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12 to 18 months, there may be a mortgage rate drop on the horizon and I feel confident that I will help refinance most mortgages written this year in 12 to 18 months. If that is the case, it can make sense to commit to a lower initial interest rate that an ARM can provide while we wait on another refinance window to appear. ARM characteristics follow these general rules: 1) The payments are amortized over 30 years. 2) ARMs have a fixed interest rate for an introductory period after when they will adjust periodically. 3) The fixed interest rate periods are for 3, 5, 7, or 10 years. 4) The rate will adjust up or down the first time after the introductory fixed rate period. 5) The rate will adjust every 6 months or every 12 months after the introductory fixed rate period ends.

The reason to take out an ARM is to have a lower interest rate over the introductory fixed rate period. The risk of the rate increasing is less of a concern because rates will drop within that period to allow for a refinance or because the buyers' intention is to sell the property within that period. Currently some ARM products are as much as 1% lower in APR than the equivalent 30-year fixed loan product. I

strongly believe we will hit another refinance cycle in 12 to 18 months, but certainly within 2 to 3 years max.

Mortgage rates are cyclical and with such a steep increase in fixed mortgage rates over such a short period of time, what is going up will eventually come back down again. Since most conventional ARM products have no pre-payment penalty, refinancing an ARM is a viable strategy. Feel free to reach out to me if you want to see how an ARM can help you with your home purchase or mortgage refinance strategy.

*As always, your mortgage guy,  
Viral (Vic) Joshi  
Home of Real Mortgage Advice*

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**M**y mission is to help buyers qualify for the best loan available for their circumstance. I spend a generous amount of time with each client to educate them about how the mortgage industry works, through free "Mortgage 101" consultations, so they can make good decisions and get the best loan possible. I've revamped my website to give clients the best resources to supplement my consultations.

When I'm not doing loans, I'm an avid scuba diver and certified Rescue Diver. Eventually I'd like to become a dive instructor, so I can share the joys of this ocean sport with others.

I give back to the Monterey Bay Aquarium, Divers Alert Network (DAN), and the National Outdoor Leadership School (NOLS).



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# Vic's Mortgage Report

*"Home of REAL Mortgage Advice"*

## Rates Back to 2018

Hi Friends,

**M**ortgage rates keep rising at a very brisk pace. April 2022 saw mortgage interest rates rise up 2% higher than they were in December of 2021. This quick rise in rates has obvious consequences. Many potential home buyers are getting squeezed out of the market. Combined with the torrid pace of increasing home prices, still impacted by very low inventory, and it has become a real grind for regular, middle-class folks to get into this real estate market. Mortgage refinances are down 62% in April from the same time in 2021. According to the Mortgage Bankers Association, 30-year fixed mortgage rates went up to 5.13% by mid-April of this year. We haven't seen those rates since November 2018.

Don't be fooled by some of the recent headlines that housing inventory levels are starting to come back. The spring buying season always sees an increase in housing inventory from the prior, slower winter months. Low inventory is still causing a bidding nightmare for home buyers, especially those who need a mortgage to complete a home purchase. Here in the Bay Area the standard time to close has been between 15 and 21 days since 2003. We are finally seeing 21-day closings become more prevalent in Southern California as the competition for housing increases. Although mortgage applications for



home purchases are down month over year due to the rate increase, they are still rising on a weekly basis as we head into the spring buying season. Demand to purchase remains strong despite the higher rates, increasing home prices, and record low inventory.

I have started writing more ARMs (Adjustable-Rate Mortgages) in the recent months as rates on fixed rate mortgages continue to rise. With a possible recession coming in the next

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### Contents...

- **From the Inside...**  
"What is an Adjustable Rate Mortgage?"
- What Factors Determine Your Credit Score?
- Things to Consider If You Are Planning to Buy This Year!

**...And More Stuff Every Homeowner Should Know**