bet for a big loan—over $500,000—because the rates are even lower, and the tax benefits work out in your favor.

• **GOT CASH?** If you can afford one, a short-term mortgage of three years or so can be had at under 6 percent. Home-equity loans are even cheaper (some are at 4½ percent right now), but they'll rise with the prime rate when the economy recovers.

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