

**Family Living
Focus**

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Lancaster County**



**REFINANCE YOUR HOME
MORTGAGE**

Interest rates are low again. This may not be good for your savings account, but is good for your mortgage. This could be a good time to consider refinancing your home mortgage.

Before doing so, look at the numbers.

When you refinance your home mortgage, you may be required to pay points. Points are pre-paid interest. Each point represents one percent of the amount you are borrowing that is paid up front. Three points on a \$100,000 mortgage, for example, would be \$3,000. The more points you are willing to pay at closing time, the lower your interest rate will be. Points on refinancing are not deductible in the year you pay them, but must be spread equally over the number of the years of the mortgage.

There will be other costs associated with refinancing such as an application fee, title search, recording fee, and

appraisal fee. To make a comparison of whether you are better off refinancing, you need to determine what all these costs will be. Lenders are required by law to give you an estimate of closing costs when you apply for a loan.

The next question is how much longer do you plan to live in the house? If you anticipate moving within the next three years, it is doubtful you will recover the costs of refinancing. To save interest costs, consider putting the amount you would have paid for refinancing toward pre-paying the principal.

For refinancing to make sense, you need to have a lower interest rate. How much lower does it need to be? The old rule of thumb is two percentage points. Rules of thumb being what they are, it is still a good starting point, but most computer analyses indicate that a smaller margin will usually be advantageous.

Other reasons to refinance

are to change from a longer term mortgage to a shorter one. The lower interest rate may enable you to convert the remaining term of your 30-year mortgage to a 15-year-mortgage while keeping your monthly payment the same. This will enable you to pay off the mortgage much earlier saving you thousands of dollars in interest costs.

Conversely, you could refinance to a new 30-year mortgage. By extending the term, you will have lowered your monthly payment. You will pay

more in total interest costs over the life of your mortgage, but this will be offset in part by the new lower interest rate.

You can refinance to change from an adjustable rate to a fixed rate mortgage to gain the certainty of a level payment. This will probably result in a higher interest rate, however.

There are alternative to refinancing.

If your goal is to save on interest costs, consider pre-paying your mortgage. You can do so

at no additional cost and save thousands in reduced interest costs. An extra \$50 a month will reduce your principal by \$600 each year. If you are still in the early years of your mortgage, this may knock off several years of payments at the other end.

A home equity loan or line of credit allows you to borrow up to 80 percent of the value of the equity in your home. The interest rate for these will be higher than for refinancing. As with refinancing, there are costs involved in obtaining either of these. You can use the money for home improvements, financing your children's education, or for other purposes. Using it for a vacation, current spending, or other "non-investment" items, however, is not a good idea because you are putting your home at risk. The interest on the home equity loan or line of credit is tax deductible.

A second mortgage is another alternative. Interest rates are comparable to installment loans, but the interest you pay on the second mortgage is tax deductible. As with the home equity loan or a line of credit, the money is best used for investment purposes such as home improvements, education, or medical bills rather than current consumption.

Looking to refinancing as a way to solve a debt problem is not likely to work, but it will reduce the cost of the debt. After all, you cannot borrow your way out of debt.

Cook's Question

(Continued from Page B8)

ANSWER — L.A. Martin, Canandaigua, N.Y., wanted a recipe for seafood salad using imitation crab meat. Thanks to W.S. Furie, Frederick, Md., for sending a recipe.

Imitation Crab Meat Salad

- 1½ to 2 cups cooked or canned imitation crab meat
- ¼ teaspoon salt
- 1 stalk celery, finely chopped
- ½ cup mayonnaise or salad dressing
- 1 tablespoon lemon juice

Combine all ingredients in a bowl. Mix well; refrigerate. Serve plain or use to fill tomato shells, green pepper, pineapple halves or lettuce cups.

ANSWER — Here's a recipe for Greek Buyer Sauce from Sue McKinsey, Windsor.

Greek Buyer Sauce

- 1 pound ground beef
- ½ cup chopped onions
- 8-ounce can tomato sauce
- 6-ounce can tomato paste
- ½ cup chili sauce
- ¼ cup hot water
- 1 teaspoon salt
- 1 teaspoon cumin
- 1 tablespoon vinegar
- ½ teaspoon dry mustard

Brown beef and add onion. Cook about 5 minutes. Add remaining ingredients and simmer 20-25 minutes. Add chili powder if desired.

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