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funds as needed for the project, and being able to work with architects and contractors as part of the mortgage process. These products differ from taking a cash-out first mortgage refinance, because taking out the refinance requires a static loan amount that may or may not cover all of the foreseen and unforeseen costs of the renovation product. These renovation products also eliminate the need to do a second, rate and term/no cash-out refinance to reduce the interest rate after the project is complete. Cash-out refinances come with higher interest rates than rate and term refinances, so getting back to the lowest interest rate environment after the project is complete could require a second refinance loan for rate and term. A renovation loan comes in with one, low rate mortgage that fixes once the project is complete. The rates for these products are generally lower than that for a cash-out refinance.

Another product that exists to help people renovate their properties using the existing equity is a Home Equity Line of Credit, or HELOC, which is usually an adjustable rate line of credit secured to the equity in the property. Taking out an open-ended HELOC can be of benefit because the borrower only pays interest on the amount drawn over the course of the renovation project. The drawback is that once the project is complete, the borrower is left with a mortgage where the interest rate adjusts with the Prime Rate. Many times, the borrower will opt to refinance combining the existing first mortgage with the HELOC and then fixing the

rate on the entire balance. The problem with this path is that the refinance combining the two mortgages is considered a cash-out refinance because the HELOC was drawn after the purchase of the property. The cash-out designation again increases the interest rate when compared to the rate and term refinance. Renovation mortgages are not always available for every mortgage scenario and may not always provide for the best solution, especially because FHA 203K comes with mandatory mortgage insurance, but they may be worth looking into prior to doing a cash-out refinance or to taking out a HELOC.

With home equity levels continuing to rise all over California and the country as a whole, now may be a great time to tap the equity in your home and renovate your property. Feel free to contact me for a free consultation any time. I take calls in the evenings and over the weekends as well.

*As always, your loan guy,
Viral (Vic) Joshi*

P.S. If you want to get more timely market updates, I have a weekly newsletter that goes out via e-mail. E-mail me, **viral@vicjoshi.com**, so that I can put you on the mailing list.

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Vic's

Mortgage Report

"Home of Free Mortgage Consultation"

Viral (Vic) Joshi

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*Hello Friends,
M*ortgage
interest
rates hit the
lowest mark
of 2017 in
September
with a flight

to the bond market caused by the continued uncertainty over North Korea as well as the two massive hurricanes, Harvey and Irma. The Federal Reserve's rate decision is not set to be released until 9/20. I am writing this update on 9/18, but it appears that there is no hurry for the Fed to increase their target rate in September. Currently, there is a 40%-50% chance of a Fed rate hike in December. Mortgage refinance activity has been brisk due to the lower rate environment.

Recently, Fannie Mae released their home renovation loan, **Homestyle**, which is similar to the FHA 203K home renovation mortgage product. Both of these products are offered to help homeowners receive financing to renovate existing primary residences without having to take out a "cash-out" mortgage refinance or open a line of credit. The benefits of this product include repairing a property that is in disrepair, getting

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