

Time To Refinance Again!

This is getting ridiculous. Regular readers will recall I bought my home in Fall 2010 on a 15 year fixed mortgage at 3.625%. After taxes and inflation, that was basically free money for me. I did a [no-cost refinance](#) just 7 months ago into a 3.375% 15 year fixed loan with [Rate One Mortgage](#), who did my original loan. That was good for a couple hundred bucks a month in interest savings which would add up to thousands over the life of the loan.

Mortgage interest rates have continued to plummet this year. In fact, if you haven't refinanced yet this summer, you need to. I started into the process several weeks ago with [Utah Physician Home Loans](#), one of this blog's paid advertisers. I [interviewed Josh Mettle](#), Senior Loan Officer with Fairway Independent Mortgage who runs the website Utah Physician Home Loans, a few months ago for a blog post, so I knew he was a good guy who would treat me right. He sure did. I got a great rate and just had to cover the appraisal. I didn't even have to leave the comfort of my home to do this, well, except to go sign the closing documents at the title company. The loan application is online, all the supporting documentation can be scanned in and emailed or faxed, and they do the rest. The service was fantastic as well. Rates even dropped sharply while I was in the process and it looked like I was going to have to turn around and restart the process right after closing. Josh readily agreed to match the new going rate as well as the terms (cover the appraisal) I was being offered elsewhere, saving me additional thousands over the years. If you're in Utah, Arizona, Colorado, or California, I suggest you include them on your short list of lenders. My new loan is a 15 year fixed mortgage at 2.75%. With a 38% marginal tax rate, that's 1.7% after-tax. Given the [current inflation rate](#) of 1.66%, that's pretty much free money. If we return to the

historical inflation rate of around 3%, they're paying me to borrow money. It reminds me of the 0% student loan I took out in 1993 and paid off in 2010. I ended up borrowing \$5K in 1993 dollars, making no payments and accruing no interest for 17 years, and then paying back \$3K in 1993 dollars. It looks like this mortgage will be pretty similar, especially if inflation skyrockets. According to calculators on The Mortgage Professor, this refinance will save me \$9,339 in interest over 15 years and frees up \$187 in monthly cash flow.

Now granted, I'm a bit of serial refiner. I'm willing to go through the hassle just to save a few thousand dollars. You might not be willing to do that. However, if you haven't refinanced in a while, you could be in for quite a shock at just how much you could save. Conventional [30 year fixed mortgages](#) are going for around 3.3% and I even had a reader write in last week noting he got a 0% down "physician loan" for under 4% recently.

Consider a 30 year fixed mortgage you've been paying for 6 years at 6% that is now down to \$400K. If you refinanced that to another 30 year fixed you could lower payments by \$883 a month. Even if you still wanted to pay it off in just 24 more years you could still lower your payments by \$622 a month. In that scenario, you'd save \$179K over the next 24 years with this refinance. Depending on your current interest rate, this might be the best investment of a few hours of your time you'll ever make. I figure my refinance cost me 2 or 3 hours of time. If I could save \$179K, that would be like working for a rate of \$60,000 an hour. That's probably worth getting off your duff for. Physicians are quite appropriately worried about getting ripped off when they do financial tasks they don't fully understand. Unfortunately, worry sometimes causes them to not do the task at all. After recent rate drops, the biggest refinancing mistake is probably not doing the refinance at all.

